Democratic energy economies can avert the climate catastrophe

By Lavinia Steinfort

Youth climate activists are striking to demand immediate action from political power holders. They brought the issues of climate and labour together by calling for a global climate strike in September 2019, in which an historic 7.6 million students, (grand)parents and workers from 185 countries participated. Over 70 trade unions around the world supported the general strike and the number of climate groups that are demanding just transition pathways for fossil fuel workers are also steadily increasing.

The European landscape of climate activism is becoming densely populated. Numerous communities are defending nature along with their livelihoods. Initiatives, like the German anti-coal coalition Ende Gelände, practice civil disobedience to mobilise large numbers of European activists for climate justice. Most recent manifestations – by groups, such as Fridays for Future, Extinction Rebellion and Earth Strike – are led by pupils and students who are joined by their families and teachers on the streets. Some, like the Shell Must Fall alliance,¹ are more explicitly tying corporate power to the climate crisis that has long been destroying communities and the biosphere, particularly in the global South. Or take the overlap between climate activism and the Gilets Jaunes protesters’ struggle; who successfully mobilised hundreds of millions of lower and middle-class folks across France to fight Olivier Macron’s so-called carbon taxes, which follow an extractivist logic in favour of the rich and paid for by the poor.² The message: climate action must have economic justice at its heart.

The alliance for a Green New Deal for Europe³ was formed to turn demands for climate justice into policy proposals. Soon after even the European Commission endorsed the call for a Green New Deal. But what are the public ownership strategies to achieve this, what can we learn from those growing pockets across Europe where diverse forms of energy democracy are being developed, and what are the challenges for which we should get prepared? To answer these questions, we first need to acknowledge that the energy transition is in trouble.

How market solutions slow down the energy transition

The first half of 2019 was the worst for clean energy spending in six years, with investments dropping globally.⁴ There has been a slowdown in the shift to renewable electricity across the EU since 2014, with annual investments in renewables dropping by 50 per cent between 2011 and 2017.⁵ The European Commission (EC) has warned its member states that their energy and climate plans are unlikely to meet the EU 2030 targets for renewable energy and energy efficiency. Half of EU countries will probably not even meet their 2020 target for renewables.⁶

As Trade Unions for Energy Democracy (TUED) explains in much more detail,⁷ leaving renewable energy to the market implies that small energy companies have to compete with the big multinationals for subsidies and energy supply. This approach has failed to bring the necessary investments. Since 1996, the EC has been pushing for energy liberalisation. The promise was that this would increase competition. However, by 2009 only five big energy companies were dominating the European market.⁸

This market approach has not delivered an energy transition with the scale and speed that are needed. For the last two decades, it was not competition but public policy and state aid, often in the form of Feed-in-Tariffs (FiTs),⁹ that drove the growth of solar and wind electricity. This caused renewable energy
prices to drop while people’s energy bills were increasing,\textsuperscript{10} because users – lower income users in particular – were ultimately paying for these subsidies. For example, in Italy 85 per cent of the FiT’s benefits went to large producers and Italian users had to foot the bill.\textsuperscript{11} Or take the Netherlands, where the vast majority of public resources spent on climate and energy policy goes to corporations. Only one fourth of the money benefits households, of which higher income ones receive as much as 80 per cent.\textsuperscript{12}

Because of the initial growth of solar and wind renewables, many European governments got convinced that the energy transition was no longer dependent on subsidies and decided to partially or completely revoke their FiTs schemes. However, without state subsidies and with lower prices for renewables, markets do not deliver the high returns that private investors are looking for. Moreover, across Europe FiTs have been replaced by competitive bidding, further benefiting the large and established companies.\textsuperscript{13} As a result, smaller energy cooperatives have had to close down in Denmark and Germany, which shows where current policies could lead us. Generally, investments in renewables in European countries continue to plummet.\textsuperscript{14}

**Treating the climate and energy transition as a human right**

In the meantime, Europe’s civil society has been doing a whole lot of advocacy to push the EC to acknowledge the rights of citizens and cooperatives in its Clean Energy Package. But as the EC continues to put all its faith in market rule and competition, it reduces EU citizens to their market value. The package requires EU countries to implement legislation that protects the right of citizens and so-called energy communities to produce, sell and store their own energy.\textsuperscript{15} Although this may benefit the more affluent European citizenry, these ‘market rights’ turn users into market players who have to compete with each other while being outcompeted by the energy incumbents. This approach can only increase the power of the big energy companies, which will undermine the smaller energy initiatives that the rulebook promises to protect.

We, civil society, need to acknowledge this and make sure that the climate–labour alliances will jointly push back against the fallacy of market competition so that our policies no longer treat the climate and energy transition as a class privilege, but as a human right.

