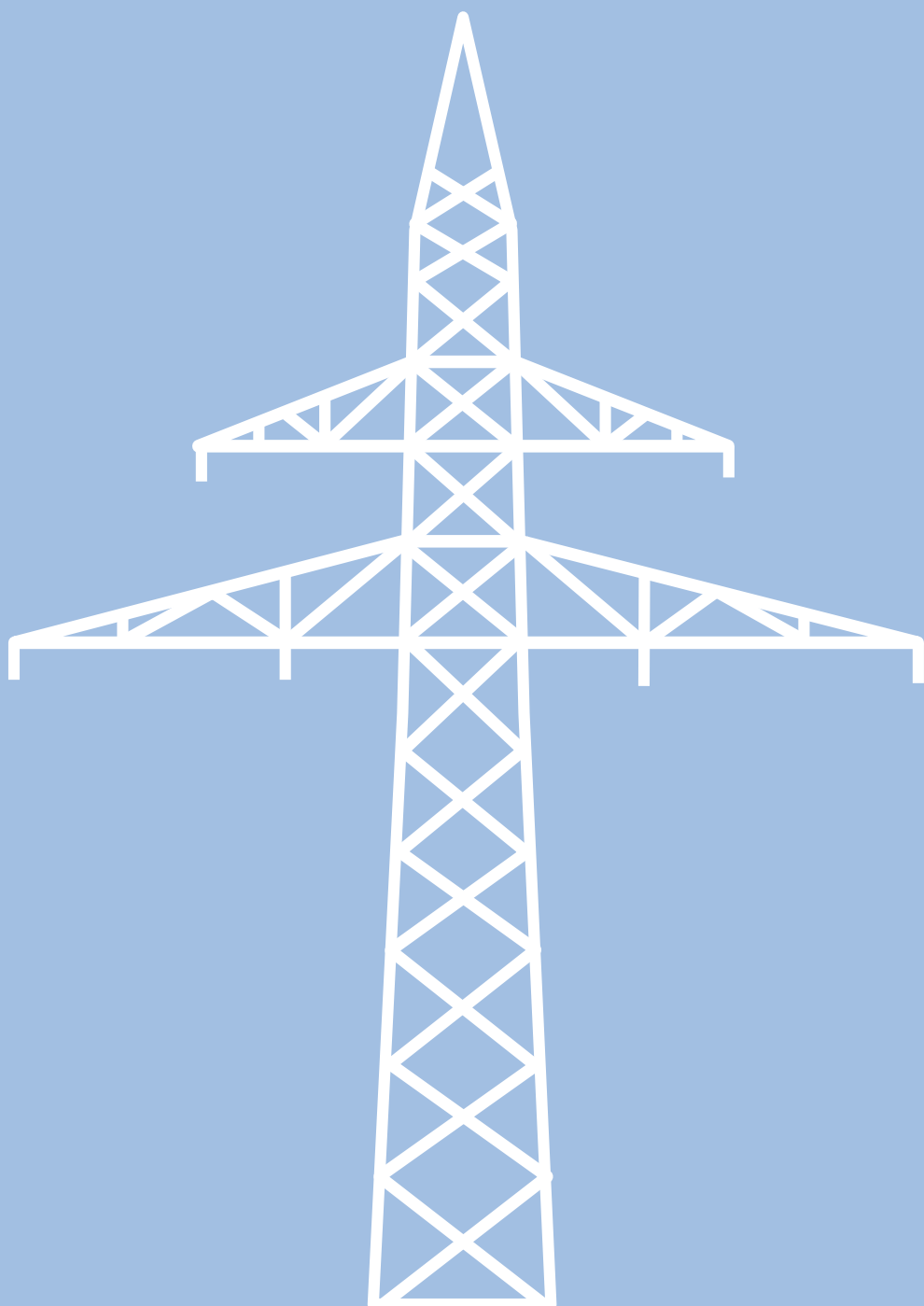


IT'S TIME TO TAKE OVER THE BIG ENERGY FIRMS

A contribution to the debate from the Fire Brigades Union





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INTRODUCTION

How can we solve the problems of climate change, eliminate fuel poverty and improve energy security? Most politicians look to the market for solutions – but these plainly do not work.

The climate crisis has been caused largely by around 100 companies, which between them produced nearly two-thirds of the greenhouse gas emissions generated since the dawn of the industrial age.

Fifty of those firms are privately-owned – mostly oil companies such as Chevron, Exxon, BP and Royal Dutch Shell and coal producers such as British Coal Corp, Peabody Energy and BHP Billiton. Some 31 of the companies are state-owned companies such as Saudi Aramco, Gazprom and Statoil. Nine were government-run industries, producing mainly coal in countries such as China, the former Soviet Union, North Korea and Poland.¹

Everyone knows that heating and lighting our homes are basic necessities – yet the price of doing so continues to spiral upwards across the globe. It's a disgrace that 25,000 people die of the cold every winter in the UK. Yet the government's own projections say that gas prices are likely to go up over the next decade. Poorer families spend more than high earning households as a proportion of their spending on energy bills. This fuel poverty is a blight on the lives of millions – and a damning indictment of the welfare system in this day and age.

The UK has some of the least energy efficient households in Europe. Refurbishing, modernising and rebuilding the housing stock would make sense for improving living standards, reducing carbon emissions and creating hundreds of thousands of jobs. However the rule of the market does not and will not provide the investment needed.

That's why public ownership and democratic control of our energy system is so important. It provides the answer to a whole series of intersecting problems faced by working class people today. Public ownership and workers' control makes the perpetrators of the energy crisis pay for the damage they have done, while giving democratic power back to those who produce this wealth and those who need it.

