



REGIONAL INDUSTRIAL CONFERENCE 2009

ENERGY AND UTILITIES INDUSTRIAL REPORT

DOUGIE ROONEY - NATIONAL OFFICER

New Nuclear Build

Unite totally supports the Government's policy of building new nuclear power stations to replace the existing former British Energy's fleet of power stations which we are presently operating and which generate around 18% of the UK's base load electricity.

There are a number of potential nuclear new build initiatives which are extremely important e.g. EDF are to build 4 AREVA EPR power stations; 2 at Sizewell and 2 at Hinkley Point and the joint venture of RWE and EON UK may result in the building of 6 Westinghouse AP 1000 power stations - 3 at Wylfa and 3 at Oldbury. There will be other consortiums formed to build nuclear power stations.

There are hurdles in relation to the process e.g. getting these designs cleared by the Nuclear Installation Inspectorate; planning consent and also making sure that we are in a position to get the skilled people to do the work.

Carbon Capture/Clean Coal Power Stations

The National Officer has paid a visit to Longannet power station and discussed in detail the proposals that Scottish Power have for a completely integrated system that would involve Longannet burning coal, the emissions from which would be captured and stored in Aquifers in the North Sea. This would also involve the North East of England as well as Scotland.

We are taking action to bring this initiative to the attention of government in order that we get clean coal/carbon capture power stations developed in the UK.

There are also two other initiatives that are being proposed by RWE and EON and we support these initiatives as well in terms of carbon capture and developing clean coal power stations.

Renewable Energy

There is great potential for tidal power in the Pentland Firth (North of Scotland) and there is also potential for developing solar power to a greater extent than at present.

Unite has reservations about wind power because it would require substantial infrastructure changes to the National Grid and distribution network systems that may make the cost of developing this (to the extent that the Government propose) prohibitive. However we do support all forms of renewable energy projects that can generate electricity efficiently and safely.

Engineering Supply Chain

In view of these initiatives in terms of Renewables, Clean Coal/Carbon Capture and New Nuclear Build, it is absolutely imperative that our Engineering Supply Chain industry gets a “cut of the action” by manufacturing the components and equipment that will go into these power stations and to this end our Union held a conference with engineering employers in attendance at Church House, London on 22nd June 2009. The conference was entitled “New Energy Brings New Opportunities, New UK Manufacturing, New UK Jobs” and was addressed by The First Secretary of State, the Rt. Honourable Lord Mandelson.

There is a great opportunity for us to create 10,000 highly skilled jobs over a period of 10 years and there are some excellent examples of engineering companies that make high technology equipment, but it is important that government ensures that the engineering industry is supported in order that we can obtain the benefits of jobs for the people of this country and create a position where the UK is a global supply chain player in terms of manufacturing components and equipment for energy projects. This would also give us security of supply, in other words we would not be dependant on other countries to supply our equipment.

Nuclear Decommissioning

The National Officer has been extremely critical of the Nuclear Decommissioning Authority (NDA) and has published a view that there was a need to reduce costs by reducing the levels of management in the NDA itself and at NDA sites using the finance saved to increase decommissioning.

At present we are not spending enough on actual decommissioning of redundant nuclear installations. This is a major concern that could assist critics of the nuclear industry because of our inability to deal with the legacy of former nuclear installations such as Magnox power stations, Dounreay and Sellafield. One of the NDA sites, Springfields at Preston, has a massive opportunity to become a global supply chain manufacturer of nuclear fuel elements for the new generation of power stations and Unite is supporting the long term lease of this site to Westinghouse who will use the site as their main base for manufacturing those nuclear fuel elements for export and for their AP1000 design that they would build in the UK.

Distribution Price Review

The National Officer reported that he had been actively involved in submissions to OFGEM and government regarding the Distribution Price Control Review consultation process which was taking place and which would be concluded at the end of this year.

This involved the Distribution Working Party meeting senior officials from Ofgem and making a formal written submission. Two important elements of the submission were to increase adult and youth apprentice training i.e., by penalising the companies that do not train apprentices and by giving a financial reward to those companies that do; also to increase personal development of our craft persons e.g., linesmen and jointers in order that they could take on additional responsibilities, moving to technician levels, getting higher financial rewards and increasing the efficiency of the business. This would facilitate cost cutting and give a better service to the customer. It would also secure members' jobs in the long term.

Metering Activity Committee

The National Officer has held a number of meetings regarding the introduction of Smart Metering and this is ongoing. Government has consulted stakeholders about how this should be structured and how it should be rolled out throughout the UK. Further meetings would be arranged during the course of this year.

Terms and Conditions of Employment

The terms and conditions of employment throughout the industry are generally better than those in other industries, however it is essential that we are vigilant and maintain our members wage increases on the basis of the going rate plus.

