Power Failure

⚡ Around the world, from Nigeria to the Philippines to the European Union, **energy privatisation has failed people and the planet**. Many governments have sold off public utilities, turning energy into a commodity for profit maximisation rather than for **the public good.**

Energy privatisation has been forced on many developing countries as a condition of loans and infrastructure development from multilateral financial institutions like the IMF and World Bank. Private investors have made fortunes, but little has been achieved except to enrich the few at the expense of the many. Energy privatisation has widened inequality and delayed the urgent transition to renewable power

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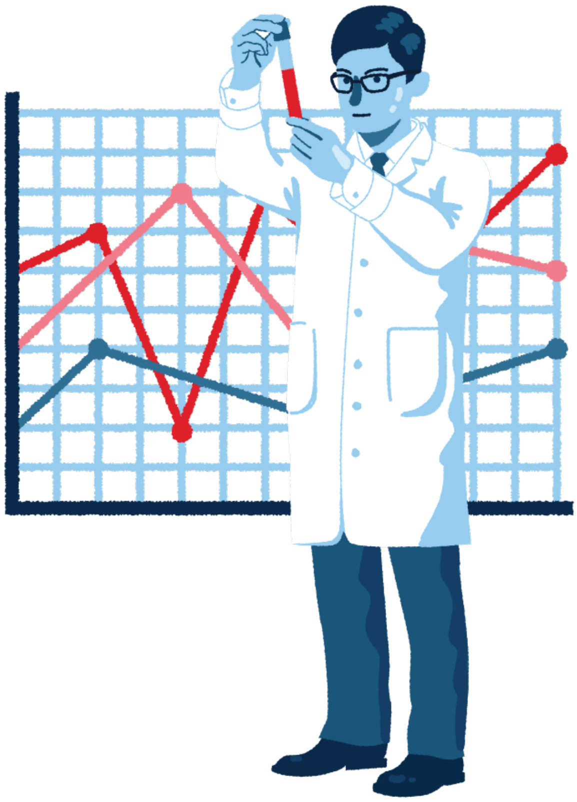
Electricity privatization

Under public ownership, an electricity network works as one system that benefits from integration between generation, transmission, distribution, and supply to energy users. Privatisation unbundles these functions. Power plants are sold, distribution franchises are created and a wholesale market for energy trading is established. The profitable parts of the network are handed over to private investors while the unprofitable parts usually remain in public ownership.

Free market ideology calls this ‘deregulation’, but it is in fact impossible to manage privatised electricity networks without a massive expansion in bureaucracy, including armies of marketing staff spending millions on advertising campaigns to convince consumers to buy ‘their’ electrons. These aspects – unbundling, introduced profit-making, and creating complex new regulations to manage the market – make privatised electricity networks inherently inefficient, more unstable, and more expensive.

By the promise that private investment will bring lower prices, improve supply and service. But privatisation policies have instead led to higher energy bills, punitive disconnections, increased energy poverty and failed to extend the grid to unserved communities. For workers in the sector, privatisation led to more dangerous and precarious work because of outsourcing, overall job losses, and massive cuts in pay diverted to corporate profits.

Instead of competition enabling ‘consumer choice’, privatisation has resulted in large corporations dominating the market.



When energy is no longer democratically accountable, this **opens new avenues for corruption**

When these markets inevitably fail, governments and the public must pick up the pieces, as these energy systems are essential to all aspects of modern societies.

Commitments to decarbonise and introduce renewable energy generation are creating a new wave of energy privatisation. Energy policy makers have succeeded in having many lawmakers believe that only private energy companies can manage renewable energy production technologies. This means that many capable public, vertically integrated electricity utilities have been barred from building new solar and wind generation. Such mistaken policy choices are reinforced by trade treaties which force countries to treat private corporations the same as their domestic public utilities.

Private companies **have not adequately invested** into extending existing infrastructure.
The private sector **will not deliver the clean energy transition** we urgently need to prevent the worst of global heating.

Only through public ownership can rapid progress be made to invest in large-scale renewable energy generation and storage, providing energy that is low carbon, affordable and secure.