This is not a technical report on the energy industry. It broadly makes the case for public ownership of the major energy firms. It does not claim that this measure alone will resolve the crisis or shift economic power into the hands of the majority. Nor does it suggest that this or any single measure in the UK alone would resolve the challenges we face.

Working people need to set a different agenda. We need to debate these issues in our unions, in our workplaces, colleges and in our local communities. We also need to debate them with workers in other countries. We need to hear the voices of workers in the energy sector, who have the technical expertise as well as the professional knowledge of how to run these industries differently – and for the benefit of the majority.

That's why the Fire Brigades Union has produced this short pamphlet as a contribution to the debate about energy, climate change and the economic policies needed by workers. It follows our successful pamphlet on the banks. We hope it will be debated by our comrades in other unions and by other workers discussing the case for an alternative to the policies of the coalition government.

Matt Wrack
FBU general secretary

August 2014



1. NAKED PROFITEERING²

Anger and Incomprehension

In the autumn of 2013, the energy bills issued by the Big Six energy companies produced a wave of anger and incomprehension. This anger has only gathered strength since then. There seemed no justification for these hikes. Certainly the power giants arrogantly offered no excuse. They were putting up prices because they could get away with it.

The furore about bills had been stoked by a remark by leader Ed Miliband at Labour Party Conference in 2013. He declared the energy market “broken” and promised that a future Labour government would freeze energy prices for twenty months. A price freeze is welcome, but the policy is inadequate on its own. Miliband’s intervention was significant because he rightly raised energy prices as a major contributor to the cost of living and therefore an important political issue.

The immediate answer of the energy bosses was to declare that a price freeze would cause “the lights to go off”. In other words they were so confident of their economic and political clout that they were prepared to threaten to blackmail a future democratically elected government.

The rises are not a one off event. The average UK dual fuel (gas and electricity) household bill is now £1,267. Bills will go up, we are told, every year for the next seventeen years. Households are threatened with £2,000 energy bills in the future. Energy bills went up faster in the UK than anywhere else in Europe from the beginning of 2011 to mid-2013, according to Eurostat. In the meantime workers’ wages have flatlined or fallen in real terms.³

In the furore about fuel prices, one voice has until recently been silent. This is Ofgem, the regulatory body appointed by parliament to hold the industry to account. In practice it has acted as a fig leaf for the profiteering of the energy firms. Recently Ofgem seems to have found its voice.

Earlier this year, Ofgem produced a report *State of the Market Assessment*, which reported on recent price and profit increases. Between 2009 and 2013: “Average dual fuel prices increased by 24% between 2009 and 2013. This compares to a consumer price index (CPI) inflation rate of 13.8% during the period.”

In fact prices are going up to boost profits. Ofgem reported that Earnings before Interest and Tax (profits to you and me) for the Big Six energy companies rose from £3.0bn to £3.7bn from 2009 to 2012.⁴ The *Financial Times* stated that Big Six profits soared by 73% from 2009 to 2012.⁵

No wonder energy bosses are said to be more hated than top bankers. A YouGov opinion poll showed that 68% of the public want the industry renationalised. They are right.⁶

All capitalist firms are in business to make money. The firms that dominate the energy market are just in a much better position to rip us all off than most. The energy market is dominated by the Big Six: British Gas, EDF, E.ON, Npower, Scottish Power and SSE. Together they provide 98% of UK gas and electricity needs. According to Ofgem, only 43% of the population trust them.⁷

The Big Six are expert at covering up their profiteering. Here are their usual excuses:

- They claim that the reason for rising fuel prices is increasing costs. Stephen Fitzpatrick of small supplier Ovo Energy exploded this myth. He explained to the House of Commons Select Committee on Energy that his company is buying gas for 7% less than two years ago.⁸
- The Big Six also argue that prices must rise so they can invest in the country’s energy future. But in reality they reveal the truth when tell their shareholders how much they have delivered in dividends.

Dividends, of course, are that part of the profits that don't get invested but flow straight out to the shareholders. Most of the profits made by the Big Six at our expense are paid out as dividends – a straight transfer from our pockets to theirs.

The Big Six

The energy industry is a classic case of oligopoly, defined in economic textbooks as 'few sellers'. If an industry is dominated by a handful of big firms they don't necessarily have to compete and in the process keep prices down. They may find it more profitable to collude. As a result prices, as Ed Miliband pointed out, go up like a rocket and come down like a feather.

How do they get away with it? One form of **profit-gouging** is by setting up a cartel, an organised conspiracy against the public. The most well-known example of a cartel in the world is the Organisation of Petroleum Exporting Countries (OPEC). Cartels are supposed to be illegal. In fact the authorities have been incredibly lax in supervising the energy industry.

We don't even have to assume that the Big Six are organised in a cartel. Another form of collusion is called price leadership. SSE started the process in the autumn of 2013 with an inflation-busting 8% price hike. Early in 2014 they announced their profits were up by 8.8%. Price leadership is exactly what we saw in 2013 when one firm after another announced inflation-busting rises in the price of gas and electricity.

The Ofgem report ticks off the features in the structure of the industry that make profit-gouging inevitable under private ownership, such as 'Unilateral market power/tacit co-ordination' and 'Barriers to entry and expansion and vertical integration'.

Nor do these monster price rises all go on investment, as the Big Six argue. Oxford energy economist Dieter Helm declares that, "The period since 1979 [during which time the industry was privatised] has, in consequence been one focussed on **sweating inherited assets**, not creating them."⁹

In other words an energy infrastructure was built up at the taxpayers' expense while gas and electricity were publicly-owned. Then the industry was given away and the new private owners just milked the assets for all they were worth at our expense.

