Scottish Publicly Owned Energy Company (POEC)

- What are your general views on the idea of a Scottish publicly owned energy company (POEC)?

1.1 A Scottish publicly owned energy company (hereafter POEC) that had strategic oversight could be an important policy vehicle for helping tackle climate change, addressing fuel poverty and other key goals. I have written more extensively elsewhere regarding the role of public ownership in energy (Cumbers 2013) and broader policy areas in promoting public participation in economic decision making as well as harnessing diverse forms of knowledge and skills (e.g. Cumbers 2012).

1.2 It is critical however that such a company should be a properly ‘democratic’ one with governance structures that facilitate diverse multi-stakeholder engagement from the ‘public’ itself. This could be achieved in various ways but one popular form developed elsewhere is for a governing assembly or board that has an elected component from the workforce and citizen/user groups which plays a role in setting objectives and monitoring performance (e.g. Marois 2017).

- What role should it fulfil and how?

2.1 Within the constraints of the current market based UK energy sector, and the limits of devolved powers, it is important that a Scottish POEC does not simply become another electricity supply company competing in a crowded market, but rather can take on a more strategic planning role for the country and the environment’s energy priorities. The aim therefore should be to create a full integrated energy company.

2.2 While there is scope for a public energy company to supply electricity as a means of reducing price and offering lower tariffs to those on low incomes as a way of tackling fuel poverty, it would be regrettable if the opportunity were missed for it to play a broader and more strategic role. However, a revenue stream from supplying electricity to consumers could provide finance for new renewable generation projects, facilitating the longer term shift to an integrated company.

2.3 As is widely acknowledged, the energy system is changing from a highly centralised one based predominantly on nuclear and fossil fuels to a more decentralised one of diverse and more localised forms of renewable energy generation. However, it is critical that there remain strategic oversight and co-ordination at higher regional and

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national scales if an effective and integrated post-carbon energy system is to emerge to tackle global warming. The new POEC could be a critical organisation for this role. A possible model for a decentralised publicly owned Scottish energy system is set out in Cumbers et al 2013.

2.4 While Scotland has a good record in terms of building renewable generation and capacity, much more is required in terms of planning and infrastructure to achieve the kinds of ambitious targets that can genuinely address the devastating consequences of global warming while simultaneously addressing social justice. Public oversight, ownership and democratic scrutiny are critical to this process and a fully integrated POEC could greatly enhance and accelerate policy in this area. In particular, a new POEC could undertake the following co-ordinating roles:

- supporting and encouraging community energy projects;
- providing and securing finance (in close harmony with a new proposed public bank) for local renewable energy projects;
- finding ways to encourage cities, towns and rural local to develop renewables, energy efficiency projects and schemes to tackle fuel poverty;
- where necessary partnering with local authorities and communities in new renewable energy projects. This could include forms of ‘hybrid’ local public ownership common in Germany, Denmark and Latin America, where public or state bodies share ownership with bespoke local cooperatives, communities and employees.

**What are the key challenges that the POEC should address?**

3.1 The key public policy objectives facing Scotland are addressing climate change, providing future energy security, maximising Scotland’s renewables potential and tackling fuel poverty. While the limited devolved powers in the energy sector would not enable the POEC to fully address these issues, it should nevertheless have as its role the aspiration to contribute strategies, revenues and ideas to tackling these key challenges. This would involve:

- negotiating with, and lobbying UK government and other key actors (e.g. the National grid), to modernise Scotland’s grid infrastructure to support more decentralised forms of energy generation;

- addressing energy security issues through undertaking critical assessments of current capacity and future problems, developing policy advice and solutions;

- developing independent knowledge and skills regarding energy matters with its own budget for research and training.

**How might a Scottish energy supply company work best to support the growth of local and community projects, and fuel poverty reduction?**

4.1 Working with existing SG schemes to support community renewables but also by taking the lead on providing finance (e.g. through partnership with the proposed public bank) or through the development of innovative finance mechanisms (e.g. bond
financing). It could also use its revenues from electricity supply to fund renewables generation on its own and in partnership with local authorities and communities.

4.2 Addressing fuel poverty can best be achieved in the longer term through developing a fully integrated POEC that either generates its own energy or has a partnership with other public or community energy providers, making it less vulnerable to changes in wholesale energy prices. In the short term, it may be possible to offer lower tariffs to lower income customers – both the Robin Hood Energy company in Nottingham and Bristol Energy are examples of public energy companies that have tried to develop mechanisms to address fuel poverty.

- How can the POEC be best designed to align with wider Scottish energy policy objectives, and to avoid potential policy conflicts?

5.1 Through having transparent and accountable governance structures with the requirement to report to the relevant Scottish Parliament committees and by providing the POEC with a clear mission statement to align with existing government priorities. While it is important to avoid unnecessary conflict, the POEC should at the same time aspire to develop an independent view on energy matters as a source of expert knowledge, advice and democratic voice.

- Should a new Scottish POEC be more than solely a licensed energy supply company? Should it have a direct role in energy generation?

6.1 Yes, as noted above, it should take a more strategic oversight role over Scottish energy objectives and targets, particularly in facilitating the transition to renewables and more energy efficient systems. As noted under points 2 and 3, it should have the role of encouraging and supporting local and community renewable generation projects. There are many best practice examples of public energy companies around the world also acting in partnership with community and cooperative forms of ownership in the renewable sector (e.g. Cumbers 2012, Kishimoto and Petitjean 2017). Another potential role would be to take a public stake in larger renewables projects with private and corporate partners (e.g. in offshore wind projects).

- How might the POEC be designed to promote objectives and functions beyond the retail of gas and electricity (e.g. supporting investment and innovation in new technologies and infrastructure)? What benefits are there to having wider objectives?

7.1 The POEC should address where possible critical public policy objectives such as tackling climate change, energy security, fuel poverty and infrastructure modernisation and upgrading. While recognising the limits of SG energy policy under the devolution settlement, it is critical that a POEC does have a broader strategic remit in addressing wider objectives rather than becoming narrowly focused as a retail supplier operating on short term, commercial lines. This would ensure that the POEC is aligned to global
common goals (such as the UN’s Millennial Development goals) for securing both the sustainability of the planet and the well-being of future generations.

- **What governance arrangements should a Scottish POEC have? Who should it be accountable to e.g. Parliament?**

  8.1 While it should be fully accountable to Parliament and its committees, the potential exists to create more participatory governance structures that involve democratic multi-stakeholder participation by workforce, communities and user groups. There are many diverse examples of good practice that could be used from elsewhere in developing more democratic governance structures that engage citizens and make public enterprises more accountable and democratic. For example, the southern Spanish city of Cádiz, has developed a participatory planning process (The Roundtable on the Energy Transition in Cádiz) which involves the publicly owned utility, residents, politicians, workers, businesspeople, and other groups. It has led to the ambitious goal of 100 percent renewable energy and a “social discount” for poorer residents, alongside public-public partnerships with neighboring municipalities, and popular education around energy issues (del Campo 2018).

- **Should legislation be required to underpin the creation of a POEC?**

  9.1 Yes, legislation by Scottish Parliament establishing the POEC as a democratic and accountable not-for-profit company.

**References**


