**RECLAIMING ENERGY REPORT** 



# PART 2 **BETTER PUBLIC OWNERSHIP** ACCOUNTABILITY, **AFFORDABILITY AND** DEMOCRACY

WE NEED DEMOCRATIC DUBLIC OWNERSHIP

OF ENERGY

VE NEED DEMOCRATIC PUBLIC **OWNER SHIP** 

# This is Part 2 of the Reclaiming Energy publication. Read the full report and find out about the other public pathways to break the fossil fuel cycle: tni.org/reclaimingenergy

The Reclaiming Energy report, the third in TNI's Public Power trilogy, aims to unpack key strategies to strengthen energy democracy struggles the world over.

With the climate crisis escalating, labour and environmental justice groups are searching for systemic solutions. These solutions must uproot the logic of private profit, which is keeping energy systems from phasing out fossil fuels and ramping up renewables. Public ownership of energy can be exactly this: an urgent, viable and bold alternative to the failures of profit-driven markets and multinationals.

By employing a decolonial lens, we call for deprivatising and decommodifying public power systems as a condition for shaping pathways towards democratic governance and public-community partnerships across scale and territories. This means approaching the right to clean energy as inseparable from the right to land and resource justice.

Far from a silver bullet, defending and expanding energy as a global public good requires ongoing social struggles towards a sustainable energy sector that is deeply democratic and decolonial by design.

DATE December 2024 AUTHORS Lavinia Steinfort, Rowan Mataram and James Angel EDITOR AND PROOFREADER Sarah Finch REVIEWERS Katie Sandwell, Sylvia Kay, Eleanor Radcliffe and Vera Weghmann CONTRIBUTORS Louisa Valentin, Pablo Messina and Martín Sanguinetti PUBLISHER Transnational Institute DESIGNER Ivan Klisurić / ivanklis.studio ILLUSTRATOR FACTSHEETS Fourate Chahal El Rekaby Download full report on https://www.tni.org/reclaimingenergy For more information, contact: l.steinfort@tni.org or r.mataram@tni.org

**The Transnational Institute (TNI)** is an international research and advocacy institute committed to building a just, democratic and sustainable planet. For 50 years, TNI has served as a unique nexus between social movements, engaged scholars and policy-makers. And for two decades, TNI has been working on public alternatives with a focus on public ownership of energy. The project towards establishing an international Public Power Observatory is embedded in this accumulated knowledge and expertise. **https://www.tni.org/en** 

# 2.0 SUMMARY

**Part 2** of the report makes the case for a revitalised and democratised form of public ownership as an essential component of the energy transition.

As discussed previously, we cannot rely on private actors to deliver the just, rapid and ambitious energy transition we need. However, at present, many of the world's most well known and powerful public energy firms behave like private institutions to all intents and purposes. State-owned fossil fuel companies are among the world's highest emitters of greenhouse gases. Many public utilities have become hollowed out and corporatised, driven more by revenue generation than any kind of social or environmental objectives.

Yet, simultaneously, across the world, we also see alternative models of public ownership — models that prioritise the common good and democratic participation over private gain and authoritarian control. This section outlines four areas across which better public energy ownership is being built:

- 1 A new public mission and mandate, which provides a binding legal framework to ensure that public energy firms prioritise social and ecological objectives.
- Progressive tariffs, which can reduce overall energy demand, tackle energy inequalities and reduce energy poverty by subsidising essential energy consumption and penalising excessive consumption.
- **3** Re-municipalisation, which enables cities and towns to take local energy systems back into democratic public control.
- **4** Public-community collaborations, which offer a framework for participatory democratic involvement within public energy institutions.

Together these elements showcase the multiple levels of action that can be taken to reclaim, revitalise and create democratic public ownership.

## 2.1 A NEW PUBLIC MANDATE AND MISSION

So far, no combination of regulation, privatisation and liberalised markets has delivered the action necessary to mitigate the climate crisis. After decades of market ideology dominating energy policy, it is about time to recognise its failure. We need public ownership of fossil fuels together with the entire energy sector in order to enact a planned, orderly and democratic phase out of fossil fuels.

Yet, as discussed in Part 1, we must not shy away from the fact that public ownership without proper democratic processes can fall victim to corporate capture or other forms of elite co-option. And we must acknowledge that nation states have also been using 'public' as an exclusionary category in support of exploitative and unjust programmes. **To address and overturn these dynamics of domination, which are often deeply racist and classist, we insist that publicly owned energy must be decolonial, pro-working class and internationalist.** What we mean by this is explored further in Part 3 of the report. It would be foolish to underestimate the problem of state-owned fossil fuel companies, such as Saudi Aramco, Russia's Rosneft and Norway's Equinor, which continue to extract aggressively. These corporatised and often authoritarian companies urgently need to be transformed into democratically governed entities to rapidly scale back extraction. Thus, our argument is that accountable public ownership and democratic governance have to be at the centre of our struggle for decarbonisation in order for communities to be collectively in control. When operations are privatised and profit prevails, nationalisation can be a first step towards accountability. At the same time, nationalisation is never enough and should always be accompanied by ongoing processes towards democratisation and better public governance.

#### BOX 2.1

#### TRANSFORMING NATIONAL FOSSIL FUELS COMPANIES

Private fossil fuel firms are only a part of the picture. The combined profits of the five leading private supermajors — ExxonMobil, Shell, Chevron, BP and TotalEnergies — stood in stark contrast to those of Saudi Aramco, Saudi Arabia's national oil company. In 2022 alone, Aramco earned just over \$161 billion. As stated by Professor Adam Hanieh, a leading scholar of Middle East political economy, these results 'underscored a major shift that has taken place in the control of world oil over recent decades: the seemingly unstoppable rise of national oil companies run by governments in the Middle East, China, Russia and other large oil-producing states in the global South'.<sup>1</sup> These companies are playing a very active role stalling international climate action.<sup>2</sup> What's more, they have often been implicated in corruption, for example the Brazilian state-owned oil company, Petrobras, has faced allegations of bribery of political parties and businesses.<sup>3</sup>

In many of these states, oil production is actually increasing. However, in some contexts, the struggle to transform the oil sector is also growing. Consider the case of Colombia's national oil company, Ecopetrol, which accounts for approximately 65 per cent of the country's oil and 80 per cent of its gas production. Following years of intense debate within the oil workers' trade union, USO, in 2019 an agreement was reached to reject fracking and turn Ecopetrol into a renewables-focused company. As a result, Ecopetrol decided to suspend its fracking projects, cancelling business with ExxonMobil in 2022.<sup>4</sup>

<sup>1</sup> Hanieh, A transition to where?

<sup>2</sup> Hanieh, A transition to where?

<sup>3</sup> BBC News (2016) 'Brazil corruption scandals: All you need to know', 8 April. Available at: https:// www.bbc.com/news/world-latin-america-35810578 (Accessed: 11 October 2024).

<sup>4</sup> Chavez, D. and Peñaranda, L. (2024) *State-Run Oil Companies and the Energy Transition: The case of Colombia's Ecopetrol.* TNI. Available at: https://www.tni.org/en/article/state-run-oil-companies-and-the-energy-transition (Accessed: 22 July 2024).

Ecopetrol is a state-owned company that is largely run by private actors: representatives of private firms sit on the board and manage the firm according to their interests.<sup>5</sup> This is keeping the firm tied to fossil fuels, which are still a lucrative business. For this reason, an attempt has been ongoing to change the statutes of the company and include a trade unionist on Ecopetrol's board. This struggle for publicly-mandated governance and democratisation is vital to phase down Ecopetrol's fossil fuel operations. As researchers Daniel Chavez and Lala Peñaranda write, **'the commitment to transform and diversify operations to enable Ecopetrol to become an integrated [and increasingly renewable] energy company is unprecedented in the world'.<sup>6</sup>** 

Highly corporatised national oil companies present an enormous obstacle to the transition. International climate and energy justice movements will need to support struggles to turn corporatised state-owned companies — ranging from electricity utilities like Tunisia's STEG to oil companies like Ecopetrol — into public and democratically run entities.

The profit incentive and growing energy demand are reinforcing the global carbon lock-in. As many new coal mines and oil and gas fields continue to be opened, and coal, oil and gas-fired power plants continue to be built, societies are ever more firmly locked into the use of fossil energy. The 2023 IPCC report shows that a huge amount of fossil fuel reserves will have to remain unused if we are to limit warming to 2 degrees.<sup>7</sup> **Relying on private actors to voluntarily relinquish the profits they stand to make from untapped fossil reserves is highly unrealistic.<sup>8</sup> Yet at the 2023 UN climate talks, agreements that governments should begin to transition away from fossil fuels neglected to recognise that states are key actors in managing such a decline.<sup>9</sup>** 

While private actors in the fossil fuel sector stand to lose profits, the alternative is devastating economic damage to people and companies the world over, with costs of dealing with the ever increasing extreme weather events caused

- 8 IPCC, 'Technical summary'.
- 9 Aronoff, K. (2024) Green Industrial Policy's Unfinished Business: A Publicly Managed Fossil Fuel Wind-Down. Roosevelt Institute. Available at: https://rooseveltinstitute.org/publications/ green-industrial-policys-unfinished-business (Accessed: 25 July 2024).

<sup>5</sup> Otero, D. (2023) 'La privatización de Ecopetrol y otras entidades', Más Colombia, 31 January. Available at: https://mascolombia.com/la-privatizacion-de-ecopetrol-y-otras-entidades (Accessed: 22 July 2024).

<sup>6</sup> Chavez and Peñaranda, State-Run Oil Companies and the Energy Transition: The Case of Colombia's Ecopetrol.

<sup>7</sup> Intergovernmental Panel on Climate Change (IPCC) (2023) 'Technical summary', in Climate Change 2022 — Mitigation of Climate Change: Working Group III Contribution to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change. Cambridge: Cambridge University Press, pp. 51–148. Available at: https://doi.org/10.1017/9781009157926.002.

by global warming expected to be six times higher than previously thought.<sup>10</sup> To reverse this development, the public must claim ownership over the entire energy sector, encompassing both fossil fuel and renewable energy operations. There are many ways that this can be approached, which we explore throughout this report. Decarbonising supply will not happen without a public sector that directly ramps up renewable energy production while, at the same time, managing a rapid decline of fossil fuel activities.

This 'comprehensive reclaiming', in TUED's term, is foundational to planning a just transition, which should also involve coordinating supply chains and developing transition technologies such as long-term energy storage solutions. This requires social forces to occupy, challenge and transform public institutions so that the rationale of the energy economy is no longer profiteering but, rather, universal provisioning.

