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**Central-Local Relations in French Energy Policy Making and the
Environmental Shift: towards a New Pattern of Governance between State
and Local Authorities?²**

法国能源政策制定和环境变化中的中央-地方关系:

是否迈向新的中央-地方治理模式?

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Abstract

After a long period of centralization, local authorities have been taking a new place in the French energy sector. This revival began in the 1990's, with the process of liberalization, which gave them new rooms to manoeuvre. They recovered old competences that had fallen into abeyance after the creation of national public monopolies and gained new ones. A new turning point has been passed over the last few years with the agenda-setting of energy efficiency and climate change issues. This was linked to a new strategy of the State and the idea that these problems require to "act (more) local", such a level being considered to be efficient in terms of proximity, reactivity or coordination capabilities. For the first time, local authorities were explicitly recognized as active protagonists of the energy policy in France (law POPE of July 2005, 'Grenelle de l'environnement'). Some practitioners and academic researchers consider this stage as a major institutional innovation which initiates a new model of governance.

In this contribution, we propose to discuss this hypothesis and to show that this change of paradigm in energy policy making (the energy efficiency and climate-change watershed) had not yet lead to major evolutions in the central-local relations. If one cannot deny that local authorities have been developing new institutional capacities for the last decade, their role is still quite limited. Their revival must therefore be interpreted as an aggrornamento of the former centralized model of governance. Three explanations will be mobilized to illustrate this thesis.

The first one is due to the contradictions inside State apparatus about the place to give to local authorities. Nowadays, two main public policies impact the French energy sector: the liberalization process on the one hand, energy efficiency and climate change issues on the second hand. In these two policies, the "local level" has not the same status. For the former (competition), local authorities are considered as a threat to market running. Consequently, the stake is to reduce their capacity to act. For the latter (energy efficiency and climate change), local authorities are considered as useful levers to strengthen State action and make it more efficient. The implicit hierarchy existing between these two policies, in favor of the competition policy, is a first factor that explains the persistence of a centralized model.

The second explanation has to do with the system of actors that are involved locally in energy issues. Due to the existence of many levels in the French political system, due to the way the energy sector was build in the last century, numerous actors coexist locally, each one having its own competences and resources: 'communes', 'intercommunalités', 'syndicats départementaux d'énergie', 'départements', regions. This fragmentation reduces the capacity of local authorities - among others the cities, which are especially concerned by environmental issues - to implement public policies in energy.

A third and last explanation needs to enter the "black box" of local authorities and to put attention to staff expertise (lack of human resources to deal with a complex matter) and to political involvement (the way local politicians consider energy issues). This is of great importance too, to avoid overestimating the place energy issues occupy in the agenda of local authorities.

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Recent publications (in the field of energy) :

- F.M. Poupeau, 2009. "Domestic customers and reform of the gas sector. An organizational sociology perspective", *Energy Policy* (to be published).
- F.M. Poupeau, 2008. *Gouverner sans contraindre. L'agence locale de l'énergie outil d'une politique énergétique territoriale*, Paris, L'Harmattan.
- Fender A., Poupeau F.-M., 2007. "L'émergence d'un nouveau mode de gouvernance locale des réseaux en Allemagne. Une ville moyenne et son Stadtwerk face au processus de libéralisation", *Sociologie du Travail*, vol. 49, n°4, 2007, pages 366-382.
- F.M. Poupeau, 2007. "La fabrique d'une solidarité territoriale. Etat et élus ruraux dans l'adoption d'une péréquation des tarifs de l'électricité en France", *Revue française de science politique*, vol. 57, n°5, 2007, pages 599-628.
- F.M. Poupeau, 2004. *Le service public à la française face aux pouvoirs locaux. Les métamorphoses de l'Etat jacobin*, Paris, CNRS Editions.

Over the last two decades, numerous factors have contributed to dramatic changes in energy regulation, leading to what many researchers call a period of “energy transition” (Jorgensen, 2005; Monstadt, 2007; Verbong, Geels, 2007; Kern, Smith, 2008; Loorbach, Kemp, 2008; Rohracher 2008). Environmental issues have been playing an increasingly important role, with the perspective of a near depletion of energy resources –especially fossil fuels- and climate change agenda-setting. This has led to a rethink of many aspects of energy policy - technical, economic, social and political. In particular, these issues have forced both politicians and experts to renew the process of policy-making at many different levels: international, national and local.

