

The background is a solid teal color. It features several thin, black-outlined circles of various sizes scattered across the page. A large, prominent spiral is formed by multiple overlapping lines in yellow, green, magenta, and blue, starting from a dark, textured circular center and expanding outwards. The main title is written in a bold, yellow, sans-serif font, with the subtitle in a smaller, grey, sans-serif font.

LOCAL ENERGY OWNERSHIP IN EUROPE

EXECUTIVE SUMMARY

AN EXPLORATORY STUDY OF LOCAL
PUBLIC INITIATIVES IN FRANCE,
GERMANY AND THE UNITED KINGDOM

with the support of



Why this study?

Understanding the new momentum for energy remunicipalisation in Europe

Reasserting the need for local energy management



Whether it involves renewable energy, energy efficiency or sustainable mobility projects, the transition cannot be achieved without strengthened local commitment.

Inspired by remunicipalisation initiatives in the water sector and aware of the urgency of the situation, an increasing number of local authorities are expanding their role, no longer simply acting as planning authorities but becoming operational stakeholders and driving forces for the local energy transition. New integrated municipal companies **in Germany**, public energy suppliers **in Great-Britain** or local investment operators in renewable and energy efficiency projects **in France**: a growing movement of local authorities taking ownership of the energy transition is clearly under way.

Understanding the new remunicipalisation momentum in Europe

This study sheds light on the energy remunicipalisation movement, a relatively recent phenomenon, by providing an explanatory analysis of existing initiatives in **France, Germany and the United Kingdom**. Analysing the benefits, conditions of their emergence as well as the risks and obstacles faced by these initiatives, this study aims to illustrate the variety of models available to local authorities to best suit their priorities and needs.

What are we talking about?

A range of processes:

LOCAL ENERGY OWNERSHIP

encompasses all the initiatives and processes undertaken by local authorities and citizens to promote local energy governance; these fall into the following four categories

REMUNICIPALISATION

refers to the operating role of local authorities and the economic decisions (setting up or taking over local energy companies, managing and developing energy infrastructure, etc.) they make to increase municipal control over energy management

DEVOLUTION

covers the strategic and political role of local authorities through the transfer of powers from the national government, notably regarding the preparation and implementation of energy planning and regulations

