

# Political feasibility of climate policy instruments in the EU

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## Outline

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- Political feasibility
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- Interest groups preferences
- Power dynamics
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- Reflections on the findings

## Typologies of instruments

### ■ Incentive-based instruments

- Emission taxes, tradable allowance sys, subsidies for pollution abatement, taxes on inputs or goods associated with emissions, incentives for R&D and technology deployment

### ■ Direct regulatory instruments

- Technology mandates, performance standards, permits

### ■ Voluntary regulation

- Government-industry negotiated agreements, certification schemes, standards auditing and accountings, etc.

### ■ Informational instruments

- Information campaigns, labelling and produce information, exhortation and moral suasion, etc.

Adapted from Goulder and Parry (2008) and integrated with elements of Howlett (2011)

## Political feasibility: a working definition

- The **likelihood that a policy proposal will be adopted** by relevant political *fora* given:
  - ***power*** constellation between various relevant interest groups
  - interest groups' ***preferences*** for policy instruments
  - ***institutional setting*** in which proposals for instruments (and their concrete design) are discussed

## Key factors affecting political feasibility: analytical framework

Category	Criteria	Sub-criteria
Preferences	Motivations	Self-interest, strategic interest, ideological interest
	Beliefs	Ideology, experience, modes of governance
	Perceptions	About distributional effects, policy saliency, policy flexibility
Power	Resources	Financial, knowledge, legitimacy
	Relations	Resource exchange, coalitions, networks
	Influence	Attributed influence to actors
Institutional setting	Institutional requirements	Required rule changes and authority changes
	Existing set of rules	Decision-making fora, voting rules, formal and informal procedures

## Interest groups involved in policy making

- **Bureaucrats:** policy-makers not subject to (re)-election and/or who have more power over agenda-setting than over policy adoption
- **Politicians:** subject to re-election and/or having power over policy adoption
- **Environmentalists**
- **Industry**
- **Research community:** academics and other research/think-tank experts

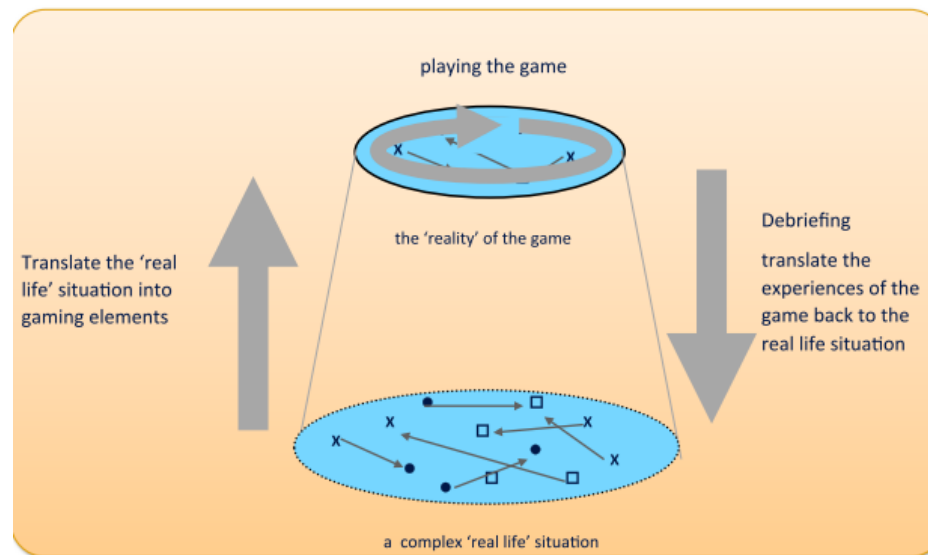
## Methodological approach

- Policy space of investigation: EU climate policy
- Policy issue area: typologies of policy instruments for achieving long term decarbonization targets
- Unit of analysis: interest groups
  
- On-line survey
- Focus groups
- Semi-structured in-depth interviews
- Policy simulation

## Policy simulation

Simplified representation of real life situation; participants can experiment with behavior, organizational structures, policy

Participants interact with each other in distinct but related roles according to predefined rules



Goal of CECILIA policy simulation: understand political bottlenecks and opportunities of EU ETS reform



## Policy simulation

- 1 evening and 1 full day workshop
- Policy-makers, env. NGOs, industry, academics, think-tank from EU countries
- Simulation of Council of EU negotiations on re-design of EU ETS
- Scenario, roles (7 countries - DE, PL, CZ, UK, IT, ES, DK + EC), observers, facilitators; element cards, voting rules, events
- Negotiation cycle: forming starting position; bilateral consultations; Council negotiations
- Debriefing



## Interest groups' preferences for instruments

- Tailored mix of climate policy instruments with a reformed EU ETS as its corner stone
- Taxation and regulation preferred over voluntary and informational instruments
- Industry tends to favour market instruments, particularly EU ETS, complemented with technology support policies (e.g. subsidies for clean technology R&D and acquisition)
- Governmental officers support EU ETS and regulation
- Environmental NGOs prefer taxation and regulation and are sceptical about EU ETS (but it has the advantage of putting a limit to emissions)
- The research community tend to prefer taxation and to a lesser extent the EU ETS, regulation and subsidies

## Interest groups' preferences (motivations, beliefs, perceptions)

- Strategic interests: support to EU ETS because it is already in place
- Perception about distributional impacts:
  - Distribution of costs across MSs is unfair
  - Costs within MSs have so far been low because of the low EUA price
- Easier to agree on policies whose distributional effects are hidden because they are likely to be less contested
- Taxation perceived politically unfeasible; regulation too administratively and organizationally complex to adopt and implement
- Need to find a balance between flexibility, and stability and predictability of the instruments

