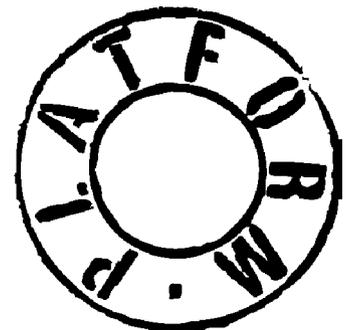


# **Public ownership of large energy infrastructure**

## **Delivering a climate transition and energy democracy from the top down**

Workshop on Publicly Owned Energy Companies  
Edinburgh May 2018

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Platform London  
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# **Current ownership of large-scale energy infrastructure in UK**

Focus on

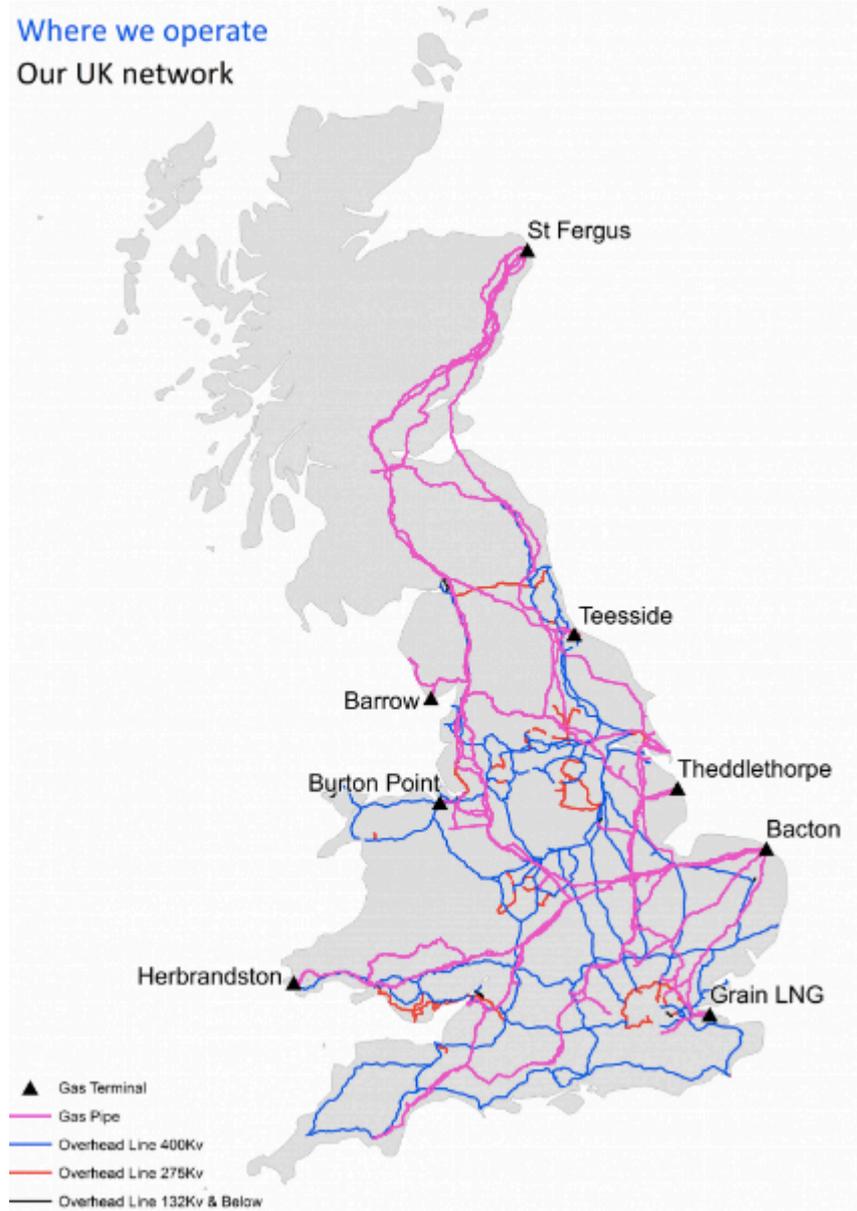
- Transmission
- Distribution
- Generation

# Electricity & Gas Transmission

Three companies (4 licensees)

- 2 listed on LSE

- 1 listed on Spanish stock exchange





# Electricity & Gas Distribution

## 14 Electricity licencees

- 8 listed on stock exchanges (4 on NYSE, 2 on LSE, 2 in Spain)
- 5 owned by private equity (3 by Li Ka Shing, 2 by Warren Buffett)
- 1 owned by European infrastructure fund

## Gas Distribution

- 1 owned by private equity (Li Ka Shing)
- 3 owned by financial consortia (incl pension funds, banks, sovereign wealth funds...)

