UNLOCKING MUNICIPAL ENERGY FUTURES

NATIONAL POLICY BRIEFING

By Helen Traill and
Andrew Cumbers

University of Glasgow

mpower

UNLOCKING MUNICIPAL ENERGY FUTURES

NATIONAL POLICY BRIEFING

By Helen Traill and Andrew Cumbers

University of Glasgow

mpower

COLOPHON

The National Policy Brief summarises the findings of the mPower project as elevant for policymakers on a wider (national, regional, EU) level, drawing out concrete steps that can be taken on these levels to remove blockages to, and enable, locally-driven municipal energy transition solutions.

DATE October 2022
AUTHORS Helen Traill and Andrew Cumbers
PUBLISHER University of Glasgow and the mPower project
COPY EDITOR Sarah Finch
DESIGN & LAYOUT Ivan Klisurić / ivanklis.studio

With valuable contributions from Vedran Horvat, Rowan Mataram and Lavinia Steinfort.
For inquiries, please contact Andrew Cumbers at the University of Glasgow, andrew.cumbers@glasgow.ac.uk

Founded in 1451, the **University of Glasgow** has a tradition of excellence as the fourth oldest university in the UK. It is a founding member of Universitas21, a member of IRUN (International Research Universities Network), and a founding member of the Guild of European Research Intensive Universities. UoG is a world-leading research intensive institution, attracting scholars from more than 130 countries worldwide each year. So far in Horizon 2020, the University has 105 granted projects, worth more than €35m. In Horizon 2020, the University has nearly 20 ERC grants. Find out more: **https://www.gla.ac.uk/**

mPower is an Horizon2020 project that has enabled a in-depth, wide-scale and systematic peer-to-peer learning programme among at least 100 local public authorities, in order to replicate innovative best practices in municipal energy, and developing ambitious energy transition plans. The project is run by a consortium of Glasgow University (UK), Platform (UK), Energy Cities (EU-wide), IPE (Croatia), Transnational Institute (Netherlands), University of the Basque Country, and Carbon Coop (UK). Find out more: **https://municipalpower.org/**

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement number 785171.

Index

SUMMARY — 4

1 / POLICY COORDINATION — 6

2 / ENABLING ACCESS TO PUBLIC FUNDING — 8

3 / OWNERSHIP AND LOCAL CAPACITY — 10

4 / DEVOLUTION OF POWER — 12

5 / REGULATION AND THE BROADER ENERGY LANDSCAPE — 13

SUMMARY

It is now well acknowledged that local action at the municipal level is essential to help deliver a post-carbon energy transition. There is considerable enthusiasm among municipal and city governments to play an active role in the changes required to facilitate an energy transition, but they need much greater devolved power and resources to develop their strategies for change. However, if municipalities are to succeed, national governments must take the lead in challenging and changing broader regulatory cultures that prioritise profit and marketisation over the provision of critical public services. This should include a questioning of the limits to EU policies that favour marketisation and competitiveness dynamics over strategic planning for social and ecological needs.

Building on our findings from the mPower project, we make the following five national policy recommendations.

1 — Policy coordination across scales is essential to facilitate the speed of energy transition required to address the climate emergency.

2 — The transition to a cleaner energy future requires direct, dedicated and sustained public funding. National governments should provide a secure and ring-fenced funding landscape.

3 — Building local capacity, in terms of staffing and expertise, which has been badly hit by austerity cuts, is critical to supporting municipal transition.

4 — Sufficient powers should be devolved to support municipal leadership as a democratic and empowering pathway to energy transition.

5 — As ownership of key assets, especially buildings but also energy service companies, is important for municipal transition, support should be provided for local control over key resources and infrastructures on which to build a local transition.

There is a welcome increase in municipal level action to tackle climate change and facilitate an energy transition away from fossil fuels. Opportunities exist to work with and catalyse this action for meeting climate goals, but municipal authorities and governments report blockages that sit outside their jurisdictions to change. A common theme across otherwise diverse municipalities are a set of blockages and constraints at the level of national governments. This briefing makes a series of policy recommendations to address these and enable municipal authorities to realise their full potential.

How can national policy work with and enable municipal level policies and actions to facilitate energy transition?