## Power dynamics among interest groups (resources, relations, influence)

- EC perceived to have major influence on the climate policy debate. Its power lays mostly in the right of policy initiative, the capacity to produce knowledge, and its extended network with different interest groups
- EU politicians not perceived to play a key role in EU climate policy discussion
- National bureaucrats major influence > frame national climate discussion
- Eastern MSs perceived as blocking EU climate policy. “Old” MSs blamed co-responsible for not taking their concerns sufficiently into account
- Big MSs, especially Germany, who have higher responsibility in the climate policy negotiations, are not always as progressive as they claim to be
- Ells perceived as having strong influence in climate policy debate, particularly at national level in countries like Germany and Poland > obstacle to ambitious EU ETS

## Power dynamics among interest groups (resources, relations, influence)

- Environmental NGOs, the research community and the business intermediary community not deemed powerful actors
- Industry representatives do not perceive themselves as having a strong influence and attribute higher influence to environmental NGOs
- Environmental NGOs, EU public officers and national bureaucrats considered themselves to be to some extent influential
- EC is the actor that invests more money and time in networking and communication with interest groups
- Stakeholders influence is determined by: share of employment represented; political network and access to governments (MS, EC, EP); ability to build coalitions; clarity of their message and capacity to reach the media
- Capacity to develop/acquire knowledge gives interest groups power to shape the policy debate; knowledge is often used strategically

## Institutional arrangements (decision-making *fora*, formal and informal procedural rules, voting rules, etc.)

- Institutions are not perceived as a major limitation to the feasibility of one specific policy proposal – such as the EU ETS reform
- Institutions do limit the possibility to attain a coherent climate policy instrument mix
  - Unanimity voting rule is a barrier to a coherent EU climate policy; an ambitious proposal might not pass qualified majority but a compromise may pass unanimity; often better to aim for a compromise proposal > this approach however weakens the policy
  - The EU does not have sufficient competences in specific climate-related sectors such as the energy sector, hence the EC cannot take any policy initiative
- Interest groups strategically decide which institution to lobby depending on the circumstances of the policy process, i.e. which institution is responsible at a specific moment in time

## Contextual factors influencing political feasibility

- Framing of the debate and degree of action in the international arena
  - International inaction slows down EU climate policy ambitions
- The political climate:
  - Economic crisis and austerity policies made it difficult for MSs to spend money > politically inopportune moment for climate policy in general
  - Ukrainian crisis fuelled new discussions about energy security

## About policy goals

- Results indicate that it is easier to agree on ambitious policy goals as long as the distributional impacts are not clearly evident
  - Implementation of generic policy goals is often problematic > how? With what means?
  - Achieving agreement on ambitious, generic goals has more symbolic than substantive value
  - Yet, symbolism is important to set the limit and build intention of action for the long-term. This is particularly important in the context of climate policy for which clear, long-term targets are needed to ensure policy effectiveness



## About perceptions shaping policy preferences

- Results suggest that individual perceptions, such as those regarding distributional impacts of policy options, play a major role in shaping stakeholder preferences
  - Relevant when discussing the impact assessment of policy options
- If interest groups perceive the impacts of a policy proposal as unfair they are likely to oppose it
  - Particular attention needs to be paid to policy impact assessment studies in order to ensure their credibility and legitimacy so as to avoid misconception among affected parties

## About influential actors

- Results indicate that the Commission has a major influence in shaping the EU climate policy
  - Stakeholders should be aware of the importance of engaging in policy discussion with the Commission at early stages of the policy development process if they aim to insert their policy ideas in the debate
  - The Commission could further use its influence by exploiting the momentum and use its power to ensure environmental effectiveness of the EU climate policy

## About institutions

- Results indicate that the unanimity voting rule within the EU Council is a barrier to a coherent EU climate policy
  - Working in informal *fora* on a compromise policy proposal to take to the Council might be a better strategic move than focusing on a highly ambitious proposal. The risk however is to weaken the policy
  - This holds particularly true when designing a new policy for which uncertainty about impacts is high and interest groups are more inclined to adopt a cautious approach

## About member states differences

- Results indicate that national political and socio-economic contexts shape the position of actors in different MS > while in Poland the distributional effects of policies among MSs dominated the discussion, the role of EII industries was prominent in the climate policy debate in Germany
  - One opportunity for policy proponents to gain political leverage might lie in identifying the distinct progressive forces in different countries and work on building a coalition for progressive action

## About instrument preferences among stakeholder groups

- Results show that preferences of actors strongly vary across stakeholder groups
- But groups are also heterogeneous within themselves, either in their ambition or in their beliefs. E.g. environmentalists and academics vary greatly in their beliefs and perceptions of different policy instruments. Different industry sectors differ with respect to their ambition (e.g. some EIs take on a generally opposing role while the power sector supports carbon pricing)
  - Policy proponents need to be aware of internal interest groups heterogeneity if they are to build support for policy proposals

## About multi-level governance

- Political dynamics at national, EU and international level influence each other. E.g. international climate policy debate influences EU and national climate policy; and MSs climate policy debate influences EU decisions and in turn the EU position in international negotiations
  - The interplay of these multi-scale dynamics influences the chance of policy proposals to be taken into consideration in different policy arenas
  - Policy proponents need to be aware of these dynamics in order to identify the appropriate scale and momentum to lobby for new policy ideas to be taken into consideration

## In synthesis about factors influencing political feasibility

- Not only the interplay of interest groups' preferences, power dynamics among groups, and existing institutional arrangements but also contextual political and economic factors play a crucial role in influencing the political feasibility of EU climate policy
- Individual motivations and beliefs along with access to resources and economic influence seemed to be more important than institutions
- Contextual factors, absent in our analytical framework, play a major role and should be included in the assessment of political feasibility



**Thanks for your attention.**

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