In this context, local authorities have been gaining a new role in energy regulation³ in Europe. This is particularly the case in France, where the centralizing tradition was quite strong in the past, unlike in other European countries such as Germany, Denmark, Norway or Sweden, which have traditionally been organized on a more local level. In 2007, the report of the ‘*Grenelle de l’environnement*’, a participative process launched by the French government to develop an ambitious national sustainable development policy, referred to local authorities as major actors in the struggle against climate change (Grenelle de l’environnement, 2007). This attention to the local level reflects a dramatic change in the way local authorities are taken into account in policy making in comparison with the past, when State officials or operators considered that they might jeopardize the general interest. Now, according to many researchers or practitioners (Droege, 2009; REN21 *et alii*, 2009), the increasing focus on environmental issues needs to allow for more input from local authorities given their advantages in terms of proximity (to consumers), knowledge of territory (for developing renewable energy) or their capacity to coordinate many different fields (urbanism, transportation, public housing, etc.). Some experts are calling for increased decentralization in order to develop a more “horizontal” and integrated approach which can contribute to greater efficiency when compared to traditional “vertical” and sector-based policies.

In this contribution⁴, we propose to discuss whether or not this recent “activism” at local level associated with a change of paradigm in energy policy making (the environmental watershed) is leading to a new pattern of territorial governance in France. After a brief overview of the period before the 1990s (I) in order to understand the current situation, we will describe how local authorities have been gaining new competencies over the last two decades leading to a more complex pattern of interactions between central and local levels (II). We will then show that such “activism” - partially linked to the environmental focus - has not yet led to major changes in central-local relations and that four main forces have succeeded in maintaining centralization: State officials, national operators, rural politicians and nuclear industrialists. Although one cannot deny that local authorities have been developing new institutional capacities over the last decade, their role remains relatively limited. Their revival must therefore be interpreted in terms of institutional continuity or an “*aggiornamento*” of the former pattern of governance.

1. Central-local relations in French energy policy before the 1990s

It is common to rank France among the most centralized countries from an energy regulation perspective. This is due to a longstanding *jacobin* tradition in public policy which is not specific to energy but has always been strong in such a strategic sector. Handling new issues such as energy independence, rural development, economic and social progress, government action intensified after the First World War leading to a more centralized system. This resulted in the creation of two public monopolies in 1946 in charge of energy supply - Electricité de France (EDF) and Gaz de France (GDF). Placed under State supervision, they were powerful tools in defining national energy policy in terms of social redistribution,

³ In this paper, we will focus on energy issues in buildings (lighting, heating, domestic appliances...) but not in transportation.

⁴ Our analysis is based on different research conducted in the field of energy since 1995 and, more recently, on a workshop we organized in 2008-2009 with Marie d’Arcimoles (LATTS) for the MEEDDM, the French Ministry in charge of energy issues *inter alia*. The aim of the workshop was to identify ways in which this ministry could mobilize local authorities in order to promote more sustainable energy policies, especially in the fight against climate change and fuel poverty. Seven meetings were organized, bringing together both sector professionals and researchers.

territorial planning or economic competition (Picard, Beltran et Bungener, 1985 ; Beltran, Williot, 1992; Levy-Leboyer, Morsel, 1994).

However, this centralization process was not complete (Poupeau, 2004). Local authorities continued to exercise a certain amount of control which moderated the State's hegemony. To understand this process and the very nature of French central-local relations before the 1990s, it is important to bear in mind that, as in many other countries (Hughes, 1983), the first energy networks were developed locally. This was the case, in France with gas (from the 1830s), electricity (from the 1880s) and heating (from the 1920s) networks built without the support of central government which did not consider energy to be a public utility. In such a context, energy networks were placed under local authority supervision. Using concession arrangements, cities signed commercial contracts with operators to develop infrastructures. In return for a long-term territorial monopoly (up to 30 years), operators negotiated rates and investment with local authorities. The law of 15th July 1906 confirmed this situation by making concession arrangements compulsory for all electricity and gas operators, thus providing local powers with a central role in the French energy regulation system.

Consequently, when centralizing forces supported State intervention, they had to deal with local lobbies. The concession regime was never challenged under the political systems of the IIIrd and IVth Republics. Heating plants were not placed under State supervision when the nationalization laws were adopted (1946). This was a first counterweight to centralization, albeit a relatively minor one insofar as such networks were quite rare in comparison with other countries. The concession arrangement was also upheld for electricity and gas supply, even after nationalization. To gain support from politicians to ensure that a law would be adopted, lawmakers agreed to preserve local prerogatives. The rural electrification fund created in 1936 (known in French as *Facé - Fonds d'amortissement des charges d'électrification*) was maintained, leaving rural politicians with a powerful tool to influence decisions concerning distribution network investment⁵. The concession regime adopted in 1906 was not abolished and although it became a legal fiction –politicians could not choose any operators other than EDF and GDF, which enjoyed a monopoly over distribution - local authorities were entitled to have a say in pricing or investment issues.

