

# UK Energy Review: A policy made by big business

## Part 1

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*This is the first of a two-part series examining the Blair government's review of UK energy policy.*

In July, the Blair government announced that it would give the green light for a new generation of nuclear power plants to be built on the British mainland. Secretary of State for Trade and Industry Alistair Darling said that the plants were needed in order to maintain UK energy supplies over the next 40 years.

Britain currently has 12 nuclear power stations housing 23 reactors. Nine stations are due to close by 2020, but some are likely to have their lives extended.

The government's Energy Review states that the new plants "could make a significant contribution to meeting our energy policy goals. It would be for the private sector to initiate, fund, construct and operate new nuclear plants and cover the costs of decommissioning and their full share of long-term waste management costs."

The review has attracted widespread criticism. Prior to the review's publication, the Commons Trade and Industry Committee had said the government had not carried out a "full and proper assessment" of future energy needs and raised concerns that it did not have "broad political and public support" for its policies.

The government has sought to present the decision to commit to building new nuclear plants as being ecologically and environmentally beneficial. It has said the review was part of efforts to cut carbon emissions by 60 percent by 2050 and that it is committed to renewable sources of energy generation, such as wind power.

This is posturing aimed at diverting from the real interests driving the review. Having presented its "green" face, the government has returned to its real concerns—the requirements of British capital and the transnational corporations.

In its push to endorse nuclear power, the government has passed over the recommendations of the Department for Environment, Food and Rural Affairs (Defra). Defra had questioned the move to build new nuclear plants and one former environment minister, Elliott Morley, said its position had been largely ignored in favour of the recommendations of the Department of Trade and Industry.

There is no question that the review is prompted by a very real energy crisis. Britain is increasingly reliant for its energy needs on imported fuel. The present generation of nuclear power plants produce just under 20 percent of the UK's generated electricity. Without new plants this will fall to just 6 percent in 15 years. At the same time, many of the UK's coal-fired power stations are set to reach the end of their useful lives.

For decades the UK had access to natural gas from the North Sea. This is now coming to an end and last year Britain became a net importer of gas for the first time since the North Sea bonanza began.

The Energy Review also raised the issue of Britain's dependency on an

increasingly unstable global energy market.

In a speech to the Confederation of British Industry (CBI) prior to the review's publication, Prime Minister Tony Blair explained, "The facts are stark. By 2025, if current policy is unchanged, there will be a dramatic gap on our targets to reduce CO2 emissions; we will become heavily dependent on gas; and at the same time move from being 80/90 percent, self-reliant in gas to 80/90 percent dependent on foreign imports, mostly from the Middle East and Africa and Russia."

The sourcing of energy supplies is a defining issue for big business and integral to government foreign policy. The *Sunday Times*, May 21, cited the comments of Paul Golby, chief executive of the power supplier E.ON UK. Golby said, "The geopolitics of energy are changing. The gas disputes between Russia and Ukraine earlier this year are a case in point. The debate it provoked across Europe about the long-term security of our energy supplies was evidence of the growing awareness of our changing relationship with energy."

It is instructive to review the relationship between the Labour government and the nuclear industry over the past decade.

The nuclear industry has made a concerted effort to shape government policy, developing close connections with the main departments responsible for energy. The decisions outlined in the Energy Review show that it has succeeded in this goal.

Upon assuming office in 1997, Blair was on record in Labour's manifesto stating there was "no economic case for the building of any new nuclear power stations." This was targeted at popular concerns over safety and costs, but over the next period the government's position began to shift.

Following Labour's re-election in 2001 the government launched the biggest energy review in 20 years. The *Financial Times* noted at the time that it was "a move that could lead to a long-term revival for nuclear power."

What accounts for this shift? On May 14 the *Sunday Times* published an article headlined "The nuclear lobbyist plugged into Labour," detailing the activities of Alan Donnelly, a former Labour member of the European Parliament and executive chairman of Sovereign Strategy.

Sovereign Strategy is a lobby organisation which advises multinational firms seeking to do business in Britain and offers them "pathways to the decision makers in national governments." The *Times* pointed out that the company also boasts that it provides "high-level briefings on domestic public policy."

The article stated: "Donnelly is the founder of an organisation which promotes the interests of the nuclear industry while Sovereign Strategy represents the Fluor Corporation, one of the world's biggest construction and engineering firms. Fluor has won contracts in Iraq and is planning to bid for nuclear plant decommissioning work in Britain."

*The Times* continued, “The lobbyist has made his name through his contacts with Blair and other senior Labour figures. However, it is his links to David Miliband, one of the prime minister’s protégés who was promoted to environment secretary in the recent reshuffle, that are now placing the lobbyist’s activities under scrutiny.”

Miliband, a supporter of nuclear power, was asked by Blair to lead the energy review. The article revealed that Sovereign Strategy paid for the refurbishment of part of Miliband’s local constituency office in South Shields in the northeast of England.

According to the *Times*, Sovereign organised the “northeast economic forum” in November 2005 where the keynote speech was made by Blair. Also attending the event were Lord Adonis, an education minister, Peter Mandelson, European Union commissioner for trade, and Alan Milburn, a former cabinet minister.

In March Donnelly is reported to have hosted a meeting attended by Alan Johnson, then trade and industry secretary, “who was also playing a crucial role in the government’s energy policy,” the *Times* wrote.