The municipal level is recognised as a key terrain for decarbonising the economy. This is especially the case around energy efficiency (highlighted as important in the European Union's energy efficiency first principle) and democratic legitimacy (especially in facilitating citizen participation). The municipal level is also the scale at which many essential services operate and are planned and regulated. This briefing draws on the findings, conversations and shared collective learning experiences of the msPOWER project. Funded by the Horizon 2020 programme, mPOWER has involved an in-depth, wide-scale and systematic peer-to-peer learning activities among over 100 local public authorities, with the aim of replicating innovative best practices in municipal energy and developing ambitious energy transition plans.

Municipalities need supportive and enabling policy environments at other geographical scales, particularly the national scale, to fulfil their potential in the drive towards energy transition. To make best use of localised ambition and action, national policy landscapes must support and reflect ongoing conversations about transition to low-carbon energy. This policy briefing offers suggestions at the national level for principles and policies that support the local transitions that draw upon our research findings.

1/ POLICY COORDINATION

Municipal transition works best when it is aligned with sustained co-ordination between governance actors, business and community partners at and across different geographical scales. This is required to enable municipal actors to achieve the kinds of rapid transition that are required if the world still has a chance to meet its target of keeping global heating below 1.5 degrees. As a novel and emerging problem, lots of new legislation, investment and policy shifts are required, but this must be integrated across different levels of government if it is to facilitate change effectively. Change cannot be delivered at the local scale without broader support.

EXAMPLE 1
UK POLICY CONFUSION

Within the devolved nations of the United Kingdom, the different devolved governments have their own targets and strategies to reach net zero. However, as the Scottish Government's Heat in Buildings Strategy (2021) makes clear, their capacity to effect change relies on its coordination with UK level policy, which was made public later in 2021. Yet policy makers are not yet clear on how the UK government's strategy to make local authorities write Local Area Energy Plans (LAEPs) will apply to the Scottish local authorities, who are mandated to write LHEES under the Heat in Buildings Strategy. This points to a need for multi-level policy coordination and despite the unique devolution settlement in the UK, presents a common alignment problem across Europe.

Success stories from Nordic municipalities are predicated on a supportive national policy environment, where the general push in the aftermath of the 1970s oil crisis for energy sovereignty and a lack of reliance on oil has led to many leading municipal transitions across Denmark, Sweden and Finland. The German 'Energiewende' provides a similar point of policy cohesion at the national level: although not uncontentious, the policy steers national efforts towards transition.

Our research also suggests there is a role for national governments in coordinating between and across municipalities. Rather than each municipality reinventing the wheel, or competition between municipalities for scarce resources, we believe there is a role for inter-municipal support within as well as across countries, examples exist in Spain, where municipalities have come together to exchange plans and support each other, around the Black Sea in Bulgaria and across Slovenia, as described below.

EXAMPLE 2
SLOVENIAN INTER-MUNICIPAL SUPPORT

In Slovenia, Ljubljana is often hailed as a transition success story, pedestrianizing the central areas, investing in municipal waste systems and learning the technical know-how to draw down European level funding for municipal retrofit. Having successfully done so, key figures within Ljubljana were then able to support other Slovenian municipalities to access the same funding, using their knowledge of the technical detail gained during their own application. Southern Slovenian municipalities were able, with this support, to apply successfully for the same funding. This example of municipalities working together points to the synergies possible in inter-municipal collaborations, something that national governments should be encouraging, funding and facilitating.

An important caveat here is that there must be an interplay between local governance autonomy and national strategy. This is a balance that will vary between countries, depending on differences in existing multi-level governance structures, but if we are to reach net-zero a degree of coordination is not only preferable, it is a pre-condition for effective municipal action. Energy security has become of greater concern after the Russian invasion of Ukraine in February 2022. This has led to national governments turning to fracking, coal or renewed investment in oil exploitation as a cure for reliance on Russian oil. In the long term, however, an effective municipal energy transition away from fossil fuels and towards more locally generated renewables would aid energy security. Through making countries, regions and municipalities less dependent geopolitically on imported fossil fuels, it would also reduce some of the external market uncertainties, particularly around price volatilities, that a dependence on global oil and gas markets always brings. This is a long-term strategy but something that needs to be addressed in the here and now with greater empowerment of municipal actors.

