



Contracts for Difference for Low Carbon Electricity Generation

Introduction

This submission to the Department for Business, Energy & Industrial Strategy's (BEIS) consultation on the Contracts for Difference (CfD) for Low Carbon Electricity Generation is made on behalf of the GMB Union, which represents more than 600,000 people employed in the public and private sectors.

Context

GMB Union has represented workers in the energy sector since its establishment over 130 years ago. A significant portion of our membership works in the Gas, and Nuclear industries from extraction to grid to domestic supply and maintenance, as well as manufacturing supply chain. As a union we support Net Zero by 2050 as a realistic and necessary target, for our members' jobs and for the UK's responsibilities in tackling climate change. All our members pay utility bills, and it is in our interest that the Government works to ensure that energy costs reduce for all households. In our response, we are urging the Government to ensure that UK workers along with their communities, and UK capital, are front and centre of any changes to the Contracts for Difference scheme.

Community Support

There should be concerted effort made by the Government to engage with Trade Unions within the community to ensure that the local economy and potential workforce are engaged from the start of any renewable energy development or contract award. We would expect any local work or supply chain work would include access and collective bargaining rights for trade unions, as well as fair pay for workers.

Government investment in communities where renewable energy project proposals is essential. We have seen benefits in Somerset where Hinkley Point C is being built, 1000 apprenticeships were built into the project with a proportion of the workforce needing to be employed from the local area. As part of the Clean Growth plans for the UK by this Government, we would expect that new renewable energy projects would include opportunities for local employment and new apprenticeships.

The suggestion of creating a register of renewable energy developments in England with available projects and associated community benefits is very much welcomed by GMB. We would want to the register to include the length of the project and employers and contractors associated with them.

Supply Chain Plans

The main concern of GMB is that any future renewable energy contracts up and down the supply chain employ UK based workers and that the capital remains in the UK. We have been dismayed at how our growing renewable energy sector has not been benefitting jobs in our UK supply chains, and how the UK has been slow off the mark to ensure that UK based manufacturing in particular is falling short of being awarded contracts.

As a union we have seen and fought against the demise of the manufacturing and production industries, however five million manufacturing jobs have been lost over the last 50 years. Manufacturing has fallen from a third of jobs in the mid sixties to around eight per cent of employment today.

GMB has been embattled in trying to save yards and manufacturing jobs in and around the energy sector and wider. The vast majority of the jackets for the new £1.4 billion Neart Na Gaoithe windfarm are being built in Indonesia, while Burntisland Fabrications in Scotland (BiFab) yards are a shadow of their former

selves. The Government's Grand Challenges of growing our skills has so far continued to fail these communities and highly skilled workers.

Just 29 per cent of capital expenditure was reported to be retained in the UK, according to the latest (2017) figures published by developers.ⁱ This figure includes construction costs and the share of spending on components in the UK is likely to be far lower. While GMB sees value in the reporting of UK content, it is disappointing that these figures have not been regularly updated. It is also disappointing that BEIS has not made use of its powers to fulfil the plans announced by its predecessor Department to subject the figures reported by developers to external audit.ⁱⁱ

GMB Scotland as recently as May 2020 has had to yet again intervene in keeping work on the BiFab yard going, fearing manufacturing work on the Seagreen project, 27km off the coast of Angus would be awarded to firms in Europe.

"The withdrawal of the Seagreen manufacturing contracts from China is a second chance for Scotland but instead of doing the right thing and giving the domestic economy some much needed hope, speculation is rising that SSE will award this work to yards across Northern Europe."ⁱⁱⁱ

GMB Scotland has called for a radical change in the Contracts for Difference scheme to ensure that the Government is doing what it can to keep renewable sector jobs based in the UK.

