

Green business and local economies

Alan Sitkin

Advancing an environmental agenda at local level is challenging – but possible

Climate change, dirty water, species extinction, smog, resource depletion ... The debate in 2019 is no longer whether society should attend to the ecological catastrophe awaiting humankind on its current trajectory, but why anyone in their right mind would think otherwise. This especially applies to government, given its prime function of ensuring constituents' well-being - it is almost unimaginable that any public body today might give anything less than full-throated support to policies restoring a liveable natural environment for generations present and future.

Having said that, people entering public life intent on addressing the ecological imperative continue to face many obstacles. This is not to say that an environmental agenda can't be advanced, even significantly. Certainly the London Borough of Enfield was able to notch up a few successes during the eight years I was councillor and Cabinet Member there. In the hope that the lessons learnt may be useful to future politicians, this article is written to highlight the political and economic frameworks that shaped our greening efforts, and to offer an empirical review of some of our more instructive experiences in this area.

Local authorities go green in a particular political and economic context

An article speaking to the many environmental sustainability policy instruments available to a national government would be very different from this one, which

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focuses on how the green agenda can be progressed at the local government level. There are several reasons for this, first and foremost being central government's relative sovereignty in determining budget allocations: UK local authorities must make do with whatever funding arrangements they inherit - and this means increasingly meagre resources today, in Year Nine of our current small-state Conservative regime. On top of this, local authorities do not have the same regulatory powers that national legislatures do to specify environmental performance (energy efficiency, pollution thresholds, etc). So the first lesson is that local politicians seeking to make their local jurisdictions greener need to be realistic but also creative when identifying which actions are feasible at the level on which they operate. Municipalities in other countries - often in Europe - have a greater arsenal of green policies to rely on than most of their British counterparts do - yet another reason why Brexit impoverishes us all ...

Having said this, UK local government has managed to somewhat progress the sustainability agenda in recent years. But back in 2010 when I was first elected, it felt like there was a real need to raise the profile of this policy area. This sparked a political calculation on my part that the first step towards achieving that goal was for me to appropriate some power for myself within our new majority administration. It was a mindset reflecting the confidence I felt that my personal academic and professional history had equipped me to contribute to Enfield in two specific areas (economy and ecology) that could readily be combined. I had written a book on ecology and management, and had a clear sense of what practical steps could be taken within the Enfield context.¹ I was also influenced by the fact that Labour's main competitors in the part of the borough where I sought office (Bowes ward) were the Greens, not the Tories. That indicated that there was a lot of local support for green policies and made me all the more determined that Labour should be seen to embrace this issue. For these reasons, most of the public talks I gave in the early days - trying to make a name for myself first with party members, then with the electorate, then with fellow councillors - were about environmental sustainability and what (local) government might do to advance a green business agenda. In a similar vein, for several years I penned sustainability policy columns that would appear regularly in one of Enfield's local newspapers (latterly in conjunction with future councillor Vicki Pite, who had a deep background in environmental education). I wanted people to associate me personally with the issue, and I was not above leaving copies of my book lying around in a prominent position in the Labour

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office. In the end, all the manoeuvring worked when colleagues elected me to chair Enfield's Environment scrutiny panel. That early appointment was actually quite crucial since it gave me a formal platform from which to engage in further green advocacy - and ultimately to command certain council resources. Readers will be familiar with politicians whose efforts to climb the greasy pole are driven by nothing other than a pure desire for personal aggrandisement. But I hope they also recognise that there are others - especially those of us who were never going to be career politicians - for whom election to a role of local governmental responsibility is seen as a chance to accumulate resources that allow us to pursue sincerely held policy aspirations close to our hearts. The line between the personal and the political can often get blurred in public life.

It might be useful at this point to briefly discuss the role that scrutiny panels perform in local government. Akin, at a much lower level, to a function-specific parliamentary subcommittee, a scrutiny panel can be a double-edged sword. On the one hand, it can be used to assess the performance of existing administration operations; but, of course, that can create uncomfortable situations where panel members end up criticising Cabinet colleagues from the same party. But scrutiny can also be used to expand knowledge within a government body about best practice in a particular policy area. I chose this latter orientation - a little bit because I wanted to avoid being perceived as a troublemaker, but mainly because I felt an urgent need to increase knowledge within our Labour group about the full range of environmental sustainability actions that a local authority might choose to implement - if it were so minded. It seemed obvious that the less people knew about a policy area, the more they would hesitate to confront the challenges that it would necessarily bring. After all - and this was informed by behavioural economists' approach to the psychology of decision-making - a lack of familiarity breeds uncertainty, and hence conservatism.² This was something I felt needed to be avoided at any price since it would lead to ecological inaction.