There have been attempts throughout the industry of companies seeking to use the economic recession to introduce pay freezes or offer increases of between 1% and 2%.

Our members should be advised that when we come out of the recession, there will be a substantial national debt to be paid off which is likely to be achieved through increased direct and indirect taxation; prices will go up, therefore the pressure on wages and conditions will be even greater. If we allow our wages to be kept at low level or even frozen, then it will result in hardship in the years to come and the employers who are making huge profits at that time are not likely to then say "we will make it up to you" - if our members believe that, they are being extremely foolish. Our members have to be convinced that they must maintain their percentage levels of increases at a higher level during this recession in order to offset the effects of the payback in years to come.

Establishment of Unite Constitutional Structures

This has been a difficult experience but the majority of Regional Industrial Conferences for Energy and Utilities are taking place during the month of September 2009 and hopefully the outcome of same will be beneficial. It was essential that Unite maintained a strong industrial structure otherwise our members would lose their identity and the consequences could have a detrimental effect on the Union and indeed our members.

There will be an Energy and Utilities National Industrial Conference on Tuesday 24th November 2009 in Brighton at which motions of an industrial nature can be discussed and debated in order that we create policy for our sector.

Equalities

Our Union's structures now reflect the need for equality to be built into same in terms of women and ethnic minorities. This industry has had an extremely poor record of taking positive action to encourage those particular groups to join the industry and to become part of Unite. It is essential that we utilise all people to develop them to their fullest ability. There is no shortage of work if we can take advantage of the situation that we now have in terms of a number of different energy projects being developed in the UK.

European Works Councils

Our Union has representatives on European Works Councils (EWC) in EDF and EON and RWE has just agreed to establish a European Works Council which would have its inaugural meeting this year and Unite will have representatives. In addition we are obtaining information for our Full Time Officers responsible for Scottish Power to develop a European Forum or European Works Council given that Iberdrola own the Scottish Power business.

The effectiveness of these European Forums would depend on our representatives being prepared to take on additional responsibilities within the European Works Council framework.

Water Industry

Our membership within the Energy and Utility sector i.e., the former Unite (T&G section) and Unite (Amicus section) is now merged into one industrial structure, although the integration process has not been fully completed in terms of the integration of the membership within the Union and indeed within the Sector.

The Water Industry throughout the UK is structured differently. In Scotland it is a publicly owned utility which is also the case in Northern Ireland, although there is pressure in both countries to change that. In England it is a regulated business under OFWAT and is fully privatised. There are huge problems with regard to investment and it is likely that most homes will have water meters installed within the next 10 years; therefore it is absolutely essential that the industry is moved back into public

ownership. This is required in order that we cut out the duplication that privatisation has created and get the necessary investment into our Water industry in order that we can improve the supply to the customer, both industrial and domestic.

Cogent and Energy Utility

There are 2 Sector Skills Councils which cover a significant part of the energy industry Cogent and Energy Utility Skills Council. There is a definite need to train both adult and youth apprentices and bring engineering graduates into the industry. It is now becoming evident that some companies are doing an excellent job in recruiting apprentices, training their staff and utilising them. However the vast majority of employers are not taking this course of action and the only way to force them into doing so is by using the Inland Revenue to penalise through taxation, the employers that do not train and to incentivise and reward those who do. If this course of action is taken this would make a major contribution to ensuring that we have the skilled people to develop the opportunities in the Energy Industry.

Key Government Policy Developments

Our Research Officer, Neal Evans has prepared a report which outlines the Government actions in terms of Energy Policy (Appendix attached).

Conclusion

The National Officer wishes to thank the Full Time Officers and Shop Stewards for the work they are doing on behalf of our Union.



ENERGY & UTILITIES SECTOR

KEY GOVERNMENT POLICY DEVELOPMENTS

RESEARCH DEPARTMENT

Introduction

The Energy Sector is vital to the UK economy.

The combined energy industries represent 4.8% of gross domestic product (GDP), 7.1% of total investment, 41% of industrial investment and directly employ 157,700 workers.¹

Even the most casual observer of UK economic and political debate must appreciate the increasingly important role the UK energy sector will have going forward.

Progressive governments will have tough choices to make as they seek to balance targets for carbon emissions with providing a stable foundation for economic growth, whilst at the same time reducing energy price inflation.

As an organisation which represents 2 million members in virtually every sector of the UK economy, Unite take very seriously its obligation to make a considered and informed contribution to the ongoing debate.

Unite are entirely in agreement with the recent assertion from the Department of Energy & Climate Change that, “Energy is essential an almost every aspect of our lives and for the success of our economy”.²

Unite welcomes the massive programme of work which is underway to reverse the years of under investment in the infrastructure of the UK energy production and distribution sector.

