ECONOMY, ENERGY AND FAIR WORK COMMITTEE
PUBLICLY OWNED ENERGY COMPANY INQUIRY
Scottish Publicly Owned Energy Company (POEC)
SUBMISSION FROM STUC

The STUC represents over 540,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace. Our affiliated organisations have interests in all sectors of the economy and our representative structures are constructed to take account of the specific views of women members, young members, black members, LGBT+ members, and disabled members, as well as retired and unemployed workers.

STUC affiliated Unions represent thousands of energy workers including offshore in the North Sea and onshore in the North Sea supply chain; in the distribution and electricity sectors; as well as in manufacturing, local government, agriculture, transport, oil, defence, power, construction and engineering.

The STUC is a member of the Just Transition Partnership, established by Friends of the Earth Scotland and the STUC in 2016. Membership includes Unite Scotland, UNISON Scotland, UCU Scotland, CWU Scotland, PCS Scotland and WWF Scotland. This response should be read in conjunction with the Just Transition Partnership response.

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

The STUC is supportive of a Scottish publicly owned energy company (POEC), however its role must not be limited to trying to address fuel poverty through retail supply. In order to be successful, a POEC’s remit must be expanded to promoting 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. That means the POEC must have a role in delivering energy efficiency measures and energy generation.

What role should it fulfil and how?

As outlined above, the role of the POEC 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.

Meeting these objectives will require significant investment. Yet, the dramatic falls in the rate of investment in low-carbon energy illustrate that the private sector is not providing the long-term, patient capital required.¹

¹ 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/617/61704.htm
Given the public sector can access capital at cheaper rates, it makes sense for public ownership models to concentrate activity in capital intensive activities. In practice that means the POEC must cover generation as well as supply.

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

The current system of privatisation has failed to deliver for people, businesses or our environment. Scotland needs security of energy supply, at an affordable cost, while meeting our climate change targets and transitioning to a low carbon economy. A well-resourced POEC could have a role in addressing the following challenges:

1. **Increasing low-carbon investment.** The current pace of investment in energy transition is simply not sufficient to meet Scotland’s climate change targets. There is a desperate need to increase investment in energy efficiency; new generation and storage technologies; sustainable heat and low-carbon transport.

2. **Addressing fuel poverty.** Scotland faces unacceptable levels of fuel poverty, high energy prices and irresponsible behaviour from the big energy suppliers. Having ownership concentrated in the hands of a small number of private companies, many headquartered outside the UK, leads to anti-competitive practices, lack of investment and slow decision making. Addressing fuel poverty must therefore mean addressing the current structure of ownership.

3. **Maximising social and economic benefit.** Over the last fifteen years, a number of Scottish Government reports have estimated tens of thousands of jobs will be created in renewables.\(^2\) While the data is poor, it is estimated that there are 7,500 direct and 8,000 indirect jobs in renewables.\(^3\) Where there has been growth – for example in wind generation – it has not been accompanied by an increase in manufacturing jobs. What’s more the low carbon jobs which have been created have often been poor quality, non-unionised and prone to the volatility of the market.\(^4\) It is crucial that the POEC should be linked to a Low-Carbon Industrial Strategy which creates jobs in supply chains, promotes opportunities for energy workers to transition from high carbon to low-carbon industries (on equivalent or better terms and conditions) and provides socio-economic benefit for post-industrial communities.

4. **Maintaining security of supply.** Following the early closure of Longannet, thermal capacity in Scotland is now provided by the nuclear stations at Hunterston B and Torness, and the gas station at Peterhead. The POEC could play a role in supporting technologies, such as combined heat and power plants and district heating, which increase Scotland’s energy security.