These compromises resulted in a form of centralization that was considerably attenuated by local actors. This pattern was characterized by the institutional weight of representatives from rural areas at both national and local level, and, in close correlation, the gradual erosion of the power of cities. To understand this situation, it is important to stress that rural politicians have always been allies of central government in its attempt to control energy. As a matter of fact, many of them considered the situation in the 1930s as unfavorable to their interests. Facing powerful and increasingly concentrated private operators, rural communes found that they were unable to negotiate with their partners on an equal footing. This resulted in higher prices for rural consumers as cities had far greater bargaining power. In such a situation, rural politicians did not consider the State as an opponent but rather as an ally whose intervention could counteract the local "asymmetry" of powers. In 1933, they decided to create a national lobby, the FNCCR (*Fédération nationale des collectivités concédantes et régies* – national federation of concession grantors and locally-controlled concession operators) to force central government to regulate prices and to require private operators to invest more heavily in network development. From the 1930s, the FNCCR became a partner of central government and even called for partial nationalization of the energy sector. It provided solid support in 1946 when nationalization was discussed in Parliament.

In return for this support, rural representatives were granted a central role in energy regulation. At national level, the FNCCR emerged as the sole representative of local interests vis-à-vis central government and public monopolies (EDF and Gaz de France). This privileged position allowed rural politicians - the majority of FNCCR members- to negotiate structuring measures, one of the most important of these being the harmonization of domestic electricity rates for rural and urban customers in the 1960s (Poupeau, 2007). This initiative, which had been unsuccessful before the creation of EDF, was made possible thanks to the FNCCR's action and despite the opposition of EDF officials and city councils. At a local level, the preservation of the *Facé* fund despite nationalization, gave rural politicians many different ways of influencing local investment. They decided to form bodies (*syndicats départementaux d'énergie*) which strengthened their position locally. Cities now had less room for maneuver than in the past. The few of them that did have heating network operators – which had not been nationalized – had

⁵ This fund was equivalent to about 100 million dollars, a huge sum at this time.

to deal with the aggressive commercial strategies of the two national public monopolies (Lenoir, 2007). This was the case with EDF up to the 1970s when the ambitious French nuclear program required it to sell more electricity, leading the public company into a struggle with local heating networks. This was also the case for GDF up to the 1980s when it tried to develop gas networks in cities to compete with EDF and prepare for market deregulation. In such a context, the power of cities decreased when compared with the period before nationalization.

This particular institutional trajectory resulted in a powerful coalition between four main forces: central government (ministries of finance and industry), national public operators (EDF and GDF), rural politicians (FNCCR) and the nuclear industry (CEA and Framatome⁶). Thanks to the institutional centralization described above, the latter was allocated generous resources to implement the nuclear program: capacity to finance major investments, close relations with State officials and short decision-making channels, and political support for certain technological and economic choices... This in turn strengthened the centralization process and explained its stability throughout the 1960s and 1970s.

2. 1980 to 2000: new opportunities for local authorities

This pattern of central-local relations began to be challenged from the mid-1970s with, in particular, the return of local authorities to energy regulation. New opportunities appeared within the scope of a more general evolution of public action and State intervention in this field: from direct intervention to regulation and from infrastructure and modernization to a more service and market oriented approach.

This “revival” was far from being “mechanical” as it was the result of an institutional “struggle” led by new actors fighting for a more decentralized system. Many of these were close to green or socialist politicians who had been elected to the regions, a new institutional level of government created in the early 1970s and which was heavily involved in managing the ongoing energy crisis. Three key local representatives’ associations entered the energy sector in the 1980s and tried to challenge the former centralized pattern of territorial governance: AMORCE⁷ (heating networks), AIVF⁸ (engineers responsible for energy issues in local authorities) and CLER⁹ (renewable energy). They advocated giving more power to local authorities, especially cities and regions, the old system being dominated by central government and the *départements* (rural political level). This lobbying involved four main phases from the 1980s up to the 2000s:

⁶ The *Commissariat à l'énergie atomique* (CEA – French Atomic Energy Agency) was created in 1945 to conduct civil and military nuclear research. This led to the creation (in the late 1950s) of Framatome, a Franco-American consortium which played a central role in the French civil nuclear program.

⁷ AMORCE (national association bringing together local authorities, associations and enterprises involved in managing waste, energy and heating networks) was created in 1987 to defend the interests of heating networks, particularly against the aggressive commercial strategies of EDF and GDF. This association currently counts 510 members (3/4 local politicians and 1/4 heating companies). Its action is broader than that of the heating networks and AMORCE deals with more general energy and waste issues.

⁸ AIVF (association of French municipal engineers) which later changed its name to AITF (association of French territorial engineers). In this association, a network of energy engineers created an “energy group” in the 1980s in order to pool experience and to make proposals to improve energy management in local authorities.

⁹ CLER (renewable energy liaison committee) was created in 1984 and is close to green politicians and opponents of nuclear energy.