As any reader of the personal finance pages of the papers knows, there are other firms beside the Big Six that can sell energy. Marks and Spencer seems to offer relatively good fuel deals, according to some reports. As everyone knows Marks and Spencer doesn't generate gas or electricity, the wholesale side of the business. Small firms can enter the distribution end of the energy market, the retail side.

Since the Big Six are making obscene super-profits, the new entrants can offer favourable prices and still survive in the industry for a while. But they have to buy their energy from the generators of gas and electricity. These firms are none other than the Big Six. The behemoths maintain their grip over the industry by controlling both energy generation and distribution. This vertical integration explains how the Big Six manage to salt away their profits out of public view.

How Much Profit?

One feature of a vertically integrated firm is that one part of the firm can invoice the next stage in the output chain more or less whatever it likes. The price is actually purely formal. After all it's part of the same firm. The practice of setting artificial prices for the maximum advantage of the firm is called transfer pricing. One well-known example is that of Amazon, which is registered in Luxemburg in order to minimise the tax it pays in the UK.

The Big Six use transfer pricing between their generating and distribution arms to conceal the true level of their profits.

Angela Knight, chief executive of Energy UK, was wheeled out as anger at rising bills mounted in 2013 to claim that the energy companies were working on margins of only 5%, and they need to pay for "extremely large" investments. This of course is what the industry lobbying body pays her to say. Knight has form. A former Tory MP, for five years she was head of the British Bankers' Association. She spent her time there defending fat cat City bonuses.

In fact 5% is not a bad return in any case. All the Big Six have to do is keep the lights on. That was never a problem when the industry was publicly-owned. Why do they need to make a profit of 5-6% just to do that when the supermarkets can make do on as little as 2-3%?

The Labour Party has done some research on the industry's claim of modest profits. Caroline Flint, shadow energy secretary said: "It's misleading for energy companies to pretend their profit margins are only 5% when that only refers to their profits on supplying energy... Their profits on generating energy are much more substantial and are often close to 20%."¹⁰ This is transfer pricing in action.

What about Knight's claim that the money was needed for investment? Ramsay Dunning, general manager of the independent Co-operative Energy called her "disingenuous" and the argument a "red herring". He said: "She is throwing mud into the water with that comment because the 4 to 5% number she is using is calculated **after** accounting for the cost of investment."¹¹

A second way the Big Six cover up the real level of profits is through their tariff structure, which seems deliberately intended to confuse customers.

Not only are the bills **opaque**, but the energy companies sometimes get them wrong – and the errors are so often in their favour. The Fuel Poverty Action Campaign group announced that the average error let the Big Six trouser an average £121 they weren't entitled to. If the results of the survey were generalised the firms would be making off with £650m a year of customers' money.

Spokesperson Clare Welton declared: "This daylight robbery disguised as sloppy service from energy companies is yet another blow to the idea that the Big Six, or any bodies that put profit before people's needs, are in any way suitable to be running our energy system."¹²

Spot on. The thievery and skulduggery of the Big Six would almost make a banker blush.



2. FROM PUBLIC SERVICE TO PRIVATE PROFIT

Before the Big Six

Gas generation was originally laid on by the local state. Nineteenth century capitalist politicians knew they couldn't have 50,000 firms all digging up the road to connect the gas and water supplied by competing firms to people's homes. They went for "gas and water socialism" a unified supply provided by local authorities.

The first utility company in the world was set up in 1812. It was a private company, but it was brought into being and licensed by the local state and its tariffs were carefully regulated. It seems nineteenth century politicians were more aware of the perils of monopoly profiteering than the present lot. This was all necessary infrastructure for capitalism to progress. Once houses were gas-lit people could buy all manner of things for their homes.

The same process is true for electricity. The first electricity generating firms were set up by local authorities, like the gas companies. This did not provide a cohesive national network. By the 1920s there were 70 generating stations in London alone. Some suppliers generated AC, some provided AC and DC and others just generated DC electricity. Chaos.

What was needed was centralisation from the state. The 1926 Electricity (Supply) Act set up the National Grid. To join the Grid, with its obvious advantages as the opportunity of selling more electricity, suppliers had to conform to the standards laid down. The Central Electricity Board bought electricity wholesale and established a national network. 432 sub-optimally small suppliers were closed down.

There was an urgent need for this transformation. The old pattern of industry, where factories operated their own steam engine, was in decline in favour of factories plugging in to electrical power to run assembly lines and machinery. Britain was lagging behind. As a result of this centralisation organised by the state, between 1929 and 1935 electricity generation rose by 70% in Britain compared with 20% worldwide.¹³

We have tried to show that the supply of gas and electrical energy naturally takes the form of a network, what is called in economic textbooks a natural monopoly. Capitalism is anarchic and capitalists instinctively compete against each other rather than working together in the common interest. The energy network had therefore to be brought into being and maintained by the state.

This efficiency was actually in the interests of capitalism as a whole. It was the most reasonable thing in the world for the 1945-51 Labour government to complete this rationalisation by bringing energy supply into public ownership.

Energy was then made available to every home. It was seen as a duty for the publicly-owned gas and electricity industry to make these advantages of civilisation and progress available to every citizen at an affordable price.

WHO OWNS THE BIG SIX?

British Gas

is a subsidiary of Centrica.

EdF

is owned by Électricité de France, which is majority-owned
by the French government.

Npower

is part of a German firm RWE.

E.on

(formerly Powergen)

is also part of a German-owned firm.

Scottish Power

is a subsidiary of the Spanish multinational Iberdrola.

SSE

(formerly Scottish and Southern Energy)

is headquartered in Scotland.

The National Grid plc is a privatised firm that made
£2.3bn last year from gas and electricity transmission.