Investment in public renewable energy is crucial to meet the UN's sustainable development goal for access to affordable, reliable, sustainable, and modern energy for all.

Privatisation around the world

Europe and the UK

Energy prices in Europe and the UK have risen since electricity was deregulated in the 1990s, and energy poverty doubled over 10 years as ownership become concentrated among a handful of multinationals dominating the European energy market. In the UK, an early pioneer of energy privatisation, 60% of jobs in the energy sector were lost between the early 1990s and 2001. Today just six large energy companies dominate the UK market, making record profits at a rate of four times above the margin considered a reasonable benchmark by the regulatory authorities. Meanwhile, prices have risen eight times faster than average wages.

> **Since deregulation in 1990s, in Europe and UK, prices have risen and energy poverty doubled over 10 years.**

Europe at night via Wikimedia Commons

The privatised energy sector has presented a major barrier for a rapid transition to renewable energy. Investment in renewables fell sharply in the last few years as a result of the removal of subsidies. However, there is a current shift towards direct investment as part of the COVID-19 recovery plan and European Green Deal.

The European Union has the ambition to be the first carbon-neutral continent by 2050 and has made progress towards a transition to renewable energy, with largescale deployment of wind and solar power. This has been possible despite – not because of – the privatisation and liberalisation policies, through public subsidies and commercial arrangements made outside of the rules established for the private energy market. The EU announced it is planning to mobilise at least €150 billion between 2021-2027 through a Just Transition Mechanism to facilitate decarbonisation.

Phillippines

Wire chaos at Intramuros - Andrew Moore via Wikimedia Commons

Three conglomerates control nearly 60% of the electricity generation in the Philippines.

Privatisation in 2001 has meant that generation, transmission, and distribution were unbundled. The government-owned National Power Corporation (NPC) was broken up and its assets sold to private investors. Privatisation was supposed to ensure prices would be market driven, leading to greater efficiency and shifting the cost burden from the state to the private sector. Instead, prices soared and today the Philippines has the second highest energy prices in Asia, after Japan.

Nigeria

Privatisation policies have failed to ensure reliable electricity supply in Nigeria. Nigeria is the biggest economy in Africa and one of the world's largest oil and gas exporters, yet it continues to suffer from massive shortfalls in energy supply, with nearly half of the population lacking access to the electricity grid. Nigerians pay very high electricity prices despite usage per person being one of the lowest in the world. For those who have access to the grid, energy supply is available on average for only 3.6 to 6.3 hours per day.

> Nigeria is one the world's largest oil and gas exporters, while **half of the population lacks electricity.**

Emeka Okechukwu via Wikimedia Commons

Nigeria privatised its electricity in November 2013, and 20,000 workers lost their jobs. The state-owned Power Holding Company of Nigeria (PHCN) was unbundled and divided into 18 companies. However, the business model of the private distribution companies has comprehensively failed. They failed to attract new investment and are massively in debt. This has led to artificial shortfalls in supply, where private companies lack the liquidity to purchase energy from the generation companies.

In an attempt to resolve this problem, electricity tariffs were doubled in September 2020, but this deeply unpopular measure in the midst of the COVID-19 crisis has led to strikes and mass unrest against austerity and corruption.

Taking it back: reversing privatisation through energy democracy, public ownership and control

Around the world, people are demanding the renationalisation of energy as a response to the climate crisis and post-COVID-19 economic recovery. The failure of electricity privatisation experiments has resulted in governments in a number of countries renationalising energy companies as well as communities reclaiming control of electricity at municipal or regional levels. In 2019 there were 374 cases of remunicipalisation of energy – 4 out of 5 taking place in Germany – due to the poor performance of private energy companies and because of community demands for renewable energy.

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Governments are best placed to invest directly for low-carbon, accessible and affordable electricity for all. They can effectively manage systems upgrades and challenges presents by renewable energy, as well as cater for worker and community ownership. Governments should preserve vertically integrated state-owned utilities and must not undertake any further unbundling and privatisation of electricity.

> Democratic ownership of public services **must be defended and extended.**

Public Services International

Global Union Federation of Workers in Public Service

English Version