UK energy firms rake in profits as "fuel poverty" escalates

By Emily Wilson and Robert Stevens
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British Gas, the UK's largest domestic energy company, has reported a 31 percent increase in profits for 2015. The firm's profits rose to £574 million from £439 million the previous year. British Gas supplies energy to 10 million domestic customers and is part of the "Big Six" private energy firms operating in the UK.

Iain Conn, chief executive of Centrica, the parent company of British Gas, defended the profits increase under conditions in which there has been a sharp fall in the wholesale price of gas. He said, "We saw a very mild 2014 and we saw a more normal 2015 so therefore the amount of energy that our customers used went up and therefore the actual total profit went up."

Conn claimed that savings due to the falling wholesale price of gas had been passed onto the consumer. This was challenged by David Hunter, an energy analyst, who said, "With prices slashed by only 5 percent, standard tariffs are barely more competitive than they were, and still a long way off the fall in wholesale prices. With these tariffs still up to £450 a year more expensive than the best deals, consumers are being left out of pocket."

In recent years, British Gas annual profits averaged £584 million. According to estimates by the Competitions and Marketing Authority (CMA), which has been conducting an investigation into the UK's energy suppliers, consumers overpaid by £4.2 billion a year between 2009 and 2013.

As its soaring profits were declared, British Gas announced it would cut another 500 jobs, mostly in its energy efficiency business. These will affect jobs at sites in Leeds, Oxford and Leicester.

A total of 28,000 people work for British Gas in the UK and the latest cuts follow the announcement in July 2015 by Centrica that it will slash 6,000 jobs. Centrica, which also operates in several other countries, said most of the jobs would go in Britain. As with the latest job cuts, last year's were announced alongside huge profits. In the first half of last year, Centrica recorded a doubling of profits to £1 billion. Half of this came from its British Gas arm.

The job losses are part of a restructuring operation, with the firm planning £750 million of annual cost cuts by 2020. Conn announced that he expected to achieve £200 million in savings by the end of 2016. This will be carried out in large part by cutting 3,000 jobs, with 2,000 of those are expected to come from the UK, including jobs in the North Sea.

Millions of customers struggling to pay skyrocketing bills will be disgusted with the comments of Mark Hodges, Managing Director of British Gas , who said of the latest job cuts, "We must ensure that our costs allow us to be more competitive for our customers."

On the news of its profit surge and job losses statement, the share price of British Gas rose nearly 7 percent.

Further job losses among the Big Six were announced Tuesday, with 2,400 jobs to go at Npower. These represent a fifth of its global 11,500 workforce. Npower is owned by German group RWE and employs 7,500 in the UK. Npower is making the redundancies in response to a loss of £99 million in its domestic energy business for 2015, compared to a profit of £183 million a year earlier. RWE said the cuts were part of a "radical restructuring."

In December, Npower was fined £26 million by the energy regulator, Ofgem, for "failing to treat customers fairly." This was the second such fine levied against the firm.

As is now routine, the trade unions proposed nothing to defend a single job. When the 6,000 job losses were announced at Centrica, GMB national officer Gary

Smith could have been speaking for the company when he said it was a “day of deep concern across British Gas,” but the “focus on the long-term and investment in customer service… gives us room for optimism over front-line jobs.”

Paresh Patel of the Unite union said only that “any compulsory job losses should be kept to a minimum” and the “reduction of the workforce should be made either through natural wastage or voluntary means.”

Such is the high cost of energy in the UK today that millions of families face the scourge of fuel poverty. Research published by the National Children’s Bureau last month found that there are now almost four million children in England alone living in fuel poverty. It documented that £10 million per year was being spent on treating patients with health conditions caused or worsened by living in cold, damp housing. Tragically, the report records that 117,000 people have died as a result of living in the cold and damp.

These conditions are the direct result of privatisation of the electricity industry, began in 1990 under the Conservative government of Margaret Thatcher. Since then, the privatised companies have reaped billions and billions in profits, as bills for households have shot through the roof, with millions of people simply unable to pay mounting fuel costs.

The Blair-Brown Labour governments from 1997-2010 maintained the privatised monopoly of the big energy firms.

In his campaign for the Labour Party leadership last year, Jeremy Corbyn promised that a Labour government would bring the energy industry under government control. He said in one speech, “I would want the public ownership of the gas and the National Grid… I would personally wish that the big six were under public control, or public ownership in some form.”

The *Financial Times* noted, “That would have seen a Labour government nationalising British Gas, SSE, Eon, Scottish Power, EDF, Npower and the National Grid.”

Corbyn, who has since retreated on all the main planks he was elected on, ditched this policy even before a month was out. On September 29, Lisa Nandy, Labour’s shadow energy secretary, told the party’s annual conference, “Jeremy and I don’t want to nationalise energy. We want to do something far more radical. We want to democratise it.”

This deliberately amorphous statement boiled down to a policy, said Nandy, of communities around the country being encouraged to generate their own “clean energy,” via “community-based energy companies and cooperatives.”

Labour under Corbyn remains a party of big business, with the FT commenting that Corbyn’s climb-down was the “latest example of his radical ideas disintegrating on contact with the rest of the Labour party [leadership].”

According to the *Guardian*, the Competitions and Marketing Authority, following an 18-month investigation into the activities of the main energy suppliers, “is expected to announce next week that it has ditched plans to introduce a wide-ranging price cap on energy bills after fierce lobbying from the big six suppliers.”

The newspaper noted that the watchdog “has already retreated from other, bolder moves that it threatened to make, including the breakup of large firms such as Centrica and SSE that dominate the wholesale as well as the retail markets.”

In response, shares in Centrica rose by 4.5 percent. Centrica was already relaxed about whatever the CMA’s review would conclude with Ian Conn stating in February, “I don’t really fear the outcome.”