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\(^3\) ONS (January 2018) Low carbon and renewable energy economy final estimates’ [https://www.ons.gov.uk/economy/environmentalaccounts/datasets/lowcarbonandrenewableenergyeconomyfinalestimatesdataset](https://www.ons.gov.uk/economy/environmentalaccounts/datasets/lowcarbonandrenewableenergyeconomyfinalestimatesdataset)

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

Given the narrow margins in energy markets, in particular for electricity, it isn’t clear if a publicly owned retail supplier will either:

a) address fuel poverty for the large numbers of Scotland’s households in extreme fuel poverty and/or off the gas grid; or
b) be a long-term, financially sustainable proposition.

Providing energy efficiency measures to fuel poor households will therefore be just as important as offering marginally lower energy costs. The design of funding schemes and delivery of energy efficiency measures should therefore be an integral part of the offer to customers.

STUC affiliated Unions represent significant numbers of energy company customer relations staff. These workers understand that the energy system could benefit from more of a public service ethos, offering the best solutions for individual households and responding sensitively to those in financial difficulties through access to advice and support. Such an approach will be at the core of the drive to encourage switching to the POEC, particularly among those segments of the population with low switching rates.

Beyond energy efficiency, the POEC should support municipal energy companies and local generation, for example through the development of district heating (see answers below).

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

The POEC can only be properly aligned with wider energy policy objectives if it has a wider remit than currently seems to be proposed.

While the STUC does not agree with all of the Scottish Energy Strategy, there is much in the Strategy to be commended, including: improving the energy efficiency of Scotland’s homes, buildings, industrial processes and manufacturing; providing secure, resilient and flexible energy supplies; supporting innovative local energy systems and networks; and creating new jobs and supply chain opportunities in Scotland’s renewables sector.\(^5\)

The POEC should therefore aim to meet the key objectives of the Strategy, with its remit covering generation and distribution as well as retail operations.

It is also crucial that energy policy objectives align with other objectives such as the role of fair work in delivering inclusive economic growth. In this context, and with a new employee

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voice indicator within the National Performance Framework,\(^6\) consideration should be given to how collective bargaining coverage could be expanded within Scotland’s energy system.

With an appropriate remit, the Scottish National Investment Bank provides an opportunity to deliver finance to enable the POEC to achieve its objectives.

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

**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?**

It is crucial that the POEC is more than a licenced energy supply company and takes a direct role in energy generation. Scotland’s current privatised model is failing to provide sufficient levels of low-carbon investment, reduce fuel poverty, and maximise socio-economic benefit for workers and communities. Fundamental transformation is needed.

The POEC could play a role in this transformation by:

- Stimulating investment in offshore renewables, through a publicly-owned offshore renewables company. Currently 50% of UK offshore wind is owned by the public sector, mainly via Danish and Chinese publicly owned energy companies. A Scottish Offshore Renewables Company could play a role increasing deployment; providing co-financing; supporting innovation; and ensuring returns on investment;\(^7\)
- Supporting the development of district heating and renewable heat networks. These can play a significant part in achieving the policy objectives of the Scottish Energy Strategy – supporting decarbonisation; supporting supply chain jobs through local piping content; and benefiting industry through heat recovery. However, these networks will only take off at sufficient scale through public intervention and co-ordination. A National Energy Agency is needed for this purpose.
- Supporting municipal energy companies to reduce energy prices; promote energy efficiency measures and deliver clean, decarbonised generation;
- Supporting good quality manufacturing and supply-chain job opportunities. Over the last year, Scottish-based companies such as Bifab have struggled to win enough contracts to ensure sustainability. The POEC could have a crucial role in promoting the sustainability jobs critical to Scotland’s low-carbon economy.

**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?**

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While public ownership should improve public accountability and mean the POEC is not accountable to shareholders, a number of additional mechanisms should be put in place.

Lessons should be learned from the Norway model of oil development, whereby Statoil had a number of accountability mechanisms, including being required to present a report to Parliament.\(^8\) It may be that legislation is required to ensure a similar form of Parliamentary scrutiny and accountability.

Additionally, the POEC workers themselves should be fully empowered to hold management to account through appropriate employee voice and collective bargaining arrangements.

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