# Generation



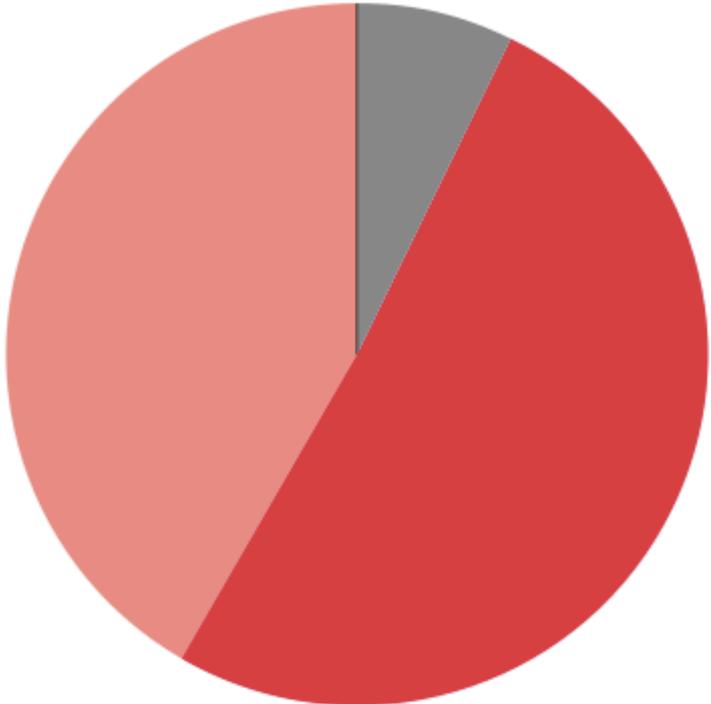


# Who owns the wind, owns the future

Why we need public ownership of offshore wind in the UK



## Breakdown of ownership types of UK offshore wind



● UK public: 7 MW	0.07%
● UK private: 757 MW	7.27%
● Rest of World public: 5324 MW	51.16%
● Rest of World private: 4318 MW	41.5%



# Current ownership models in UK

- Multinational companies, predominantly
  - Listed,
  - Privately-owned, or
  - foreign state-owned
- Increasingly, owned by financial consortia (e.g. Macquarie, Deutsche Bank, Abu Dhabi Investment Authority, Ontario Teachers' Pension Plan)

# Right now, limited energy democracy in UK



- Bristol Energy, Robin Hood, Our Power
- Some community energy projects in small-scale generation.
  - Primarily investor co-operatives.
  - Limited democratic accountability to broader community

## **Change is coming**

### **Large infrastructure remains essential, but needs to change**

- Smart grids (will still have grid monopolies)
- Offshore wind, Tidal, Onshore wind
- Shift away from fossil generation
- Varied solutions for heat: e.g. district heating, electrification, hydrogen

# Public ownership and the climate transition

A successful climate transition

- relies on major investments and infrastructure upgrades over the coming 15 years.
- Govt estimates: new 95 GW; £110 billion investment
- But policy gap + smart grid upgrades = more like >£150 bn

Private sector not delivering this. (demands subsidies, as higher cost of capital)

# Public ownership and the climate transition

Our Value for Money assessment for public ownership of energy:

- **Spending less:** Lower cost of capital and long borrowing periods, reducing costs for the UK's domestic and business energy users.
- **Spending well:** Greater flexibility, control, and comparative efficiency. Improved local energy planning (cf Energy Systems Catapult).
- **Spending wisely:** Better able to maximise public good outcomes – including job creation, local economic revitalisation and supply chain growth.

# Public Ownership and wider economy

Current failure to deliver local content

- Offshore wind (e.g. only 18% of manufacturing and construction was sourced from within the UK in 2015)
- Decommissioning North Sea oil



# Public Ownership and wider economy

Publicly-owned energy companies can

- Use procurement powers
- Implement targeted industrial strategies
- Prioritise community development and regeneration
- Rebuild a manufacturing base that fits with local needs and specificities
- Address the skills shortage

# Public Ownership and Just Transition

Scotland: Just Transition Commission

UK Labour: “The next Labour Government will guarantee that all energy workers are offered retraining, a new job on equivalent terms and conditions, covered by collective agreements and fully supported in their housing and income needs through transition.”

Jeremy Corbyn

10 Feb 2018



# Public Ownership of large energy infrastructure – at what scale?

Different potential scales of ownership

- Dutch distribution grids (e.g. Westland Infra)
- Stadtwerke München
- EnBW
- Norway transmission network (Statnett)
  - In UK, regional scale ~ current DNOs

# Public Ownership and Democratisation

Decentralisation  $\neq$  democratisation

- Increased decentralisation will not in itself be democratic
- Potential for “Thatcherite revolution” - individualised approach

But more local accountability is a good thing.

How to increase local control (by co-operatives of residents, cities, county councils, devolved governments) over infrastructure?

# Public Ownership and Democratisation

Collective institutions with democratic structures (e.g. co-operatives of residents, cities, county councils, devolved governments) – largely locked out of large infrastructure

Competing in market, starting from zero (often with foreign public entities)



# Public Ownership and Democratisation

Regional and national public energy companies can enable local democratisation and control

1. Take into public ownership (through process of nationalisation) → regional energy companies

2. Devolve down control, where devolved governments, local councils, parishes or community co-operatives are able to operate infrastructure (e.g. demonstrate skills, capacity)

Effectively – a top-down initiated process creating bottom-up local control.