



Municipal Energy – key developments in the sector

Mark Bramah, Director of APSE
Energy



1. BACKGROUND TO APSE ENERGY

APSE Energy - Our Vision



“The vision is to form an effective collaboration of a large number of local authorities to enable and facilitate the local municipalisation of energy services. **By this we mean the public and community, as well as private, ownership and managerial control of local energy generation, distribution networks and delivery of energy efficiency works.** Local authorities working together in this way would have great influence and would be able to deliver economies of scale in green energy to promote economic growth and combat fuel poverty.”

Aims



The aims of **APSE energy** are to support councils to deliver the local municipalisation of energy services and in doing so:

- address social objectives and deliver community benefits, such as a reduction in fuel poverty and increases in jobs and skills;
- save money and make money for local authorities to safeguard local services.

Members of APSE Energy



1. Aberdeen City Council
2. Basingstoke and Deane Council
3. Barnsley Metropolitan Borough Council
4. Bradford City Council
5. Bridgend County Borough Council
6. Buckinghamshire County Council
7. Cardiff City Council
8. City of Edinburgh Council
9. Cheshire East Council
10. Cumbria County Council
11. Darlington Borough Council
12. Doncaster Metropolitan Borough Council
13. Derbyshire County Council
14. Dudley Metropolitan Borough Council
15. East Dunbartonshire Council
16. East Riding Council
17. Falkirk Council
18. Fife Council
19. Flintshire County Council
20. Gedling Borough Council
21. Glasgow City Council
22. Gloucestershire County Council
23. Guildford Borough Council
24. Knowsley MB Council
25. Lancaster City Council
26. London Borough of Havering
27. Maidstone Council
28. Middlesbrough Council
29. Midlothian Council
30. Monmouthshire Council
31. Newcastle City Council
32. Nottingham City Council
33. Nottinghamshire County Council
34. North Ayrshire Council
35. North Yorkshire County Council
36. Northumberland County Council
37. Oxford City Council
38. Peterborough City Council
39. Portsmouth City Council
40. Preston City Council
- 41.. Reading Borough Council
42. Sefton MB Council
43. Selby District Council
44. Stevenage Borough Council
45. Stirling Council
46. Southampton City Council
47. South Lanarkshire Council
48. Stockton-On-Tees Borough Council
49. Swansea City and County Council
50. Wakefield Metropolitan District Council
51. Warwickshire County Council
52. Wrexham County Borough Council
53. Wolverhampton City Council
54. York City Council

2. THE POLICY & REGULATORY ENVIRONMENT

Local Government finance prospects



- Local authorities have managed a 40% spending reduction during the last Parliament but are facing a £12.4bn funding shortfall by 2020.
- Post General Election – Emergency Budget 8 July
- The Conservatives are aiming to run a surplus in 2018/19 by making a further £30bn in savings from government spending over the next two financial years, including £12bn in cuts to welfare.
- Government spending to reduce to historically low levels not seen since the 1930's
- **WHERE IS THE MONEY GOING TO COME FROM?**



IMF Working paper – How large are Global Energy Subsidies



Energy subsidies:

- **damage the environment**, causing more premature deaths through local air pollution, exacerbating congestion and other adverse side effects of vehicle use, and increasing atmospheric greenhouse gas concentrations.
- **impose large fiscal costs**, which need to be financed by some combination of higher public debt, higher tax burdens, and crowding out of potentially productive public spending (for example, on health, education, and infrastructure), all of which can be a drag on economic growth.
- **discourage needed investments in energy efficiency**, renewables, and energy infrastructure, and increase the vulnerability of countries to volatile international energy prices.
- **are a highly inefficient way to provide support to low-income households** since most of the benefits from energy subsidies are typically captured by rich households.



‘Moon shot’ call on clean energy

A group of scientists and economists is calling for the equivalent of the Apollo space programme to produce cheap, clean energy. Their project is called Global Apollo. They say they have generated interest from major nations in their plan for an investment of 0.02% of their GDP into research, development and demonstration (RD&D) of clean electricity.

