

Written evidence submitted by Prospect Trade Union (IND0029)

About us

- Prospect is the UK's leading trade union for engineers, managers, and specialists. We represent 160,000 members working across the public and private sectors. Our submission is informed by the experience of over 24,000 members working in energy sector.
- Our members work in energy generation, transmission, distribution, retail and research roles in all parts of the UK. They are the engineers, managers, and specialists keeping our energy system running and driving us towards a net zero future.
- Prospect is a strong advocate for a secure and decarbonised energy system that supports good jobs in all parts of the country.

How can UK plc capture its fair share of the economic potential of emerging or less developed energy technologies? What more can the Government do to encourage greater domestic supply chain investment in the energy industry by 2035, including through the Contracts for Difference scheme?

The UK can capture economic value from emerging energy technologies by (a) using public investment institutions to invest in them directly, and (b) incentivising the private sector to locate manufacturing and supply chain activity in the UK where feasible.

The 2010s saw the take-off of Offshore Wind as an electricity generation technology. The investment was driven by Contracts for Difference, which de-risked the investments by guaranteeing a revenue floor for developers. However, the government did not make that de-risking conditional on certain policy outcomes, such as good jobs and domestically based supply chains. As the government looks ahead to Clean Power 2030, and ramping up generation capacity in the decade beyond, this must change.

The UK public sector provides a large amount of support for the energy sector and emerging energy technologies beyond Contracts for Difference. Amongst other things, this includes £21.7bn of funding for CCUS and hydrogen projects, to be allocated over the next 25 years, and GB Nuclear's Small Modular Reactor (SMR) competition, which will result in almost £2bn worth of contracts for SMR developers. For all of these schemes, and for future energy schemes, the government should set conditions so that public money (or consumer bills, in the case of CfDs) is used to support the development of domestic supply chains and create goods jobs in the UK.

For a sector such as nuclear energy, the building blocks of an industrial strategy which captures value across the supply chain are in place. The government has schemes in place to support next generation technologies such as Small Modular Reactors (SMRs) and Advanced Modular Reactors (AMRs), in addition to supporting the development of new large-scale conventional nuclear power plants (Hinkley Point C and Sizewell C). With respect to nuclear fuel, we have the capability to convert uranium at the Springfields site, which could then be used to power conventional nuclear power plants and Small Modular Reactors (SMRs). Similarly, we have the government-led HALEU initiative which is developing UK production capability for advanced nuclear fuel to be used in Advanced Modular Reactors (AMRs). However, we do not have mechanisms in place which guarantee demand for these fuel producers. The owner of the Springfield site, Westinghouse, has expressed an interest in restarting uranium conversion, but this lack of certainty about demand is a major barrier. Similarly, the HALEU initiative is very positive, but at this stage

the market demand for the fuel that will be produced is very uncertain – indeed, there may not be *any* market demand if they meet their deadline of producing by 2031, given that AMRs are not expected to come online until years later. Therefore, as well as de-risking final energy generation, the government should consider de-risking other parts of the supply chain. This could be straightforwardly done by mandating that final energy generators source a certain proportion of the supply chains domestically. With respect to nuclear SMRs, this could be that SMR developers in receipt of contracts from GBN are mandated to purchase a certain amount of fuel domestically (i.e. from Springfield). With respect to nuclear AMRs, this could be that the government commits to being a buyer-of-last-resort, and stockpiles advanced nuclear fuel produced in the UK until AMRs come online. It can then sell that fuel back to the market as it develops and/or insist that UK-based AMRs use domestically produced fuel as a first-resort (AMR prototypes are themselves being supported by public money, which provides a further opportunity for conditionality).

In addition to setting conditions for private sector activity in the energy sector, the government can also make direct public investments through the newly established public investment institutions, GB Energy and the National Wealth Fund. Public investment from these institutions will be extremely valuable for technologies which are promising but not yet commercially viable. Where appropriate, these investments can take the form of equity stakes, which ensure that the public sector gains as technologies develop and commercialise, and wealth is created which can be reinvested to support the further development of UK plc. The public sector having a direct stake in emerging technologies also offers an opportunity to support other policy priorities, such as good work (e.g. by ensuring that companies in receipt of public investment engage constructively with trade unions).

In summary

- There is already a variety of industrial policy initiatives in place (particularly with respect to next generation nuclear technology) and the clean energy strand of the government's industrial strategy should build on these and coordinate them into a coherent whole.
- The UK is already providing a lot of support to the energy sector, and this support should be made conditional on supporting the government's industrial strategy priorities and supporting good work.
- The newly established investment institutions (GB Energy and the National Wealth Fund) are well placed to support the emerging energy technologies that are targeted by the industrial strategy, and, by doing so, they will create value for UK plc over the long-term.

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