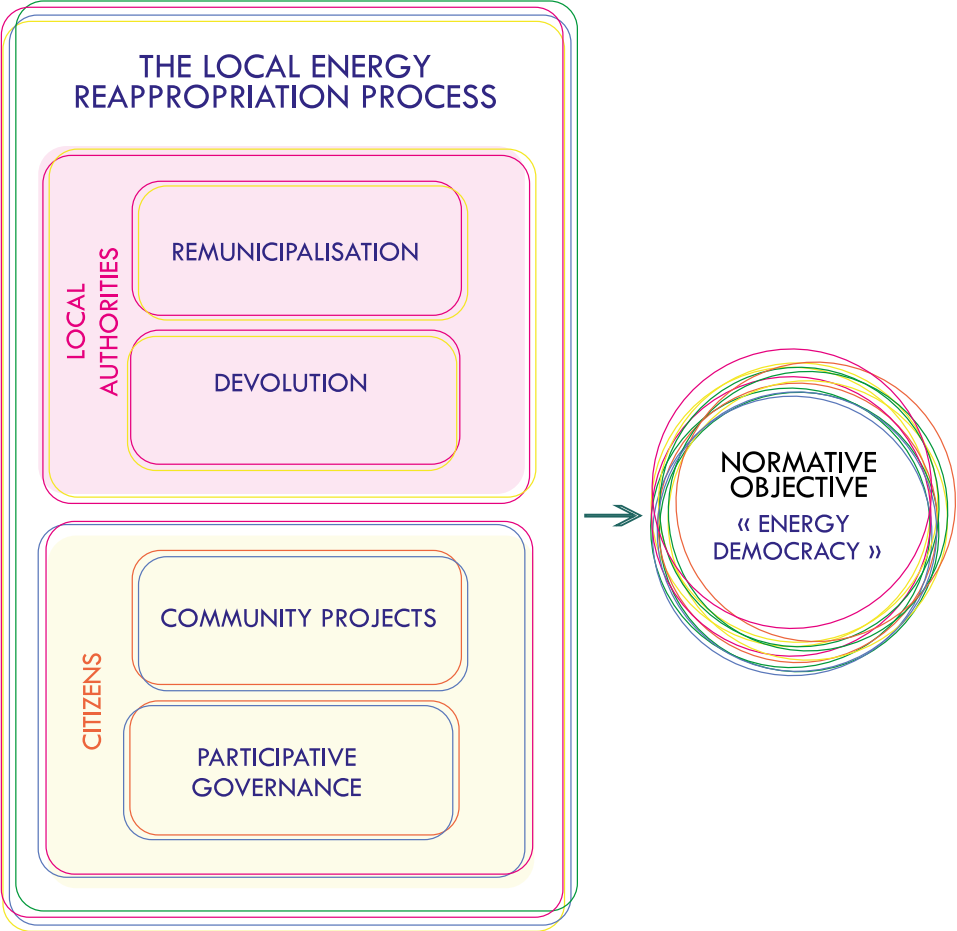
COMMUNITY PROJECTS

include all projects directly initiated by citizens (independently or in collaboration with local authorities), these usually concern renewable energy projects

PARTICIPATIVE GOVERNANCE

refers to all the tools implemented to promote direct democracy and the influence of citizens on energy and climate policies: discussion forums, participative budgets, co-building of planning schemes, etc

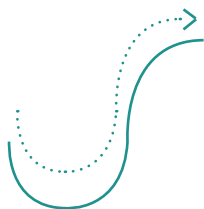
Schematic view of the concepts related to local energy governance



What lessons can be learned?

Context

National legal frameworks are not insuperable obstacles for remunicipalisation projects

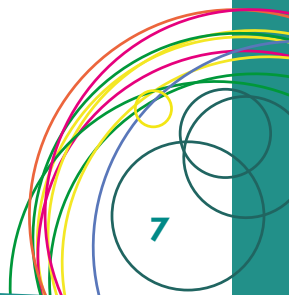
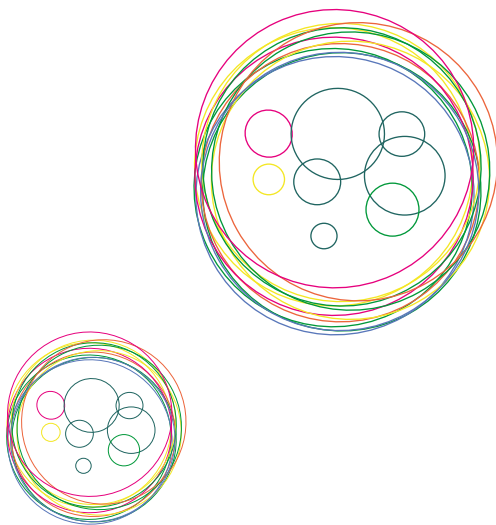


Although EU legislation concerning energy and climate policies and the regulation of public services is gaining ground, Member States still have significant leeway as to how they organise their public services, especially in terms of internal organisation and assignment to local public entities. As a result, Member States have developed divergent legal frameworks that have a direct influence on the conditions governing the emergence of new local operators.

The over one thousand Stadtwerke (municipal utilities) are proof that energy management remains a strong prerogative of local authorities **in Germany**, although they have to deal with increasingly stringent competition rules and limited possibilities in terms of economic intervention.

In France, the centralised organisation of energy supply and widespread contracting out of public services limit the ability of local authorities to manage them directly. There is, however, a renewed assertion of local government powers in the field of energy, in line with the provisions of the Energy Transition Act (2015) and part 3 of the devolution process, and an increasing number of authorities (mainly regional councils) have decided to create public investment operators for renewable and energy efficiency projects.

In the United Kingdom, the privatisation of public services initiated in the 1980s has led to an erosion of local government powers in the energy field and to a concentration of the market into the hands of six large private companies. Despite this unfavourable context, the recent increase in community energy projects and the setting up of municipal operators in large cities is sending out a strong political signal that could trigger a larger-scale movement.

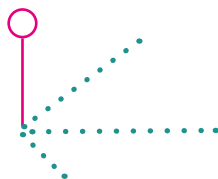


Why are local authorities engaging in remunicipalisation projects?

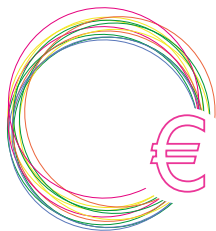
All these projects have a common starting point

PROVIDING THE NECESSARY RESOURCES FOR THE LOCAL TRANSITION

The primary reason for setting up a local public operator is the desire to reassert political influence over energy management and ensure that local projects reflect the strategic vision. In Southern France, the **Occitanie Regional Council**, for instance, plans to set up a regional energy and climate agency to achieve its objective of becoming the first positive energy region in Europe. The **City of Stuttgart** set up a new integrated energy operator in 2011 to carry through its zero emissions by 2050 project. In 2016, the **City of Bristol** established one of the first municipal energy suppliers in the United Kingdom to speed up its local climate transition and support its programme for tackling energy poverty.