Their report, launched at London’s Royal Society, says on current projections the world will exceed the 2C danger threshold of climate change by 2035.

The academics are led by the UK’s former chief scientist Professor Sir David King: *“We have already discovered enough fossil fuels to wreck the climate many times over. There’s only one thing that’s going to stop us burning it – and that’s if renewables become cheaper than fossil fuels.”*



An endless procession of bad news.....



- Withdrawal of the code for sustainable homes – March 2015.
- Closure of the Renewables Obligation to on-shore wind farms and changes to planning guidance – June 2015.
- Removal of the Climate Change Levy Exemption for Renewable Energy – Budget in July 2015.
- Zero carbon homes requirement and allowable costs withdrawn – July 2015.
- Green Deal funding ended – July 2015.
- Support for sub 5MW solar farms to be withdrawn and pre-accreditation for Feed-in-Tariff (FIT) to be removed – July 2015.
- Feed in Tariff slashed by 87% - August 2015.

With predictable consequences.....



Government Impact Assessment on its plans for the early closure of the Renewables Obligation to onshore wind:

- Lifetime CO₂ emissions could be up to 63MtCO₂e higher than they would otherwise have been
- Under the central estimate, total lost benefit to communities would be around £1m a year
- Under the central estimate, there would be around a £0.30 (0.05%) reduction on the average annual household electricity bill

Communities secretary tells councils ‘be masters of your own destiny’



The government’s **Cities and Local Government Devolution Bill** proposes new powers transferred from ministers to town halls.

“This is the chance of a lifetime to direct the future economic prosperity and social flourishing of your area. To make life better for even more people than you can now.”

“Those who are prepared to organise to be more effective and more efficient should be able to reap substantially the rewards of that boldness, whether in costs saved, additional revenues generated, or powers that can be vested.”

www.apse.org.uk



Rt. Hon Greg Clarke, Secretary of State for Communities and Local Government speaking to the LGA Conference

Northern Powerhouse ???



Scotland Bill 2015 – Renewable Energy Incentive schemes



53

Renewable electricity incentive schemes: consultation

In the Scotland Act 1998 after section 90B (inserted by section 31) insert—

“Renewable electricity incentive schemes

90C Renewable electricity incentive schemes: consultation

- (1) The Secretary of State must consult the Scottish Ministers before—
 - (a) establishing a renewable electricity incentive scheme that applies in Scotland, or
 - (b) amending such a scheme as it relates to Scotland.
- (2) Subsection (1) does not apply to amendments that appear to the Secretary of State to be minor or made only for technical or administrative reasons; and the Secretary of State is not to be taken to establish or amend a scheme by exercising a power under a scheme, other than a power that is exercisable subject to any parliamentary procedure.
- (3) Subsection (1) does not require the Secretary of State to consult the Scottish Ministers about any levy in connection with a renewable electricity incentive scheme.
- (4) In this section a “renewable electricity incentive scheme” means any scheme, whether statutory or otherwise, that provides an incentive to generate, or facilitate the generation of, electricity from sources of energy other than fossil fuel or nuclear fuel.

This includes provision made by or under the following so far as they relate to the generation of electricity from sources of energy other than fossil fuel or nuclear fuel—

- (a) sections 6 to 26 of the Energy Act 2013 (contracts for difference);
 - (b) sections 41 to 43 of the Energy Act 2008 (feed-in tariffs for small-scale generation of electricity);
 - (c) sections 32 to 32Z2 of the Electricity Act 1989 (renewables obligations or certificate purchase obligations).
- (5) Where, before the commencement of this section, the Secretary of State has consulted, or is consulting, the Scottish Ministers regarding a renewable electricity incentive scheme, that consultation is to be treated as fulfilling the obligation in subsection (1).”

