



Strengthening the equity of municipal companies: A fund for Baden-Württemberg - a model for Germany

As part of the ["turnaround money II - rethinking municipal finances" project](#)

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(For the original German text, please click [here](#).)

Executive summary

1. For municipalities in Germany to manage the heating transition, their energy supply companies need a stronger equity base to take out sufficient loans and funding programs for the billions in investments required.

As the municipalities are unable to raise the necessary higher equity on their own, various parties are considering how private capital can be mobilized for this purpose, possibly with state support.

An important approach, and one supported by the German Association of Cities, will feature in a special fund to be set up for this purpose, following models from [GEODE Germany e.V.](#) and [BdEW](#), [VKU](#), and Deloitte.

To develop these ideas, figures from the financial and insurance sectors met in Stuttgart on 5 July 2024 with cities and municipal utilities, ministry representatives, and the [Baden-Württemberg Climate Protection and Energy Agency \(KEA\)](#), to discuss the structure of such a fund. As the local authorities in Baden-Württemberg have made the most progress with their heating transition plan compared to the rest of Germany, the financing issues for implementing the plans are most urgent there.

The workshop therefore looked at the fund approach as a model from the perspective of

Baden-Württemberg, but with the aim of developing an expandable or comparable solution for the whole of Germany. The introductory presentations were given by Prof. Dr. Tobias Popović (Stuttgart University of Applied Sciences) and Michael Teigeler (Stadtwerke Heidelberg and GEODE e.V.) on the energy policy framework, as well as the necessity and key points for the proposed fund. This was followed by keynote speeches from various perspectives on the opportunities and obstacles of such a fund by Alexander Beigel (LBBW Asset Management), Dr. Susanne Nusser (Städtetag Baden-Württemberg) and Tim Ockenga (German Insurance Association, GdV).

Subsequently, various aspects of a possible fund were discussed in depth, partly in group work, some of which resulted in concrete recommendations:

- A thematic focus on heat supply, for example, as discussed here in the workshop, is not possible (at least for some areas) in such a fund due to different risk/return profiles (e.g. varying degrees of regulation).
- Risk/return profiles should be developed for different project types for heat supply projects in municipalities. On this basis, the discussion on the necessity and scope of state guarantees as a component of the fund could be deepened. In addition, such profiles could serve as a decision-making aid for municipal companies to decide which project types are eligible for support from the fund.
- If necessary, extended statutory regulation in the heating sector could provide more security for investments.
- Municipalities, municipal companies, and other stakeholders should be provided with assistance with the development of risk assessments and financing, to keep the workload and capacity building lean. This could also include explicitly discussed guidelines.
- Data on the expected municipal investment needs in the heating sector should be developed.

2.

For some of the tasks listed here and others, workshop participants declared their willingness to take the next steps. In principle, such a fund approach was considered by the participants to be a sensible and feasible building block, in addition to other steps to strengthen the financial power of municipalities.

Given Baden-Württemberg's pioneering role in municipal heat, the launch of such a fund there was preferred by the speakers, compared to a nationwide fund from the outset, which would most likely

take longer to realize. However, they noted it will be important to ensure from the start that it will be compatible with a nationwide solution.

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