2 / ENABLING ACCESS TO PUBLIC FUNDING

National level policy needs to facilitate access to public funding. Funding pathways include direct subsidies and funding packages, supporting access to 'patient capital' (through national investment banks, or local and regional development banks), and through supporting applications to EU funding.

Patient capital has been helpful in stimulating success at a local level, often through low-interest loans from public and development banks and direct funding packages. Perhaps unsurprisingly given the scale of investment required for an energy transition, funding is the most cited blockage to transition. Equally, in southern Germany, Ettlingen offers a good example of how even relatively small municipalities are able to access patient capital from the German development bank to fund their transition strategies.

EXAMPLE 3
SOUTHERN GERMAN ACCESS TO PATIENT CAPITAL

The town of Ettlingen, in Germany, demonstrates the potential for effective energy transition strategies where local public authorities have the power and capacity to pioneer and develop integrated policies.

A critical component of Ettlingen's success is having its own integrated municipally owned water and energy services company: Stadtwerke Ettlingen (SWE).
SWE's success has been built on the availability of 'patient' investment capital from the state which allows borrowing for renewable projects at very low borrowing rates. One recent example that illustrates this well is a scheme that has been set up to replace heat boilers in the town's households which has involved a loan (at less than 1% interest) from the German Development Bank, the KfW, allowing the SWE to cover the cost of replacing boilers in return for users entering a twenty year contract for heat supply.

However, there is also room for national level capacity building, facilitating transition through access to EU level funding sources or changing rules about accessing funding.

Notable in our research is the challenge that is presented by a lack of support at a national level, due to not valuing transition, or through failing to support local transition. The explicit expectation that the market will deliver without state support is not backed up by evidence, and the pace of change required is likely to require massive levels of both state funding and strategic coordination. Additionally, there is a flawed

presumption that municipal actors should be held to 'market principles' and compete with large established players in a highly uneven market. Yet the oligipolies that dominate energy markets are among the conditions that caused failures in some of the UK municipalities' efforts to establish municipal energy distribution companies. Such experiences highlight how naïve market thinking fits poorly with any serious attempt to build local transitions.

3 / OWNERSHIP AND LOCAL CAPACITY

A strong conclusion from the project is that access to staff, expertise and data, and ownership of assets, greatly facilitate local energy transitions. Research on the mPOWER project found a direct correlation between number of municipal staff and success in transition. Local authority capacity and employment numbers are directly tied to longer term shifts in governance, especially after the global financial crisis in 2008 and the cuts made in the name of efficiency and austerity. Municipalities can make effective local interventions where they have the staff to build programmes and engage in multi-sector collaborations (much in evidence in our project as a key means for governing the transition). Where increasing in-house municipal staff is not an option, maximising capacity and public benefit through public to public partnerships with anchor institutions (such as hospitals, schools, and sports centres) has had great success.

Access to expertise can be managed through a local or national public Energy Service Companies (ESCos) or similar advisory structures. Ghent, Belgium, as a municipal government lacked the technical capacity to understand the administrative and procedural details required to engage in establishing a power purchase agreement with a local energy cooperative. The public body Het Vlaams Energiebedrijf (or VEB) was set up to support local initiatives in Flanders with energy services; and provided critical knowledge for setting up the agreement. As a result, 46% of municipal energy comes from renewable sources within the city.

A critical element in this is leveraging municipal assets. This can include remunicipalising energy infrastructure for public management of energy transition, such as in the Hamburg example in section five. Beyond this, local ownership of buildings and infrastructure allows municipalities to both demonstrate the feasibility of energy projects, and can also often provide a base load for critical infrastructure such as district heating networks through anchor institutions as noted above.

Sometimes taking public ownership is for historical or political reasons less feasible. Because it has completely privatised its entire energy system and requires central government legislation to reverse this, the UK in particular faces key challenges around its decoupled and privatised energy grid, production and distribution. Despite a slew of well-publicised municipal failures, there are ways of navigating restrictive market and debt rules, such as the approach in Plymouth of working in partnership with local partnerships and anchor networks.

To facilitate this, there needs to be a much better public availability of local data on key energy transition indicators facilitated by national governments to allow municipalities to both assess their progress and plan future targets. The mPower project found a lack of access to data created a serious challenge to the technical mapping of energy systems, making effective municipal planning difficult.