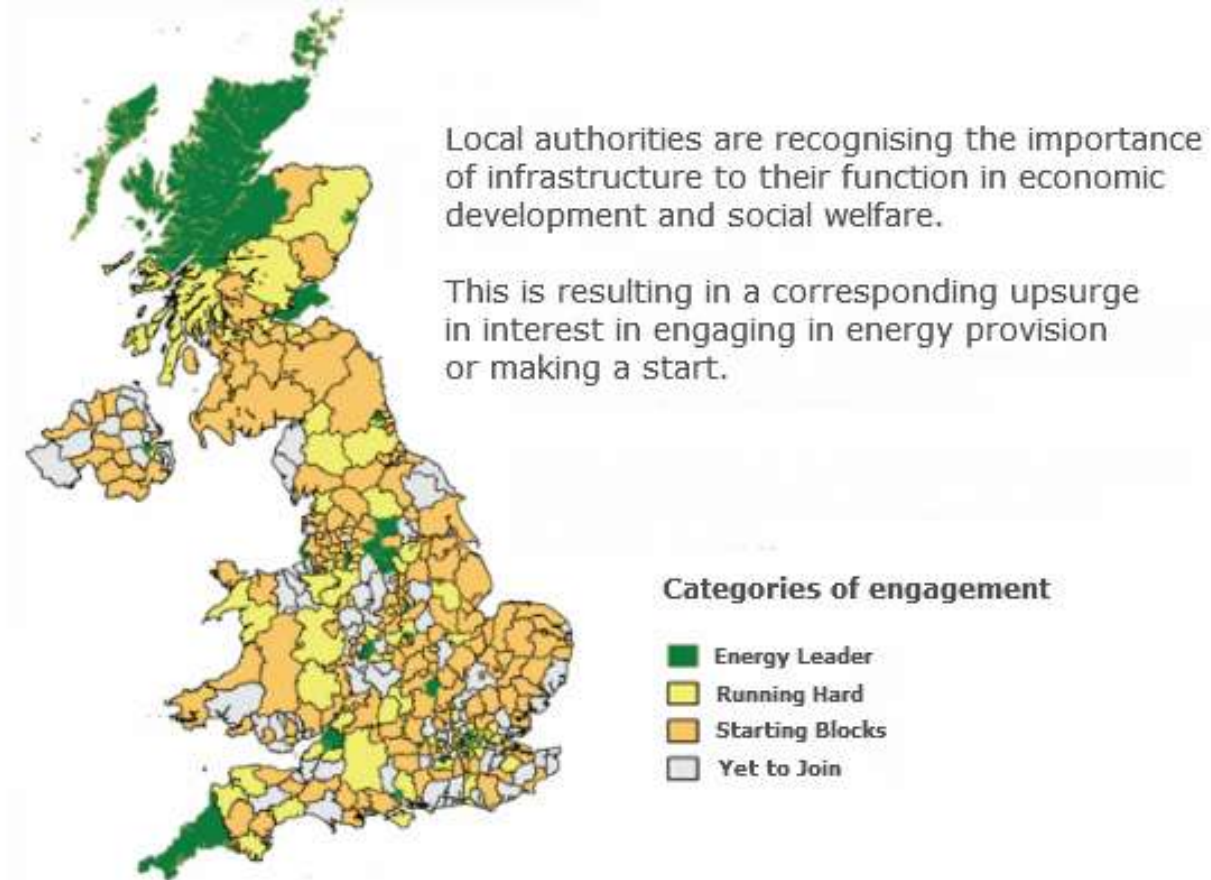
3. THE SCOPE FOR MUNICIPAL ENERGY

Barriers – APSE Energy Survey Nov 2014



- **Engagement** – In some Councils ‘energy’ is not seen as a political, corporate and community priority.
- **Policy** - Concerns about the policy environment within which they are operating and the need for more consistency at Government level to afford local authorities the ability to properly plan and implement their programmes.
- **Procurement** – There are clearly issues about procurement and EU rules. Many local authorities feel that procurement can be quite prohibitive and are therefore looking for access to trusted ‘frameworks’ in order to source external support.
- **Regulation** – Problems encountered with regard to the regulation of the energy market and perceived and actual difficulties in terms of accessing the market to supply energy and over grid connection and capacity.
- **Resources** – A lack of both internal and external resource to support the development of local programmes and to implement projects. This is particularly the case in terms of access to technical, financial and legal expertise to support projects and revenue funding to undertake initial feasibility and business cases.

