Ownership models and business structures in UK Local Authority energy initiatives

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Who owns LA energy initiatives and why?

- operated in-house & via independent business structures
- techno-economic characteristics does not determine ownership model
- similar goals delivered through different ownership & business structures
- customised to local circumstances

- local flexibility?
- reflection of challenges of embedding energy provisions in council structures?
Figure 3. UK Local Authority engagement in energy systems

- Capacity building
- Energy performance of domestic buildings
- Gas & electricity suppliers
- Heat network
- Improvements to corporate estate
- Renewable electricity generation
- Smart grids

Figure 4. The different types of energy initiatives included in the LA case studies

- **16** Heat networks
- **9** Improvements to corporate estate
- **8** Renewable electricity generation
- **3** Energy performance of domestic buildings
- **1** Smart grids
- **1** Licensed gas and electricity supply
- **1** Capacity building

Figure is scaled according to the number of each type of energy initiative.

Webb, Tingay and Hankay 2017
Figure 7. Types of projects according to business structure

- **Council direct management**: 25 projects
  - Smart grids: 1 project
  - Improvements to corporate estate: 9 projects
  - Capacity building: 1 project
  - Energy performance of domestic buildings: 3 projects
  - Renewable electricity generation: 4 projects
  - Heat networks: 7 projects
    - Council buildings
    - LED street lighting
    - Solar PV
    - Small scale hydropower

- **Independent business**: 12 projects
  - Municipal energy services company: 4 projects
    - Licensed gas and electricity supply
    - Heat networks
  - Commercial ESCo (SIP) with long term concession contract: 4 projects
  - Community owned: 4 projects
    - Solar PV
    - Small scale hydropower

Webb, Tingey and Hawkey 2017
We were trying to deliberately not set up new processes and structures because it works. ... By changing as little as possible, the plan is to keep those processes simple, which de-risks things like bad debt. — London Borough

They had a tried and tested very traditional model that ... they knew gave them the returns that they wanted and would achieve what we wanted from the carbon emission reductions. And it is doing that, it does what it says on the tin. — English City Council
local flexibility / reflection of challenges of embedding energy provisions in council structures?

The first thing [Councillors] think is, ‘Right, let’s go 100% renewable’ ... that’s a massive project which will require huge amounts of projects and a whole new staff team. There’s no understanding of what that change would be like.

Metropolitan District

We have a big role to play in this [energy] agenda... There’s obviously a big transformation of local government underway, and we must work differently ... we see the transformation of Birmingham's energy system, and its interactions with other service areas, as a catalyst for delivering multiple outcomes. Birmingham City Council

The decision to go ahead with the project was based purely on the economics of it. The carbon didn’t have a lot to do with it

English City Council

Formal energy responsibility

Restructuring & redundancy

Limited corporate resources

Committing finance to energy

Dedicated budget/core funding

Energy projects a niche activity

Austerity

Carbon & energy saving

Regen

Multiple benefits

Income

Local social value

Reduced bills

the decision to go ahead with the project was based purely on the economics of it. The carbon didn’t have a lot to do with it

English City Council
Significant Local Authority contribution needs responsive policy and institutions

- Responsive central & devolved national gov policy
- Statutory municipal role & resources
- Support agencies & shared resources
- Low cost, long term infra finance
- Energy market regulation

Significant municipal contribution
Thank you

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