

Policy Brief

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The political implications of energy decentralisation



EXECUTIVE SUMMARY

The rapid expansion of decentralised generation is disrupting politics in the energy sector. The Powershifts Project is examining the impact of renewable energy communities – a specific form of decentralised energy – on politics and markets. The first phase of the project used three case studies to research three questions regarding the impact of renewable energy communities on political systems:

- Is political power shifting?
- How is power shifting?
- What do power shifts mean for the future?

Our research revealed clear evidence of shifting power in The Netherlands and more nuanced changes in England and the province of Ontario in Canada. In all cases, renewable energy communities are building political capacity and coalitions with the goal of shaping energy policy and regulations. There is a high level of interaction with local authorities. The Netherlands has taken steps to proactively integrate renewable energy communities into an enabling energy governance framework. England and Ontario are not currently supportive of renewable energy communities. As a result, renewable energy communities are developing innovative, sometimes subversive, solutions. Overall, interest in renewable energy communities is high and increasing, and appropriate policy and regulatory frameworks are needed to ensure stable, secure and fair energy systems and markets.

Key findings

- Renewable energy communities are beginning to collectively shift political power
- Renewable energy communities are building technical and political capacity, forming strategic political coalitions, and are increasingly enmeshed with local authorities
- Where policy and regulatory frameworks are supportive of renewable energy communities, their expansion is leading to controlled growth of distributed electricity generation ownership. Where policy frameworks are unsupportive, this growth is present but ad hoc and often subversive
- The expansion of renewable energy communities has implications for the overall fairness, stability and security of power systems.

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INTRODUCTION

Community and co-operative energy, often referred to as renewable energy communities, are energy-specific ownership models focused on democratic control and priorities beyond profit generation. There has been much speculation about the potential implications of renewable energy communities on political systems from both industry and grassroots movements. This is because, as renewable energy communities capture market share, they disrupt ownership of a sector that has traditionally been controlled by a relatively small number of profit-maximizing firms. The Powershifts Project provides the first scientific evidence of the impact that this growing movement toward decentralised energy ownership is having on the politics of energy.

IS POLITICAL POWER SHIFTING?

The research revealed evidence that the ability of RECs to “win” in policy contests is increasing – in some jurisdictions. In The Netherlands, the renewable energy community lobby, ODE Decentraal, was successful in achieving a non-binding provision in the 2018 Climate Accord that 50% of all new renewable energy will be owned by communities. If implemented successfully, this will represent a significant shift in Dutch power market ownership. Outright policy wins were much less evident in England and Ontario. However, there are visible shifts in the ways that renewable energy communities are participating in policy arenas.

HOW IS POWER SHIFTING?

Three key trends emerged that will have an impact on energy sector political dynamics:

1. Renewable energy communities are increasing their capacity to participate in policy contests. In all three cases, there is an organised lobby group that submits to policy and regulatory consultation processes, and responds to calls for evidence (ODE Decentraal in The Netherlands, Community Energy England in England, and the Federation of Community Power Cooperatives in Ontario). In both England and Ontario, data revealed financial and technical

capacity limitations that continue to impair political participation. In The Netherlands, the Dutch Innovation Agency, RVO, hosts a knowledge exchange platform (www.hieropgewekt.nl) that supports capacity building for renewable energy communities using government funding.

2. In all locations, renewable energy cooperatives are effectively building political coalitions with aligned interests. For example, ODE Decentraal was able to cooperate with NGOs, renewable energy companies, and grid operators to successfully modify changes to the Dutch taxation scheme for decentralised generation. Lobby groups in England and Ontario have also built strong political coalitions with renewable energy companies, NGOs and other interests. However, lobby groups in those locations haven’t seen significant policy “wins” in recent years. In response, they have begun to target some of their political activities at local and regional authorities who are less constrained by close existing relationships with large energy interests than their national or provincial counterparts.

3. Finally, emerging collaborations between renewable energy communities and local authorities are part of an ongoing rescaling of action on energy from the centralised system, to local, city and regional levels. This rescaling is a global trend that has implications for central governments that are accountable for ensuring energy security. In The Netherlands, a Dutch research participant reflected that:

“policy-makers were a little bit worried about decentralization because they couldn’t control it”.