Local Authority Engagement in the U.K. Energy system



The role of cities in the energy transition



- **Stadtwerke** – Municipally owned public utilities.
- **GLA** – Licence Lite
- **ESCOs** – Energy services.
- **Municipal energy companies** – Nottingham and Bristol.



Non- Traditional Business Models

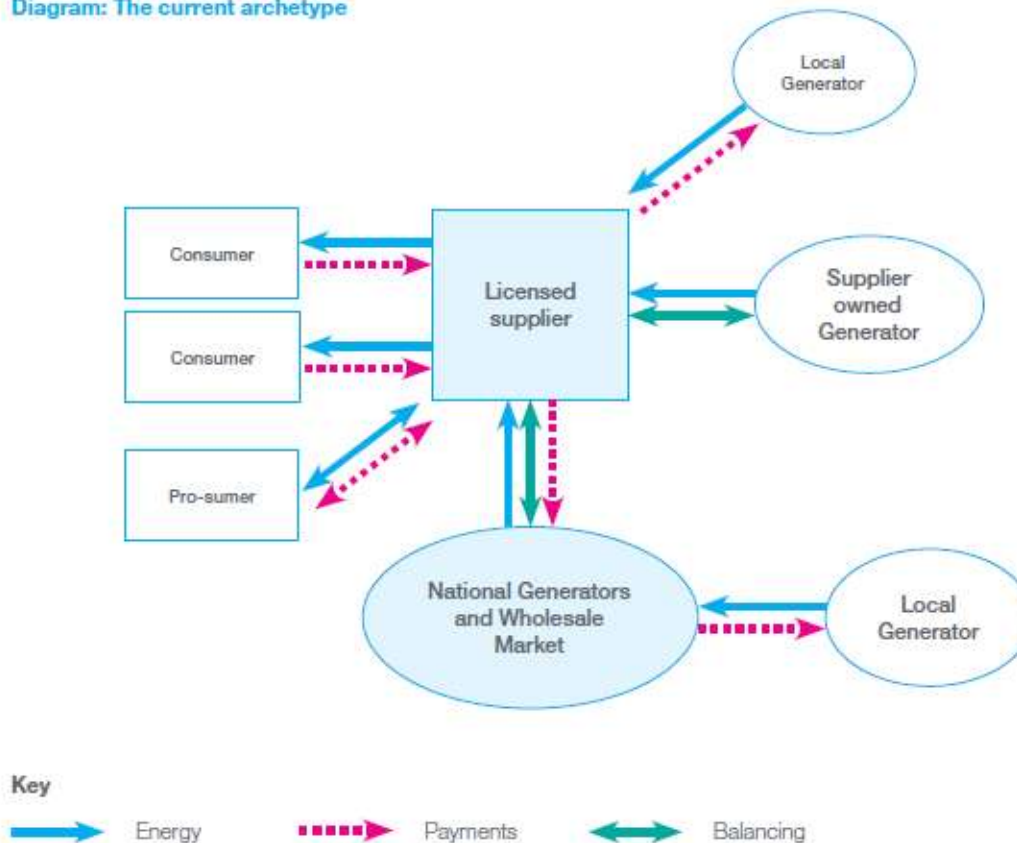


Local services	Bundled services	Customer participation
<ul style="list-style-type: none">• Community• Municipal• Housing Associations	<ul style="list-style-type: none">• Energy Service Companies• Multi-service providers• Market services	<ul style="list-style-type: none">• Peer-to-peer• Demand side flexibility• Prosumers• Next generation intermediaries