The Leader, Deputy Leader and a handful of other colleagues were already woke to the ecological imperative and supported my agenda. But a number of older, more traditional, colleagues (including the relevant Cabinet member at the time) could only conceive of the local authority's environmental remit in operational terms that went no further than waste collection, park opening hours, clean pavements - or a ban on spitting. These politicians were characterised by a tendency to view

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sustainability as something of interest solely to affluent Tory voters - a terrible mindset, based on the mistaken belief that Enfield's poorer residents didn't care about the physical environment they lived in. There was also a third group of colleagues, elected by the borough's poorest wards, for whom ecological investment was desirable but only of secondary importance. For them, the imperative was to spend the council's limited funds on servicing existing social needs via the benefits system. I had great sympathy for colleagues in this latter group - they were good and sincere people, who saw achieving a certain level of material comfort as a more important immediate goal than green investment. As I hope to show, however, it is in fact possible to pursue these two goals in tandem. In any case, in the end the Group agreed to expand the administration's policy plank (and ultimately its 2014 election manifesto) to include low-carbon and/or resource productivity objectives. The task then became to define which interventions were apt for local authority action, and how we might actually carry them out.

At first, this mission was assigned to the scrutiny panel I chaired, whose name we had already changed, in 2011, from Environment to Sustainability. Significantly, the Council Leader had agreed at about that time to recruit a small team of bespoke sustainability officers. The preceding Tory administration had subsumed this responsibility into council officials' other roles, but now we could deploy a cadre of young professionals with direct experience in green business from a local government perspective. This was a definite early accelerator.

The Sustainability Unit's first task was to inventory the Council's existing footprint, in line with business management guru Peter Drucker's famous adage that organisations can only manage things if they can measure them. This early work covered information about fossil fuel consumption, CO2 emissions and water management, mainly in Council-owned properties but also across Enfield as a whole. The unit then set about proposing action plans (first called Enfield 2020, later re-baptised Sustainable Enfield) that we could ultimately parlay into concrete initiatives. Some of these keynote actions are detailed in the case studies below. But before getting to these I would like to emphasise how crucial it was for our administration to have conceptualised sustainability as a bona fide, standalone, council unit, thus giving the policy area as much legitimacy as, for instance, longer-standing departments like Housing or Adult Social Care. By so doing, we were offering the officers running the unit permission to express a sustainability

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perspective on all ideas coming through the Council structures, thereby ensuring that our vision permeated all areas of interventions - and not just dedicated sustainability projects. The officers absolutely flourished with this remit. In 2016, the team earned itself the Local Government Chronicle award as the best UK Council team of the year. It always bears repeating that officers are the unsung heroes of state intervention. Politicians come and go. It is the frontline staff who actually get things done. They are the real stars of governmental action.

Not all of the sustainability initiatives that Enfield Council launched were done in the name of sustainability. That is because we took advantage of opportunities that are sometimes thrown up when the politics of local government priorities spills over into the economics of green business. Local government may be increasingly short of short-term revenue funding but it does have the advantage of being able to access capital funding at a much lower cost, allowing for greater long-term planning, hence a modicum of stability. The financial model driving most environmental sustainability projects involves substantial short-term investments in high-quality, hence expensive, eco- or energy-efficient assets, which culminate in longer-term benefits, often comprised of lower operating (read energy) costs. That is a basic tenet in green business, where comprehensive lifetime assessment is generally deemed the most accurate method of economic valuation. Local authorities are thus in some ways in a better position to make these kinds of investment.

This kind of investment profile creates very real financial problems, however, for for-profit companies. In the private sector, the high initial outlays associated with sustainability oblige investors to arbitrage their short-term return requirements - which are increasingly demanding in today's highly financialised economy - against benefits that only materialise in the long run (already a problem for some), and which also accrue as much to society as a whole as to the actual fund providers.³ This latter aspect is a secondary problem, but one that can cause a certain amount of resentment, and thus act as a further inhibitor impeding private green investment. Indeed, some businesses wonder openly about why they should pay extra to create positive environmental externalities that ultimately benefit parties other than themselves. Conservative economists talk about using market-oriented incentives (like slashing corporation tax rates) to overcome private interests' reticence to support 'free riders' (people who access a good without paying for it).⁴ But in reality this approach is reflective of a basic prejudice against state intervention. The truth of

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the matter is, as I was told on countless occasions by my private sector interlocutors, that they would only invest in green infrastructure if it increased their bottom line. The point here is not necessarily to criticise that perspective - businesspersons do have a fiduciary responsibility to try and make money - but simply to confirm that corporate action by itself is never going to green up a local (or national) economy (or certainly not within the foreseeable future).