<i>Main functions</i> <i>Main steps</i>	Consumer	Initiator	Urban planner	Concession grantor	Producer
Decentralization (laws of 1982-1983, 2003)		More autonomy to enter new spheres of public action	- Local urban planning - Construction permits	Abolition of a national model for concession arrangements	
Liberalization (laws of 2000, 2003, 2004)	Local authorities are free to choose their own supplier (July 2004)			Negotiation of concession contracts with EDF and GDF	More opportunities to produce energy
« POPE » Law (law of 2005)		Possibility to develop local energy saving policies			- More subsidies to produce renewable energy - Designation of local areas for producing wind energy
Grenelle de l'environnement (laws of 2009, 2010)	Introduction of Energy Efficiency Commitments (EEC)	Local authorities with more than 50,000 inhabitants have to define a local energy and climate plan	Possibility to include energy performance criteria when developing local urban plans	- National fund to develop heating networks - More freedom to impose the connection to heating networks	

Fig. 1. The “revival” of local authorities in energy

The first of these was the *decentralization process* initiated at the beginning of the 1980s¹⁰. Even though energy issues were not specifically mentioned¹¹, this process gave more autonomy and wider powers to local authorities in the fields of urban planning and urbanism which have a significant bearing on energy issues. For many different reasons (to make savings, preserve the environment, combat fuel poverty, etc.) a number of local authorities began to develop energy-related initiatives.

The *liberalization process* which overhauled the energy market¹² marked a second, much more important stage because of its direct consequences on energy regulation (Poupeau, 2004). Local authorities, just like any other customer were now free to choose their own supplier (July 2004). In the distribution sector, EDF and GDF were forced to negotiate concession-based contracts for the first time since 1946, giving more opportunities for local authorities to influence decisions regarding network investments. In the production sector, local authorities were given the right to invest in decentralized production units provided such investments were compatible with the multi-annual national plan defined by the State (*PPI - Programmation pluri-annuelle des investissements d'électricité*).

Along with the energy crisis and climate change agenda setting, two other developments completed this “revival”. The *POPE Law*¹³, which integrated the French “factor 4¹⁴” strategy for the first time and whose role was to define the main objectives of French energy policy over the next few decades, strengthened local powers in terms of production. In order to boost renewable energy – which should represent at least 21% of electricity consumed by 2010 -, local authorities were encouraged to support decentralized production. In order to save energy, cities were given explicit demand-side management powers to reduce energy consumption on their territory, especially in the residential sector, which is responsible for a large portion of CO₂ emissions.

The final stage – at this moment in time – in this local revival process was the *Grenelle de l'environnement*, which began in 2007 after the election of Nicolas Sarkozy as President of the French Republic. It initiated a major debate about environmental issues (climate change, biodiversity, health) in order to integrate these challenges into public policies, especially energy policy. Between 2007 and 2009, many groups, including the State, the private sector, NGOs, trade unionists and politicians tried to define

¹⁰ Laws of 2nd March 1982, and 7th January and 22th July 1983.

¹¹ Despite many debates about the reorganization of energy competencies between central and local government, no significant changes resulted from this process. A key reason was the fear that energy decentralization could weaken EDF and the development of the French nuclear program (Bourjol, Le Lamer, 1983; Poupeau, 1999).

¹² Mainly the laws of 10th February 2000, 3rd January 2003 and 9th August 2004.

¹³ The POPE law setting out broad French energy policy guidelines was adopted on 13th July 2005.

¹⁴ Based on the analysis of the Club of Rome in the 1990s (but with a different signification in the French case), the “Factor 4” strategy was first mentioned in 2003 by the French Government. It consists in dividing national CO₂ emissions by 4 between now and 2050.

ambitious goals to “green” public action. This gave rise to two main laws adopted in 2008 and 2009-2010¹⁵. Many proposals favored local authorities as an appropriate administrative level for dealing with environmental issues. Cities with more than 50,000 inhabitants had to define energy and climate plans in order to participate in the reduction of CO₂ emissions. More opportunities were given to local authorities to create / extend heating plants and connect these to renewable sources of energy.

These numerous changes have resulted in more complex central-local relations where local authorities can draw on five main resources or functions to intervene in energy-related issues: (i) as *consumers*, they can invest in their own buildings (insulation, efficient heating systems, etc.), influence the behavior of people using these municipal buildings (in schools, libraries, sport centers, etc.) or purchase “green energy” in order to reduce CO₂ emissions; (ii) as *initiators*, they can use “soft” tools to try to involve their whole territory in more efficient consumption behavior. Some have created local energy agencies (Poupeau, 2008) while others subsidize ‘*espaces infos énergie*’ (EIE) inspired by British energy centers to make citizens more aware of energy issues by giving them advice; (iii) as *urban planners*, they can encourage the renovation of old buildings or try to convince developers to invest in more energy-efficient buildings even though construction guidelines are a central government prerogative¹⁶; (iv) as concession grantor, they can influence operators’ local investment strategy (electricity, gas, heating networks) and sometimes their pricing strategy (heating networks) to promote energy efficiency on their territory; (v) finally, as *direct or indirect producers* they can combat climate change by promoting renewable energy and, for those who run heating companies, use these to improve energy efficiency locally.