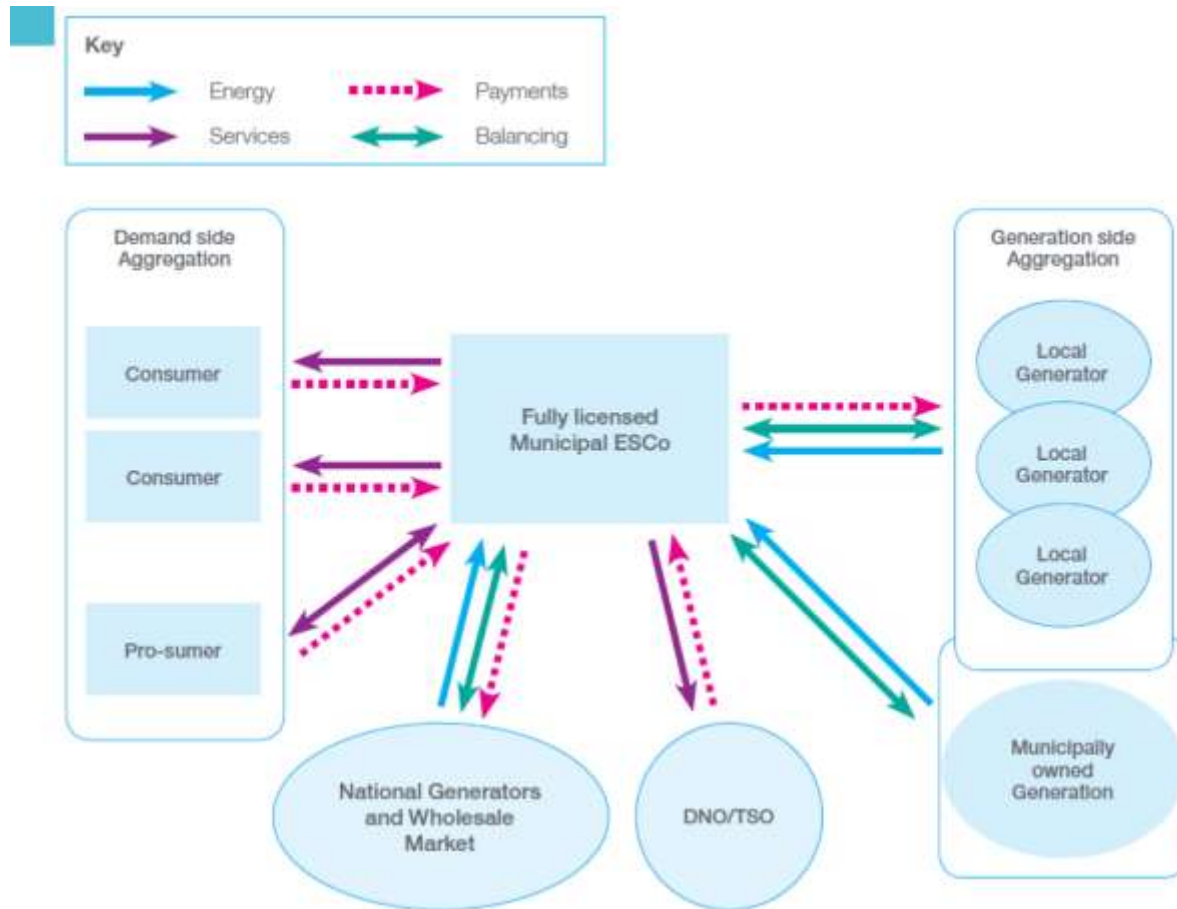
Electricity supply – current model



Diagram: The current archetype



Electricity supply – Fully licensed municipal ESCO



Nottingham City Council – Energy Company

Robin Hood Energy: Nottingham launches not-for-profit power firm

Company is first council-owned energy firm to operate on that basis since market was nationalised in 1948



Robin Hood Energy, run by Nottingham's city council, will use energy generated from the city's incinerator. Photograph: David Sullivan for the Guardian

A local council has set up a not-for-profit energy supplier that it hopes can sign up 10,000 customers a month and save them each up to £237 a year on bills.