Research undertaken for GMB on renewable energy manufacturing contracts awarded between 2015 and 2020 shows that there is inconsistency in the work being awarded to UK owned and UK based companies, and that the value of work is much less than those outside of the UK. According to this research, whilst only 12 contracts have been awarded entirely outside of the UK, the average value of the contracts awarded is £1.75m – nearly double the average value of those awarded to UK firms (£950k).^{iv}

We will not be seeing a green revolution in this country if investment is not made in our manufacturing base, either through improving workforce skill, or improvements to sites and yards such as BiFab, to make them capable of carrying out work.

Many of our members in the energy sector will have the expectation that renewable energy projects fuelling the UK, will mean jobs for UK workers. We understand that we cannot just hand contracts to UK companies, and there are rules we have to follow. However, as part of the clean growth part of the Grand Strategy we must be doing more to ensure that our UK workforce have a fighting chance.

GMB believes that a crude prohibition against all local contents requirements is difficult to justify. It is clearly in the public and world environmental interest for strong renewables manufacturing supply chains to be built up, and the UK should not be punished in perpetuity because our Government and industry was slow off the mark. Local contents requirements should be an appropriate response where an industry faces unfair competition, such as in the steel industry which has been particularly badly hit by the dumping of cheap, subsidised competitors' products, especially as existing trade remedies procedures have not proved up to the task, and we would expect the UK Government to advocate for this position on behalf of our industries, including through international bodies where appropriate.

BEIS has to date, not published updated information on Steel Public Procurement which was last published in January 2019.

In response to questions 15 to 19, GMB urges BEIS to strengthen its current plans by requiring Supply Chain Plans to support jobs and skills in the UK, including through making full use of the Department's current flexibilities under the Green Book and the social value framework.

Finally, it is the position of the GMB that we are opposed to contracts being awarded to companies or entities that do not pay their fair share of tax in the UK or anywhere else; anyone in receipt of Government subsidies should be spending money in the UK. Whilst there are rules currently which cannot prevent that from happening, we will continue to campaign for that to change. This is about bringing prosperity through our obligations to keep the world safe and healthy, so we must ensure that our communities can reap the rewards of green energy.

System Integration of Renewables

As stated above GMB represents workers throughout the energy sector, with tens of thousands of members working in the gas industry. As we move to integrate more and more 'green' and renewable energy into our economy and our day to day lives, GMB supports the need for a Just Transition of jobs and skills.

In terms of storage solutions for electricity generated from renewable energy technology, GMB is encouraged to know that renewable electricity could provide a solution to lowering the costs of hydrogen production.

As the Union for Gas Workers as well as workers in the wider energy sector, we are particularly keen for the expansion of hydrogen use throughout the UK.

Whilst hydrogen gas is a carbon free at the point of use, and is renewable it is not considered carbon free due to the carbon used in producing the electricity which in turn makes hydrogen.

If electricity is generated from renewable sources such as wind turbines at times when demand on the grid is low, it would be able to feed into hydrogen production, lessening the need to switch off.

The UK also has a gas grid that is the envy of many other parts of the world which supports over 24 million homes. Finding ways to ensure that homes are not disrupted by changing their heating systems through hydrogen conversion – if the technology and cost is viable – would see massive benefits to drastically reducing our commitments to Net Zero.

As the Union for Gas Workers, and for members who have gas heating systems in their homes, we would urge the Government to pursue storage solutions which involve reducing the cost of hydrogen.

Conclusion

GMB has remained as pragmatic as possible on the campaign to radically decarbonise our world, whilst fighting for a just transition for our members' jobs and importantly their communities too.

We have learnt lessons from the devastation that the closure of the coal mining industry had on workers and their communities. We cannot and will not stand for energy projects not benefitting our communities in terms of capital investment and improving their lives, and seeing work being offshored quite literally.

ⁱ https://cdn.ymaws.com/www.renewableuk.com/resource/resmgr/publications/Offshore_Wind_Investment_V4.pdf

ⁱⁱ <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-question/Commons/2020-02-06/13545/>

iii <https://www.heraldscotland.com/news/18476496.minister-urged-intervene-fears-angus-wind-farm-jobs-will-go-abroad/>

iv Tussell – GMB Renewable Energy Manufacturing Contract Analysis March 2020