The Privatisation Disaster

Privatisation was an attempt to introduce a market into a network where no market really existed or could exist, even before nationalisation. Consumers are invited to “choose”, as if molecules of gas or units of electricity supplied by British Gas are any different from that coming from SSE. There is only one gas pipe going into your home and one mains electricity cable. That is how it should be and must be. Privatisation replaced a publicly accountable natural monopoly, which passed over its profits to the benefit of the nation through reduced charges and taxes, with a privately-owned natural monopoly that only profited a handful of shareholders.

It was argued that as a result of privatisation the gas and electricity companies would compete with one another on price and bring bills down rather than colluding to rip off consumers. The advocates of privatisation were sadly deluded. There can be no competition and no real market in energy – only a permanent conspiracy to rob customers.

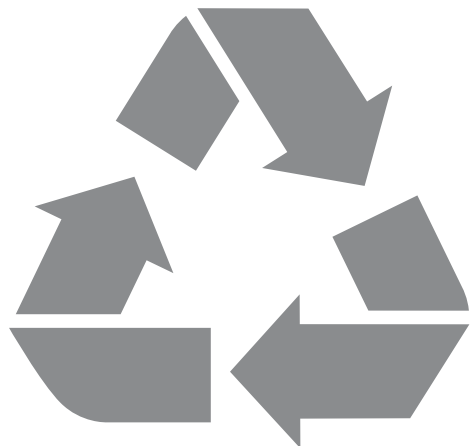
One feature of energy generation is that supply must be equal to demand at every point in time. This is not like a market where you run out to buy a pair of socks. When you plug the electric kettle in, you rightly expect to get the water boiling right away. That means there have to be reserves of energy available in case of surges of demand.

How can this happen? It happens because energy supply is planned. Energy consumption across the nation is actually quite predictable. Workers in the industry know the extra load on the system imposed by almost everyone starting to cook their Christmas dinner at around the same time.

Peak consumer demand in the year actually arrives at about 3.45pm on a Saturday in May. Many people settle down to watch the FA Cup Final and then pop out at half time to put on the kettle for a cup of tea. The planning and co-ordination mechanism of energy supply is being dismantled as privatisation works its logic through the industry. That poses the serious prospect that, one day, the lights won't all go on when we flick the switch.

Why was the energy industry privatised? Dieter Helm sees a strong political element in privatisation, arguing that a major factor in the policy was “managing the threat from the National Union of Mineworkers.”¹⁴

The privatisation of energy then was promoted by a combination of crazy right wing dogma and a determination to crush the miners, and the rest of the working class movement, whatever it might cost us as taxpayers and energy consumers. The consequences for working people have been catastrophic.



3. ANY ANSWERS

Opaque Price Structure

Both New Labour and the ConDem coalition have sought to get the public switching from supplier to supplier in order to wake up a dormant (actually dead) market, and inject competition into the industry. In doing so, they blame consumers for allowing themselves to be exploited by the Big Six.

In the past New Labour and now Tory and Liberal spokespersons have exhorted the public (including functionally blind 80 year olds) to get on the internet and find themselves a better deal. It seems not to have occurred to these politicians that, rather than allowing the Big Six to rip off the poorest and most vulnerable in our society, they have a duty to defend them against the exactions of the greedy firms they allowed to take over the supply of a basic necessity.

It is quite difficult and time-consuming to seek out a bargain when the tariff structure of the Big Six's bills is so opaque. There are 900 different rates, according to the Labour Party green paper.¹⁵ This is all part of the industry's strategy to make price comparison virtually impossible.

Stephen Fitzpatrick of independent Ovo Energy blew the whistle on this as well when he gave evidence before the House of Commons Select Committee on Energy. "The Big Six," he claimed, would give "Very complex, very clever, very confusing answers. You'll never get to the bottom of it... We are all trying to track where the money has gone, and you will never find it."

Loyalty to a supplier is seen by the big boys as stupidity, and an opportunity to impose greater financial burdens on their "legacy customers" "I can't explain any of these price rises," said Fitzpatrick. The Big Six "load the environmental and social obligations on to those customers who are less likely to leave. A lot of energy companies are charging the maximum price they feel they can get away with."¹⁶

On the other hand those who attempt to switch are tempted back by temporary good deals. Suddenly the money is there. Fitzpatrick went on to accuse British Gas of running a dedicated win-back team whose job was to call leaving customers and offer to cut their bills.

Is Competition Possible?

The energy industry inevitably tends to monopoly. Competition is structurally impossible. The Big Six have just taken over the territory of the publicly-owned Regional Electricity Boards.

The alternatives are therefore between a socially-owned industry run in the public interest and an irresponsible bunch of privateers ripping us all off. The first step in making the energy industry accountable is to take it out of the hands of the profiteers and into public ownership.

Some have argued that competition may be possible if all houses are metered. It is argued that people will be aware of how much energy they are using, giving them an incentive to economise. Metering is actually poverty rationing. It will not restrain the consumption of those who feel they can afford to waste energy, only the poorest. We reject it on those grounds.

Are Green Levies the Problem?

Apart from arrogantly demanding that we hand over more and more of our money to them, when the Big Six tried to make excuses for their exactions they complained that they were laden with 'green levies'. That is why our bills were going up.

At the beginning of 2014, under pressure from the Big Six, the government began to transfer these levies from energy bills to general taxation. For us this is a distinction without a difference, of course. We'll pay one way or another.

Is it true that green levies are a major reason bills were going up?

The so-called green levies are of two kinds. The first is the Energy Company Obligation (ECO). This is a levy of £58 a year (less than 5% of an average annual household bill). It goes to directly subsidise fuel poor households' bills and to install insulation. This levy is only necessary because of the extortionate demands of the Big Six, which are plunging millions into fuel poverty. In fact the Winter Fuel Allowance for pensioners is really a government subsidy for these profiteers.