Within a public sector paradigm, of course, we view the possibility of carrying out a project that supports environmental sustainability and helps all of society (including so-called free riders) as manna from heaven - policies that resonate in this way are the only legitimisation for the power that politicians borrow from the electorate. Nor are the lengthy payback periods of green investment a particularly daunting prospect to government - the state's comparatively low cost of capital means that, mechanically, an investment can remain viable even if it takes longer for the (discounted) future revenues that it generates to reimburse the initial expenditures.

In an organisation subject to severe budgeting constraints, however, this kind of investment profile still creates very real financial problems. The big economic problem for local government looking at green investments is the sheer cost. Solar panels, wind turbines, electric charging points, the retrofitting of social housing - all of the possible green interventions that we looked at in Enfield - cost vastly more than we could ever afford on our own. Indeed, most of the sparse revenue funding we were able to allocate to the Sustainability Unit was eaten up by the wages of the officers - who were nevertheless absolutely indispensable: without them we would have never been able to concretise any action (not to mention the fact that sometimes they themselves won grants paying for their own wages). In other words, what politicians and officers alike agreed from the very outset was that to have a hope of advancing sustainability in Enfield, we would need to interact with external counterparts and commercial interests that were also capable of fulfilling a project fund-provider role. And so this is what we did.

Enfield Council green business case studies

Prior to 2010, most of the few sustainability measures that the London Borough of Enfield had implemented were conducted according to the old 'bid-and-win' approach. With this model, a local authority responds to a regularly scheduled

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call for tender that is organised by an official funding organisation charged with disseminating, in the form of grants, the monies that government has allocated to a certain policy area. A prime example of this involved Salix, a funding body that provides interest-free government funding to the public sector to improve its energy efficiency, reduce carbon emissions and lower energy bills, and with whom we agreed energy efficiency loan schemes.⁵ There is nothing wrong with this approach to sustainability funding - we were always grateful to our counterparts at Salix or similar bodies for whatever finance they provided. The problem is that the sums involved were increasingly limited, as was the scope of intervention (more or less limited to council buildings).

Above all, the standard UK public sector bidding process - where instead of providing funding directly, government allocates policy budgets to intermediate bodies who determine the final allocations - is incredibly bureaucratic, hence labour-intensive, hence expensive. In some years, this 'bid-and-win' model of state funding would constitute the lion's share of officers' workload. Basically, it obliged them to spend as much time singing for their dinner as actually cooking it. It therefore seemed logical that our sustainability efforts should become more structural in nature, while lowering the transaction costs they incurred.

One of the first innovations we tried was to contact large energy companies directly, to see what local green investments we could convince them to undertake. This mobilised a 'name and fame' marketing strategy, which has already been discussed at length in previous *Soundings* articles speaking to the 'new relations with big business' approach that became a key part of our administration's general economic platform.⁶ Without repeating the analysis underpinning that strand of work, what remains relevant here is that it allowed us to deepen our relations with British Gas, who at the time was sitting on a great pile of ECO Energy Company Obligation funding. We convinced the company to spend part of that cash refurbishing the cladding on some of Enfield's tallest council housing in order to make the buildings more energy-efficient. Now, it is also worth noting that we tried to get British Gas to use Enfield-based SMEs to carry out at least part of this work, but in that respect we were unsuccessful, the company largely continuing to rely on its existing cadre of non-Enfield-based subcontractors. However, the idea of having the council nurture Enfield's nascent private green-tech sector was born - with the question now becoming what we might do to persuade our local entrepreneurs to

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accelerate their retro-fitting capabilities.