....and one or more specific purposes:



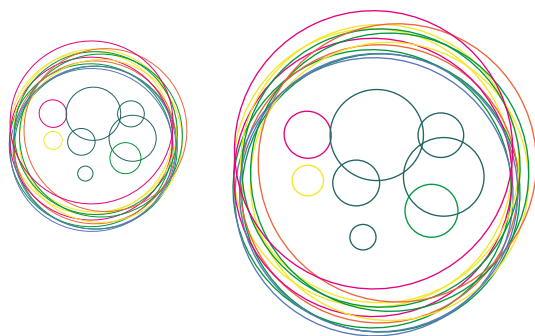
1. A DRIVING FORCE FOR THE LOCAL ECONOMY

Spearheading the local energy transition, local public companies are an essential lever for anchoring monetary flows within the local economy, contributing to the vitality of the local economic fabric, channelling citizens' investments and developing innovative tools:

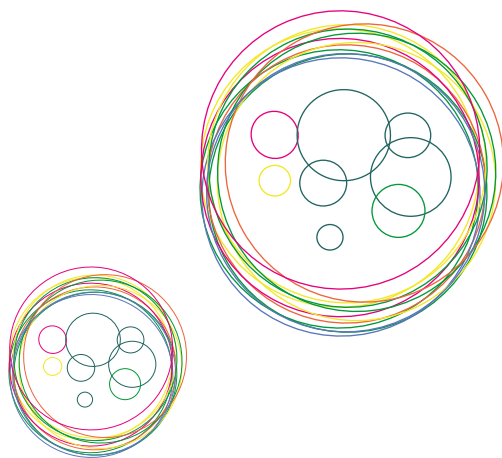
- Keeping projects under local control can increase by a factor of 8 the share of added value that remains in the host region, as demonstrated by the wind projects of the **regional operator SUN in Hesse**.
- In **Hanover**, the profits made by Stadtwerke are paid into an energy efficiency fund which has an exceptional leverage effect: each euro of public money generates 18 euros of added value, half of which goes to the region.
- Besides cities, **the Community of communes of Mené in Brittany** has shown how the energy transition can become an opportunity for rural areas: the partnership between the local authority, agricultural cooperatives and citizens has made it possible to attract tens of millions of euros in investments to create a business park and incubator in an area of only 6,500 inhabitants.
- Finally, remunicipalisation may become a significant resource for the authority itself. After buying back its power grid in 2014, the **City of Hamburg** has generated a €35 million profit from its activity as grid operator and it is planning to take over the district heating and gas networks in 2018.

2. PROXIMITY, A CRUCIAL ADVANTAGE FOR LOCAL OPERATORS

Local energy ownership is meeting increasing public demand for putting the public interest before profitability and citizen value before that of shareholders. In Germany, 75% of citizens want public services to be managed directly by local authorities, as demonstrated by the strong mobilisation of citizens in favour of remunicipalisation in **Berlin, Hamburg and Stuttgart**. For French citizens, decentralised energy management is one of the primary objectives of the energy transition and renewable community projects are starting to mushroom across the country. In the United Kingdom, 68% of citizens think that energy companies should be publicly-owned. Backed by the Switched on London community campaign, the Mayor of London has committed to setting up a public local supplier in 2017. Community engagement can also lead to the development of new partnership models. In addition to supporting community cooperatives, an increasing number of local authorities are testing out new participative governance models, opening up the decision-making and financing of energy remunicipalisation projects to citizens.



Defence of the general interest and proximity provide local public operators with a competitive edge in the energy market: German Stadtwerke have successfully made it their hallmark and now own 50% of the electricity market, 56% of the gas market and 67 % of heat networks. In Great-Britain, despite the monopoly of the Big Six, local suppliers like Robin Hood Energy in Nottingham have been extremely successful; the same applies to local distribution companies in France, some of which have over 150,000 customers.



3. TOWARDS INTEGRATED MANAGEMENT OF LOCAL PUBLIC SERVICES

The cross-cutting dimension inherent to energy transition policies is not just a challenge but also an opportunity for local authorities. Applied to energy management itself, it maximises the synergies between the various sources of energy. Combined with the development of renewable energy and smart power grids, district heating networks and waste heat recovery schemes have become important levers for harnessing local energy potential to the full.

On a larger scale, this horizontal integration opportunity also applies to potential synergies between the different areas of activity (energy, water, waste, mobility, etc.) of a joint public operator and helps better understand the metabolism of a local area. These synergies do not simply ensure coherency between the various sectoral policies, they also result in significant economies of scale that limit the cost of local public services.