The Big Six have taken more than £1bn from their customers for ECO but, according to Ofgem, have completed as little as 3% of the work. As a result they have twisted £1bn in surplus profit out of their customers. It seems ECO has worked so far to line the Big Six's pockets rather than keep the homes of the poor warm.

The coalition government transferred the levy to the taxpayer in 2014. Four of the Big Six kept their prices up and pocketed another £140m.

The second levy is to help pay for wind farms and other forms of renewable energy. This currently costs about £53 a year. It is a feature of renewable energy sources that the costs are generally front loaded. It may cost a lot of money to construct and assemble a wind turbine but from then on, apart from maintenance costs, we get a supply of virtually free electricity. It is typical of the penny-wise, pound-foolish attitude of the Tories who dominate the coalition government that they rant and rail against these costs rather than turning their fire on the Big Six.

Will Labour's Reform Programme Work?

In addition to the promise of a price freeze, the Labour Party has published a green paper outlining a ten point programme of quite drastic changes to the way the industry is organised to "mend" what Miliband calls a "broken" market.¹⁷ While these proposals are fairer (and popular) they do not go to the heart of the matter. Labour declares that it is "acutely clear" that privatisation has failed to deliver on the promise of a better deal for consumers, competitive prices and sustained investment. That is the problem. Dieter Helm concludes, "The electricity market is never going to be perfectly competitive. It is riddled with market failures."¹⁸

Labour proposes to ring-fence the wholesale and retail sides of the Big Six. What does this mean? Presumably the two sides of the business would have to issue separate financial reports. But they would still be part of the same firm. As vertically integrated firms they would retain the ability to conceal the extent of their profiteering. It is definitely in their interests to do so, and they have always shown great skill and energy fiddling their accounts in order to cover their tracks.

Labour advocates making wholesale dealing in energy more transparent. Generating firms would have to sell via the pool. This would benefit the independent suppliers, who find themselves blocked out through private deals between the big boys.

Labour promises to simplify the tariff structure designed to confuse customers.

Labour has concluded Ofgem is useless and needs replacing. According to Helm, Ofgem has launched 17 probes into the industry – without result.

Labour proposes an Energy Security Board. This is a welcome commitment to planning. We need security of supply, sustainability of output and affordability of energy. The present market structure provides none of these.

The question is whether the new Board will really be in charge, or whether the Big Six would carry on with their dirty tricks. The old adage that "you can't control what you don't own" is as true as ever.

Fuel Poverty

The consequence of excessive fuel bills and inadequate insulation of homes is that millions of people have to choose between heating and eating. They exist in fuel poverty.

The Energy Bill Revolution campaign has issued a report on the extent and causes of fuel poverty. It is called *'Energy efficiency and excess winter deaths: Comparing the UK and Sweden'*, reminding us that fuel poverty can be fatal. It begins as follows:

"David Cameron pledged in February 2013 that he wanted the UK to become 'the most energy efficient country in Europe'. However, at present the UK is the 'cold man of Europe', with very high levels of fuel poverty and poorly insulated homes."

The Energy Bill Revolution campaign compares the situation with that in Sweden, which lies further north. It concludes: "Compared to Sweden, the UK has a 23% higher rate of excess deaths in the winter despite the fact the UK has much milder winters than Sweden." In Britain excess winter deaths are 4.6% of all deaths (nearly one in twenty) compared with 3.8% in Sweden. The campaign attributes these excess winter deaths in the UK to inadequate insulation rather than higher energy prices, since our prices are actually a little lower than those in Sweden.¹⁹

These excess deaths in Britain can be directly laid at the door of the Big Six. The Fuel Poverty Action Group comments, "Although Centrica cares little for their customers freezing to death in their homes, they have shown commitment to their shareholders by recently handing back £420m to them... in their insatiable lust for profit."²⁰

Fuel poverty is part of the general poverty and inequality that scars our society. The European Commission Statistics on Income and Living Conditions survey of 2011 asked households whether they could afford to adequately heat their home. "6.5% of UK households said they cannot afford to keep their home warm. In contrast, in Sweden, the figure was only 1.6%."²¹

How many are fuel poor? The campaigners claim that more than five million are now in fuel poverty. This is based on the old definition of those who have to spend more than 10% of their income on energy for heating. A report in *The Telegraph* states that "the UK is second only to Estonia among European countries for the number of people struggling to pay their energy bills."²²

Whatever the true figure, something must be done about this scandal. That something must start with taking over the Big Six and running energy in the public interest.



FUEL POVERTY

All over the UK, working people worry about the multiple failures of the privately-owned energy industry. Londoners have overwhelmingly stated that the rising cost of energy bills is of huge concern to them. A London Assembly Labour report found that 85% of respondents said that they were most worried about the rising price of gas and electricity bills. In the past year, 68% said that they have cut back on heating in the face of high energy bills, 42% said that they have cut back on lighting and 41% have cut back on electrical equipment use.

The report quotes a pensioner from Hounslow: "I am old (77); I am worried sick about what our heating costs will be this coming winter. I have bought two fleece blankets and two hot water bottles, for my 73 year old husband, who is on a kidney disease register and myself in advance of winter. In our case it has to be eat, not heat, hence the blankets and bottles. Life at our age is becoming frightening."

In the same report, another person expresses their frustrations at the energy companies: "I do not feel that the energy market works in the consumers' interest at all; they work in the interest of their shareholders, their massive remuneration and their bonuses."²³

4. ENERGY AND THE ENVIRONMENT

The Environment Dimension

What do we care who is generating it and how it is being generated as long as the lights stay on? We have already shown that the consequence of delivering the industry into a bunch of profit-mongers is having disastrous effects on living standards, particularly among our poorest citizens.