Nottingham city council said Robin Hood Energy, which employs 30 staff, was the first local authority-owned energy company run on a not-for-profit basis since the market was nationalised in 1948.

The council said the first customer, who signed up with the new firm on Monday, had cut their annual energy bill from £2,000 to £1,400.

The company will use energy generated from the city's incinerator, solar panels and waste food plants and also buy in gas and electricity from the market.

ram-council-launches-not-for-profit-e... for energy and

Our Power – Not for Profit Energy Company launched

**Press Release to be issued by Scottish Government on Thursday 16th July:
Power to the people - *Social landlords to launch independent energy company***

A new energy supply company, the first independent company in the UK operating on a nonprofit distributing basis, plans to be selling heat and power to tenants in 200,000 homes across Scotland by 2020.

Our Power Energy, a subsidiary of Our Power Community Benefit Society, has been founded by 35 member organisations including some of Scotland's largest housing associations, and local authorities.

As member organisations of the Community Benefit Society, there is no financial benefit or risk for housing association or local authority members.

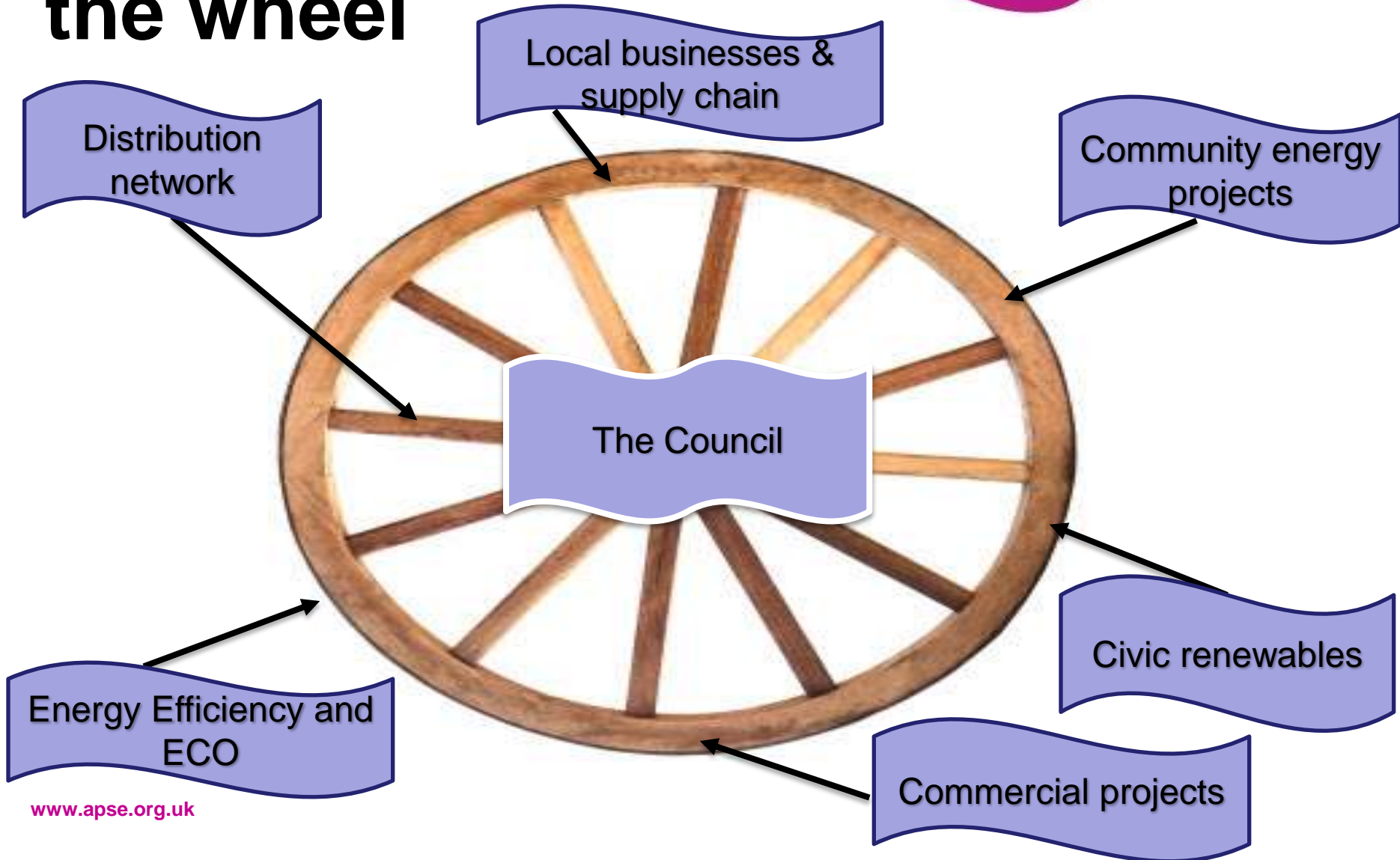
The company will enter the market at the end of 2015 as an Ofgem licenced supplier of gas and electricity to provide lower cost energy to the tenants and communities of its member organisations.