4. PROMOTING COOPERATION AND POOLING STRATEGIES

Setting up partnerships with other stakeholders is one of the best responses to overcome the lack of adequate resources and skills often experienced by local authorities engaged in a remunicipalisation process. By way of example, 82% of small to medium-sized Stadtwerke in Germany consider cooperation with other players (notably other Stadtwerke) a winning strategy. Many examples show that pooling resources is a necessity to win new markets. Over 50 German, Belgian and Dutch public local energy companies, for instance, have joined forces to set up Trianel, a joint operator, to facilitate access to the wholesale electricity market and pool a number of project development services. In France, fifty local utilities have co-founded Alterna to offer competitive prices and build shared expertise.

Overall SWOT analysis of energy remunicipali- sation initiatives

INTERNAL FACTORS



- The “proximity” factor creates a connection with citizens and the local area
- Defence of the general interest helps build trust
- Legitimacy of local public action
- Coordination between local policies and operational activities
- Strong synergies between areas of activity

EXTERNAL FACTORS



- Increased interest in the local factor: a “brand” and a market potential to develop
- Energy transition: an opportunity to reinforce local action
- A driving force for the local economy and the financing of public services
- Many partnership opportunities (local public companies, citizens, private sector) : diversification of tools, financing and risks
- New markets: energy service (ESCOs), digitalisation and data management



WEAKNESSES

- In-house (technical, legal, economic) skills are often insufficient for operational activities
- Limited economies of scale if activity is limited to the local area
- Significant financing needs that may exceed local capacities
- Long-term projects requiring a sound political vision and foundations



THREATS

- Legal constraints: sometimes strong limitations on local public action
- The European electricity market, a high-risk environment
- Strong competitive pressure and potential resistance of private players
- Uncertainties and limited influence on national and European energy policies: high risks for new activities (RES, energy efficiency)
- Lack of legitimacy if lack of communication or transparency

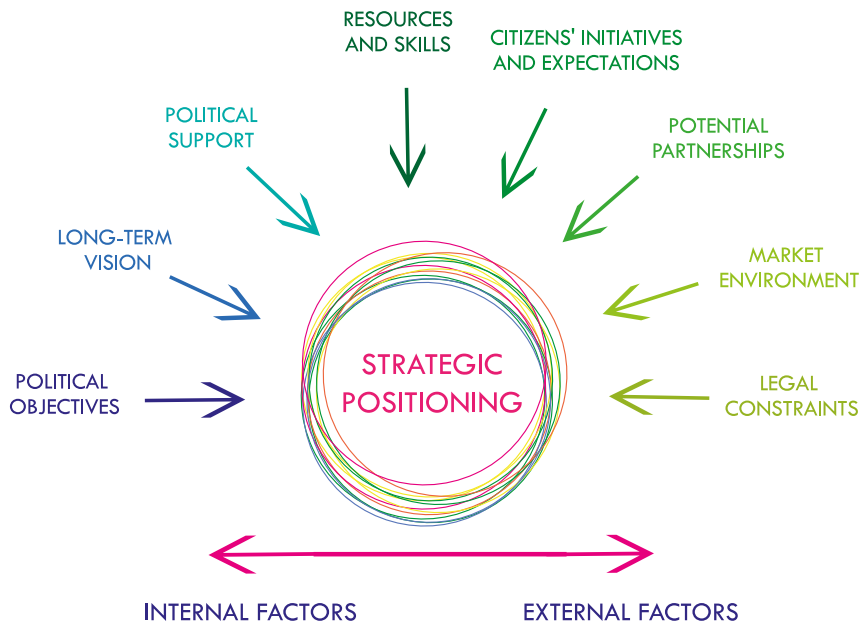
What forms can remunicipalisation take?

A wide range of possibilities

The study highlights the potential and diversity of the models that can be used to set up new local energy operators with three key findings:

- **Action is possible:** whatever their specific legal constraints, local authorities can always find a way to come up with operating tools that suit their needs, provided they have the political will and tenacity to do so.
- **No one model is better than another:** whether the objective is to develop an integrated operator responsible for managing all public services or a company for a renewable energy project, each model has its merits and risks. The most ambitious models seem to be the most attractive in terms of political leadership and economic benefits, but they also imply higher risks and costs.
- **Carrying out an in-depth strategic analysis is necessary** to identify the best solutions that take the specific objectives and resources of each local authority into account; this involves defining a suitable strategic positioning that includes the main issues below.