**Taking energy out of the market and into democratic public ownership**

To kick-start the energy transition, especially a just one, we must no longer waste time and public funding on the private and incumbent companies seeking guaranteed profits, but take the whole energy sector out of the market and into democratic public ownership. From South Africa to the United States (US), campaigns that aim to prevent or reverse energy privatisations and build or transform public enterprises in an equitable and ecological fashion are in full swing. This is because energy privatisations, public-private partnerships (including power purchase agreements) and outsourcing models have led to worsening labour conditions, massive price hikes and a dire lack of investments.

In South Africa, a coalition consisting of trade unions and civil society organisations are fighting to transform the electricity multinational Eskom. The government wants to break up and sell off its generation, transmission and distribution sections.\textsuperscript{16} Because this notorious World Bank policy of ‘unbundling’ is known for ushering in private companies, the coalition is proposing to build a new Eskom that is ‘fully public and serving the people’ in order to develop its renewable potential in ways that create jobs and improve everyone’s life quality.\textsuperscript{17}

In his Green New Deal proposal, US presidential candidate Bernie Sanders called for realising full public ownership over renewable energy and the entire power system by favouring ‘public power districts and municipally- and cooperatively-owned utilities.’\textsuperscript{18} This declaration is, on the one hand, a response to the horrific Californian wildfires caused by the negligence of the American investor-owned utility Pacific Gas
Democratic energy economies can avert the climate catastrophe & Electric (PG&E). On the other hand, this response builds on the growing number of citizen campaigns – from San Francisco and Lancaster to Hermiston and Minnesota – that successfully pushed their local authorities to provide publicly owned electricity from renewable sources. Popular pressure from across US cities and states have been a pre-condition for Sanders to put country-wide public ownership of electricity on the agenda.

From municipal mobilisations towards overarching energy transitions

European civil society can learn from the South African and United States campaigns as we face similar bottlenecks. Firstly, it points us to the necessary strategy of proposing pathways to transform Europe’s corporatised state-owned electricity companies – such as EDF (France), RWE and E.ON (Germany), Iberdrola (Spain), ENEL (Italy) and Vattenfall (Sweden) – into democratic public entities as they currently behave, domestically and internationally, like predatory multinationals. Secondly, it shows that the localised and country-wide demands for publicly owned energy systems should not oppose but strengthen each other.

It is clear that we need to develop encompassing proposals for carefully planned energy transitions that are country and continent-wide. But for these to be endorsed by politicians and policy makers, grassroots organising is essential. This will only reach a tipping point when residents are experiencing the benefits that the many forms of public ownership can bring. Turning back energy privatisations and setting up your own municipally owned energy company – in other words, (re)municipalisation – is one strategy for building more just local economies and democratising our energy systems.

In 2017, the Transnational Institute reported in Reclaiming Public Services that since the start of the twenty-first century, 311 energy services and infrastructures have either been reclaimed (189) or newly built (122). In 2019, the figure of reported (re)municipalisations has risen to an impressive 374. To show the variety of municipal energy ownership models, and ways in which it can deepen democracy, let us zoom in on Germany, the United Kingdom, Bulgaria and Spain.

Germany: remunicipalisations to participate in energy governance

The German energy transition was enabled by an alliance between the Social Democrats and Green Party, who introduced FiTs in 2000. The Big Four energy companies failed to shift to renewable energy, for example by adjusting the grids for decentralised generation. This coincided with many grid concession contracts having expired in the previous two decades. The anti-nuclear and renewable energy movements pushed hundreds of municipalities to reclaim the grids and create their own local supply companies. Exemplary remunicipalisations have happened in Wolfhagen and Hamburg.

In Wolfhagen, as the contract with private operator E.ON expired and after three years of tough negotiations, the municipal council managed to remunicipalise its electricity grid in 2006. The impact has been extraordinary. The annual profit resulted in cheaper prices, allowing to fund the local kindergarten and almost doubling the number of staff. Then, after a fierce public debate about the need to go 100 per cent renewable, the town did not have to turn to big private investors, as residents were able and willing to organise themselves and set up a citizen cooperative to raise the millions needed to pay for the wind turbines. This public-community partnership led to improved local economic democracy as the cooperative became the owner of a quarter of the municipal energy company’s assets and now has two seats on its board.

The Hamburg government decided to create the public energy supplier Hamburg Energie but was not willing to remunicipalise the energy infrastructure. The inhabitants successfully organised a referendum in 2013 to reclaim the city’s electricity, gas and heating grids. By 2016, the city had bought back the
Democratic energy economies can avert the climate catastrophe

electricity grid and already in the first year of the remunicipalisation this generated a saving of €34.5 million. In the same year, it created the Energy Advisory Board, as part of the public energy agency, with 20 local representatives from the social, science, industry and business sectors. Their meetings are open to the public, giving citizens the opportunity to ask questions and submit proposals. Then, in 2018, the gas and heating grids were reclaimed.