But there are wider consequences, regarding the environment and the whole shape and future of our society that have to be taken into account. And, while the industry remains in private hands, we will not even be consulted about these vital matters.

There is no doubt that the transition to safe, sustainable generation of power to satisfy our needs is a complex question which requires in-depth planning and extensive discussion, popular involvement and debate.

All the same, burning non-renewable fuels, such as coal, oil and gas, leads to environmental pollution. The point about this pollution is that it is not paid for by the polluters, the energy generating firms. The clean-up costs are borne by society as a whole, but they are real and can be significant.

The second point is that burning non-renewables involves the consumption of fuel sources that can never be replaced. Whether or not we are approaching 'peak oil', the point at which fossil fuels will become more difficult to extract and progressively more expensive, is a moot point. But these resources cannot last forever.

That is not to say that all renewable sources of energy should automatically be supported. Constructing a dam, for instance, may well involve environmental problems of its own. The general thrust of policy however must be towards increasing the proportion of renewables we use for energy generation.

At present workers have no say whatsoever in where we get our energy from. Energy sources have evolved in an unplanned manner in response to private firms calculating what is most profitable to them in the short term, not what is in best interests of society in the long term. This must stop.

Decisions about energy sources and the distribution of energy affect our standard and quality of life. Until we own and control the energy generation and distribution industry these decisions will be taken completely behind our backs.

Climate Change and Energy Policy

Of the different sources for energy generation, natural gas, oil and coal can be burned in power stations to generate electricity. This causes carbon and other emissions. Coal is perceived as a 'dirtier' fuel than oil or gas because it creates more emissions. Despite this, coal is increasingly used to generate electricity in Britain. Since the Tories' wilful destruction of the mining industry, coal is nearly all imported.

Though the scientific arguments are complex, there is an overwhelming consensus that the world's climate is changing and that human economic activity is playing a part in this. The Stern Review produced by the UK government in 2006 is authoritative on this point. Its findings have been reinforced by the United Nations Intergovernmental Panel on Climate Change and the US government National Climate Assessment published in 2014. The main dissenting voice in the debate is the Global Climate Commission – financed by the hydrocarbon industry.

It has been powerfully argued that the principle threat to humanity's continued survival on earth is climate change, and that climate change is contributed to by carbon emissions and that of other greenhouse gases such as methane and nitrous oxide.

At present workers have no direct power to alter the conditions that cause climate change. Obviously climate change is a global problem, but a decisive step in reversing the process in any major industrial country would be a welcome start which would surely inspire others.

Fracking gives the possibility of acquiring gas from under the ground, fracturing rocks under pressure to recover gas deposits as is done in the USA. Pilot trials in Britain have already produced resistance from local residents all over the country on environmental grounds. Gas captured from fracking also emits greenhouse gases when burned. It is not a solution to the problem of climate change.

New nuclear reactors

At present Britain has a generation of elderly nuclear reactors that will have to be decommissioned in a few years' time. The government has panicked at the threat of the lights going out. If this happens it will be because power generation requirements should be planned, sometimes for decades ahead, but instead decisions have been left to the market.

The government has been in negotiation with EdF about building a new reactor at Hinkley Point in Somerset. In fact the coalition has left the decision so late that EdF in effect have them over a barrel. Ministers admit they have got themselves locked in to a deal till 2058.

They have undertaken to pay twice the current price of electricity, rising with inflation over the next 35 years. The current generating price of electricity is about £45 per Megawatt Hour (MwH). EdF is saying they need to be paid more than £90 per MwH. One City analyst commented, "The government surely can't be that dumb." But they're not bothered. After all, it's our money that they're wasting, not theirs.

Renewables and the Future

A firm commitment to more renewable energy is essential. Only renewable energy sources can provide future generations with the energy they need, in principle for ever.

Renewable energy from wind, wave, tide and solar power all have their problems at present. One reason for this is that there has been very little investment into alternative energy sources. Research in this area has been sadly neglected. Our society seems to have become addicted to burning carbon as an energy source.

Onshore wind farms have been criticised as unsightly. Perhaps that's true. Nobody asks us whether and where wind farms might be located. Workers must be involved as consumers in planning our energy future.

It is also true is that the present provision of each wind farm represents a huge subsidy to the landlords, usually very wealthy people, on whose land the wind turbines are sited. In a planned transition to more renewable energy, the necessary land for wind farms and other sources of renewable energy must be simply requisitioned for the time necessary with minimal compensation to the owners.

Governments in the US, Australia, Russia the EU and elsewhere routinely subsidise both nuclear power and fossil fuel production, often in the form of tax breaks and low royalties on exploring and developing fossil fuel reserves. The Overseas Development Institute reckons the UK subsidises carbon fuels at £2.6bn a year.²⁴

5. ENERGY FOR US

A Million Climate Jobs

One attempt to take the environmental problems seriously is the pamphlet *One million climate jobs*. This was published by the Campaign against Climate Change, with input and support provided by several trade unions. Its aim is to create new climate jobs while reducing noxious emissions.

The pamphlet recognises that huge quantities of energy are wasted. For instance, builders construct houses with inadequate insulation so they can make them cheaper. A green policy should be aimed not just at extending the use of renewable energy but of conserving the energy we do generate and using it effectively.