Strategic positioning issues





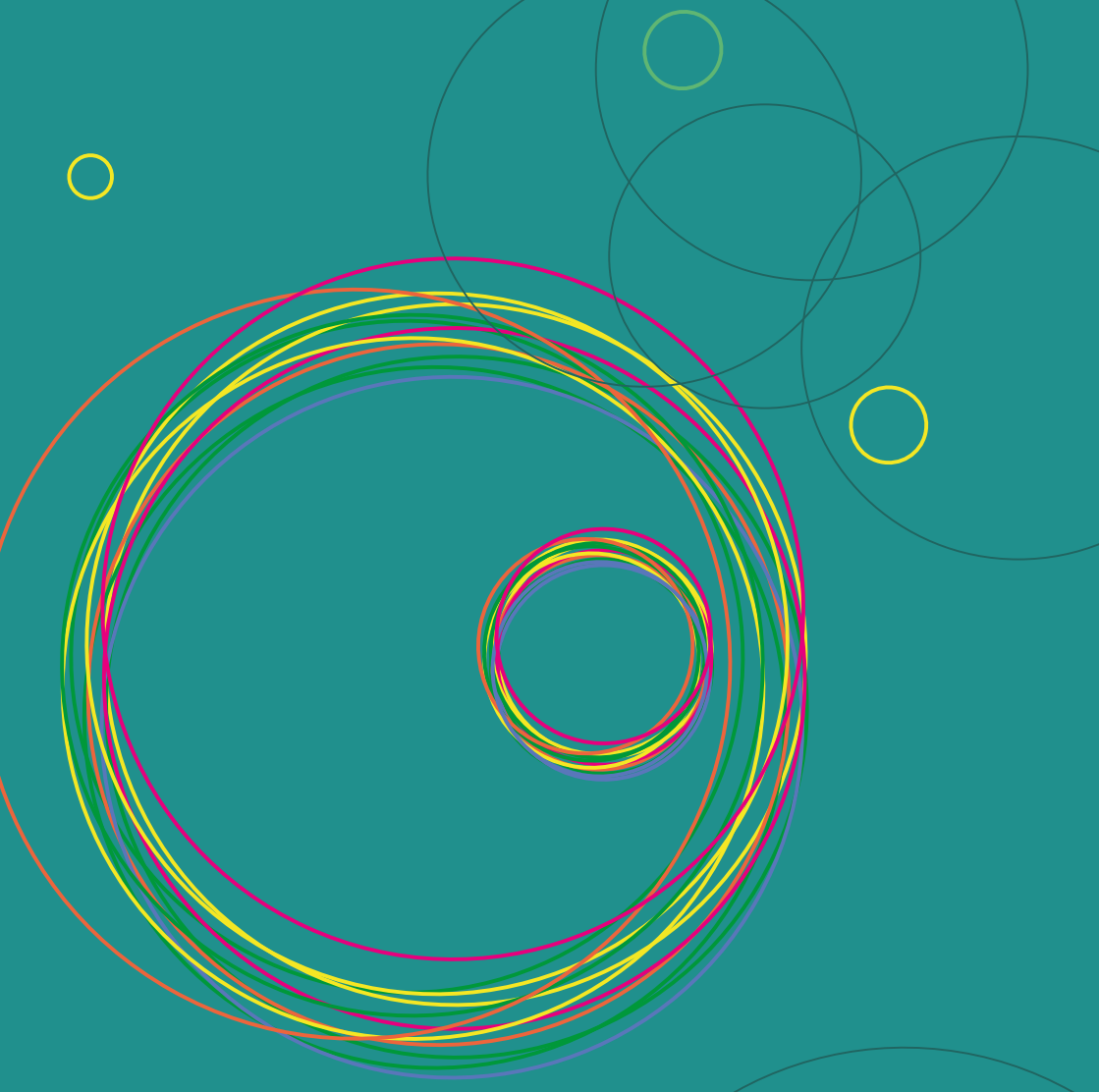
The unabridged version is available on-line:

<http://energy-cities.eu/-Publications-67->

Study authored by

ANDREAS RÜDINGER,

independent consultant and associate research
fellow at the Institute for Sustainable Development
and International Relations - IDDRI



ENERGY CITIES

Energy Cities is the European network of cities in energy transition. For over 25 years, it has been advocating a democratic energy transition led by the local and regional levels. By showcasing inspiring examples from its member cities, supporting and facilitating exchanges between stakeholders committed to a low-carbon future, creating alliances and feeding the political debate in Europe, Energy Cities demonstrates that the energy transition road is paved with social, environmental and economic benefits for all.



@energycities



Energy Cities



info@energy-cities.eu

www.energy-cities.eu