Public ownership, including community initiatives such as not-for-profit cooperatives, provides the institutional framework for such a comprehensive effort. It is also a prerequisite to democratising the management of the sector so that the working class — including rural, Indigenous, and other racialised communities — can make sure the transition proceeds in their interest. Public utilities and governments must be socially and institutionally pushed to plan and follow through on shrinking the fossil fuel fleet to zero. **Utilities require a new public mandate as well as participatory control and governance mechanisms. This mandate must be a legally binding commitment to prioritise social and environmental concerns, centred on the defence and fulfilment of universal public goods such as a livable climate and providing sufficient clean energy for all.** 

Public banks may provide some guidance here. As illustrated by Thomas Marois, Professor of Political Economy at McMaster University, public banks, unlike private banks, do not need a profit mandate. They can be financially sustainable by either operating on a not-for-profit basis or even via explicit loss-making operations. This simply implies that the government or another part of the public company subsidises any losses to ensure long-term financial sustainability. Take, for example, the operating strategies of Germany's KfW (Kreditanstalt für Wiederaufbau, or Reconstruction Credit Institute) and Costa Rica's BPDC (Banco Popular y de Desarrollo Comunal, or Bank of Popular and Community Development). These institutions can prioritise social and environmental mandates over financial returns.<sup>11</sup> BPDC's overarching mission is to serve the social and sustainable welfare of Costa Ricans. This enables the bank, which was founded under public law and whose highest decision-making body is the Workers' Assembly, to be guided by gender equity, accessibility and environmental responsibility. Thanks to this institutional framework, BPDC can

<sup>10</sup> 11

Aronoff, Green Industrial Policy's Unfinished Business.

Marois, T. (2017) 'How public banks can help finance a green and just energy transformation', TNI, 15 November. Available at: https://www.tni.org/en/publication/how-public-banks-canhelp-finance-a-green-and-just-energy-transformation (Accessed: 25 July 2024).

allocate a quarter of its returns towards meeting the needs of those typically excluded from the banking system.

Applied to the energy sector, a new public mandate and mission could enable and oblige utilities to prioritise energy reduction and social sufficiency over maximising production and sales. As energy utilities will potentially run at a loss when closing down fossil fuel plants, this should be permitted by their mandate. Due to highly unequal power relations between rich and poor countries, many governments in the global South are highly indebted and lack the public budgets to take on such losses. Since a managed decline is in the global interest, the global community and especially historically high-emitting countries have a responsibility to order international financial institutions to annul these deficits. This is in line with the demand from poorer countries to be fairly compensated for refraining from further fossil fuel extraction.<sup>12</sup>

#### **BOX 2.2**

#### ECUADOR'S CLAIM FOR COMPENSATION

Ecuador's former president, Rafael Correa, pushed for compensation payments for refraining from fossil fuel extraction in 2007. Correa called on international donors to come up with \$3.6 billion to compensate Ecuador so that the government would not need to extract oil from three sites in the Yasuni national park in the Amazon rainforest to follow through on its anti-poverty plans.<sup>13</sup> When only \$13 million was received, and with energy poverty levels at over 50 per cent in rural areas,<sup>14</sup> Correa declared that the lack of support left him no choice but to drill for oil.

- Irfan, U. (2022) 'Who gets to keep burning fossil fuels as the planet heats up?', Vox, 30 November. Available at: https://www.vox.com/energy-and-environment/23458617/cop27-fossilfuels-energy-developing-countries-coal-oil-gas-africa-finance (Accessed: 28 October 2024). & Orta-Martínez, M. et al. (2022) 'Unburnable fossil fuels and climate finance: compensation for rights holders', *Global Environmental Politics*, 22(4), 15-27. Available at: https:// doi.org/10.1162/glep\_a\_00688; & Snyder, B.F. and Ruyle, L.E. (2020) 'A just compensation for leaving it in the ground: Climate easements and oil development', *Environmental Science & Policy*, 112, 181-188. Available at: https://doi.org/10.1016/j.envsci.2020.06.020.
- Observatory on Latin America (2011) 'A lecture by President of Ecuador Rafael Correa (Spanish) the New School for Public Engagement', 23 November. Available at: https://observatorylatinamerica. org/a-lecture-by-president-of-ecuador-rafael-correa-spanish-the-new-schoolfor-public-engagemen (Accessed: 29 October 2024).
- 14 International Hydropower Association (n.d.) South America: Regional profile and outlook: Ecuador. Available at: https://www.hydropower.org/region-profiles/south-america (Accessed: 25 July 2024); Panchana, A. (2023) 'Ecuador set to vote on banning oil projects in Yasuní National Park', Dialogue Earth, 14 August. Available at: https://dialogue.earth/en/forests/376867-ecuador-setto-vote-on-banning-oil-projects-in-yasuni-national-park (Accessed: 28 October 2024); & Pablo, Q.S. et al. (2019) 'Energy Poverty in Ecuador', Sustainability, 11(22). Available at: https:// www.mdpi.com/2071-1050/11/22/6320 (Accessed: 5 November 2024).

In 2008, Ecuador adopted a new Constitution which states that '[t]he State reserves the right to administer, regulate, monitor and manage strategic sectors', explicitly including all forms of energy.<sup>15</sup> This enabled the government to agree to building new state-owned hydrocarbon plants, although at the huge expense of the Amazon rainforest and Indigenous peoples. Part of the power went to electrify new rural communities. Meanwhile, revenues from oil sales to China enabled public investment to increase by over 10 per cent.

This is not to excuse Correa, who was consequently accused of an extractivist development model that threatened the rights of Indigenous peoples. However, the principle underpinning his demand for compensation remains important: high-income countries have the means and historic responsibility to pay, with their riches largely based on the historic and continuing exploitation of labour, land and other natural resources across the global South. Particularly when international debt was one of the core factors that underpinned the decision to go ahead with the drilling.<sup>16</sup>

In 2023, Indigenous activists campaigned to bring the topic back on the national agenda.<sup>17</sup> The campaign culminated in a nationwide referendum that saw over 50 per cent of the population voting to stop three of the major oil extraction projects in Yasuni national park.<sup>18</sup> While the government is yet to act on this referendum, it is legally-binding, and shows how democratic processes can be a means for protecting biodiversity and Indigenous peoples' rights whilst slowing climate change.<sup>19</sup>

It is actually not uncommon for energy utilities and other public institutions to be governed by a mandate or mission that is explicitly in the public interest. These instruments have played an important role in approaching national development goals. Take Costa Rica's electricity utility ICE, whose original purpose was 'to oppose big business and drive private capital out of the electricity industry'. Since its establishment, ICE has expanded access to electricity services from 14 per cent of the population in 1949 to more than 99

Political Database of the Americas (2011) 'Ecuador: 2008 Constitution in English'. Available at: https://pdba.georgetown.edu/Constitutions/Ecuador/english08.html (Accessed: 19 September 2024).

<sup>16</sup> Gordon, A. (2023) 'Ecuadorians vote to stop oil drilling in the Amazon', *TIME*, 22 August. Available at: https://time.com/6307145/ecuador-rainforest-oil-vote (Accessed: 29 October 2024).

<sup>17</sup> Gordon, *Ecuadorians vote to stop oil drilling in the Amazon.* 

<sup>18</sup> Collyns, D. (2023) 'Ecuadorians vote to halt oil drilling in biodiverse Amazonian national park', The Guardian, 21 August. Available at: https://www.theguardian.com/world/2023/aug/21/ ecuador-votes-to-halt-oil-drilling-in-amazonian-biodiversity-hotspot (Accessed: 29 October 2024).

Surma, K. (2024) This country voted to keep oil in the ground. Will it happen?', *Inside Climate News*, 21 August. Available at: https://insideclimatenews.org/news/21082024/ecuador-oiloperations-ban-vote (Accessed: 29 October 2024).

per cent today.<sup>20</sup> Vietnam provides another example. Under one of its National Power Development Plans, the public power utility was employed to expand the electricity grid and achieve 96 per cent coverage. In the United States, the Southwest Power Pool (SPP), a non-profit regional transmission organisation, is mandated to ensure customers in the region receive reliable power, adequate transmission infrastructure and competitively priced electricity, coordinating the high voltage power flows spanning fourteen states. Its mission: 'to responsibly and economically keep the lights on, today and in the future'.<sup>21</sup> In 2022, SPP was the first regional organisation to meet over 90 per cent of energy demand with renewables.<sup>22</sup>

A public mandate and mission are not a silver bullet for decarbonisation. However, when well applied, these instruments have real potential to enable a public utility to manage an orderly phase-out of fossil fuels and increase coverage to reach universal energy access. To use a utility's mandate and mission to assure people's right to energy, affordable tariffs need to be at the centre of the transition debate. We turn to this question in the next section.

# COUNTRY THE LIVING LEGACY OF PRIVATISATION IN THE CASE UNITED KINGDOM

In March 2022, Russia's attack on Ukraine instigated a global energy crisis. In the UK, this compounded a domestic energy crisis which had been underway since winter 2021 — a disaster that was decades in the making and that can be traced back to Margaret Thatcher's fateful decision to privatise the country's energy sector in the 1980s.<sup>23</sup>

As a consequence of privatisation, UK consumers and workers have suffered from increasing energy prices, fuel poverty and thousands of job losses. Between the early 1990s and 2001, 60 per cent of jobs in the energy sector were lost to efficiency gains, involving outsourcing and downsizing.<sup>24, 25</sup>

- 20 Chavez, D. (2018) 'Energy democracy and public ownership: What can Britain learn from Latin America?', TNI, 4 December Available at: https://www.tni.org/en/article/energydemocracy-and-public-ownership (Accessed: 25 July 2024).
- 21 Southwest Power Pool (no date) 'About us'. Available at: https://www.spp.org/about-us (Accessed: 25 July 2024).
- 22 MacCrory, J. (2022) 'Southwest Power Pool first regional organization to serve more than 90 percent of demands with renewable energy', Innovation Tap LLC. Available at: http://www.innotap. com/2022/04/southwest-power-pool-first-regional-organization-to-serve-morethan-90-percent-of-demands-with-renewable-energy (Accessed: 25 July 2024).
- 23 Macfarlane, L. (2021) 'Britain's energy crisis has been decades in the making', Open Democracy, 23 September. Available at: https://www.opendemocracy.net/en/oureconomy/britainsenergy-crisis-has-been-decades-in-the-making/. (Accessed: 25 July 2024).
- 24 Weghmann, V. (2019) Going Public: A decarbonised, affordable and democratic energy system for Europe. PSIRU, University of Greenwich. Available at: https://www.epsu.org/article/goingpublic-decarbonised-affordable-and-democratic-energy-system-europe-new-epsureport (Accessed: 25 July 2024).
- European Parliament. Directorate General for Internal Policies of the Union. (2017) Employment in Privatised Utilities: A higher risk of precariousness? LU: Publications Office. Available at: https:// data.europa.eu/doi/10.2861/877064 (Accessed: 14 October 2024).