Our Power Members

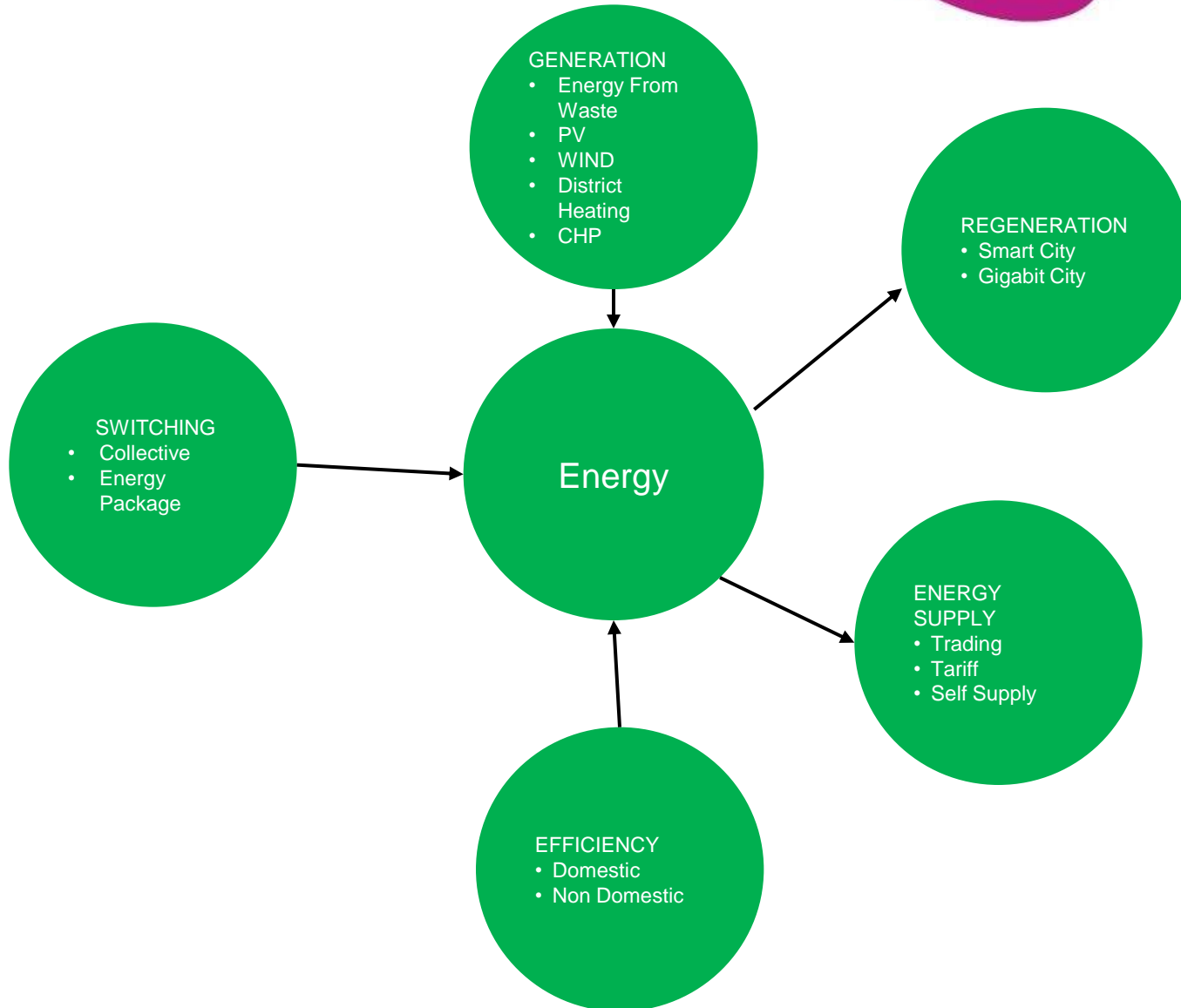
1. Aberdeen Housing Partnership
2. Abertay Housing Association
3. Albyn Housing Society
4. Ark Housing Association
5. Blackwood Housing Association
6. Cairn Housing Association
7. Castle Rock Edinvar (part of Places for People)
8. Castlehill Housing Association
9. Clyde Valley Housing Association
10. Dunedin Canmore Housing Association
11. East Lothian Housing Association
12. Eildon Housing Association
13. Fife Council
14. Fife Housing Association
15. Fyne Homes
16. Glen Housing Association
17. Grampian Housing Association
18. Hillcrest Housing Association
19. Isle of Gigha Heritage Trust
20. Kingdom Housing Association
21. Langstane Housing Association
22. Lochaber Housing Association
23. Lochlash and Skye Housing Association
24. Melville Housing Association
25. Moray Housing Partnership
26. Ore Valley Housing Association
27. Port of Leith Housing Association
28. Renewable Power Exchange
29. River Clyde Homes
30. Stirling Council
31. Trust Housing Association
32. West Granton Housing Co-operative
33. West Highland Housing Association
34. West of Scotland Housing Association (part of Gentoo Group)
35. Wheatley Group