Actually, British Gas did help a little in launching this initiative, awarding us £130,000 to kick-start a 'Warmer Homes' strategy that the officers pursued through the National Energy Action fuel poverty charity.⁷ The money was used to coordinate a set of partner organisations who would rely on various public grants to lower household retro-fitting costs, thereby inducing more local residents to invest in energy efficiency. The ensuing stream of work reassured local SMEs that they could afford to invest in re-skilling their workforce in green business capabilities, an impetus I tried to further propel via actions such as the well-attended Environmental Technologies fair that the Council ran at a local FE college in early 2013.⁸

This coordination of a new green-tech value chain within our borough dominated the Sustainability Unit's external interactions for several years. The effort expanded when we took part, alongside six other North London boroughs, in a 'Smart Homes' initiative offering government grants covering up to 75 per cent of home energy improvement costs (for a maximum of £6000 per award).⁹ Out of all the consortium participants, it was Enfield that had the largest number of homes taking up these solid-wall insulation grants. And, in line with my ongoing aim of linking the borough's greening and re-industrialisation efforts, officers ensured that local businesses took maximum advantage of the associated installation work, so that in the end our borough hosted London's largest cluster of accredited energy retrofit businesses - exemplified by local SME Ecologic Energy, who we were able to claim in 2016 that they had achieved '£1.7m of extra sales and created five jobs' as a direct result of the Council Sustainability Unit's green business coordination efforts.¹⁰

In an analogous domain, however - the micro-generation of clean energy - the outcomes were less impressive. I am one of the many green businesspersons who believes that solar power can save the world from its current predicament, and I thus saw an increase in solar energy generation as an important part of our local strategy. And in terms of equipping the Council's own buildings with rooftop panels, we did have good success, through leveraging various public 'invest to save' grants. A prime example was the 50 kWp of solar PV that we had rolled out across five sites by December 2016, mobilising the GLA's Re:NEW programme to save an estimated 21 tonnes of CO₂ even as we calculated that future energy savings would repay the initial outlays within about ten years - a credible return on investment in anyone's terms.¹¹ This was excellent stuff - but it was small fry compared to

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the potential gains that could have been achieved had we been allowed to build a high-concentration solar farm, along the lines of the panel arrays that the French company Bouygues drove me out to visit in the fields of Cambridgeshire one wet March morning.

Alongside our Sustainability officers, I spent a lot of time investigating the possibility of building a solar array in the vast Green Belt acreage that Enfield Council owns. We calculated that if we installed a sufficiently large number of panels to offset the high grid-connection costs, the project would be viable, creating a fantastic green business through which the council would be directly supplying local residents with limitless amounts of renewable clean energy. The problem was the total lack of support that our idea received during initial discussions with GLA planning bureaucrats, who, instead of choosing to view green business as something congruent with Green Belt usage (green on Green), reverted to a very old-fashioned and narrow interpretation of the type of activities suitable for that space - effectively depriving Enfield and all other London councils of the ability to build solar farms on the kind of scale that makes this activity viable. Add in to this the fact that the Tory government has, in its great wisdom, seen fit to hive off educational management from council authority - diminishing our ability to influence schools to cover their roofs with solar panels - and we just didn't have the power to undertake clean energy micro-generation at the scale that any green businessperson would ideally like to see.

This partially explains the final and biggest green business initiative that Enfield Council undertook during my time there - namely, the founding of a low-carbon heat-from-waste company called energetik.¹² The structure chosen for this entity when it was first established featured a division between a holding company, where the council exercised strategic shareholder prerogatives via a Board of Directors (which I chaired), and an operating company, which enacted technical operational actions and accommodated the excellent industry specialists we brought in to implement our vision. Early funding efforts saw Enfield Council engage with various sources (including the EIB European Investment Bank and the LEEF London Energy Efficiency Fund). These initial funding efforts helped energetik through its start-up phase, which culminated in its building a combined heat and power unit (CHP) in housing developments in Enfield neighbourhoods such as Arnos Grove and Ponders End. This is just the start, however. Energetik is designed to off-take sufficient heat to service up to 30,000 homes once completed.

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The next stage involves an energy centre being built adjacent to the North London Waste Authority's (NLWA) Edmonton waste facility, which burns non-recyclable materials. This second phase investment will be much greater than the sums spent so far, and therefore requires further funding sources; energetik has been negotiating for these since my retirement.

The government's Heat Network Delivery Unit (HNDU) seems to view our venture very favourably, as the concrete materialisation of something that people have been talking about for years - but which few local authorities aside from Enfield have actually done. The future is therefore bright for energetik. However, this may or may not involve enormous business in our own borough, given that questions have recently arisen regarding the willingness of the council's new administration to build a sufficient volume of housing on the Meridian Water development immediately adjacent to the energy centre. But if things stumble locally, energetik will look more towards the rest of London, especially going down the Lee Valley through Haringey to Hackney. Servicing these other customers will mean laying longer pipes, however, therefore requiring greater upfront capital investment. Creating a municipally owned energy company in a metropolis like London is a constant puzzle comprised of many moving parts.