However, in that country, proactive shifts in governance to require municipalities to work with grid operators and local energy interests to produce integrated Local Energy Plans have helped assuage these worries.

In both the UK and Ontario, there is sustained high public interest and activity on energy at decentralised levels. However, previously supportive national and provincial policy and regulatory frameworks have been almost completely dismantled. This has stifled growth in the sector. While local authorities have been doing what they can with the powers they have (e.g., City of London projects to support co-operative energy ownership, or to work with Transport for London to

capture waste heat from the Tube), they are frustrated by the lack of enabling frameworks. In both cases, there are reports of local groups, companies and authorities subverting the formal policy and regulatory system to realise energy projects. As one Ontario research participant noted:

“the frustration with the central monopoly is at an all-time high. So creative people will get creative.”

WHAT DO POWER SHIFTS MEAN FOR THE FUTURE?

Disruption in the politics of energy markets and systems will continue to increase as renewable energy communities gain capacity, build coalitions, and work – either with or without support from central policy and regulations – to realise projects, often in partnership with the local level. The Netherlands has taken proactive steps to accommodate these changes. A significant shift in public participation in an increasingly decentralised energy system can be expected there. This will allow The Netherlands to reap many of the emerging benefits of controlled decentralisation, both technical (i.e., lower transmission losses, reduced infrastructure costs) and social (i.e. increases in energy-efficient behaviours, and social acceptance of renewable energy infrastructure).

Both Ontario and England are largely unsupportive of any decentralisation – for renewable energy communities and for more traditional business models alike. As a result, renewable energy communities, local authorities and entrepreneurs are seeking creative, and sometimes subversive, ways to participate in energy systems. While this is likely to spur innovation, it poses risks to overall energy security because these actions are not coordinated. It also limits the ability of those locations to reap the benefits of decentralisation.

Some level of decentralisation of the energy system is now widely accepted as inevitable. The falling costs of wind, solar and batteries, including vehicle to grid technologies, are making decentralised ownership of energy assets more accessible. Widespread public support for aggressive climate action and tangible, local solutions is increasing demand for decentralised energy solutions. The new European Union Clean Energy Package contains two specific directives that require member states to create enabling legislation

for renewable energy communities by 2021. Even if countries lie outside the EU, there is likely to be reputational pressure that other developed countries follow suit. Proactive governments are recognising market and social trends and updating policy packages accordingly. Those that resist energy system transformation, often to protect an increasingly outdated centralised energy system model and associated entrenched interests, will find themselves playing a game of catch up with implications for overall energy system security.

Finally, across the cases, policymakers are concerned about the potential for renewable energy communities to exacerbate social inequalities. Early participation in renewable energy communities came predominantly from wealthy, largely male, segments of society. There is a real concern that future sector expansion will reproduce the unjust distribution of costs and benefits of energy ownership that are associated with the current system. Appropriate policy frameworks are needed to address issues of fairness to ensure a just, and socially acceptable, energy transition.

Policy recommendations

- Policymakers should work with renewable energy communities, local authorities, grid operators, the public, and new and existing commercial energy companies to co-develop policy and regulatory frameworks that support renewable energy communities
- New policy and regulatory frameworks should ensure the appropriate devolution of resources, capacities and authority – with clear allocation of roles and responsibilities – to maximise the benefits of system decentralisation, and ensure a coordinated, secure system
- To facilitate market and system stability, policymakers should ensure that representative or lobby groups for renewable energy communities are sufficiently resourced and included in relevant policy and regulatory discussions
- New policy and regulatory frameworks need to be designed to support broad social and economic inclusion in the energy system of the future – this can be achieved through capacity building, support for ethically-focused business models, targeted programming, benefits distribution schemes, or other mechanisms.

POWERSHIFTS SURVEY

We are currently soliciting survey responses for Phase 2 of the Powershifts Project from policymakers and regulators who work on issues related to decentralised energy. The survey expands upon case study findings to establish broader political and market trends.

The survey will be available until December 31st 2019: <https://tinyurl.com/powershifts>

Powershifts Project Website: www.power-shifts.com

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REFERENCES

Brisbois, M. C. (2019). Powershifts: A framework for assessing the growing impact of decentralized ownership of energy transitions on political decision-making. *Energy Research & Social Science*, 50, 151-161.

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