Meanwhile, private firms are recording ever-growing profits. The privatised transmission grid operator National Grid, for example, paid out record dividends of £1.4 billion in 2021.<sup>26</sup>

While the fragmented and liberalised energy market fails to meet people's basic needs, unions, activists and some within the Labour Party are putting forward proposals to restructure the country's energy sector around public ownership, democratic governance and just transition.

#### THATCHERISM AND ITS LEGACY

To strengthen the post-Second World War economy, fundamental industries, including electricity, railways, coal and steel, were nationalised by the Labour Government. Yet following the 1979 election of the Conservative Party, under the leadership of Margaret Thatcher, the government pursued aggressive privatisation policies. More than 40 UK state-owned businesses, employing 600,000 workers, were privatised between 1979 and 1990.<sup>27</sup> What's more, Thatcher's model for energy privatisation and liberalisation became a template enforced across the world for years to come.

Arguing that privatisation would make firms more efficient and increase labour productivity, Thatcher moved to privatise the country's energy market in the mid-1980s, in the aftermath of the global energy crisis of the 1970s.<sup>28</sup> **To transform this natural monopoly into an artificial, competitive market, the energy sector was 'unbundled' into the separate components of generation, transmission, distribution and supply.** In 1986, the gas sector was privatised. The electricity sector followed in 1990, when twelve regional electricity companies in England and Wales were sold off to private firms. In the end, virtually all components of the energy system were placed under private ownership.

The unbundling of the energy sector in the 1980s paved the way for an oligopolistic structure in which the so-called 'big five' firms (British Gas, EDF Energy, E.ON UK, ScottishPower and Ovo Energy) currently control 70 per cent of the household energy market.<sup>29,30</sup> **Far from the competition that privatisation advocates promised, the policy landscape surrounding these large, often foreign-owned, energy companies drives out smaller suppliers and has kept bills high**. Recent attempts to establish municipal energy companies have failed, in part due to the difficulties these small firms faced in competing

<sup>26</sup> National Grid (2021) 2020/21 Full Year Results Statement. London. Available at: https://www. nationalgrid.com/document/141786/download (Accessed: 25 July 2024).

<sup>27</sup> Centre for Public Impact (2016) 'Privatising the UK's nationalised industries in the 1980s'. Available at: https://www.centreforpublicimpact.org/case\_study/privatisation\_uk-companies\_ 1970s (Accessed: 25 July 2024).

<sup>28</sup> Soaring gas and electricity prices, widespread strikes and an energy supply shortage led to the introduction of a three-day work week and mass blackouts in the early 1970s.

<sup>29</sup> Statista (2024), 'Big Six in the UK — statistics & facts'. Available at: https://www.statista.com/topics /4935/big-six-energy-suppliers-in-the-united-kingdom-uk. (Accessed: 25 July 2024).

<sup>30</sup> SSE was absorbed by Ovo Energy in 2020, thus the oligopolistic structure previously known as the 'big six' became the 'big five'. Statista, 'Big Six in the UK — statistics & facts'.

with huge transnational corporations, alongside the challenges of operating within a highly volatile market context.<sup>31</sup> In recognition of the monopoly being created in the supply market, in 2013 the energy market regulator Ofgem encouraged new suppliers to enter the market to 'increase competitive pressure on prices for the benefit of customers'.<sup>32</sup> This did little to protect customers during the recent energy crisis.

#### THE FAILURES OF PRIVATISATION

The results of decades of neoliberal market policies are still felt by consumers today. With gas prices soaring during the 2021 energy crisis, many households were unable to handle steep increases in energy bills. At the core of the crisis lies the UK's dependency on imported fossil fuels, reinforced by a lack of investment in renewable energy due to higher profit prospects in the gas sector and planning laws skewed against renewables. Following the privatisation of gas in the 1980s, the famous 'dash for gas' fast-tracked a transition away from coal-fired power plants, while creating a dependence on newly discovered gas supplies in the North Sea. By the mid-2000s, gas production in the North Sea fell sharply, prompting the UK to import gas from Norway, the Netherlands, Belgium, Qatar, the US, and Russia. When international gas prices rose in 2021, 86 per cent of British homes were dependent on gas for heating, while more than one-third of electricity in the country was produced using gas power plants.<sup>33</sup>

The 2021 crisis also showed the government's determination to prioritise private profit over the common good. **The crisis saw dozens of smaller suppliers go out of business, costing British consumers £2.7 billion, a figure paid for via energy bills that were already soaring due to 250 per cent gas price increases.**<sup>34</sup> **Meanwhile, large private energy firms on the brink of collapse were bailed out by the government to the tune of billions of pounds.**<sup>35</sup> These firms have continued to record disproportionately high profits. Due to rising oil prices, BP's profits tripled between 2021 and the second quarter of 2022, reaching nearly £7 billion.<sup>36</sup> The UK's big five energy suppliers made more than £1 billion in profit in 2020/2021, shortly before consumers

Berry, C. (2021) 'The energy crisis shows precisely why this industry should be in public hands', The Guardian, 3 December. Available at: https://www.theguardian.com/commentisfree/2021/ dec/03/energy-crisis-industry-public-hands-bulb (Accessed: 30 October 2024).

<sup>32</sup> Ofgem. (2013) Making it Easier for Independent Suppliers and generators to Compete. Available at: https://www.ofgem.gov.uk/sites/default/files/docs/2013/06/liquidity-factsheet\_ web\_0.pdf (Accessed: 30 October 2024).

<sup>33</sup> Macfarlane, Britain's energy crisis has been decades in the making.

<sup>34</sup> UK Parliament (2023) 'Bulb Energy: Will billpayers remain on the hook for multi-billion pound bail-out?', 1 November. Available at: https://committees.parliament.uk/work/7413/bulb-energy/ news/198224/bulb-energy-will-billpayers-remain-on-the-hook-for-multibillionpound-bailout (Accessed: 4 November 2024).

<sup>35</sup> Jolly, J. (2022)'BP profits triple to £7bn as oil prices surge because of Ukraine war', *The Guardian*, 2 August. Available at: https://www.theguardian.com/business/2022/aug/02/bp-profits-oilprices-ukraine-war-energy-prices-cost-of-living-crisis (Accessed: 30 October 2024).

Jolly, J. (2022) 'Bank of England to lend UK energy companies as much as £40bn', *The Guardian*, 8 September. Available at: https://www.theguardian.com/business/2022/sep/08/bankof-england-to-lend-uk-energy-companies-as-much-as-40bn (Accessed: 30 October 2024).

were hit with major price increases.<sup>37</sup> Centrica (the parent company of British Gas), for example, operates with a profit margin of 60 per cent in its generation business.<sup>38</sup>

Despite skyrocketing profits, the failure of Britain's privatised energy sector could not be more obvious. In November 2021, news of yet another collapsed energy supplier surfaced. As private company Bulb went bankrupt it was purchased by Octopus energy, another private supplier, costing households an estimated £246 million.<sup>39</sup> As more and more energy suppliers go out of business, it is clear that the market cannot deliver the competition and lower prices that privatisation advocates promised. At the same time, domestic energy bills are constantly on the rise: energy bills increased by 50 per cent in real terms between 1996 and 2018, leaving increasing numbers struggling to heat their homes.<sup>40</sup>

In 2022, the government approved a new coal mine, the first since Thatcher began closing them down in the 1980s. The mine, which is ultimately owned by private equity investment firm EMR Capital, would create a maximum of 500 jobs and its coal quality is poor, discrediting any claim that this project would significantly benefit the local economy or energy security. Then, in 2023, the government approved 100 new North Sea oil and gas licences.<sup>41</sup> **The UK tax rate on oil and gas is currently lower than that of many equivalent economies such as Norway.** Additional changes to carbon-trading markets are now making it cheaper to pollute.<sup>42</sup> Despite these moves from the Conservative government, in September 2024, the UK's High Court ruled that the approval of the coal mine was unlawful and overturned the approval.<sup>43</sup> This followed a Supreme Court ruling a few weeks earlier that planning applications for fossil fuel projects must consider the environmental impact of burning the fossil fuels, not just of extracting them, which had not happened in the case of the mine.<sup>44</sup>

Bychawski, A. (2022) 'UK Big Six energy firms made more than £1bn in profit ahead of price hike', openDemocracy, 3 February. Available at: https://www.opendemocracy.net/en/ opendemocracyuk/uk-big-six-energy-firms-one-billion-pounds-profit-cost-ofliving-increase (Accessed: 30 October 2024).

Ofgem (2023) 'Energy companies' consolidated segmental statements (CSS)'. Available at: https://
 www.ofgem.gov.uk/publications/energy-companies-consolidated-segmental statements-css (Accessed: 25 July 2024).

UK Parliament (2023) 'Bulb Energy: Will billpayers remain on the hook for multi-billion pound bail-out?'. Ambrose, J. (2021) 'Zog Energy becomes 25th UK supplier to go bust in three months', *The Guardian*,

<sup>40 1</sup> December. Available at: https://www.theguardian.com/business/2021/dec/01/zog-

energy-becomes-25th-uk-supplier-to-go-bust-in-three-months (Accessed: 30 October 2024).UK Government (2023) 'Hundreds of new North Sea oil and gas licences to boost British energy

<sup>41</sup> independence and grow the economy', GOV.UK. Available at: https://www.gov.uk/government/ news/hundreds-of-new-north-sea-oil-and-gas-licences-to-boost-british-energyindependence-and-grow-the-economy-31-july-2023 (Accessed: 18 October 2024). Sheppard, D. and Millard, R. (2023) 'UK government cuts cost of polluting in latest anti-green move',

<sup>42</sup> The Financial Times, 30 July. Available at: https://www.ft.com/content/dfa3b6dc-e00c-4d9ab155-a419845a39e4 (Accessed: 18 October 2024).

<sup>Bedendo, F. and Lake, E. (2024) 'Whitehaven coal mine plan quashed by High Court', BBC News,
13 September. Available at: https://www.bbc.com/news/articles/cdrlrkz5k2ro (Accessed:
18 October 2024).</sup> 

Friends of the Earth (2024) 'Planning permission for Whitehaven mine ruled unlawful', Friends of

<sup>44</sup> the Earth, 13 September. https://friendsoftheearth.uk/climate/planning-permissionwhitehaven-mine-ruled-unlawful (Accessed: 28 October 2024).

In August 2024, the Offshore Petroleum Regulator, OPRED, announced a pause on processing existing and new North Sea oil and gas licences until the government issues new guidance on environmental impact assessments in 2025.<sup>45</sup> Thus, the future of fossil fuel production in the UK is somewhat uncertain.

Over a decade of Conservative party governments have left the public dissatisfied with a privatised energy system marked by the collapse of over 30 energy suppliers since 2021. According to 2023 government data, 3 million people are living in fuel poverty.<sup>46</sup> Meanwhile, systemic underinvestment in vital energy infrastructure has gone unchecked.

