The politics of climate change: national innovation, leadership and policy approaches within the EU's framework for action

9 October 2008
London School of Economics, London

Seminar report

Climate change is now a central issue in our politics. However, as yet no substantive framework had been adequately developed to cope with the extensive political challenges of climate change. On 9 October 2008, Policy Network held a small but expert roundtable to continue the course of a project which aims to fill this gap.

This series of seminars, running through the autumn, focuses on the political challenges of climate change through a "best practice" comparative analysis of the experience of industrialised countries. A conference to debate the key issues arising from this comparative analysis will be held in the new year.

Session one: targets and markets—the role of the EU

The session began with a presentation by the European Commission official Peter Zapfel. The focus of Zapfel's talk was on the complementary roles of markets and instruments in the EU's climate policy, through the perspective of a historical lens, which touched upon the key policymaking challenges of forging an effective global approach to climate change, as well as the key targets and instruments at the EU level in this area.

Zapfel noted that though averting climate change is a global public good, with costs in the short term and benefits in the long term, forging an international policy has been a struggle and continues to be undermined by considerable gaps in the understanding and analysis of the scientific data on climate change, as well as the attractiveness of short-term free-riding given the distant consequences of mooted climactic shifts. Progress has been made by the UN Framework Convention on Climate Change (UNFCCC), not to mention the Kyoto Protocol, but it has been limited by a lack of binding emissions constraints and national ratifications.

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The Kyoto Protocol was, however, particularly significant for the EU as it endowed the EU with the flexibility to internally re-allocate the EU15-wide 8% emissions reduction target between member states through a burden sharing mechanism, ranging from a 28% reduction and a 27% increase in emissions. This burden-sharing mechanism has come in for a great deal of criticism because it allowed for political negotiations between member states to determine how the overall Kyoto target could be "sliced up". Yet it has greatly strengthened the role of the EU institutions.

The Kyoto Protocol was equally significant for the EU because it was a largely global agreement which inspired the creation of the EU Emissions Trading Scheme (ETS) through the nationally driven NAP-1 and NAP-2 processes.

The EU's post-2012 approach to climate change is a dual-track target for 2020: a 20% emissions cut as an independent commitment; and a 30% reduction in the eventuality of an international agreement. There is, in addition, a target of 20% share of total energy consumption from renewable energy sources by 2020.

The European Union's climate and energy package proposes to equip the EU with the requisite legal instruments to implement these targets, not to mention the ability to strike a comprehensive deal at the Copenhagen summit in December 2009. The package includes an amended and strengthened ETS, which will ensure a legally binding EU-wide cap on emissions, as well as a harmonised transitional free allocation mechanism. A series of other instruments will support the EU ETS in reducing emissions. These include renewables, CHP, energy efficiency, landfill and fuel quality directives, as well as f-gas regulation and curbs in car-based CO2 production.

EU policy combines the mandatory instrument in the EU ETS with non-ETS complementary instruments which support target realisation in other areas. The figure below represents how the EU aims to achieve its emissions targets.