4 / DEVOLUTION OF POWER

Local authorities must have the legislative capacity to make changes. The arenas over which they have most potential to change t (including but not exclusively, building codes, planning, retrofit, procurement, district heating systems) are also often restricted by higher level regulation and priorities, and again the question of independence of action and coordination must balance one another. Yet the space given over to local authorities will constrain or enable their action. Again, in Nordic countries, where decarbonisation is deep and convincing (and has a long historical trajectory to today), municipalities are seen as capable actors, with devolved powers around funding and taxation. Representatives from Vaxjo in Sweden talked about their capacity to raise and spend taxes, and their position as trusted financial actors, for example. Places with less devolved power are restricted in their spheres of action, being merely able to change lightbulbs — and this is frustrating in places such as Zenica in Croatia, where they report that it combines with limited national leadership despite ambitions to decarbonise. Changing lightbulbs is important but municipalities can have a bigger impact when they are given the power to act.

EXAMPLE 4
WORKING AROUND NATIONAL CONSTRAINTS

In Barcelona, municipal authorities wanted to establish a local energy company to break the monopoly of big energy companies in the city and to provide a certified renewable source of energy. They were not however allowed to set up a new public company, and so Barcelona Energia was set up as a subsidiary of their public waste company, in order to provide an alternative to what they considered to be the oligopoly within the Spanish energy market. It is however restricted in its capacity to act at scale, and is capped as a public body at 20% of the residential energy market. As this brief example illustrates, attempts to disrupt and shift the energy markets at the local level can be easily hampered by national rules around public tendering. This is an example where market competition dogma prevents effective local action so there is an urgen need for changing national approaches to energy regulations that would empower local actors rather than block their capacity to act at scale.

Municipalities can make more convincing inroads into carbon reductions and offer a democratic and empowering pathway to energy transition when they hold the power to do so.

5 / REGULATION AND THE BROADER ENERGY LANDSCAPE

Ambitious plans exist across different governance levels inEurope and globally; and a key takeaway from our research is that there is a role for strategic planning and coordination at the national and international levels. However, particularly in Europe, the European Union and its pro-market position, particularly focused on liberalising the energy market and promoting the energy union, can prove a stumbling block for more strategic action. For example in Iceland, whose membership of the European Economic Area (EEA) subjects them to single market rules and regulation, legislation against short-term thinking in energy service production was the source of years of European level dissent and contest.

EXAMPLE 5
REMUNICIPALISATION TO MAXIMISE IMPACT

Hamburg provides a critical example of the power of integrated ownership capacity. Despite setting up a public electricity utility, Hamburg Energie, in 2009 and bringing the energy grid back into municipal ownership after a grassroots mobilisation in 2013; the heating grid was blocked from being re-municipalised until 2018 when a key political opponent moved on. Yet once the city was able to bring the heat district back into public ownership, it was able to move towards a more integrated energy transition strategy, converting 400,000 city homes from coal and gas to renewables and combined heat and power; with potentially large carbon reduction outcomes. This game changer was only possible with municipal ownership of both heat and energy grids.

This raises critical questions around what space can be carved out for regulating and steering existing energy markets, often dominated by big multi-national state-owned energy companies such as Ørsted and Vattenfall. Is there time to wait for the global energy transition to be steered by profit-driven enterprises? Pressure across Europe around the need to heavily tax so-called 'windfall' profits from energy companies has led to some action to re-coup revenues to distribute to consumers and reinvest in energy transition, which can only happen at national level. Yet imagine what more local authorities could do if they were fully supported and recognised as credible actors. Instead of a vision of competitive and marketized energy, municipal actors offer

a potentially more coordinated, strategic and collaborative approach to energy provision and sustainability transitions. This differs arguably from the EU's market-driven push for energy liberalisation and from national emphases, especially in places such as the UK, on supporting a competitive energy market as an efficient distribution mechanism. This is our final provocation. There is a need for regulation and coordinated strategic planning across national and local scales at this critical juncture for climate regulation if we are to meet carbon reduction goals and mitigate the worst of the climate crisis that is already here.

×

University of Glasgow

mpower

The National Policy Brief summarises the findings of the mPower project as relevant for policy-makers on a wider (national, regional, EU) level, drawing out concrete steps that can be taken on these levels to remove blockages to and enable locally-driven municipal energy transition solutions.

For more information about the mPower project:
https://municipalpower.org/