Re-Munipalisation
A German Trend as a Model for other countries to create a sustainable energy supply?

SPACIAL-Training Week
5th September 2013 in Berlin

Jens Libbe
German Institute of Urban Affairs
Structure

I. Definition und Opportunities
II. Reasons and Motivation
III. Situation in the Energy Sector
IV. Critical Factors for Success
V. Conclusion
I. Definition and Forms

- to revisit tasks by an public administration (as competitor or monopolist),
- to start-up a municipal company (as competitor or monopolist),
- retransfer of operational resp. functional services,
- Transfer of a public limited company into an public-law company/organisation,
- Increase of business interest share in a public private partnership.
II. Reasons and Motivation of Re-Municipalisation

- Lower cost in operational business.
- Regional market failure.
- Strengthening of regional labour market.
- Strengthening of local economy by avoiding wage dumping.
- Increasing critic on privatisation activities by population.
- Reclaiming political influence.
- Be better to the general public („Bürgernähe“).
- Leap of faith by end consumers.
- Quality of service provision.
II. Reasons an Motivation of Re-Munipalisation

- Capacity utilisation of municipal facilities.
- Environmental policy aspects.

- General „Renaissance of the State“ as a result of the global finance crises.
- Arguments by law (in particular “inhouse”).
- Part of increasing differentiation of the structure of public service completion.
III. Situation in the Energy Sector

- Re-Munipalisation is a question of the energy sector
- Drivers:
  - a) Framing by climate and energy policy
  - b) End of Concession Contracts
### German targets in Energy Policy

<table>
<thead>
<tr>
<th>Year</th>
<th>Treibhausgas-Emissionen</th>
<th>Erneuerbare Energien</th>
<th>KWK</th>
<th>Minderung Energiebedarf</th>
<th>Kernenergie</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Brutto-endenergie</td>
<td>Stromerzeugung</td>
<td></td>
<td>Primärenergie</td>
<td>Gebäude- wärme</td>
</tr>
<tr>
<td>2011</td>
<td>-40%</td>
<td>18%</td>
<td>35%</td>
<td>-25%</td>
<td>-20%</td>
</tr>
<tr>
<td>2015</td>
<td>-55%</td>
<td>30%</td>
<td>50%</td>
<td>-25%</td>
<td>-20%</td>
</tr>
<tr>
<td>2017</td>
<td>-70%</td>
<td>45%</td>
<td>65%</td>
<td>-25%</td>
<td>-20%</td>
</tr>
<tr>
<td>2019</td>
<td>-80% bis 95%</td>
<td>60%</td>
<td>80%</td>
<td>-25%</td>
<td>-50%</td>
</tr>
</tbody>
</table>

Source: Die Bundesregierung 2010 und 2011, own hand calculation

Jens Libbe, 5. September 2013
Stadtwerke

- Since 2007 ca. 70 new public utilities („Stadtwerke“).
  - No absolute numbers, approximated value.
  - More start-ups can be expected.
- Start-up in cooperation with high-capacity public or private partners.

Jens Libbe, 5. September 2013
Mains Operation and Concessions

- In Germany there are in minimum 20,000 concession-contracts for electricity and gas.
  - Majority will end until 2015/2016
  - 2011 ca. 950 contracts expired, 2012 ca. 1,200 contracts
- Also without Re-Munipalisation: Municipality can choose best tender.
- Very low interest level.
- Controversial Subject: Price of Grids and Constructions
Mains Operation and Concessions

- Mains Operation - municipal hand or private concession?
  - Mains Operation als important module of transformation („Energiewende“).
  - Limited influence on energy mix (electricity).
  - Objectives of energy policy are not the centre in concessions tender proceeding.

- Ca. 170 concessions new taken by Stadtwerke.
Mains Operation and Concessions

- **Risks:**
  - Need for modernisation in the amount of 25 bil. Euro until 2030
  - Investments in Smart Grid in the amount of 7 bil. Euro until 2030
- **Contra dictionary development in case of regional distribution network**
  - Partly take-over of distribution network in neighbouring commune (Example: HSE Darmstadt).
  - Start-up of local network companies despite existing participation on local providers.
  - Regulatory Question: Regional network structures vs. smallest municipal unit?
IV. Critical Success Factors

**To Do`s for carefully Decision Makers**

- Political Promotion
- Professional Projectmanagement
- Partner und external Consulting
- Clear political Targets

- Consumer Service
- Price-Policy
- Cost-effectiveness and added value
- Dezentral / ecological provision
- Company Mission

Quelle: in Anlehnung an Torsten Schwarz, KommunalPartner Beteiligungsgesellschaft mbH, Friedrichshafen

Jens Libbe, 5. September 2013
Excursus: Situation in Berlin

- Discussion about Re-Munipalisation: take-over the concession of the electricity-grids as a first step.
- Several ownership-solutions in the public debate:
  - Grids in citizen-ownership (as collective „Bürger Energie Berlin“),
  - Public Cleaning Service of Berlin („Berliner Stadtreinigung-BSR“) takes the ownership of a new „Stadtwerk“, 
  - „Berliner Stadtgüter“ as City Property takes the ownership,
  - „Berliner Energieagentur“ as a public-private energy consulting takes the ownership.
  - 100% public ownership and two sections (efficieny-section based on “Berliner Energieagentur” in partnership other public utilities like BSR).
Excursus: Situation in Berlin

- Question about the ownership in the centre of the debate; there is still a need for discussion about the „Why?“. 
- Public decision: referendum (will take place in November 2013).
- Government has no interest and tries to fizzle out the topic.
- Issue is very complex but the debate doesn`¢t reflect this enough. The statements of advocacy groups and opponents do not tend to reasonable compromises.
Conclusion I:
Re-Munipalisation is an strategic option, but it has not the same relevance for all municipalities and not in all infrastructure-sectors

- Re-Munipalisation is an option that should be checked if contracts come to an end.
- Re-Munipalisation is among cooperation and strategic alliances an option to become more influence to public service provision.
- Only in the Energy-Sector there is a clear trend.
- More and more Stadtwerke become regional utilities.
- If there is no competition, if there are high transaction cost or if there is a pronounced sensibility by the general public, there are good arguments for public service provision with public companies.
Conclusion II: Transparent decision-making and multi-dimensional steering to ensure public interests

- Questions of decision-making should be answered by an cascade and cross-department respectively interdisciplinary.
- Re-Municipalisation needs public intention. Strong steering by municipality is essential.
- Multidimensional decision-making and transparency.
- Profits are not the main task of public enterprises.
- Common welfare and sense of locality are important.
Kontakt

Jens Libbe
German Institut of Urban Affairs (Difu)
Zimmerstrasse 13-15
10969 Berlin
Tel. + 49 30 39001-115
libbe@difu.de