As well as regularly donating money to the Labour Party, Sovereign also recruits senior Labour officials when they leave government. The *Times* cited the example of Lord Cunningham, a former minister for the Cabinet Office. “Cunningham is central to Donnelly’s latest project—the Transatlantic Nuclear Energy Forum (Tanef). This was formed in September 2004 and shares the same offices and staff as Sovereign Strategy,” it reported.

Another former Labour minister who plays an important role on behalf of the nuclear industry is Brian Wilson. He was a former pro-nuclear energy minister who led the first energy review of the Blair government. Wilson left parliament in 2005 and became a non-executive director of Amec Nuclear.

Andrew Brown is another prominent player in the nuclear industry. A former broadcast journalist, he is the brother of Gordon Brown, Blair’s Chancellor of the Exchequer, and is employed by EDF Energy as the head of media relations. EDF already has a significant presence in the UK energy market with its purchase of London Energy, Seaboard Energy and SWEB Energy. The company operates 58 atomic reactors in France and is expected to be among those firms bidding to build the new nuclear plants.

EDF submitted recommendations to the government review in which it commented that the UK faces a “serious energy gap from 2016” and needed to fill it with a “diverse low-carbon mix which includes replacement nuclear and more renewables.”

One of the most influential lobby organisations is the Nuclear Industry Association (NIA), which works closely with British Nuclear Fuels Limited (BNFL). The NIA played a key role in lobbying the government and both opposition parties at the 2005 party conference seasons. The NIA were also present at the 2005 conference of the Trades Union Congress. It later emerged that BNFL donated over £8,000 to the NIA as a contribution towards its lobbying of the conferences. The NIA also has close links with the pro-nuclear Scientific Alliance, founded by Mark Adams and quarry businessman Robert Durward.

According to the nuclear industry watch web site Nuclear Spin, Durward describes himself as a businessman who is “totally fed up with all this environmental stuff.”

A 2003 newsletter by Mia Nybrant of the Scientific Alliance stated that it “has been playing a key role in challenging government energy policy.” It added, “Given the current state of the debate, there are clear challenges for the nuclear industry; however, they are not insurmountable as long as there is a focused programme to change the current government policy.”

Just prior to the publication of the Energy Review, Blair removed a number of ministers from key cabinet posts. These had raised doubts regarding the government’s nuclear policy.

The financial rewards for the nuclear industry are set to be massive. A critical calculation in the nuclear industry’s support for the Energy

Review is that they stand to reap millions in profits for the building and decommissioning and radioactive waste disposal contracts.

As well as British firms bidding to win contracts, it is expected that firms in Europe and the US will also compete for this lucrative business. In May the US firm Washington Group International announced that it wanted to take over management of the UK’s controversial Sellafield plant and build new atomic plants in Britain. Other US firms expected to bid include General Electric, Bechtel, Fluor and Halliburton. The French firm Areva, a specialist in nuclear build, was involved at a high level in the development of the Energy Review and is expected to win contracts. The Toshiba-owned Westinghouse Corporation is also expected to bid.

Nuclear building companies and utility firms have opened talks based on forming partnerships to construct and then deliver the generated power to customers. As well as EDF, Germany’s Eon and RWE are also involved in negotiations.

The costs of decommissioning existing power stations are even more astronomical. The initial huge cost of £70 billion cited by the Nuclear Decommissioning Authority has been drastically revised upwards. An article published in the *Observer* newspaper on June 4 reported that Brown had informed cabinet ministers the real cost would be £90 billion.

The Energy Review is deliberately vague on who will pay for the costs of decommissioning and whether or not subsidies will be paid to the private firms that will run the nuclear power stations. The building of the expected 12 new power stations is expected to cost in the region of £30 billion. When pressed on whether or not government subsidies would be forthcoming, Darling referred MPs to the Energy Review statement on the matter.

The review states, “It will be for the private sector to initiate, fund, construct and operate new nuclear plants and to cover the full cost of decommissioning and their full share of long-term waste management costs.”

The initial parliamentary debate on the review focused on what the term “full share” means. Elliot Gould MP pointed out, “You well know, as I do, that there’s been a history of nuclear sectors going bankrupt over the years.”

The issue of the public financing of nuclear energy has long been a controversial question in the UK and internationally. The vast cost of building and maintaining nuclear power in the UK has largely been borne by the taxpayer. Enormous subsidies have been paid by the government from public funds in order to bail out the nuclear industry. Between 1974 and 1998 the industrialised nations spent around £100 billion in today’s money on nuclear research. In Britain the industry received almost £8 billion in subsidies during the 1990s.

The most recent example of this robbery of public funds by the privatised UK nuclear energy sector was in 2002 when British Energy, the company that currently owns and operates two-thirds of UK’s nuclear power stations, was bailed out at the last minute. The government stepped in and rescued the bankrupt firm with two emergency loans totalling £650 million to enable it to continue trading for a few more weeks, so the company could seek alternative sources of finances.

In 2002, after the company stated that it was on the verge of going into administration, the government took over responsibility for its spent-fuel liabilities. The cost of this bailout will run into billions of pounds. In March 2006, the National Audit Office reported, “As a result the taxpayer is responsible for underwriting a large and uncertain liability.”

*To be continued*



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