#### A RETURN TO PUBLIC OWNERSHIP?

Instead of forcing companies to deliver on their mandate, in 2022 the Conservative government announced it would bring a division of the privately owned National Grid back into public ownership to better meet net zero targets.<sup>47</sup> In its place, a publicly owned 'Future System Operator' is being set up to operate energy grids from 2024 onwards.<sup>48</sup> The new public body will be responsible for managing the planning and distribution of Britain's electricity system to prevent supply interruptions. While renationalisation is an essential step towards the public control needed for a just energy transition, the move attests to the recognition of a wider failure of the UK's privatised and fragmented energy sector. Private actors have failed to deliver a service yet have still been generously paid with no consequences. Moreover, **without a nationwide systematic reclaiming of the entire energy system, the fragmentation within Britain's energy sector will continue to allow profiteering to push up tariffs and make the energy transition harder to realise.** 

Calls from trade unions and activists to take back public ownership and transition to renewable energy are getting louder, with 66 per cent of the UK population supporting nationalisation of the country's energy system.<sup>49</sup> The trade

<sup>45</sup> OPRED (2024) 'Statement on the implications of the recent Supreme Court judgment (the Finch case)'. Available at: https://assets.publishing.service.gov.uk/media/ 66cf4451704a0794913a8a01/Statement\_on\_the\_implications\_of\_the\_Finch\_Supreme\_ Court\_judgment\_for\_Environmental\_Impact\_Assessments.pdf (Accessed: 28 October 2024).

<sup>46</sup> UK Government (2023) 'Annual Fuel Poverty Statistics in England, 2023 (2022 data)', 23 February. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/ uploads/attachment\_data/file/1139133/annual-fuel-poverty-statistics-lileereport-2023-2022-data.pdf (Accessed: 30 October 2024).

<sup>47</sup> Davies, R. (2022) 'National Grid to be partly nationalised to help reach net zero targets', *The Guardian*, 6 April. Available at: https://www.theguardian.com/business/2022/apr/06/national\_grid\_tobe-partially-nationalised-to-help-reach-net-zero-targets (Accessed: 18 October 2024).

<sup>48</sup> Ofgem (n.d.) 'Future system operation (FSO)'. Available at: https://www.ofgem.gov.uk/ energy-policy-and-regulation/policy-and-regulatory-programmes/future-systemoperation-fso (Accessed: 18 October 2024).

<sup>49</sup> Shoben, C. (2022) New poll: Public strongly backing public ownership of energy and key utilities. Survation. Available at: https://www.survation.com/new-poll-public-strongly-backing-public-ownership of-energy-and-key-utilities (Accessed: 25 July 2024) & UNISON (2019) 'Nationalise the big six and create a "green army" to help the UK hit net zero, says UNISON', 17 June. Available at: https://www.unison.org.uk/news/2019/06/nationalise-big-six-create-green-army-help-uk-hit-net-zero-says-unison (Accessed: 25 July 2024).

union UNISON is advocating for the nationalisation of the big five energy retail companies. This would mean transferring over 34,000 energy workers from private companies into public service employment, allowing the state to leverage this workforce to promote a transition to renewable energies.<sup>50</sup> In 2019, UNISON, GMB, Unite and Prospect, the UK's four main energy trade unions, published a list of demands to protect energy workers' jobs in a just transition to renewable energy. These include, most importantly, greater influence for unions and workers affected by the transition, granting them a voice in policy-making and the opportunity to contribute to solutions.<sup>51</sup>

A further proposal for public ownership has been brought forward by the We Own It campaign organisation, which advocates for public services to be run for people not profit. Instead of a government bailout when supply companies collapse, they advocate for bringing supply companies into one public supplier.<sup>52</sup> The campaign's petition to nationalise energy outlines four further actions to reclaim public ownership:

- 1 Nationalising the 'big five' energy suppliers, which would cost the state approximately £2.85 billion.
- **2** Taxing giants BP and Shell at the same rate as Norway taxes fossil fuel companies: a permanent tax rate of 56 per cent (on top of corporation tax).
- **3** Setting up a new state-owned renewable energy company to invest in windand waterpower while creating public jobs.
- 4 Nationalising the energy grid, which would bring expected annual savings of £3.7 billion, and would pay for itself in under eight years.<sup>53</sup>

Democratic and public ownership of the energy market was a central proposal of the 2017 Labour Party programme, when the party was under the leadership of Jeremy Corbyn. The Party's 2019 proposal 'Bringing Energy Home' introduced plans to fundamentally transform the energy sector, bringing gas and electricity networks back into public ownership and incorporating participation of energy sector workers and consumers.<sup>54</sup> The plan proposed setting up a National Energy Agency that would own and maintain transmission

- 51 Braisby, T. (2019) 'Energy unions call for talks on just transition', UNISON National, 3 January. Available at: https://www.unison.org.uk/news/article/2019/01/just-transition/ (Accessed: 18 October 2024).
- 52 We Own It (n.d.) 'Bring energy into public ownership'. Available at: https://weownit.org.uk/ public-ownership/energy (Accessed: 25 July 2024).
- 53 Brown, D., Hayes, C., Lawrence, M. and Buller, A. (2023) *A Wholesale Transformation: Evaluating Proposals for Electricity Market Reform*, Common Wealth. Available at: https://www.commonwealth.co.uk/publications/wholesale-transformation-evaluating-electricitymarket-reform (Accessed: 30 October 2024).
- 54 The Labour Party (2019) *Bringing Energy Home*. Available at: https://www.labour.org.uk/wpcontent/uploads/2019/03/Bringing-Energy-Home-2019.pdf (Accessed: 30 October 2024).

<sup>50</sup> Church, D. and Mill, J. (2019) 'People power the case for public ownership', UNISON Energy 8. Available at: https://www.unison.org.uk/content/uploads/2020/02/25902.pdf (Accessed: 30 October 2024); & Hall, D. (2019) Benefits and Costs of Bringing Water, Energy Grid and Royal Mail into Public Ownership. PSIRU, University of Greenwich. Available at: https://gala.gre.ac.uk/ id/eprint/25938/7/25938%20HALL\_Benefits\_Costs\_Water\_Energy\_Royal\_Mail\_Public\_ Ownership\_(AAM)\_2019.pdf (Accessed: 30 October 2024).

infrastructure, alongside establishing regional and municipal energy agencies. In the proposed two-step transition process, Parliament would transfer assets into public ownership and former owners would be compensated with bonds issued by the Treasury. In line with We Own It's calls for returning grid ownership into public hands, this switch would save the government £3.7 billion a year, meaning the investment would pay for itself within seven and a half years. Profits would be reinvested into renewable energies, expanding the UK's renewable energy sector and reducing its dependency on imported gas.<sup>55</sup> Moreover the plan incorporated community and municipally owned energy projects into a wide reaching publicly owned and managed system.

Under the leadership of Keir Starmer, the Labour Party - now in government — has adopted a more moderate programme, in which much of this plan was scrapped. Instead, in 2023, Starmer's Labour announced plans to establish a new publicly owned energy company named Great British Energy (GBE).<sup>56</sup> Research by think-tank Common Wealth estimated that this could reduce electricity costs by £20.8 billion, or £252 per household per year.<sup>57</sup> However, in the run up to the 2024 election Labour stated that this was not a generation company, but an investment mechanism. As outlined by the academics Vera Weghman and David Hall, without public ownership GBE is unlikely to reduce tariffs or efficiently decarbonise the electricity sector.<sup>58</sup> Social pressure that pushes GBE to actually own and operate renewable assets is essential, otherwise it risks continuing to encourage private ownership of vital energy infrastructure and the use of public funds for private profits — compromising the public benefit of such a policy. Following a landslide win for Labour in the 2024 elections, the country waits to see if a more radical, fair and equitable vision for energy system ownership is on the horizon.<sup>59</sup>

In some parts of the UK, public ownership of energy is already more ambitious. In Wales, the government announced in 2022 that it would establish a

<sup>55</sup> We Own It, Bring Energy Into Public Ownership.

<sup>56</sup> Labour (2024) 'Make Britain a clean energy superpower'. Available at: https://labour.org.uk/ change/make-britain-a-clean-energy-superpower/ (Accessed: 25 July 2024); & Walker, P. (2023) 'New North Sea oil and gas licences will send 'wrecking ball' through climate commitments', *The Guardian*, 31 July. Available at: https://www.theguardian.com/ environment/2023/jul/31/rishi-sunak-approval-100-new-north-sea-oil-and-gaslicences-fossil-fuel-climate-crisis (Accessed: 30 October 2024).

<sup>57</sup> Lawrence, M. (2022) 'Power to the people: the case for a publicly owned generation company', Common Wealth, 26 September. Available at: https://www.common-wealth.org/publications/power-to-the-people-the-case-for-a-publicly-owned-generation-company (Accessed: 26 July 2024).

<sup>58</sup> Green, M. (2024) 'Labour's Great British Energy: 'Investment vehicle, not an energy company', Current News, 31 May. Available at: https://www.current-news.co.uk/labours-great-britishenergy-investment-vehicle-not-an-energy-company/ (Accessed: 26 July 2024); & Hall, D. and Weghmann, V. (2024)' Will Labour's Great British Energy company lower household bills?', The Conversation, 24 June. Available at: http://theconversation.com/will-labours-greatbritish-energy-company-lower-household-bills-230794 (Accessed: 28 October 2024).

<sup>59</sup> Leach, A. et al. (2024) 'UK general election results in full: Labour wins in landslide', *The Guardian*, 26 July. Available at: https://www.theguardian.com/politics/ng-interactive/2024/jul/04/ uk-general-election-results-2024-live-in-full (Accessed: 26 July 2024).

publicly-owned renewable energy developer, with any profits reinvested into energy efficiency and job creation.<sup>60</sup> Their focus is on community-owned energy generation, building on the success of the Anafon Hydro Project that was funded by community shares alongside grants and a charity bank loan.<sup>61</sup> The Scottish National Party has promised to keep nationalisation on the table,<sup>62</sup> with organisation Common Weal making a blueprint for a publicly-owned Scottish National Energy Company and Energy Development Agency, based on the Welsh model mentioned above.<sup>63</sup> **Alongside consistent public support for public ownership across the political spectrum,<sup>64</sup> there are clear indications that the public mood around public ownership is optimistic – the challenge is waiting for political leadership to catch up.** 

# 2.2 ENERGY FOR WHAT? PROGRESSIVE TARIFFS TO DEGROW THE ENERGY SYSTEM

For some time, the consensus has been that energy bills must at a minimum reflect the full costs of energy production.<sup>65,66</sup> Some see soaring energy prices as (at least in part) a good thing, because higher bills entice consumers to reduce their usage and switch to renewables,<sup>67</sup> albeit at huge societal cost. This thinking disregards the fact that households on lower incomes, who are at a much higher risk of energy poverty, are already more likely to use less energy than they might need to lead a comfortable life.

