

## SUBMISSION FROM THE INDUSTRIAL COMMUNITIES ALLIANCE (SCOTLAND)

The Industrial Communities Alliance is a UK-wide all party local authority association. ICA Scotland represents some fifteen local authorities covering Scotland's industrial areas and works closely with the Cross-Party Group of MSPs on Industrial Communities. Over many years, ICA Scotland (and its predecessor Coalfield Communities Campaign) has taken a particularly close interest in Scotland's energy sector. The association has long sought to defend employment in the coal industry, promote a balanced mix of electricity generation and argue for investment in new cleaner technologies for coal to provide a bridge to a low carbon future. In short, the ICA argues for long-term decarbonisation without de-industrialisation.

Although the inquiry has a wider remit and terms of reference, this submission takes as its focus the proposed closure of **Longannet power station**, the potential impact on security of supply and other negative socio-economic consequences.

ICA Scotland wishes to draw the Committee's attention to **four key potential outcomes of the closure of Logannet power station**: security of supply; transmission costs; direct and indirect job losses; the knock-on impact for industrial Scotland; the particular consequences for Scottish opencast coal.

### 1) Security of supply

The strongest argument for the retention of Longannet power station lies in the overall shortfall of UK generating capacity. At present, and looking ahead over the next few years, the UK electricity industry is operating with an extraordinarily small margin of spare capacity, verging on the irresponsible bearing in mind the inherent day-to-day unreliability of supplies from renewables. This last winter the margin has been just 4.1 per cent, compared to 17 per cent only three years ago.

Longannet is an exceptionally large power station – at 2.3GW it is the second largest in the UK – and we note that in the National Grid's most recent *Ten Year Statement* it has been included as an available source of power right through until 2035. Indeed, Longannet's generating capacity alone is more or less equal to the current spare capacity on the entire UK electricity grid.

Additionally, Longannet has only recently commissioned FGD on three of its four units, easing the environmental impact. There has been investment – but not enough. Longannet lost out in the carbon capture and storage bid in 2011 but that need not be the end of the matter. The long-term problem of decarbonising the economy needs the direct intervention of government and CCS at Longannet should be looked at again.

Some experts would have us believe that the small and shrinking capacity margin is not the concern it used to be. However, given the intermittent nature of much of the power sources on the grid and uncertainty about the impact of electricity market reform on security of supply, now is not the time to be taking unnecessary risks.

## **2) Transmission charges**

We share the concern with many others that the high transmission charges imposed on power from Longannet are a major problem. Indeed, the charges are a significant obstacle to the continuing large-scale export of power from Scotland to the rest of the UK. This matter should be a key policy aspiration given Scotland's abundance of power sources compared to demand north of the border.

## **3) Direct indirect job losses**

We are naturally concerned by the possible loss of 270 jobs at the power station, and fully aware that the inclusion of job losses among contractors would increase this figure substantially. The distress and hardship the closure would cause among employees and the local community is immense.

But there are further downstream consequences for the rest of industrial Scotland in terms of supply chains. Even the economics of the relatively new passenger train link to Alloa are put into question without freight to and from the power station.

At a time when Scotland and the UK should be looking to support and develop its industrial infrastructure there is the risk of a giant step in the wrong direction.

## **4) Consequences for Scottish open cast coal**

In particular, the closure of Longannet would lead to a significant reduction in the market for Scottish opencast coal.

The Committee knows only too well, the Scottish opencast industry has just gone through a major crisis following the insolvency of the main operators. Thanks in part to the efforts of the Scottish Government, particularly through the work of the Scottish Opencast Mining Taskforce there has been progress on ensuring further coaling and, crucially, restoration on many sites.

The 'restoration coal tax exemption' proposal put forward by the industry needs to be considered a serious option. It would have a positive impact in Scotland both in terms of Longannet's viability and free up funds for opencast restoration. It is acknowledged that decisive action is required from the Westminster Government regarding this tax proposal.

A consequence of Longannet's closure would therefore be substantial jobs losses elsewhere across Scotland and a number of major opencast coal sites would probably be left unrestored, creating no doubt a long-term liability for the public purse.

On all counts the closure of Longannet would deliver a severe blow for the future of some of Scotland's struggling local economies. With a new UK government in place, and a shift in the balance of political forces, there should therefore be ample scope for arguing for Longannet's retention. This should be seen as good for the UK as a whole, because it would secure electricity supply, and good for Scotland in particular.