The concept of governance seems appropriate for describing the outputs of this revival, which has led to more complex interactions between local authorities, central government, operators, consumers and representatives of civil society. However, we would like to go further and attempt to show how this “Brownian movement” is in fact highly structured around a new central/local government hierarchy. Two issues need to be considered. First, have recent changes led to a new balance of power between central and local government? Secondly, have they modified the relationships between local authorities themselves? Can we observe, for example, an increase in the power of cities and a weakening in the power of rural areas? To assess these two questions, we propose to focus on the last three functions mentioned above - namely local authorities as urban planners, concession grantors and producers - because they may affect the core activities of the energy market on both the supply and demand sides and be used to promote an alternative, more decentralized pattern of energy regulation. Extending the scope of local authorities’ powers as urban planners or concession grantors may have many consequences on how energy markets are run. For example, cities may attempt to intervene as “local regulators” by planning the development of electricity, gas and heating networks. As producers, local authorities may require domestic or industrial customers living in their territory to take more advantage of the energy they produce by setting lower prices or by selling energy directly to them. These issues make it necessary to focus on the way these last three functions are used by local authorities, thus revealing the very nature of the ongoing pattern of territorial governance.

3. Centralizing forces and the “revival” of local authorities: a strategy of containment

After the nationalization law of 1946 and the creation of two public monopolies (EDF and GDF), the functions of concession grantor and producer continued to be hot issues for French energy policymakers who feared that they could jeopardize the centralization process. Only political arguments justified maintaining these two local powers in 1946 in order to gain local politicians’ support for the creation of EDF and GDF. After that, concession contracts were no longer signed and fell into abeyance. EDF and the State were afraid that local authorities would use them as a means to interfere in energy regulation. For the same reasons, local urban planning functions did not include any input into energy policy making as the two national public operators preferred to control their own investments and markets.

¹⁵ The “Grenelle 1” Law passed on October 21st 2008 and “Grenelle 2”, passed by the French Senate on October 8th 2009, pending examination by the French parliament in 2010.

¹⁶ However, the Grenelle laws make it possible for local authorities to introduce energy performance criteria for new buildings, which is an innovation in this field.

However, claims for a more decentralized pattern of governance constantly arose supported by the new forces we talked about in the previous section. This was the case in the beginning of 1980's, following the election of François Mitterrand as president of the French Republic. People belonging to the socialist government advocated cutting back the powers of EDF and GDF in regional entities and providing local authorities – regions and cities– with wider powers in territorial energy policy making. They wanted urban planning, concession grantors and production functions to be used as tools to limit oil dependency and develop a more efficient energy system. But this attempt failed (Bourjol, Le Lamer, 1984). In the 1990s, when EDF and GDF decided to negotiate concession contracts, associations such as AMORCE, CLER or AIVF called in vain for more power to be given to the cities. These actors recently returned to the institutional arena during the *Grenelle de l'environnement* where they contended that the fight against climate change justifies a new institutional departure and a new, more decentralized basis of territorial governance. They advocated strengthening the hand of cities, by giving them the possibility to create local energy operators and to develop a wider range of competencies - including energy, transportation and urbanism - in order to pursue ambitious public policies.

These attempts did not lead to dramatic changes in central-local relations. Three main explanations can be advanced to explain this failure and the persistence of a quite centralized structure that gives relatively little power to local authorities: the production structure, the emergence of a neo-liberal paradigm and the action of rural politicians. This stresses the capacity of the afore-mentioned coalition made up, as we said, of State officials, national public operators, rural politicians and nuclear industrialists to resist change and maintain a quite “vertical” and sector-based pattern of regulation.

3.1. The production structure

In France, the question of energy decentralization has always been closely linked to the nature of industrial structure, especially the production-distribution system. When the first energy networks were developed (19th-20th centuries), private operators were organized on a local basis. The impossibility at this time of building long-distance transportation infrastructures forced them to produce and distribute their energy locally. This led to close (and sometimes conflicting) relationships with local authorities and the possibility for the latter of coordinating energy policy or trying to operate their own territorial resources for the benefit of citizens and firms alike. The concentration process, which began in the 1920s in the electricity and gas sectors, changed this configuration and led to new relationships between operators and territories. The latter became merely a resource used for sector-based and vertical purposes: to conquer new markets and compete with other energy companies. By constructing bigger units (EDF) and importing cheaper gas from foreign countries (GDF), public monopolies began to “deterritorialize” their actions, unlike heating operators, who continued to be organized on a local basis. The former developed their own strategy, quite independently of the territories, which became mere spaces for production and consumption. This led to a juxtaposition of sector-based strategies which was barely coordinated by the State. In such a socio-economic configuration, the capacity of local authorities to implement a more territorially integrated energy regulation policy was very weak. It depended on the willingness of national operators – especially EDF and the nuclear lobby - to accept the development of new alternative local resources (geothermics, biomass, solar power, etc.) which could be used in heating networks. This was the main reason for the failure of the decentralization project at the beginning of the 1980s when the socialist coalition wanted to split EDF and GDF into regional units linked to local authorities, and to give the latter more input into energy planning (Poupeau, 1999). The move towards local regulation and the support for decentralized production that would diversify the sources of electricity production especially into renewable energy risked jeopardizing the creation of new nuclear plants. Thus, the French response to the oil crisis was to increase economic centralization by building more nuclear plants. This resulted in the fact that almost 80% of French electricity consumption (17% of total energy consumption, including transportation) now comes from nuclear plants.