The New Economics Foundation has shown that the impact of higher energy bills is highly regressive, with lower-income families being disproportionately

- 62 Mawhood, B., Hutton, G., Sutherland, N. (2022) Public Ownership of Energy Companies. London: House of Commons Library. Available at: https://commonslibrary.parliament.uk/ research-briefings/cdp-2022-0184
- 63 Baker, K. et al. (2019) Powering our ambitions: the role of Scotland's National Energy Company and the case for a Scottish Energy Development Agency. Common Weal. Available at: https://commonweal. scot/policies/powering-our-ambitions/ (Accessed: 26 July 2024).
- 64 YouGov. 'Support for bringing energy companies back into public ownership'. Available at: https:// yougov.co.uk/topics/consumer/trackers/support-for-bringing-energy-companiesback-into-public-ownership (Accessed: 30 October 2024).
- 65 Huenteler, J. et al. (2020) Cost Recovery and Financial Viability of the Power Sector in Developing Countries. Washington DC: World Bank Group. Available at: https://documentsl.worldbank. org/curated/en/970281580414567801/pdf/Cost-Recovery-and-Financial-Viabilityof-the-Power-Sector-in-Developing-Countries-Insights-from-15-Case-Studies.pdf (Accessed: 30 October 2024).
- 66 While state-owned utilities were encouraged to achieve full recovery, by raising their tariffs, the rates at which private producers have been selling energy through power purchase agreements to these utilities have been far beyond cost-recovery by generally ensuring their return of investment.
- 67 Koprčina, F. (2022) 'Why might high energy prices provide a long-term benefit for the EU? European Commission', 9 August. Available at: https://sustainable-energy-week.ec.europa.eu/ news/why-might-high-energy-prices-provide-long-term-benefit-eu-2022-08-09\_en (Accessed: 26 July 2024).

<sup>60</sup> Gov.wales (2022) 'Wales announces publicly-owned renewable energy developer', 25 October. Available at: https://www.gov.wales/wales-announces-publicly-owned-renewableenergy-developer (Accessed: 30 July 2024).

<sup>61</sup> Gov.wales (2023)' Ynni Cymru will unlock Wales' green energy potential', 7 August. Available at: https://www.gov.wales/ynni-cymru-will-unlock-wales-green-energy-potential (Accessed: 26 July 2024).

affected.<sup>68</sup> **Pro-market policies have led to a situation where high-usage and wealthy consumers spend proportionally less on energy than low-income users.** In some countries, poorer households and families are even paying more in absolute terms. A UK survey suggests that those who use small amounts of energy are paying up to 30 per cent more for their energy than those who use more units.<sup>69</sup> According to the Netherlands' Bureau of Statistics, in 2019, Dutch households paid on average twice as much for the same amount of gas as industrial users — and up to three times as much for the same amount of electricity.<sup>70</sup>

Moreover, research shows that direct and indirect energy use<sup>71</sup> actually increases when incomes go up.<sup>72</sup> **Oxfam International found that the richest 1 per cent are responsible for more than double the emissions of the poorest half of humanity.**<sup>73</sup> Not-for-profit public ownership, in combination with democratic participation, has the potential to correct this, as governance decisions could be made to ensure equitable energy access and tariffs that curb excessive use.

Public ownership already allows for lower energy prices. **Research shows that prices are 20–30 per cent lower in systems with public ownership.**<sup>74</sup> Publicly owned energy is also better equipped to shield a population from international price volatility. Take Électricité de France (EDF), as a State-owned electricity utility they were able to cap electricity and gas prices for households at 4 per cent in 2022 and 15 per cent in 2023,<sup>75</sup> ensuring rates remained affordable for French households. In contrast, electricity and gas market prices increased by 69 per cent and 111 per cent respectively.<sup>76</sup>

- 68 Kumar, C., Caddick, D. and Stirling, A. (2022) 'The unequal impact of the energy bill crisis', New Economics Foundation, 24 January. Available at: https://neweconomics.org/2022/01/theunequal\_impact-of-the-energy-bill-crisis (Accessed: 26 July 2024).
- 69 Insley, J. (2012) 'Low users paying more for energy', The Guardian, 18 September. Available at: https://www.theguardian.com/money/2012/sep/19/low-users-pay-more-energy (Accessed: 29 July 2024).
- 70 Mast, J. and Steinfort, L. (2021) De vervuiler is koning: Het falen van de vrije energiemarkt in Nederland. TNI. Available at: https://longreads.tni.org/de-vervuiler-is-koning (Accessed: 29 August 2024).
- 71 Direct energy is the energy someone uses themselves, such as energy usage for cooking. Indirect energy is the energy that it takes to produce the goods and services you purchase.
- 72 Climate Just (n.d.) 'Which households emit the most carbon from energy use?' Available at: https:// www.climatejust.org.uk/messages/which-households-emit-most-carbon-energy-use (Accessed: 29 July 2024).
- 73 Oxfam (2020) Carbon emissions of richest 1 percent more than double the emissions of the poorest half of humanity, Oxfam International, 21 September. Available at: https://www.oxfam.org/ en/press-releases/carbon-emissions-richest-1-percent-more-double-emissionspoorest-half-humanity (Accessed: 29 July 2024).
- 74 Hansard (2022) 'Public ownership of energy companies', vol. 721, col. 254WH. Available at: https:// hansard.parliament.uk/commons/2022-10-31/debates/D2E93BD7-1A0E-40FA-8829-0B3D9412F589/PublicOwnershipOfEnergyCompanies (Accessed: 29 July 2024).
- 75 News Wire (2022) 'France to cap rise in energy prices at 15% in 2023, prime minister says', France 24, 14 September. Available at: https://www.france24.com/en/france/20220914-france-to-cap-rise-in-energy-prices-at-15-in-2023-says-pm (Accessed: 30 October 2024).
- 76 Ashkew, J. (2022) 'Gas and electricity bills "nearly double in all EU capitals", new data reveals', euronews, 7 November. Available at: https://www.euronews.com/my-europe/2022/11/07/ gas-and-electricity-bills-nearly-double-in-all-eu-capitals-new-data-reveals (Accessed: 30 October 2024).

Costa Rica is another example of a country which keeps energy prices low for domestic customers. Costa Rica has a state-owned utility and a Public Services Regulatory Authority — a body responsible for rate-setting based on operating costs and investment needs in the sector.<sup>77</sup> This set-up has been key to avoiding utility bill hikes in times of global price volatility. Between 2016 and 2023, while Costa Rica's general cost of living increased by 17 per cent, energy rates actually went down. Read the longer case study on Costa Rica's energy transition struggle on page 58.<sup>78</sup>

Capping energy prices in ways that actually reduce private profits — instead of using public subsidies for their protection — is crucial. What's more, public utilities can employ tariffs to reduce energy use and related greenhouse gas emissions in just ways. To do this, they need to engage the wider population. **To move away from today's growing energy mix and start reducing demand, especially in the global North, we need to have informed, ongoing country-wide debates and democratic decision-making processes to determine which energy uses are socially essential and which are not, ranging from less necessary to excessive.** A participatory process could determine that low-income households or perhaps even all residents would get a sufficient energy budget (see the Honduras example below). Then, beyond essential use, tariffs could increase in proportion to wealth, asset ownership and income — as well as being indexed to whether energy use contributes to personal and social wellbeing.

Once policy-makers start to take the purpose of energy use into account, in combination with users' energy needs and abilities to pay, energy tariffs can be determined accordingly. This way, **progressive tariffs can provide a framework to both deliver people's right to energy and reduce use by the biggest and wealthiest users.** The objective would need to be dual: on one hand, eliminating energy poverty and securing the energy required to deliver essential goods and services, from water and education to health care and public transport, and on the other hand, steep tariff increases for the biggest, for-profit users, to enforce a significant reduction in energy demand.

A progressive tariff structure has great potential, but as the case of South Korea illustrates, its effectiveness very much depends on design and implementation. In 2016, South Korea revised the progressive tariff system that had been in place across Korean cities since the 1970s. Under the previous system, energy users — particularly those on lower incomes — were being penalised for necessary increases in energy use driven by hotter summers, such as for air conditioning. The government responded to public pressure around this issue by

<sup>77</sup> BMessina, P. and Sanguinetti, M. (2023) 'Public electricity held accountable by Costa Rica's popular struggle for energy democracy', TNI, 12 October. Available at: https://www.tni.org/en/article/ public-electricity-held-accountable-by-costa-ricas-popular-struggle-forenergy-democracy.

<sup>78</sup> Webb, A.Q. (2024) 'Costa Rica's green energy miracle is at a critical juncture', *El Pais*, 19 January. Available at: https://english.elpais.com/international/2024-01-19/costa-ricasgreen-energy-miracle-is-at-a-critical-juncture.html (Accessed: 29 July 2024).

revising the tariff structure with the goal of ensuring that the energy required to stay healthy and comfortable in hotter weather remained affordable.<sup>79</sup>

As the South Korea case shows, if people's needs and abilities are not adequately factored in, low-income families' energy bills and levels of energy poverty can increase. At the same time, support for some sort of energy budget and more progressive pricing seems to be growing. In 2022, the government of Honduras, under the leadership of its first female president Xiomara Castro, passed a landmark law to guarantee electricity as a public good and a human right. Its objectives include establishing fair and transparent tariffs, increasing government participation in energy generation, and reaching an energy mix consisting of 70 per cent renewables.<sup>80</sup> By 2023, the country had renegotiated 16 energy contracts to lower tariffs and increased the efficiency of the National Electric Energy Company (ENEE).<sup>81</sup> Castro took a clear stance against privatisation and for saving the public utility, enabling free electricity for the lowest-income households, benefitting the 900,000 poorest families in the country.<sup>82</sup>

Across Europe, many national governments have been taking social measures to support households with their energy bills, reducing energy taxes, introducing financial transfers to precarious groups, and regulating to cap prices.<sup>83</sup> For example, the UK provided a direct payment to reduce energy bills for all households and instilled a temporary tariff cap.<sup>84</sup> Luxembourg increased costof-living payments to vulnerable houses by €200 euros a month.<sup>85</sup> While Spain and Portugal received permission from the European Commission to significantly — albeit momentarily — cap electricity bills by 40 per cent.<sup>86</sup> Interestingly, while almost all countries regulated the retail price, only France, Malta, Portugal,