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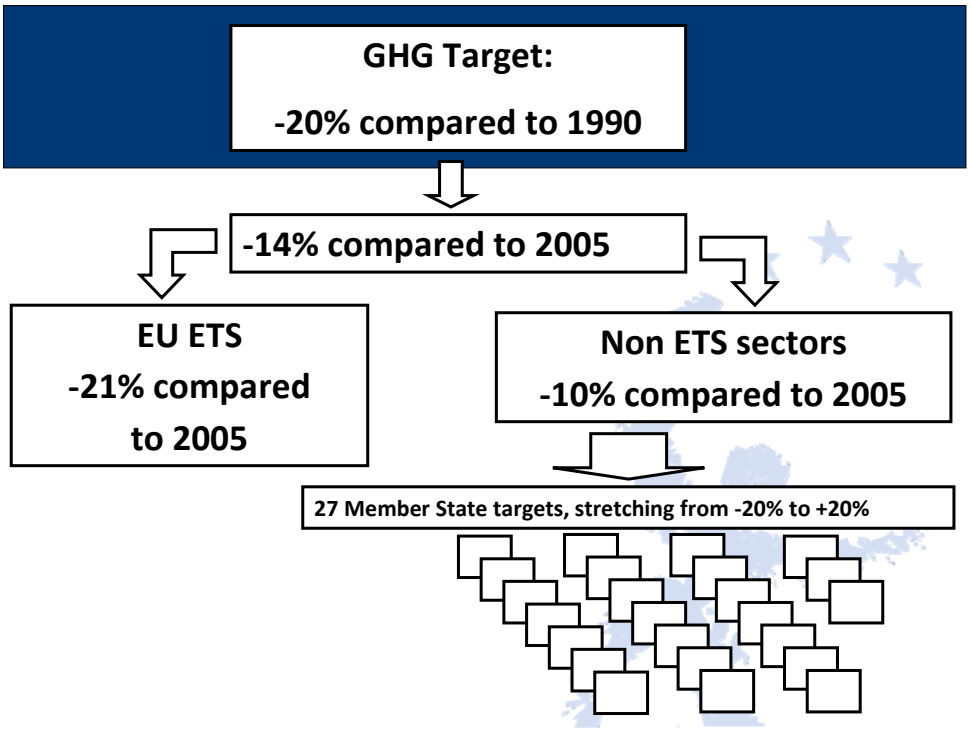

Måns Lönnroth, a former state secretary in the Swedish Environment Ministry, responded to Zapfel's presentation by noting that though the achievement of the EU's targets is a daunting prospect, climate change was at the top of the political agenda until the "credit crunch" induced financial crisis and prospect of global recession. Moreover, Lönnroth argued that considerable progress on climate change occurs underneath the political radar.

The past 15 years have witnessed both clear successes and clear failures in EU-level environmental policymaking. Of these clear successes, the most notable have been the Rhine action programme, acid rain improvements, and the REACH programme, as well as the qualified successes of the marine programmes in the North and Baltic seas.

The factors or lessons that determine how successful EU policymaking include, first, the ability of industrial sectors to engage in constructive dialogue with the European authorities; second, the degree of trust in expert scientific opinion; and, third, whether or not public subsidies underpin existing industrial structures.

Lönnroth's key contention was that a response to climate change which managed change in a structured way was pivotal. And that the most effective response to climate change was at the national level. He highlighted how the implications of tackling climate change were prone to national specificities; in particular, the social justice debate differed greatly between the UK and the much more egalitarian Sweden, where energy price increases hit poorer people less hard and the only significant political issue is the price of petroleum. However, he supported a supplementary national effort with a system of regional carbon pricing as a means of

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setting an economic framework for carbon reductions, but this was not inconsistent with the imposition of extra taxes at the national level.

In response, it was questioned whether the EU has the requisite institutional and policymaking instruments to reconcile bureaucratic and political, not to mention top-down and bottom-up, tensions within its institutions. What lessons have been learnt from the Lisbon Strategy in terms of imposing sanctions on those member states who fail to attain EU targets? If responding to climate change is a question of innovation, to what extent can the EU and its policymakers construct a context in which low-carbon innovation can be induced? Can the EU create a political space in which debate on climate change can move beyond disputes between the EU institutions and member states in order to create a coherent political message on how to response to the challenges of this issue?

In response to the criticism that EU policy was too narrowly focused on securing global agreement, it was argued that the EU is not only going down the multilateral route towards the Copenhagen summit, but is also pursuing bilateral negotiations with the US and China. It was necessary to build a global carbon market because regional differences in the pricing of carbon as a commodity would prove disruptive. However, the notion of whether a global agreement on emissions reductions would be more feasible and effective than a regional one was challenged. The argument was also made that to start with a global agreement was immensely difficult since the requisite regulatory instruments do not exist; instead, a global agreement should be the culmination of a tiered approach to emissions reductions. But it was argued that trade tensions would become very serious under a regional pricing system.