Although new and alternative ways of managing energy based on more decentralized units have appeared recently, the power of national, sector-based operators, especially the nuclear lobby, continues to structure the French energy sector and to keep the actions of local authorities in check. Thanks to low

production costs¹⁷, the nuclear power lobby rules electricity supply as well as the whole French energy market. Many decentralized projects for electricity production and for heating plants need to be subsidized because they would not be competitive without such support. This is the case for most wind, solar power, photovoltaic or biomass projects, as well as for cogeneration plants which generate electricity and heat. In France, the solution has been to force EDF, as the dominant operator, to purchase these “alternative” energies at high prices in order to meet the ambitious goals set by the government in terms of the reduction of CO₂ emissions¹⁸. These attractive prices are compensated by a fund, the CSPE (contribution to the public electricity service), paid by final consumers. This operation is apparently neutral from a financial and economic point of view, however it does not challenge centralization for two main reasons. First, EDF is for the moment, the only purchaser of the energy produced through this mechanism. Secondly, these decentralized plants have to comply with the national multi-annual investment program (*PPI*) introduced by the law of February 20th 2000 if they want to be subsidized. Many well-informed observers stress that this *PPI* is heavily influenced by the national operators, in particular EDF (Lenoir, 2007). In a way, environmental agenda-setting tends to strengthen the nuclear lobby as many French politicians and experts consider nuclear plants to be the best way of developing solutions to environmental problems such as the depletion of fossil fuels or climate change¹⁹. The hegemonic position of the nuclear industry explains why the increase in the number of decentralized production units has not led - as in other countries - to greater “energy autonomy” (Scheer, 2006; Droege, 2009) which could give a more meaningful role to local authorities.

3.2. The neo-liberal paradigm

Many observers have stressed that the competition policy pursued by the European Union from the end of the 1980s went against the French tradition of public utilities. This idea gave rise to much debate in France in the 1990s about the renewal of State intervention in the sector or general energy policy theories (Poupeau, 2004). Far from reigniting these debates, we would just underline that as far as central-local relations are concerned, the liberalization process must be seen much more in terms of continuity, as competition policy leads to a quite centralizing pattern of governance.

As a matter of fact, for the neo-liberal economists who shaped the new institutional framework of energy regulation in France, local authorities – more than central government - are considered a potential threat to efficient markets. The ideal setup is to guarantee a direct relationship between economic agents, i.e., operators (supply side) and consumers (demand side). Public intervention in the market should be avoided, except for defining broad missions of general interest (safeguarding supply, environmental measures, universal service, etc.) and for guaranteeing a fair market (creation of a national regulator, *Commission de regulation de l'énergie* [CRE] in France). This applies to the State but above all to local authorities whose intervention should be restricted to functions which do not interfere with the market. This aspect of neo-liberal thinking was very prominent in countries such as Germany, where local powers were much more powerful than in France (Fender, Poupeau, 2007).

The credo of the “competition imperative” had a large influence on the way local authorities retrieved functions related to production and the granting of concessions. It has served as a general pattern, a paradigm, for the action of local authorities over the last few years even in the fight against climate change. The debates around this point during *Grenelle de l'environnement* were very meaningful. Although local authorities were recognized as major actors in the fight against climate change, the question of the territorial organization of energy policy was not on the agenda. Associations such as CLER

¹⁷ Certain people stress that these are quite low because they do not take into account health or environmental externalities or because EDF does not make sufficient provision for dismantling costs. We do not wish to enter this debate (are costs fair?) and we merely observe that such social construction of costs has structural consequences for the whole French and European electricity market.

¹⁸ This is a possibility not an obligation and few operators (Enercoop is an example) prefer to sell renewable energy directly to consumers at higher prices.

¹⁹ We encountered this argument during the *Grenelle de l'environnement* to justify investments in new nuclear technologies. See also the recent speech by Nicolas Sarkozy, the French president, before the Organisation for Economic Cooperation and Development (March 8th, 2010), praising the merits of nuclear energy in the fight against climate change.

were not invited to participate in working Group n°5 whose function was to propose a new “ecological democracy”. In Group n°1, dedicated to climate change, this question was not discussed as certain people argued that they were not there to deal with such a problem. Using agenda-setting and organization of the process as institutional resources, central government avoided tackling these issues. As a result, no real innovations concerning local authorities and public action came out of the *Grenelle de l’environnement* process.