- 79 BGuan, S.J. and Kim, K. (2023) 'Did new electricity progressive tariff system change energy usage pattern in Seoul apartments? Evidence from integrated multisource dataset and combined analytical models', *Energy and Buildings* 287. Available at: https://www.sciencedirect.com/science/ article/abs/pii/S0378778823002098 (Accessed: 30 October 2024).
- 80 Jae-hun, L., SungHee, O. and Junmo, K. (2023) The Future is Public, Vol. 2. Seoul:Korean Public Service and Transport Workers' Union (KPTU) & Public Policy Institute for People (PPIP). Available at: https:// pop-umbrella.s3.amazonaws.com/uploads/fd4d03b9-bf25-427f-9449-ef95c07062aa\_ Second\_issue\_Nov\_2023\_The\_Future\_is\_Public.pdf. (Accessed: 30 October 2024).
- 81 Paz, J. (2023) 'Honduras: energy contracts renegotiation between Honduras and its generators', Lexology, 8 February. Available at: https://www.lexology.com/library/detail. aspx?g=adb2d649-f2ba-4261-bae3-ff9b6b530407 (Accessed: 29 July 2024).
- 82 Bnamericas (2023) 'Honduras announces measures to resolve the emergency and sabotage in the energy sector', BNamericas.com, 23 June. Available at: https://www.bnamericas.com/en/news/ honduras-announces-measures-to-resolve-the-emergency-and-sabotage-in-theenergy-sector (Accessed: 29 July 2024).
- 83 European Commission (2023) 'Annual report focuses on measures taken to tackle energy and cost of living crisis', 17 October. Available at: https://ec.europa.eu/social/main.jsp?langId=en&catId=89&furtherNews=yes&newsId=10673 (Accessed: 19 September 2024).
- 84 Sgaravatti, G. et al. (2023) 'National fiscal policy responses to the energy crisis', Bruegel Datasets, 4 November 2021, Available at: https://www.bruegel.org/dataset/national-policiesshield-consumers-rising-energy-prices (Accessed: 31 October 2024).
- 85 Sgaravatti et al., *National fiscal policy responses to the energy crisis.*
- 86 Tidey, A. (2022) 'Brussels agrees to "Iberian exception" allowing Spain and Portugal to cap electricity prices', *EuroNews*, 26 April. Available at: https://www.euronews.com/my-europe/2022/04/26/ brussels-agrees-to-iberian-exception-allowing-spain-and-portugal-to-capelectricity-prices (Accessed: 31 October 2024).

Slovenia and Spain regulated the wholesale energy price.<sup>87</sup> Although many of these policies were limited and temporary, they provide an opening for a fully-fledged progressive tariffs system.

The practices of various Indigenous and rural communities, while on a very small scale, show it is possible to set energy prices based on need and ability to pay. The Indigenous Butbut community in Ngibat, part of the Tinglayan municipality in the Philippines, collectively owns and operates a number of micro-hydro systems. Each household contributes a collectively agreed tariff, based on their income, for the energy it uses.<sup>88</sup> Another example is the hydropower plant in El Cua, Nicaragua. All residents have the right to this service but people who make more money are expected to pay slightly more than those who make less.<sup>89</sup> The Scottish Isle of Eigg provides an interesting example of managing the amount of renewable energy that users can consume. The island community owned and managed off-grid energy system has a maximum use limit of 5kW per household and 10kW per business at any one time, to ensure that everybody has enough.<sup>90</sup>

To maximise the reduction of energy use, progressive tariff policies are most effective when combined with large, country-wide public works to retrofit all public and residential buildings with energy efficiency measures. The case of Burgas, Bulgaria, shows that a public authority can successfully retrofit a substantial section of its residential building stock. Thanks to a combination of European, national and municipal funds, by 2019 this coastal city had retrofitted half of its residential homes, decreasing emissions and reducing residents' energy bills by up to 30 per cent.<sup>91</sup> Burgas' success was the result of democratic participation. The city asked residents to form an association and appoint a representative, enabling a dialogue between the municipality and residents about their preferences and concerns. Although a lack of funding interrupted the effort, Burgas demonstrates that public retrofitting has an important role to play in reducing energy use in fair and equitable ways.<sup>92</sup>

Burgas' experience also shows the importance of policy at a range of scales, from the international to the local. Without strong national and international policy measures, energy injustice will likely persist. But it will be far from easy to

<sup>87</sup> Sgaravatti, G. et al. (2023) 'National fiscal policy responses to the energy crisis'. Available at: https:// www.bruegel.org/dataset/national-policies-shield-consumers-rising-energyprices (Accessed: 31 October 2024).

<sup>88</sup> Carino, J. and Sriskanthan, G. (2018) Renewable Energy & Indigenous Peoples: Background Paper to the Right to energy Partnership. Indigenous Peoples Major Group for Sustainable Development. Available at: https://www.indigenouspeoples-sdg.org/index.php/english/all-resources/ ipmg-position-papers-and-publications/ipmg-submission-interventions/93renewable-energy-indigenous-peoples/file (Accessed: 30 October 2024).

<sup>89</sup> Colbert, M. (2017) 'El Cua, Nicaragua', *Energy Democracy*, 22 December. Available at: https://energy-democracy.net/el-cua-nicaragua/(Accessed: 30 July 2024).

<sup>90</sup> Wind & Sun (n.d.) 'Isle of Eigg'. Available at: https://www.windandsun.co.uk/pages/isle-ofeigg (Accessed: 30 July 2024).

<sup>91</sup> Trendafilov, I. (2020) 'The "smart" transformation of a Black Sea metropolis', mPOWER, 3 March. Available at: https://municipalpower.org/articles/the-smart-transformation-of-ablack-sea-metropolis (Accessed: 30 July 2024).

<sup>92</sup> Trendafilov, The "smart" transformation of a Black Sea metropolis.

design and adopt genuinely progressive tariffs at the national level, especially considering the prospect of steep price increases for big business and wealthy users, who will have vast power and resources to fight back. **The difficulties of pro-public policy-making on larger scales has led many to emphasise the importance of the municipal level for advancing democratic energy transition policies. Citizens have more chance of influencing levels of governance nearest to them.** This is the theme of Section 2.3.

### 2.3 (RE)MUNICIPALISATIONS FOR THE PUBLIC GOOD

Across the world, people are bringing formerly privatised and newly established infrastructure and services into public ownership. This is happening on national, regional and municipal scales, and in some cases is being organised by communities (rather than governments). **Traditionally, remunicipalisation was defined as bringing privatised services and infrastructure back into municipal ownership, but TNI has developed a broader definition to also capture community provision of public services – recognising that public authorities do not always have the power, resources or interest to do so.** All the examples below are characterised by their accessibility to all members of the community and by services, land and labour being paid for or provided by public funds,<sup>93</sup> whether by governments or a pooling of community resources. (Re)municipalisation is a key strategy that can contribute to achieving decolonial, deprivatised and democratic energy transitions.

Eight years into systematically studying energy (re)municipalisation at TNI, we identify three types of remunicipalisation, as set out in the box below.

#### **BOX 2.3**

#### THREE APPROACHES TO ENERGY (RE)MUNICIPALISATION

#### PUBLIC AUTHORITY-LED REMUNICIPALISATION

In Odisha, India, the sub-national government took action to remunicipalise privatised local energy companies in 2015 after they were found to be underperforming.<sup>94</sup> Odisha (formerly Orissa) had been the first state in India to privatise energy distribution in 1995, the results were a lack of investment in power infrastructure, a lack of system maintenance and poor customer service. Now that the licences are back in public control, the state is having to spend additional money to remedy the harms of privatisation.

<sup>93</sup> Transnational Institute and University of Glasgow (2024) 'Public futures'. Global Database on the de-privatisation and creation of public services. Retrieved from publicfutures.org (Accessed: 13 August 2024).

<sup>94</sup> Public Futures (2024) 'Case #0760'. Available at: https://publicfutures.org/cases/760 (Accessed: 13 August 2024).

#### **COMMUNITY-LED REMUNICIPALISATION**

In the early 2000s, the private company that ran the energy supply, distribution and transmission on the island of Kauai, Hawaii, USA, decided to sell as it was moving its focus to telecommunications. Local business people saw an opportunity and together formed a cooperative to buy the company. In 2002, Kauai Island Utility Cooperative was formed, owned by its members and managed by an elected board.<sup>95</sup> This not-for-profit cooperative now provides energy generation, transmission and distribution services to the whole island. They aim to be 100 per cent renewable by 2033 and as of 2022 are already at 60.2 per cent renewable energy.<sup>96</sup>

#### PUBLIC-COMMUNITY MUNICIPALISATION

The creation of new municipal services or infrastructure, also known as municipalisation, can be initiated through partnerships between municipal bodies and community organisations. In Plymouth, UK, the local community has long been facing a declining local economy, leaving residents in poorly insulated housing and energy poverty. The local authority recognised the important role that community energy can play in simultaneously tackling energy poverty and climate change by supporting the creation of the independent Plymouth Energy Community. They allocated public funds for the establishment of the organisation and for staff time to support it. Plymouth residents had the autonomy to operate the organisation independently.<sup>97</sup> Initially, the project focused on energy advice for vulnerable people, before expanding to deliver energy efficiency projects. The success of this initiative led the Energy Community to establish a local renewable energy project, providing affordable clean energy to its members and ensuring members decide how the profits are spent within their local area.

**Today, there are over 1,700 cases of (re)municipalisation in 75 countries around the world, with 381 recorded cases of reclaimed and new energy services or infrastructure documented in the Public Futures database.**<sup>98</sup> (Re)municipalisation is a key opportunity to deepen democratic energy governance, with many well-established initiatives enabling meaningful citizen participation and decision-making around how energy services should be run and how any profit generated should be used. It should be noted that in the countries with the most robust examples of (re)municipalisation, strong social movements have shaped the circumstances that have led to their existence. We explore two such examples now.

<sup>95</sup> Public Futures (2024) 'Case #1181'. Available at: https://publicfutures.org/cases/1181 (Accessed: 13 August 2024).

<sup>96</sup> Kauai Island Utility Cooperative (n.d.) 'About us'. Available at: https://www.kiuc.coop/about-us (Accessed: 13 August 2024).

<sup>97</sup> Traill, H. and Cumbers, A. (2024) 'The limits to the urban within multi-scalar energy transitions: Agency, infrastructure and ownership in the UK and Germany', *Urban Studies*. Available at: https:// doi.org/10.1177/00420980241228467 (Accessed: 30 October 2024).

<sup>98</sup> Transnational Institute and University of Glasgow, *Public Futures*.

In Spain, in 2015, 15 per cent of the population were living in energy poverty. Electricity prices had risen by 83 per cent in two years, and there was deep dissatisfaction with the way the energy system was being run.<sup>99</sup> In response, millions of people in multiple cities took to the streets and participated in citizens' platforms and collective organising. Over just a few years of political action, Barcelona, Pamplona, Palma de Mallorca and Cadiz were all able to elect politicians with a strong municipalist agenda, with the aim of building energy democracy for all. All of these newly elected representatives were able to share best practices and struggles through the Spanish Platform for a New Energy Model (Plataforma por un Nuevo Modelo Energético).<sup>100</sup> Catalonia's Network for Energy Sovereignty (Xarxa per la Sobirania Energètica) designed recommendations for how Spanish municipalities can involve citizens in energy decision-making.<sup>101</sup> Meanwhile **hundreds of Spanish cities began to procure their energy from major cooperatives, which have member ownership built into their design.** 

Meanwhile, in Germany, since the 2000s, activists from the anti-nuclear and renewable energy movements have campaigned for their local authorities to take advantage of grid concession contracts that were coming up for renewal. This has ultimately led to hundreds of municipalities taking back control of their grids, running their own supply, and sometimes developing new renewable generation companies.<sup>102</sup> These (re)municipalisations have taken place across a range of scales, from the rural town of Wolfhagen to small cities such as Ettlingen and large cities such as Berlin, Hamburg and Munich.<sup>103</sup> In all of these locations, action was taken to take control of the local electricity grids — enabling municipalities to facilitate a shift towards 100 per cent renewable energy.