The notion that the EU's climate and energy package was purely motivated by climate change considerations was challenged by some participants. There were serious and wide-ranging energy security implications: the transition to a low-carbon economy, though not detrimental in itself, needed to go alongside support for alternative indigenous energy supplies because of the strong risk in future that the EU would become completely dependent on Russian energy. From this perspective the safeguarding of the coal industry in both Germany and Poland cannot be criticised.

It was argued that the Nordic welfare model's progressive and socially cohesive structures and widespread public support allowed it to deal more effectively with the political challenges of climate change. Issues such as the need for higher taxation and fiscal expenditure, as well as the adaptation to new lifestyles, are thus facilitated by the egalitarian Nordic welfare state. In this respect, it was further argued that to ask what the EU can do more effectively than its a member states is based on a false premise: namely that all European societies can respond in harmony to climate change. In reality, certain political challenges are accentuated to various degrees in different member states.

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The role of big business as a big constituency of interest in the climate change debate was discussed. How much should the risks to the competitiveness of EU industries be taken into account in forging a climate change agenda? A key issue in the politics of climate change is who exerts power and authority over relevant decisions. Yet, the EU faces immense lobbying pressure from big business in its policymaking without the degree of media and civil society scrutiny of these lobbyists that would be the case in the national political environment. Moreover, since the recent financial crisis had illustrated the profound instability of markets and their liability to "fail", is a market-based solution to GHG emissions a secure means of reduction? Conversely it was argued that the confusion of investors vis-à-vis climate change targets for 2020 on renewables, biofuels, and energy efficiency was stunting the growth of so-called "green" and "clean tech" industries. What big business needs, it was argued, are goal efficient targets, not inconsistent intermediate ones.

A final point of contention was the extent to which climate change policy is an essentially elitist concern. In answer to the question of whether EU policymaking on climate change could be consensus-based and subject to public accountability, it was argued that the tone of existing public discussion is inherently negative; there has to be substantive alterations to the way in which the public feels about climate change, by shifting policy discussions away from the rhetoric of rationing and taxation, to that of better sustainable lifestyles, less pollution, and the jobs generating potential of a low carbon economy.

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Session two: Sweden—innovation, leadership and policymaking within the EU's climate change agenda

Discussions began with a comprehensive introductory talk by Lena Sommestad, the former Swedish environment minister and current director of the Swedish District Heating Association, on the present state of Sweden's climate change policy agenda. Sommestad argued that Sweden had been a green innovator but now needed to do drastically more. There was agreement with spirit of Anthony Giddens' assertion that the UK had no effective politics of climate change—but in fact that there was no effective analysis of the politics of climate change in Europe.

Sommestad argued that the key elements of the Swedish climate strategy are fourfold:

- First, a strong commitment to national leadership: since the 1990s Sweden's national policy has sought to reduce emissions to a higher level than stated in the EU's Kyoto Protocol burden-sharing settlement. There has been a decisive push for ecological modernisation, through Göran Persson's famous aim of a "green people's home", and support for local investment programmes providing green innovation and employment.
- Second, there has been extensive use of market policy instruments such as a CO2 tax, subsidies for energy efficient households and homes using renewable energy sources, and an ETS. It was argued that the lesson here was that a high price on CO2 triggers change—in Sweden it is as high as 100 euros per ton today.
- Third, the Swedish climate strategy has been a complemented by a wider environmental policy agenda based on a strong commitment for "sustainable cities" and the integration of environmental interests into all policy domains.
- Fourth, a focus on reducing emissions in the residential sector, as compared to electricity production, industry and transportation. This has been achieved through district heating systems which have proved to be successful part of climate policy in their efficient usage of available energy resources.