The importance of the neo-liberal paradigm in policy-making restricts local authorities’ capacities in terms of production and concession granting. In production, local authorities are given the possibility of investing in renewable energy in order to pursue ambitious French government objectives (laws of 2000 and 2005). But the electricity they produce must be injected into the national network and purchased by EDF or other operators. They cannot use distribution networks to sell electricity to local customers through the company in charge of energy distribution or through new public or semi-public companies operating electricity, gas or heating networks along the German *Stadwerke* pattern²⁰. As in the past, “decentralized production” - this official term is inadequate - continues to feed a centralized system offering no possibility for territorial differentiation.

In distribution, local authorities were only partially able to recover their function of concession grantor. By distinguishing between two separate activities –i.e. infrastructure and supply-, European reforms have changed the very nature of the *concession*. Before liberalization, *concessions* included both of these activities, giving local authorities the possibility to influence price setting for example (Poupeau, 1999). As a consequence of the liberalization process, infrastructure and supply became completely separate activities in order to avoid any discrimination in network access for new suppliers. The supply side is regulated by the State via the CRE. Prices are defined both by the market and the central government administration, and not by local authorities. Consequently, local authorities have very few possibilities to act in this market. In the infrastructure sector, while their capacity for action is greater, it is also quite limited by the State, EDF and GDF. The negotiation of new concession contracts in the 1990s only gave them restricted rights under local energy regulations. Their influence over the investments made by EDF and GDF is limited to annual negotiations and information provided subsequently. Concession arrangements for electricity and gas do not include an explicit right for local authorities to coordinate energy networks. The overriding rule is to allow customers freedom to choose their energy provider. As a consequence, heating networks remain the only real tool for local authorities –cities in this case– to develop an energy policy on their territory.

3.3. The role of rural politicians

It would be too simplistic to attribute the resistance of the centralized pattern of governance solely to State (administration, reformers) or economic (nuclear industrialists, national operators) forces. As researchers have showed in the French case, the action of local authorities themselves is another important factor in explaining the stability of French central-local government relations (Crozier, Thoenig, 1975; Grémion, 1976). As in other countries, local authorities are not necessarily a monolithic category, opposed to central government. As we suggested in the first section, certain forces may favor a centralized pattern of governance they consider as appropriate to protecting their interests. This is the case of the FNCCR, whose action has been very important since the beginning of the 1990s.

We showed in the first part of this contribution that the FNCCR has always had a close relationship with central government administrations and national operators (EDF and GDF). Its role in the centralization dynamic (which started in the 1930s) and in the nationalization process (from the 1940s up to the 1970s) gave it a privileged status and the opportunity to control subsidies allocated to rural electrification or to influence pricing reforms. This role continued when the traditional French pattern of public utilities began to be challenged by neo-liberal reformers in the early 1990s. EDF and GDF feared that they would be dismantled along the British model where reforms had broken up monopolies in order to introduce competition. One of the main issues in France was linked to the distribution sector and especially concession contracts which had not been renegotiated since the 1946 nationalization law. Consequently, neo-liberal reformers, cities or new operators could potentially use such an institutional

²⁰ However, local authorities may consume the energy they produce for their own use.

vacuum to introduce competition and thus to dismantle EDF and GDF. This threat pushed the two public monopolies into reconsidering their relations with local authorities.

As part of this strategic process, EDF and GDF decided to rely on the support of the FNCCR. Negotiating new concession contracts could certainly contribute to preserving their position but it could also be a source of destabilization since local authorities - and cities in particular - could try to gain more powers through financial redistribution (taxes) or political and administrative control (planning, pricing, etc.). To avoid opening such a "Pandora's box"²¹, EDF and GDF representatives proposed to negotiate a new national framework for concession arrangements and to choose a single partner, the FNCCR. They knew that this partner shared their fears that cities might win back power and challenge the role of rural politicians - the political grass roots of the FNCCR- in energy regulation. This alliance resulted in many measures that gave more power to local authorities while preserving a large measure of centralization in distribution (Poupeau, 1999). The cornerstone of this process was a decision to bypass cities by strengthening the *syndicats départementaux d'énergie* (SDE - energy bodies that include local authority representatives and set up at "département" level in the French politico-administrative system), the political base of the FNCCR. In a nutshell, EDF and FNCCR representatives used financial and political incentives to urge local authorities -including cities- to transfer their concession grantor function to these *syndicats départementaux d'énergie* where rural interests were over-represented. By doing so, the two national monopolies and the FNCCR managed to marginalize demands for special treatment coming from urban politicians.

The consequences of this joint EDF/FNCCR strategy have been important in terms of territorial governance. This strategy not only preserved a kind of centralization, it also carved up the local institutional landscape and limited the capacity of cities to act. Except for those big cities which decided not to join an SDE, most French cities cannot use their concession grantor function for electricity, gas and heating networks to develop local energy policies. They have to convince the SDEs to participate in their actions and this is often quite difficult because the latter have their own priorities. Environmental and urban problems are not key issues for them and they prefer to focus on rural electrification or on controlling network investment.