The first to take such steps was Wolfhagen, in 2006. After taking control of their electricity grid, citizens in Wolfhagen established a municipal energy company alongside a citizens' cooperative which is represented on the municipal company's board. This way, residents have a say in how the public company is being run and how any profit should be used. Over the years, returns have been used to lower tariffs, almost double the number of staff, and fund local childcare, bike schemes and energy system improvements.<sup>104</sup>

<sup>99</sup> Steinfort, L. (2020) 'Putting energy democracy at the heart of a Green New Deal to counter the climate catastrophe', in Kishimoto, S., Steinfort L. and Petitjean, O. (eds.) *The Future is Public*. Amsterdam: TNI, pp. 215–229. Available at: https://www.tni.org/files/futureispublic\_chapter\_15.pdf (Accessed: 30 October 2024).

<sup>100</sup> *Platform for a New Energy Model* (n.d) 'Plataforma por un nuevo modelo energético'. Available at: https://nuevomodeloenergetico.org (Accessed: 28 October 2024).

<sup>101</sup> Xarxa per la sobirania energètica (Xse) (2024) 'Inici'. Available at: https://xse.cat/ (Accessed: 28 October 2024).

<sup>102</sup> Xse, Inici.

<sup>103</sup> Traill and Cumbers, *The limits to the urban within multi-scalar energy transitions*.

<sup>104</sup> mPower (n.d.) 'Guide 2: Building energy communities'. Available at: https://municipalpower.org/ best-practice-guides/guide2 (Accessed: 16 August 2024).; Hopman, L. et al. (2021) Democratic and Collective ownership of Public Goods and Services. TNI. Available at: https://www.tni.org/files/ publication-downloads/public\_community\_collaborations\_report\_web\_19\_aug\_2021. pdf (Accessed: 16 July 2024).

**Germany has favourable conditions, which could be fought for in other contexts. Government responsibility to 'provide basic services as part of general well-being' is written into the German constitution, along-side the opportunity to socialise an entire sector by reclaiming it from the market.'**<sup>105</sup> These measures are indicative of the popular support for a publicly owned energy sector, historically <sup>106</sup> Alongside this, Germany allows greater devolved power to municipalities than many countries do, with many municipalities having control over their energy infrastructure — affording more opportunity for democratic engagement and responsiveness to demands at the local level.<sup>107</sup>

# COUNTRY PUBLIC ENERGY AND THE POPULAR STRUGGLE CASE FOR DEMOCRACY IN COSTA RICA

From the end of the 1940s until the 1970s, Costa Rica built a successful publicly governed electricity system, featuring a unique combination of a state-owned utility, a regional enterprise, two municipal enterprises and four rural electricity cooperatives. Since the 1990s, this model has been under severe strain, for two very different reasons. On one hand, it has been increasingly threatened by the ongoing onslaught of privatisation. On the other hand, some energy projects are facing legitimate resistance from social and environmental movements. These **movements have been foundational in Costa Rica's current energy model, pushing the government to instil meaningful citizen consultation processes and diversify the country's energy sources.** 

#### THE COSTA RICAN ELECTRICITY SYSTEM

At first glance, the Costa Rican electricity system can be seen as a successful eco-socialist model. The electricity grid has more than 3,500 MW of installed capacity, and over 99 per cent of power generation derives from renewable sources. Since 2021, close to 100 per cent of the population has had access to electricity.<sup>108</sup>

For the last two decades, hydropower's share of the energy mix has been relatively consistent and dominant, averaging around 73 per cent. Other renewable sources have consistently provided around 13 per cent, with geothermal energy maintaining the largest share. Since 2000, wind energy has increased, replacing

107 Traill and Cumbers, *The limits to the urban within multi-scalar energy transitions*.

108 The World Bank (2023) 'Access to electricity (% of population) — Costa Rica', https://data.worldbank. org/indicator/EG.ELC.ACCS.ZS?locations=CR (Accessed: 13 August 2024); & IEA, IRENA, UNSD, World Bank, WHO (2023) Tracking SDG7: The energy progress report 2023. Washington DC: World Bank. Available at: https://www.irena.org/Publications/2023/Jun/Tracking-SDG7-2023 (Accessed: 13 August 2024).

Paul, F.C. and Cumbers, A. (2023) 'The return of the local state? Failing neoliberalism, remunicipalisation, and the role of the state in advanced capitalism', *Environment and Planning A: Economy and Space*, 55(1), 165–183. Available at: https://doi.org/10.1177/0308518x211050407.

Paul, F.C. (2024) 'The contested politics of de-privatisation and the shifting terrain of the local state: the case of the IIm-Kreis, Thuringia, Germany', Local Government Studies, 50(4), 696–717. Available at: https://doi.org/10.1080/03003930.2023.2298292; & RWE & Co Enteignen, Nehmen Was Uns Zusteht: Klimagerechtigkeit Heißt Vergesellschaftunggètica. Available at: https://Rweenteignen.de/nehmen-was-uns-zusteht (Accessed: 13 August 2024).

the already low percentage of electricity generated from oil (which had fallen to about 14 per cent by 2021).  $^{109}$ 

The Costa Rican Electricity Institute (ICE) has played a key role in these achievements. ICE is a state-owned and vertically integrated enterprise, responsible for providing energy and telecommunications services. It was set up as part of a set of social reforms following the end of the civil war in 1948. ICE played a fundamental role in these reforms by providing the energy required to implement the state-backed development and industrialisation plans. It also enabled the expansion of welfare policies by facilitating households' access to electricity.

The electricity system that took shape consists of: i) ICE and its subsidiary, the National Power and Light Company, which supplies the centre of the country and the metropolitan area; ii) municipal companies which supply electricity and provide backup generation; iii) four energy cooperatives, which focus mainly on rural electrification. **ICE generates about 75 per cent of the electricity in Costa Rica, while just over 3 per cent is produced by CNFL, about 6 per cent by cooperatives and municipal enterprises, and 16 per cent by private power generation companies.** The latter are the result of a process of opening up the electricity system to private capital, which began in 1990.

#### THE STATE-MUNICIPAL-COOPERATIVE GOVERNANCE MODEL

At an early stage, ICE absorbed a company set up in 1941, the National Power and Light Company (CNFL), which was itself the result of the merger of three private companies. ICE and CNFL together comprise what is now known as the ICE Group.

In the mid-1960s, the Cartago Municipal Electricity Service (JASEC) was given partial authorisation for power generation, distribution and supply, and in the mid-1970s the Heredia Public Services Company (ESPH) was created. The latter is a municipal company that distributes electricity, provides street lighting, drinking water and sanitation services, and has also become involved in electricity generation. These two municipal enterprises have relatively small amounts of installed capacity and the power they generate operates mainly as a backup supply. In their role as distribution companies, they do not compete with the ICE Group, but have assigned territories that they serve exclusively. Despite occasional disputes, coordination, cooperation and complementarity prevail.

Rural electrification cooperatives have also existed since the 1960s. The cooperatives operating today are COOPESANTOS, COOPELESCA, COOPEALFARORUIZ and COOPEGUANACASTE. Together, they cover about 400,000 users and 20 per cent of Costa Rica's territory. They are not-for-profit entities and reinvest their earnings in improving and expanding operations. Some have expanded their business activities to other sectors such as telecommunications and drinking

109

Our World in Data (2024) 'Electricity production by source, Costa Rica', https://ourworldindata. org/grapher/electricity-prod-source-stacked?country=~CRI (Accessed: 13 August 2024).

water. In 1989, they set up a consortium called CONELECTRICAS R.L. for the purpose of defending the interests of the cooperative sector and strengthening their operations. In 2013, COOPELESCA was the first energy company in Latin America to obtain carbon neutral certification and, since 2015, it has been implementing a strong policy to mitigate the negative impacts of electricity generation, as well as supporting community initiatives.<sup>110</sup>

In contrast to some experiences elsewhere, the cooperatives in Costa Rica have a strong public service vocation. A clear example of this was seen during the 'ICE Combo' privatisation attempts in the 2000s, when the electricity cooperatives were among the defenders of ICE as a state-owned enterprise.<sup>111</sup>

Costa Rica's public power model has shaped the success story of the country's electricity system. Beyond the amount of power production, **in the last few years the municipal enterprises and the rural cooperatives have together accounted for about 20 per cent of electricity sales, with relatively similar market shares. This illustrates their importance within the sector. For those who see energy democracy as synonymous with decentralisation and small-scale operations, the presence of ICE as a vertically integrated state-owned enterprise that governs most of the electricity system is uncomfortable. Meanwhile those who associate energy democracy with large-scale, public-ly-owned and vertically integrated monopolies may see the existence of the back-up municipal enterprises and rural electricity cooperatives as a deviation from the model. However, the Costa Rican experience demonstrates the potential for linking these two models of energy democracy in a coordinated way, with demonstrable success.** 

The system's main weakness is limited popular participation in decision-making. There has been some progress around popular dialogue in recent years, in response to significant social protests against hydropower projects. The credit for this is due to the protests organised at the local level rather than to ICE itself. There have also been attempts to make ICE's management more responsive to the needs of local communities, for example in how it manages the greenhouse gas-emitting biomass from dams and reservoirs.

#### **PRIVATISATION PUSH**

The drive to increase energy democracy is counterposed by a strong push to privatise. Since 1990, changes have been made to ICE's governance arrangements. For example, Law 7200 introduced competition in electricity generation, although it kept ICE as the only buyer. Thus, there is still an ethos of public service in which the state maintains ownership and decides whether to allow private entities to provide the service under contract and, if so, on what terms.<sup>112</sup>

Bhavez, D. (2016) 'COOPELESCA, Costa Rica', Energy Democracy, 12 December. Available at: https:// energy-democracy.net/coopelesca-costa-rica (Accessed: 13 August 2024).

<sup>111</sup> Chavez, COOPELESCA, Costa Rica.

Weinstok, U. (2020) Propuesta para una Mejor Regulación del Sector Eléctrico en Costa Rica. LEAD University. https://dspace.ulead.ac.cr/server/api/core/bitstreams/e560ce6c-af2f-4c45-a8f2-f07820ac36b2/content (Accessed: 30 October 2024).