UK: transitioning through new public energy enterprises

Eleven percent of the UK population is facing energy poverty with thousands of people dying because of cold homes every winter. Citizens’ mobilisations have led in recent years to the creation of a public energy company in Nottingham and an energy community organisation in Plymouth. Their purpose is to offer more affordable tariffs, providing energy efficiency services and supporting renewable energy generation.

Plymouth Energy Community (PEC) is a member-owned community benefit organisation created in 2013 with the support of the City Council. The city provided a grant, loans and staff expertise so that the organisation could strengthen local capacities to ‘create a fair, affordable, low-carbon energy system with local people at its heart’. In 2014, PEC developed its own green energy arm, PEC Renewables, which funds, installs and manages local renewable energy generation schemes. By 2019, PEC supported more than 20,000 households to save over £1 million on their energy bills, clearing over £26,000 in small debts. PEC has also built a solar farm on a plot of contaminated land, which combined with the rooftop panels on schools and community buildings, has enabled the city to produce enough clean electricity to supply 2,000 homes. Revenue is expected to reach up to £1.5 million and will be reinvested in carbon and energy poverty reduction projects.

Robin Hood Energy is a municipal energy supplier (and Living Wage employer) in Nottingham, where it was created in 2015 to fight energy poverty and challenge the country's Big Six energy companies with its guaranteed price transparency and its ban of private shareholders and management bonuses. Today, this not-for-profit company assists and partners with nine other UK cities that have set up their own “white label” enterprises to offer the same affordable tariff to all residents. Through these public partnerships, Robin Hood Energy is already serving a total of over 130,000 users across the country. The company is reinvesting all its surplus (already £200,000 pounds in 2019) in more renewable and affordable energy services, for example, by offering a warm home discount. It also partners with a number of social housing associations and supports municipalities in the provision of energy efficiency services.

However, for these municipal and community-owned companies to succeed and not outcompete each other, the whole energy system needs to be reclaimed. The Labour Party published a report that called for the creation of a National Energy Agency. This agency would own the transmission lines and be in charge of planning and setting decarbonisation targets. Regional authorities would own distribution grids. Municipalities and communities would be able to locally produce renewable energy and supply residents. This scaled and integrated approach would be able to serve the entire territory, thanks to collaboration instead of competition.
Box: Fighting energy poverty across Europe and the Energy Charter Treaty

According to the European Public Services Union, one in 10 Europeans cannot keep warm in winter and one in five cannot keep cool in summer. But disparities across the European continent are massive. The vast majority of the 17 countries that face ‘high’ to ‘extreme’ levels of energy poverty are in Eastern Europe.

One of the legal tools that protect the big energy companies, and that is responsible for the many price hikes that make energy unaffordable, is the Energy Charter Treaty (ECT). The ECT is the world’s biggest international agreement as it curtails the democratic powers of more than 50 countries. It was initially negotiated by West European governments, spearheaded by the Netherlands, to project their multinationals who wanted to access the oil and gas resources of former Soviet Union countries.

The treaty’s investment protection mechanism – also known as ‘Investor-State Dispute Settlement’ – enables powerful energy companies to sue countries for outrageously high sums. For example, three foreign companies have used this mechanism to pressure Bulgaria to pay hundreds of millions of dollars for decisions that would limit their profits and combat skyrocketing energy bills. Moreover, as international investors can use this treaty to kill energy-related climate action in ratifying countries, civil society is calling on governments to withdraw from the ECT.

Bulgaria: learning from public control practices

Bulgaria is among the hardest hit by the climate crisis in Europe. It also faces the highest level of energy poverty, affecting 37 per cent of the population. While the national government is still betting on coal, municipalities are fighting the climate crisis much more actively. Particularly, the City of Dobrich has become a role model for other European cities wanting to transform their energy system, despite limited financial resources. The municipality built up refurbishment expertise, which led to 30-60 per cent lower energy bills for thousands of families. In 2018, it remunicipalised its street lighting, and the city is switching to LED lights.

Dobrich also managed to benefit from a refurbishment partnership with ENEMONA, a private construction company. Because public-private partnerships tend to socialise losses and privatise profits, Dobrich decided to enter into a kind of contract that explicitly guarantees a strong performance by the private company. It forced the construction company to generate energy and financial savings for the municipality, when it refurbished the city’s nursery and kindergarten among other public buildings. The contract ensured that public interest rather than private gain was prioritised in this partnership. The kindergarten refurbishment alone resulted in 112 tons of annual CO2 reductions, €15,000 in annual savings and 40 per cent reduced energy use.