Conclusion

By introducing new stakes, paradigms and tools into energy policy, environmental agenda-setting has given new opportunities to local authorities. As consumers, initiators, urban planners, producers and distributors, they have been playing an increasing role in this field and now appear to be real partners for central government and operators in France. This revival has led to a new, much more complex pattern of governance than that which existed in the Post-War era, a period of reconstruction and modernization placed under State supervision. Have these developments led to a break in central-local relations and to a new pattern of territorial governance? In light of the questions we used to probe this hypothesis and the way functions such as urban planning, concession granting and production can be used by local authorities to influence public energy policies, our conclusion is clear: the current situation must be analyzed in terms of institutional continuity.

Firstly, can we observe a significant change in the balance of power between central government and local authorities? Although this has been challenged by local authorities, the centralizing coalition has still managed to maintain a system of interactions which preserves the main characteristics of the previous situation. There has been no real decentralization. Powerful national operators such as EDF and GDF-Suez limit the room for maneuver of local authorities. The liberalization process gives a new legitimacy to the *jacobin* conception of public action by considering local authorities as a potential threat to fair markets. To understand this dialectic development - revival of local powers on the one hand, preservation of a centralized system on the other hand- and its consequences for central-local government relations, it is necessary to think of the ongoing changes less as a "zero-sum game" between State and local authorities, where the latter gains and the former loses, but rather as a process which transforms the very nature of energy centralization. The stakes have been changing since the period when central government and national operators had to reconstruct and modernize the whole country. As it is now concerned more

²¹ To quote an EDF executive involved in the negotiation process.

with regulation than direct intervention, the State has to develop new relationships with local authorities, based on mobilization and containment. Mobilization, because a regulatory State has to lean on many different actors – especially local authorities - to pursue national policies such as territorial planning or climate change. Consequently, it is necessary to give more autonomy to local authorities, especially to invest in major infrastructure projects such as production and distribution networks. And containment because the State has to preserve its legitimacy and its capacity to control fields it considers as strategic. This is the case not for infrastructure but for the supply market and the control of consumer behavior, spheres in which the action of local authorities is strictly limited. We consider that these changes involve new forces and new “lines of demarcation” which structure territorial governance as follows:

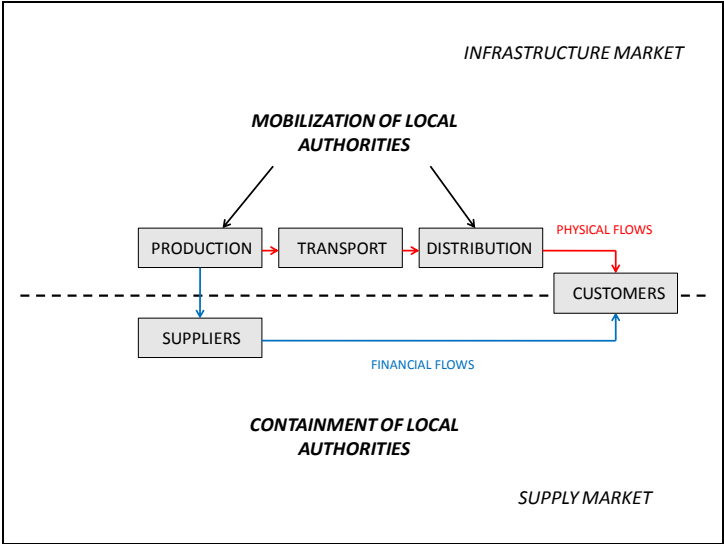


Fig. 2. The new pattern of territorial governance in French energy policy making

Secondly, have recent changes substantially modified the relationships between local authorities themselves? Do they give more opportunities to cities to differentiate themselves from other local actors, especially in rural areas? We have shown how rural politicians, thanks to the FNCCR, have managed to use the liberalization threat to EDF and GDF-Suez²² as a tool for maintaining their position in the distribution sector. Thanks to this strategy, the *SDEs* have become a major actor in the local institutional arena. This revival indirectly weakens the influence of cities as those who transferred their concession grantor powers to the *SDEs* have lost a potential lever for impacting local energy regulation. As the *syndicats départementaux d'énergie* are frequently powerful organizations in terms of their financial and human resources, they help preserve a strong bargaining position for rural areas²³. This gives them the ability to structure local energy agenda setting in line with their own preoccupations, based more on rural electrification than on urban or environmental issues. This should encourage us to be a little more circumspect with regard to changing patterns in central local relations within the context of French energy regulation.

²² GDF became GDF-Suez following the merger with Suez in 2008.

²³ For example, in 2008, the SyDEV (*SDE* for the Vendée département), which covers a population of 600,000, a large proportion of them living in rural areas, employed 84 officials and managed a budget of 100 million euros (150 million dollars).

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