4. ECONOMIC AND SOCIAL BENEFITS OF MUNICIPAL ENERGY

Energy is the hub of the wheel



Energy The Driver – Peterborough City Council



Jobs and growth



EMPLOYMENT AND TURNOVER SUMMARY FOR RENEWABLE ENERGY SECTORS 2013/14			
<i>Renewable Energy Sub Sectors</i>	<i>2013/14 Turnover £millions</i>	<i>2013/14 Employment Numbers</i>	<i>2013/14 Company Numbers</i>
Air & Ground Source Heat Pumps	1,097	8,315	417
Anaerobic Digestion	340	2,828	148
Biofuels	522	3,829	211
Biomass Boilers	684	5,379	244
Biomass CHP	356	2,389	146
Biomass Dedicated Power	546	3,830	187
Energy from Waste	866	7,109	363
Hydro	595	5,390	276
Offshore Wind	2,693	19,478	913
Onshore Wind	2,493	18,191	844
Solar PV	2,307	16,103	2,088
Solar Thermal	1,008	8,639	372
Wave & Tidal	103	635	36
Production of biomass including wood for fuel	1,322	9,913	567
Totals	14,931	112,028	6,812

What are the motivations for Councils



Motivation	
Social	Fuel poverty
	Community development
	Regeneration
Environmental	Carbon emissions
	Air quality
Economic	Local growth
	Revenue
	Job creation
Self determination	Local control
	Energy Independence

Source: University of Leeds, Dr. Katy Roelich

**And finally... a message
to our Government in
advance of the Paris
Summit on Climate
Change**

“The greenest
government
EVER”

The Promise



David Cameron speaking to
civil servants at the Dept
of Energy and Climate Change.
2010

The Reality





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