The new framework that began to be introduced in the 1990s changed the face of the Costa Rican electricity system. In particular, it involved bringing in about 30 private generation companies, which focused on generating wind and geothermal power.<sup>113</sup> Law 7200 authorised each company to have a maximum installed capacity of 20,000 KW and a maximum total market share of 15 per cent. In 1995, these limits were increased to 30 per cent and 50,000 KW respectively. Since then, the involvement of private power generation companies has been increasing, rising from 11 per cent at the end of the 1990s to over 25 per cent now, placing them near the limit of their permitted share.

Against this background, **the Public Services Regulatory Authority (ARE-SEP) was set up in 1996. Its duties include rate setting and it is mandated by law to determine rates based on operating costs and investment needs in the sector.** This approach contrasts to that of the typical neoliberal regulator, whose main objective is to promote competition and set rates based on marginal costs instead of system costs, favouring private power producers. ARESEP's priorities include defending the public service, regardless of whether competition from the private sector is allowed.

During the presidency of Miguel Ángel Rodríguez, from 1998 to 2002, a strongly neoliberal agenda was pursued, which included taking certain assets out of state ownership. A political pact between different groups in parliament led to the drafting and partial approval of three proposed laws: the ICE Transformation Act, the General Electricity Law and the General Telecommunications Law. These three bills were combined into one and popular ingenuity rapidly baptised them the 'ICE Combo'.

The 'Combo' proposed to liberalise the electricity and telecommunications sectors — the two areas in which ICE operates — and open them up to competition. It was approved by the majority of members of parliament (47 out of 57). However, this privatisation attempt was met with popular protests unprecedented in Costa Rica, to the point where parliamentary discussion came to a halt in as little as six weeks. A Constitutional Court ruling subsequently buried the bill in its original formulation for good.<sup>114</sup>

#### RESISTANCE

Costa Rica has a long history of social movements, particularly community, Indigenous and environmental groups forming coalitions that not only resist, but shift policy on resource extraction and use. The anti-dam movement opposed the development of new hydroelectric dams due to their vast impacts on biodiversity and environmental degradation. These dams were infringing on Indigenous territories and harming local livelihoods.

transnationalinstitute

<sup>113</sup> Loría, M. and Martínez, J. (2017) El Sector Eléctrico en Costa Rica. Academia de Centroamerica. Available at: https://www.academiaca.or.cr/wp-content/uploads/2017/05/El-sectorele%CC%81ctrico-en-Costa-Rica.pdf (Accessed: 30 October 2024).

Solis, M. A. (2002) 'Entre el cambio y la tradición: el fracaso de la privatización de la energía y las telecomunicaciones en Costa Rica', *Revista de Ciencias Sociales* (1)95, 33–47. Available at: https://www.redalyc.org/pdf/153/15309504.pdf (Accessed: 30 October 2024).

In 2001, one such coalition, also involving regional and national organisations through the Federación Ecológica Nacional (FECON), instigated a series of national forums that resulted in a proposal for a new national energy plan that centred community consultation, sustainability and new energy technologies such as more affordable wind and solar. Thirteen years later, these principles were incorporated into the Ministry of Environment and Energy's 2015 National Energy Plan.<sup>115</sup> This demonstrates the power and importance of sustained social struggle to achieving policy results.

**The resistance to the ICE Combo was another diverse movement.** Broadly speaking, it was a trade union-led protest against privatisation. The ICE unions were supported by a swathe of other unions and the student movement. These organisations were backed in important protests by the farmers' movement and by Indigenous communities with strong territorial roots, who in turn also fought to prevent the destruction of their territory by the advance of hydroe-lectric dams.<sup>116</sup>

The anti-dam initiatives have used legal channels, moratoriums, municipal-level plebiscites, protests and even international campaigning to stop around 35 projects. Some of these projects were in the early stages of administrative procedures and others were at a more advanced stage — in some cases, construction work such as road building and diverting watercourses had already begun.

Community resistance has been organised against both private and public sector hydropower projects and, to a lesser extent, those initiated by cooperatives and municipal enterprises.<sup>117</sup> Take the campaign against the Diquís project. This ICE project would have been the largest hydroelectric dam in Costa Rica. Following years of protest and campaigning for alternative energy mix proposals, the project was abandoned.<sup>118</sup> **This demonstrates the importance of social movement organisations in keeping public utilities accountable.** 

#### **PRIVATISATION THREAT RETURNS**

As we write, the Costa Rican parliament is discussing a series of bills that would substantially change the Costa Rican electricity system. One proposed change is the modification of ICE's role in the electricity market. This bill would deprive the utility of its power to plan and manage the sector, giving this role to private companies and the executive branch of government. These changes are

- Menjívar Ochoa M. (2013) 'El referéndum de las calles. Lucha social y reforma del Instituto Costarricense de Electricidad (Costa Rica 2000)', *Diálogos Revista Electrónica* 13(2): 1–47. Available at: https://doi.org/10.15517/dre.v13i2.6371 (Accessed: 6 November 2024).
- Gutiérrez, A. and Villalobos, D. (2019) 'Proyectos hidroeléctricos y resistencias comunitarias en defensa de los ríos en Costa Rica: un análisis geográfico', *Cuadernos de Geografía: Revista Colombiana de Geografía* 29(1): 133–15. Available at: https://doi.org/doi:10.15446/rcdg.v29n1.75271 (Accessed: 6 November 2024).
- 118 Álvarez, M. (2016) 'Del Diquís a la represa "Chinis", Seminario Universidad, 26 April. Available at: https://semanariouniversidad.com/opinion/del-diquis-la-represa-chinis (Accessed: 30 October 2024).

Feoli, L. (2023) 'Social movements and a policy shift towards a diversified electricity matrix', *The Extractive Industries and Society*, 14, 101249. Available at: https://doi.org/10.1016/ j.exis.2023.101249 (Accessed: 6 November 2024).

pursued by the private power generation sector and would lay the institutional foundations for the creation of a commercial electricity market.

Another of the proposed changes is to remove ICE's monopoly over buying electricity, enabling private companies to sell power freely to distributors and large consumers, as well as to the regional market. These proposed reforms threaten a new privatisation cycle that puts the utility and electricity as a public service at risk.

While the trade union movement was at the centre of the resistance in the late 1990s, today the strongest resistance appears to come from local social movements. These movements are warning of the dangers of increasing private sector involvement in power generation, arguing that this would prioritise business interests over the needs of the Costa Rican people.

The historic successes of Costa Rica's public governance model - a model that serves as inspiration to the rest of the world — are at risk. This is why we need to build local resistance out into a global energy democracy movement — a movement in defence of the Costa Rican model and the vision of sustainability, justice and democracy it represents.

#### **PUBLIC-COMMUNITY COLLABORATIONS TO** 2.4 **CO-PRODUCE THE ENERGY TRANSITION**

Energy re-municipalisation opens up space for forms of energy governance built on collaborative partnerships between public institutions and citizens, otherwise known as public-community collaborations. This is an essential strategy and component for realising just and equitable energy transitions.

Public-community collaborations offer hybrid approaches to the ownership and governance of resources, enabling new forms of participation and community control. They involve public institutions working together with groups or members of any given community. This can be in the form of a local government procuring services from a workers cooperative, or another not-for-profit body that collaborates meaningfully and on an ongoing basis with the local population towards the delivery of a public service.<sup>119</sup> This form of co-production is a way of tapping into new networks and capacity that public institutions may otherwise be unable to access, as well as a model for finding new creative solutions to common challenges.<sup>120</sup>

These collaborations are an expression of dual power, combining endeavours to change public institutions from inside with initiatives to **build counterpower from the outside.** This approach can build up capacities for self-organisation and hold governments accountable, perpetually pushing

Hopman, L. et al. (2017) Democratic and Collective Ownership of Public Goods and Services. TNI. 119 Available at: https://www.tni.org/files/publication-downloads/public\_community\_ collaborations report web 19 aug 2021.pdf. (Accessed: 30 October 2024). Hopman et al., Democratic and Collective Ownership of Public Goods and Services. 120

towards democratisation. Although these collaborations are more common at the local level,<sup>121</sup> building counterpower from within and outside public institutions is just as essential at regional, national and even international levels.

Indeed, if we are to provide clean, affordable energy for all, collaborating at scale will be essential to make sure that no household wanting access to electricity is excluded — no matter their income, location and legal status. Publicly owned grids, vertical integration of energy utilities and national governance to monitor who still lacks access to affordable energy are key components.

When it comes to country-wide collaboration, Costa Rica is a good example of an integrated public power model relying on localised partnerships. Here, state, municipal and cooperatively owned elements of the electricity system work cohesively towards near-universal coverage. In this case, widespread resistance against neoliberal reforms can be attributed to public awareness of the benefits of the publicly owned energy system, in which different scales collaborate and complement each other. Similarly, local resistance to stateowned hydroelectric projects that affected human rights resulted in more local decision-making being integrated into new projects. This illustrates the importance of community participation at all stages of decision-making, and highlights that integrating democracy into publicly owned infrastructure is a continuous process of social struggle.

There are limited examples of nationwide just transitions in which workers and communities are in the lead — and this perhaps speaks to the scale of the challenge and the role of dominant actors. While cross-country collaboration can be difficult, working at national and international levels better enables us to think collectively about the availability and distribution of resources for the energy transition on a global scale.

Nevertheless, the democratic place-based solutions that we have shown here are essential components of reaching a decolonial energy system — nationally as well as internationally. **Whether at local or larger levels, when public authorities dare to open up and collaborate with communities, more car-ing cultures can emerge.** This is key to holding public ownership accountable and in the long run, to upending how power is exercised — by transforming the capacity to dominate into practices that build popular power towards collective self-determination.

Roth, L., Russell, B. and Thompson, M. (2023) 'Politicising proximity: Radical municipalism as a strategy in crisis', Urban Studies, 60(11), 2009–2035. Available at: https://doi.org/ 10.1177/00420980231173825 (Accessed: 6 November 2024).

This is Part 2 of the Reclaiming Energy report, which aims to unpack key strategies to strengthen energy democracy struggles the world over.

years

Marrie Contraction

A.C. anternion

COULT COULT

With the climate crisis escalating, labour and environmental justice groups are searching for systemic solutions. These solutions must uproot the logic of private profit, which is keeping energy systems from phasing out fossil fuels and ramping up renewables. Public ownership of energy can be exactly this: an urgent, viable and boldalternative to the failures of profit-driven markets and multinationals.

By employing a decolonial lens, we call for deprivatising and decommodifying public power systems as a condition for shaping pathways towards democratic governance and public-community partnerships across scale and territories. This means approaching the right to clean energy as inseparable from the right to land and resourcejustice.

Far from a silver bullet, defending and expanding energy as a global public good requires ongoing social struggles towards a sustainable energy sector that is deeply democratic and decolonial by design.

WE NEED DEMOCRATIC DUBLIC OWNERSHIP

OF ENERGY