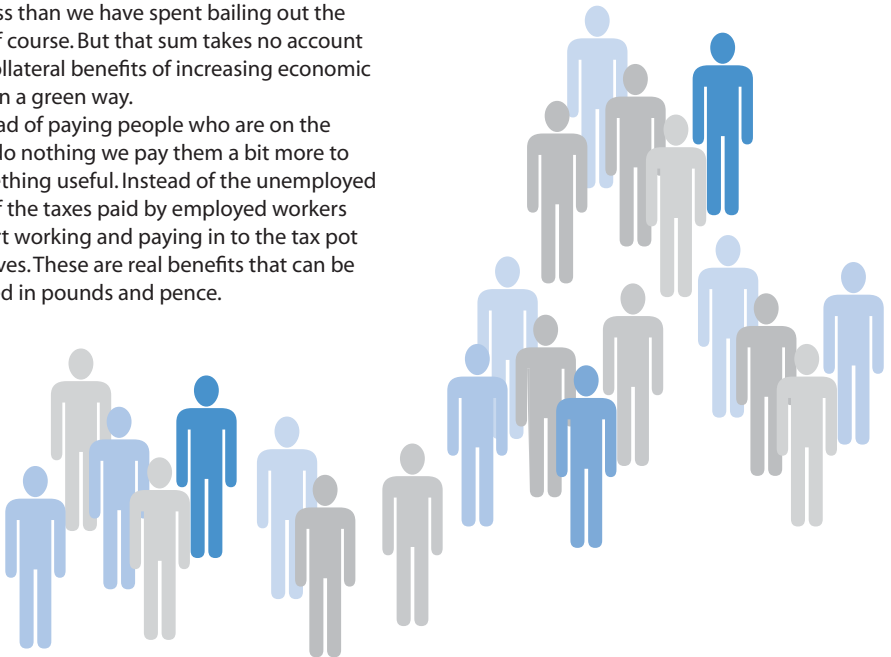
It is important to emphasise that all the proposals in the pamphlet are technically feasible and could be implemented right away. It is also clear to everyone that it won't happen without a dramatic change in policy.

The pamphlet argues that creating a million jobs a year would initially cost £52bn. This is much less than we have spent bailing out the banks, of course. But that sum takes no account of the collateral benefits of increasing economic activity in a green way.

Instead of paying people who are on the dole to do nothing we pay them a bit more to do something useful. Instead of the unemployed living off the taxes paid by employed workers they start working and paying in to the tax pot themselves. These are real benefits that can be measured in pounds and pence.

After totting up all the costs and side benefits of the programme the Campaign against Climate Change reports that, **"The real cost of one million climate jobs is only £18bn a year."**²⁵

These imaginative suggestions have inevitably come up against a wall of indifference from vested interests. Until we own and control the energy industry they will not even be on the agenda. When we run the energy industry democratically, we can decide what needs doing. Planned changes in the provision of energy can dramatically improve our whole environment and quality of life.



Energy Security

Energy security is another consideration to take into account when discussing energy sources. Do we want to be helplessly dependent on countries that may be politically unstable to keep the lights burning?

Blind reliance on the market means this country has not built up storage facilities for fuel like other countries in case of a harsh winter and other contingencies. The Big Six, foreign-owned in some cases, count the profits rolling in rather than concerning themselves with keeping the lights on and keeping us warm.

Sir John Armitt, who worked for Laing on Sizewell B and now advises the Labour Party on energy matters, warns of the danger of blackouts. "We're very close to being in a crisis when it comes to energy. The Central Electricity Generating Board used to say that a resilient network operated on a 25% capacity surplus. We're down to 4%..."²⁶

The Big Six don't see it as any part of their business to monitor the safe level of energy supply. All they do is count the money. The Labour Party green paper estimates that the industry needs £200bn in investment by 2020.

Energy economist Dieter Helm also sounds the alarm. He said: "There have been 20 years of complacency about security of supply... We've been living on the legacy of the stuff we built in the 1970s" (before the industry was privatised). An energy squeeze is coming, he warns. "The crunch is coming in 2015-16."²⁷

We saw that in the 1930s the government actively promoted electrical supply with considerable success as a means of developing the nascent electrical engineering industry. Energy policy inevitably shades into a discussion about our **industrial policy**, policy on the **location of industry** and policy on the **future of local communities**. Wide aspects of our social life will come under democratic control for the first time when the energy industry is owned, controlled and planned by working people.

Nationalisation

Since the structure of the energy industry is similar in all countries, the problems associated with private ownership crop up again and again.

The Big Six energy companies should be renationalised. They have profiteered from us for long enough. Apart from allowing us to plan our future, taking them over would ultimately save us all a great deal of money.

Where would the money for renationalisation come from? is the refrain we are bound to hear. Nationalisations in the past, such as those carried out by the 1945-51 Labour government have never been a matter of handing over money to private owners. Shares were swapped for government bonds, one piece of paper for another. The mines and railways were acquired by the Labour government of 1945-51 in return for securities issued by the state that paid a modest rate of interest.

Compensation

How much compensation should be paid? The guiding principle is clear: we should pay them **as little as possible**. Why should a future government pay full market compensation – mainly to multinational companies who knew that the Tories were selling public assets off cheap? If the coalition government can give away public assets, as they did with the privatisation of gas and electricity, then we should only pay minimum compensation to take them back into public ownership.

It is noticeable that any proposal just to take action on prices causes the share price of the energy giants to take a tumble. Serious government action to take over Big Six would see further falls as shareholders saw their opportunity to make money out of nothing evaporate. In our view they have had their hands in our pockets for long enough.

Democratic Planning

The operations of the Big Six should be taken over and amalgamated into one state-owned energy generation company, with gas and electricity divisions. There is no reason to take over the independents, some of whom are involved in pioneering experiments to find new sources of energy.

The nationalised gas and electricity companies in the past operated much more clearly in the public interest than the privatised firms that replaced them. All the same there are legitimate criticisms to be made of the previously state-owned energy industry. It was remote and bureaucratic in operation.