Aside from these issues, there are at least two lessons from this ongoing experience that merit emphasis in the present text. Firstly, there is the linkage between energetik's sustainability aspects and its business logic: the resale of an existing input (because of using waste from the existing NLWA operation) is efficient in both environmental and business terms. Secondly, and above all, there is the question of the timescale at which the project operates. As with most green projects, and as discussed above, the upfront investment was significant, meaning it would take years to pay back. But this is not too much of a risk for the borough. As long as energetik minimises operational problems by using top-quality assets from the very outset (applying yet another sustainability principle), there is little risk associated with the venture - people will always need the heat the council is now providing in a low-carbon format using tried and trusted technology. The rewards to the council will also be low, in commercial terms, but they will be enough to offset the investment in the long term. These two attributes - low financial reward and low risk - commonly align in economic logic. But the interesting thing here is that dividend-hungry private sector energy companies seem to have been dissuaded from entering the market because of this lower potential return, in spite of the low risk. This is

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not, however, a problem for a Council-owned green business. As aforementioned, the state does not have to prioritise dividends over other considerations. And, since there are no private-sector firms active in this space in Enfield, the Council could not be criticised for ‘crowding out’ other businesses. This enabled us to launch an initiative that finally materialised the UK’s heretofore vague but consensus national aspiration to catch up with our European counterparts’ municipal sustainability infrastructure.

It is also worth noting that *energetik* has been designed to be scaled up city-wide, and an open invitation is always extended to neighbouring boroughs, and indeed the GLA, to take an equity stake. It is for this reason that LB Enfield’s name figures in neither the holding nor the operating company’s title. We may have started the company, but our hope is that all of London will end up benefiting from it over the eighty years that the initial infrastructure is designed to last.

The only thing required for *energetik*’s future success (aside from potential customer housing actually being built) is that future politicians agree to the two simple principles underlying this article: that environmental sustainability should be viewed as a prime policy consideration in all levels of government; and that a green business logic be applied when assessing the viability of initiatives in this area. Yet these hurdles are not as easy to overcome as you might expect - we should never underestimate the challenge of transitioning to a more sustainable social and economic organisation. Hopefully, however, this article will help to show that there are policies that can be tried in this area. And some have already shown themselves to be successful.

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Notes

1. Alan Sitkin, *Principles of Ecology and Management - International Challenges for Future Practitioners*, Goodfellow 2011.

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2. A. Finkel and G. Gray, 'Taking the reins: how regulatory decision-makers can stop being hijacked by uncertainty', *Environment Systems and Decisions*, 38, 2018.
3. See, for example, Giampaolo Gabbi and Elisa Ticci, 'Implications of the second financialisation for sustainability', Fessud (Financialisation, economy, society and sustainable development) Working Paper 47, 2014: <http://fessud.eu/wp-content/uploads/2013/04/Implications-of-the-second-financilisation-for-sustainability-Working-paper-47.pdf>.
4. For this kind of approach see www.econlib.org/library/Enc1/PublicGoodsandExternalities.html.
5. <http://www.salixfinance.co.uk/>.
6. <https://www.lwbooks.co.uk/soundings/52/tales-from-frontline-of-regeneration>.
7. <https://www.lgcplus.com/idea-exchange/making-enfield-more-sustainable-delivered-33m-savings/7016100.article>.
8. <https://www.enfieldindependent.co.uk/news/10259758.young-people-visit-enfield-environmental-technologies-fair-at-barnet-and-southgate-college/>.
9. <https://new.enfield.gov.uk/news-and-events/clever-residents-sign-up-for-smart-homes/>.
10. <https://www.lgcplus.com/idea-exchange/making-enfield-more-sustainable-delivered-33m-savings/7016100.article>.
11. <https://www.current-news.co.uk/news/london-council-rolls-out-solar-on-five-rooftop-sites>.
12. <https://www.energetik.london/>. Past *Soundings* articles have already described the underlying political and macro-economic logic of this prime example of state entrepreneurship. See my article 'Eight years on the frontline of regeneration: ten lessons from the Enfield experiment', *Soundings* 68, spring 2018.

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