

Re-municipalisation of the Germany energy sector

A little after a decade after the onset of liberalisation and privatisation, the German energy sector is experiencing a return to public and communal ownership. Since 2007, 44 new local public utilities (Stadtwerke) have been set up and more than a hundred private concession contracts for energy distribution networks and service delivery have returned to public hands (Reck 2011). Entire regional networks have been sold by the large energy corporations to the public regional authorities. (EnBW, Thüga and Steag), Public opinion in Germany is now critical of energy privatisation, especially because prices have risen sharply, and supports (re-)municipalisation; that is the return of privatised public services into local public ownership and managerial control (Reck 2010).

One key factor behind this trend is political initiatives. A growing number of public authorities want to strengthen their influence in the energy sector, and at the same time increase public revenues through the provision of energy and the management of grids (Schorsch und Faber 2010). For these reasons, remunicipalisation is supported by the Green, Social Democrat and Left parties, and by associations of public institutions like the Association of Communal Enterprises (VKU) – and even by some local party groups of the rightwing Christian-Democrats (CDU).

At the same time, many citizen campaigns and public referenda initiatives are taking place in major cities like Hamburg, Stuttgart, Bielefeld, Bremen, Frankfurt and Berlin. This builds on the campaigns and referenda which successfully defended Stadtwerke from privatisation in previous years, for example in Leipzig. Ver.di and the DGB support the return to local public utilities as a new chance for public service provision and a means to increase democratic control of public services. But they argue that remunicipalisation has to facilitate necessary innovations in smart grids, renewables and electro-mobility; as well as strengthen workers' rights and secure jobs in municipalities and communities (DGB Abteilung Wirtschafts-Finanz- und Steuerpolitik 2011). The unions have had some bad experiences with public employers in the past and so not all local Verdi groups are (yet) part of public campaigns for remunicipalisation.

The second factor, which makes these initiatives possible, is that between 2009 and 2013 some 5000 concession contracts for running electricity and gas distribution networks are expiring: by the end of 2016 almost all existing contracts in the energy sector are up for renewal. Around two thirds of all German communes are considering buying back both electricity suppliers and the distribution networks (Schorsch und Faber 2010). This builds on a public sector which already exists: the 850 existing Stadtwerke – some of which are partly-privatised PPPs - hold over half of the energy market. The expectation is that more and more are going to become 100% owned by public authorities, and their market percentage is likely to increase sharply in the coming years (Weissmüller 2009).

The third key factor driving the remunicipalisations is regulatory and financial pressures on the giant corporations. German and EU regulators have insisted that the companies sell some of their operations after takeovers of other large companies. In addition, the companies want to reduce their debts, by selling some of their operations. As a result, the corporations have had to sell networks – and the only feasible buyers are the regions and municipalities.

The case of Hamburg is a good illustration of the complex dynamics in the sector, where communes build up energy services to compete with current concessionaires and public campaigns seek to take back concession into public hands. The city of Hamburg has had many disputes with the current concessionaire Vattenfall, for example over a new coal power plant that the city could not prevent. In

2009, “Hamburg Energie” was created as a sub-unit of the public Hamburg water works (Wildhagen und Patzkowsky 2010; Rekommunalisierung von Energienetzen « WIK.BLOG | Umwelt & Energie in der Kommune). This new energy supplier is still effectively subsidised by the public water company of Hamburg but aims to eventually compete by supplying Hamburg with green energy produced from biomass. At the same time, the public campaign of “Unser Hamburg – Unser Netz” has won the first phase of a public referendum in June 2011 and puts pressure on the city government to buy back the energy grid from Vattenfall, when the concession contract terminates in 2014 (PM attac: Über 110.000 Unterschriften für Volksbegehren „Unser Hamburg-Unser Netz” | Gemeingut).

Other examples include:

- As early as 1996, the city of Nürnberg bought back the energy networks from RWE and created the „Gemeindewerke Nürnberg GmbH that today manages the newly renovated networks with an annual profit of 150.000 to 200.000 Euros (Die Linke 2010).
- In other cases, cross-communal cooperation is used to create new energy companies, such as the Hochsauerland Energie GmbH that was created in 2009 by the cities of Meschede, Olsberg, Bestwig and Lippstadt (Fischer).
- Around the largest German lake, the Bodensee, seven communes have cooperated in the creation of the public Regionalwerk Bodensee, which already controls a third of the local energy market (Rekommunalisierung von Energienetzen « WIK.BLOG | Umwelt & Energie in der Kommune; Stadtwerke: Umkehrung des Zeitgeistes — Der Freitag 2011).
- In North Rhine Westphalia, a number of communes seek to found the Stadtwerke Münsterland (Leersch 2011). A smaller trend is exemplified by cities such as Wolfhagen, where the authorities have set up a citizen energy cooperative in February 2011 that aims to produce wind energy (attac; Bürgerbegehren Klimaschutz; PowerShift 2011).
- Already before the onset of this new trend, there existed prominent alternatives especially in small communes, such as in the small city of Schönau where a green energy supplier in the form of a cooperative was created in 1997 (Bericht: Unser Stadtwerk für Berlin – demokratisch und bürgernah « Linke Metropolenpolitik).
- In 2009, the city of Dresden bought the Stadtwerke-Holding Geso for 900 million Euro from EnBW, who thereby fulfilled demands by the German cartel office (Rekommunalisierung: Dresden kauft EnBW Tochter ab | FTD.de). For similar reasons, RWE also plans to sell their shares in energy providers such as Süwag (Frankfurt), Kevag (Koblenz) and VSE (Saarbrücken) (Kallenbach 2011). Another example for this is Trianel, a cross-communal cooperation based in Aachen that has built a gas electricity plant in 2007 and also deals on the energy bulk market (Wildhagen und Patzkowsky 2010).

Alongside all this activity municipalities and regions have bought three major companies from the private sector.

- In 2009, E.ON was pressured by the cartel office to sell Thüga, a holding company for minority Stadtwerke participation and PPPs. A consortium of Hannover, Frankfurt and Nürnberg (Integra) now holds 62.25% and Kom9, an association of 50 smaller Stadtwerke, have bought 37.75% (Schorsch und Faber 2010).
- In 2010, six communes in North Rhine Westphalia bought the fifth biggest German energy producer Evonik-Steag, demonstrating a growing importance of the public sector also in energy production.

- At the end of 2010, the CDU government of Baden-Wuerttemberg bought back the 45% of EnBW shares for a total of 4.7 billion Euros from the French multinational EDF – a purchase which was opposed by the Green party. The CDU argued that dividends from these shares would cover the costs of the acquisition, but the German government's decision to exit from atomic energy, following the disaster at the Fukushima plant in Japan, affects two nuclear power plants which account for a large share of profit of EnBW. As a result, the new social-democratic and green government coalition in Baden-Wuerttemberg is struggling to develop a coherent and economically viable strategy for the third largest German energy corporation. Another open question is how EnBW will act in relation to the large number of concession contracts it holds, for example in cities like Stuttgart. Despite its return to public ownership, EnBW has so far resisted a strong citizen campaign called "Aktion Stadtwerke Stuttgart", which has successfully started a public referendum to create a new municipal stadtwerte in Stuttgart, the capital of Baden-Wuerttemberg, which would take away an important slice of EnBW's business. (Bürgerbegehren ist gestartet 2011).

Despite its success, remunicipalisation remains a contradictory process because its consequences for the sector as a whole are far from clear. While proponents - including the trade union movement - argue that remunicipalisation should be more than the return to public ownership, and could lead to further democratization and participation, German legislators and the regulatory body see the role of Stadtwerke more in terms of a reaction to commercial incentives and favour remunicipalisation in order to drive commercial competition in the sector. The danger is that the new Stadtwerke turn into corporatized public utilities that compete with private corporations for a piece of the energy market, as the VKU proclaims is the case (Wübbels 2010). Four large public players are gaining more weight in the energy market as energy producers as well as service providers; these are the Stadtwerke conglomerates of Thüga (based in Munich), Trianle (based in Aachen), the MVV from Mannheim and Pflzenergie (Wildhagen und Patzkowsky 2010).

But despite the risk, it is clear that the current opportunity for the return to public control in the energy sector, which will not return for another 20 years when the new concessions run out again, is being taken up broadly all throughout Germany. That is why the DGB has called for new ways of trade union action to seek broad alliances in civil society, for example in public referenda, in order to demand remunicipalisation that would heighten economic democracy rather than increase commercial competition (DGB Abteilung Wirtschafts-Finanz- und Steuerpolitik 2011). Verdi also recognizes the potentials of remunicipalisation but does not support it per se because profit maximisation objectives by the involved public bodies can obstruct wider objectives on public service delivery, environmental sustainability and labour rights. That is why Verdi names clear conditions for supporting remunicipalisations, which need to be reviewed case by case (Verdi 2010).

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