The de facto nationalised banks, such as RBS, pay outrageous salaries and bonuses to top executives. That must not be allowed to happen here. There must be a strict ceiling on salaries and perks. The industry must be under popular control. That means accounts that are independently vetted and transparent to all.

Boards should be set up at plant, regional and national levels in the publicly-owned energy industry. At all levels there should be:

- representatives of workers in the industry,
- members elected by consumers
- government appointees on the boards.

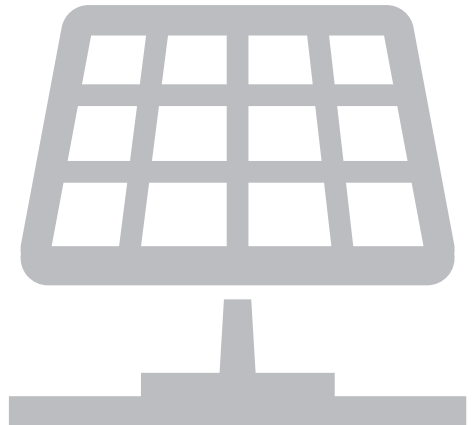
Managers should be accountable to the boards.

Workers in the plant would be organised in **workers' councils** to elect their delegates on to the boards. In addition there would be representatives of consumers' associations set up for the purpose and spokespeople from local government to take account of environmental and local concerns. Plant managers would be appointed by the regional board.

Regional boards should be set up, with representation from consumer interests and representatives of local government, as well as workers in the industry.

The regional boards should report to a democratically established national energy board, also with consumer, worker and elected government input. The national energy board would appoint higher managers, who would be accountable to it. The national board would make strategic recommendations about the long term future of energy generation and distribution to the government. It would ultimately be accountable to the government.

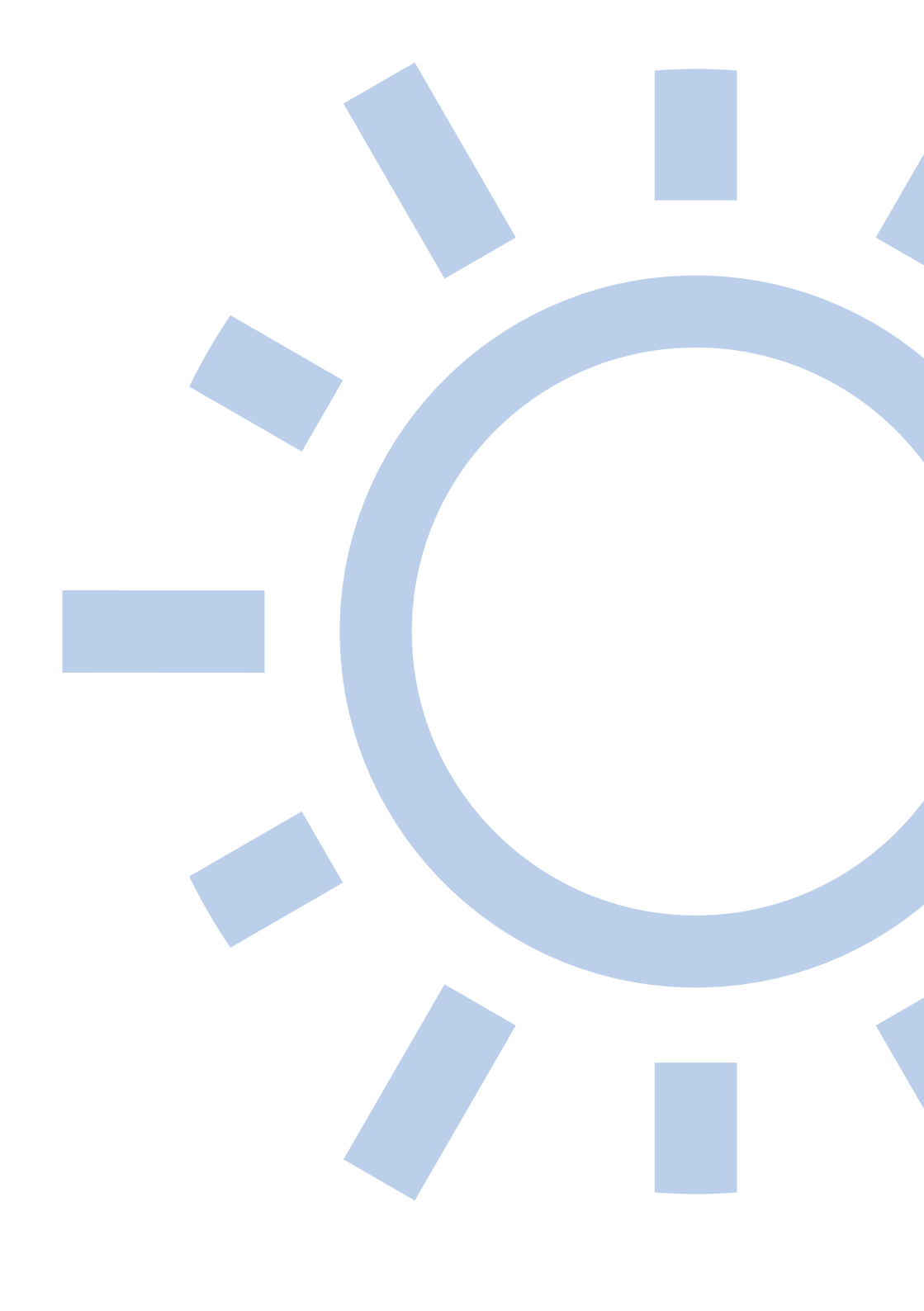
**Private ownership of energy has failed.
It is time to take it over on behalf of working people.**



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