Spain: cities and citizens join forces to build energy democracies

In 2015, Spanish citizens’ platforms, building on the 15-M movement in which millions of residents occupied city squares, brought progressive ‘municipalist’ candidates to power. With 15 per cent of the population living in energy poverty and electricity prices having increased by 83 per cent since 2013, fighting the private power system and building energy democracy was a key priority for these municipalist city councils.

The solutions that are being developed range from setting up new municipal electricity companies (Barcelona, Pamplona and Palma de Mallorca), involving residents in writing more just energy policies (Cadiz) and getting united in the Spanish Platform for a New Energy Model, in which municipalists can exchange lessons learned and best practices. Numerous cities are now also contracting renewable
energy cooperatives, such as Som Energia and GioEner, with some municipalities agreeing to pay the electricity bills for the poor families in their area.\textsuperscript{30}

Moreover, the Network for Energy Sovereignty developed 19 policy recommendations\textsuperscript{31} for Spanish municipalities to more systematically involve citizens in energy decision-making. For example, they propose ways for women, in particular single mothers who are hardest affected by the fossil fuel model, to steer the climate and energy transition towards an ecofeminist economy.

In 2018, the governing citizen platform Barcelona en Comu created the new energy retail company Barcelona Energia to buy energy directly from renewable sources. In 2019, the municipality created a participatory council that is open to users and citizens’ groups and authorised to submit proposals on the strategic direction of the company, give input on issues, such as tariffs and investments, and help shape education policies. The city launched a ‘solar’ tariff to promote self-sufficiency and an ‘efficiency’ tariff, based on the level of energy use. The new public company is supplying the municipal buildings and can serve 20,000 households.

Once in power, the municipalists of Cadiz created two permanent citizen working groups: one, to fight energy poverty and the other, to achieve the energy transition. The latter pushed the city administration to generate solar power and switch its whole use towards renewable electricity.\textsuperscript{32} The former organised residents who face energy poverty to co-design a social discount programme, which would guarantee electricity access to over 2,000 families in need by reducing bills by up to 80 per cent. Moreover, due to improved communication between the city council and the semi-public electricity company, 55 per cent of the company’s revenues are now being reinvested to cover the costs of municipal energy use and pay for the social discount. This has prevented disconnection for thousands of homes every year.

**Public ownership strategies to move forward**

As corporate power continues to fuel the climate crisis, it should not come as a surprise that in 2018 global carbon emissions hit a record high, that demand for gas, oil and coal increased, and that the energy demand grew at the fastest pace this decade.\textsuperscript{33} Building democratic energy economies to avert the climate catastrophe also entails a transformation of our food, transport and industrial systems. However, since energy is the lifeblood of these systems, a more comprehensive transition cannot happen if governments continue to rely on energy markets.

The public strategies discussed here are preventing and reversing the privatisation of energy services and infrastructure, as well as transforming and building new public companies that are equitable and ecologically sound. There is much to learn from the above municipal practices, especially when cooperatives and other cities are partners, and when users and workers obtain decision making powers. Yet we have to acknowledge that these small-scale alternatives will be killed by big business if we do not join forces to build public energy on all levels. In other words, taking our country-wide energy systems out of the market and into democratic public control is absolutely vital for achieving just transitions, locally and around the world. At the same time, public energy is a necessary starting point but will fall short if the renewable energy systems are not putting most affected communities in the driving seat.

**ABOUT THE AUTHOR**

Lavinia Steinfort is a social geographer and political activist. As a researcher at the Transnational Institute (TNI) she is working on public alternatives such as (re)municipalisation of public services, a just transition towards energy democracy and transforming finance for the 99%. Lavinia is co-implementing the mPOWER project that facilitates peer learning among European energy transition cities and co-authored the book Public Finance for the Future We Want.
Endnotes

1 For more information about the Shell Must Fall alliance: https://code-rood.org/en/shell-must-fall/
3 For more information about the Green New Deal for Europe: https://report.gndforeurope.com/
9 Feed-in tariffs (FITs) are fixed electricity prices that are paid to renewable energy producers for each unit of energy produced and injected into the electricity grid. See: https://energypedia.info/wiki/Feed-in_Tariffs_(FIT)
16 The electricity multinational has been facing a death spiral because of a drop in electricity sales, in part because of higher tariffs and renewable energy use that subsidises private operators. For more information: http://aidc.org.za/a-different-ekom-achieving-a-just-energy-transition-for-south-africa/
17 For more information: https://www.new-eskom.org/
18 For more information: https://benniesanders.com/en/issues/green-new-deal/
24 Forthcoming blog on municipalpower.org
30 For more information: https://www.energy-democracy.net/?p=1050

This working paper is presented at The Future is Public Conference (December 2019). The draft report “The Future is Public: Towards Democratic Ownership of Public Services” and 15 working papers together form the conference resources. The Transnational Institute and co-publishers will publish the improved report and final papers as a book in 2020. To access the conference resources: futureispublic.org