Department of Energy & Climate Change

The Department of Energy & Climate Change (DECC) was created in October 2008, to bring together energy policy (previously with the Department for Business, Innovation & Skills – BIS) and climate change mitigation policy (previously with the Department for Environment, Food and Rural Affairs - DEFRA).

The DECC website³ advises its readers that its three overall objectives are to:

¹ DECC, Digest of UK Energy Statistics – July 2009

² A Framework for the Development of Clean Coal: consultation document – DECC June 2009

- Ensure our energy is secure, affordable and efficient
- Bring about the transition to a low carbon Britain
- Achieve an international agreement on climate change at Copenhagen in December 2009.

DECC's Ministerial team are:

- Ed Miliband – Secretary of State for Energy and Climate Change
- Lord Hunt – Minister of State (jointly with DEFRA)
- Joan Ruddock – Minister of State
- David Kidney – Parliamentary Under Secretary of State

Nuclear Energy

Following public consultation, in January 2008 the government published *Meeting the Energy - A White Paper on Nuclear Power*.

The paper set out the governments view that nuclear should be part of the UK's low carbon energy mix.

The paper concluded that nuclear power is; low carbon, affordable, dependable, safe and "capable of increasing diversity and reducing our dependence on any one technology or country for our energy or fuel supplies".⁴

Renewable Energy

The UK government is signatory to the European Union (EU) Renewable Energy Directive, which in effect commits it to a target of producing 15% of its energy from renewable sources by 2020.

Following an extensive consultation process government has now published *The UK Renewable Energy Strategy*.

Unite applauds government for its commitment to drive forward the generation of renewable energy and fully endorses the statement that "Meeting our renewable energy targets are not just about preventing climate change and securing our future energy supplies. Achieving our targets could provide £100 billion worth of investment opportunities and up to half a million jobs in the renewable energy sector by 2020".⁵

Unite believe that renewable technology has a central role to play in a balanced energy policy. However, if the UK is to meet the stringent targets going forward into the future then there is no room for complacency.

³ www.decc.gov.uk

⁴ Meeting the Energy Challenge – A White Paper on Nuclear Power, Department for Business Enterprise and Regulatory Reform, January 2008

⁵ The UK Renewable Energy Strategy, DECC – July 2009

Unite have warned that government must provide a strong and consistent political commitment to the development of renewable energy.

Smart Metering

In October 2008 the government announced its intention to mandate for the roll out of smart meters for all domestic properties.

Clearly the deployment of smart meter technology for all domestic consumers will present the UK energy sector with a significant challenge. Unite believe that this challenge which can only be met with the active participation of all industry stakeholders.

Achieving the proposed targets will require national co-ordinated roll out programme with a consistent framework across the industry.

Unite have been actively engaged with officials at both DECC and BIS and have reiterated our position that - the effective management of a fully qualified and directly employed workforce will be essential to deliver the programme on time and on budget.

Furthermore, Unite have and will continue to be actively engaged in discussions with all industry stakeholders to ensure that workers who will eventually be displaced by the development of the new technology are engaged elsewhere in the industry.

Carbon Capture and Storage

In June 2009 DECC published its *Framework for the Development of Clean Coal: Consultation Document* outlining proposals for a new regulatory regime for new coal fired power stations.

The publication of the proposals follows on from the commitment contained in the budget to finance up to four carbon capture and storage (CCS) projects in the UK.

Government have stated that the development of an effective framework for clean coal should be set against four key objectives, namely:

- Advancing the global development of CCS technology
- Improving the affordability of CCS investment
- Delivering a diverse and secure low carbon energy supply in the UK
- Helping create jobs and economic opportunities for UK based businesses in a new industrial sector

Unite have made it clear to government that it fully endorses the aims and objectives outlined in the consultation. The deployment of CCS technology within the UK is not only important to ensure security and diversity of energy supply, but will ultimately lead to the creation of thousands of skilled jobs in the UK economy.

Energy Security

It has become apparent that security of supply is a recurring theme. It will doubtless be of significant concern for this and future governments.

In August 2009 Malcolm Wicks MP, former Minister of State for Energy and now the Prime Minister's Special Representative on International Energy, published *Energy Security: A National Challenge in a Changing World*.

The report proposes a framework in which the UK can reduce total energy demand and promote the adoption of technologies in order to diminish the reliance on imported fossil fuels.

Unite are especially mindful of the issue and fully support the opening statement in the report that "The geopolitics of energy insecurity will be a key theme for the 21st century. Securing Britain's energy supply must therefore be a national priority as we transition to a low carbon economy".⁶

⁶ Energy Security: A national challenge in a changing world, Malcolm Wicks MP – August 2009