The national specificities of the Swedish case were also discussed. Sweden benefits not only from strong local governance, a welfare model conducive to state intervention, and an egalitarian distribution of income, but also from pre-existing green infrastructure and natural resources, while more than 80% of electricity production comes from hydro and nuclear sources. Nevertheless, there are still serious weaknesses in the Swedish strategy. Energy intensive industries, for instance, constitute strong lobby groups, while growing income inequalities destabilise economic instruments. There are also growing tensions between the politics of climate change and the politics of deregulation. Large profits in energy companies sit uneasily alongside rising energy costs in industries and households. Planning an energy strategy also has its limits.

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In response, Hugh Compston argued that the main obstacle to radical action on climate change is neither economic nor technical but political. Six key obstacles were identified:

- First, the perception that individual countries make little difference: the absence of a simple "cause-and-effect" between the problems of a climate change and their solution in a domestic political environment is debilitating.
- Second, the influence of climate sceptics, who constitute not only a powerful brake on climate policy stakeholders but are also legitimated by "balanced" media coverage despite scientific consensus upholding support for evidence of man-made climactic shifts.
- Third, a shortage of technically and economically efficacious solutions.
- Fourth, the problem of competitiveness: an increase in carbon and energy taxes could lead to an uncompetitive increase in industrial production costs.
- Fifth, fear of electorate, whose ambivalence and potential objections to action on climate change are widespread.
- Finally, obstacles within government, such as a lack of leadership and the opposition of bureaucratic stakeholders in economically-orientated ministries. It was additionally argued that the global financial crisis now offers a seventh obstacle.

However, five promising political strategies were identified. First, a refinement of current strategies which seeks, for example, to redouble efforts to strengthen global agreements and introduce progressively stricter emission and policy targets. Second, an exploration of new policy options: from more stringent energy-efficiency regulations to the introduction of carbon import tariffs to compensate for a decrease in economic competitiveness. Third, governance reform; which, for instance, could improve the measurement of emissions and devote more resources to identifying the social and economic challenges of a low carbon society. Fourth, a "spillover" of strategies from one country to another through functional or political pressures. Fifth, a selective imposition of more radical policies, which were either targeted losses on small sections of society or introduced unpopular measures in the infancy of an administration.

It was argued that there is an urgent need for new thoughts and tactics because if responding to the climate change challenge was easy it would already have been done; most policy options are limited by their often intangible "future" benefits, so political analysts must think outside the box and apply as many different processes of causation as possible to undo these constraints. How can climate change be turned into a political asset? Is consensus politics the real solution?

In response, a great deal of discussion revolved around the issue of governance. It was widely accepted that most industrial countries have reached their present climate change agendas by the accident of their respective energy policies. The argument was

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made that a governing strategy for climate change must include bureaucratic reform in which energy, transport, economic, environment and infrastructure policy must be dealt with cohesively through cross cutting mechanisms of policymaking. The question of whether regulatory intervention would become the primary focus of the state in the post-financial crisis world. Should the onus of state action now be one of efficiency? How will a national consensus-based climate change be possible, in light of local government impediments such as political and fiscal differences?

The politics of adaptation were also considered. The argument was made that a pre-emptive adaptation policy is necessary as climate change will definitely occur in some form or another. Indeed, it was argued that the transition to a new carbon age in which emissions will rise relentlessly is already under way, so an agenda of adaptation must extend to this reality, too.

Climate change sceptics have a formidable influence on popular perceptions of the issue, ensuring that it remains a back-of-the-mind worry rather than a front-of-the-mind one. What are the dangers of the "state of fear" approach to the climate change challenge? Is the advice of policymakers not secondary to people's votes? The contention was also made that the scientific orthodoxy on climate change would be increasingly challenged over the coming months and years. The analysis of scientific data is used too programatically for surrogate political and ideological causes; the absence of a tangible rise in base temperatures and the rising carbon levels in the atmosphere are demonstrative of these shortcomings and the present climate change orthodoxy could be destabilised.

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