



# The politics of climate policy in affluent democracies

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This paper is a modified version of "The Politics of Climate Policy in Developed Countries", a paper prepared for the Berlin Workshop on Climate Governance and Development convened in preparation for World Development Report 2010 by the Development Policy Forum of InWent—Capacity Building International, Germany, on behalf of the Federal Ministry for Economic Cooperation and Development and in cooperation with the World Bank, 29-30 September 2008, which in turn was based on our chapter "Political Strategy and Climate Policy" in *Turning Down the Heat: The Politics of Climate Policy in Affluent Democracies* (Palgrave, 2009).

## Introduction

This paper reports the results of a study of the politics of climate policy in affluent democracies and at EU level aimed at identifying political strategies that may enable governments to make major cuts in greenhouse gas emissions without sustaining significant political damage.

This study, which will be published soon under the title *Turning Down the Heat: The Politics of Climate Policy in Affluent Democracies* (Palgrave, 2009), is based on three premises. The first is that developed countries are not currently implementing the types of policies that need to be implemented if climate change is to be brought under control. The second is that the main reasons for this are not scientific, technological or even economic, but political. Climate science is well-established, the Intergovernmental Panel on Climate Change (IPCC) has made increasingly clear statements about the scale, impacts and attribution of recent climate change, and in documents such as the Stern Report economists have outlined a range of policy instruments that have the potential to produce major reductions in greenhouse gas emissions without prohibitive economic costs, but still governments and other political authorities are reluctant to take decisive action even though most are now convinced that strong measures are needed. The third premise is that although politicians, officials and others involved in decision-making processes are in many ways the best placed to understand the constraints and opportunities that exist in national climate politics, political scientists also have a contribution to make due to their different and complementary approaches to conceptualising and analysing the dynamics of decision-making processes.

What the study as a whole does is provide readers with an overview of the politics of climate policy in the EU and the US, five individual EU member states (the United Kingdom, France, Germany, Sweden and Greece), Australia and Canada, and the US at state level. Affluent democracies are the focus because these are the countries that have contributed most to current greenhouse gas concentrations and continue, for the present at least, to be the world's largest emitters, especially in per capita terms. They also tend to be the countries where mitigation capacity—in terms of technological and financial resources—are furthest advanced. The study focuses mainly on national and state levels (in federal countries) because this is where the majority of substantive policy measures are formulated and implemented, and because the international dimension of climate politics is already well-covered in the international relations and geography literature.

The contributors to this study were asked not only to give an overview of the politics of climate policy but also to identify the main political obstacles to more radical action on climate change, the main political strategies currently being used by governments that want to take action on climate change, and future strategies that might enable

these governments to go further without risking disaster at the next election. We look at each of these in turn.

## **Political obstacles**

The contributors identified six major obstacles to the implementation of more radical climate policies.

### **1. The perception that individual countries make little difference**

It is widely accepted that, with the possible exceptions of the US, the European Union (EU) as a whole and China, unilateral action by any one country to cut its greenhouse gas emissions, however radically, would not even significantly slow global climate change. The absence of a simple “cause-and-effect” relationship between problem and solution within the domestic political setting that can be used to justify and legitimate strong climate policies is undeniably demotivating for national politicians.

### **2. The influence of climate sceptics**

Well-financed climate change sceptics continue to work to undermine support for climate policies by questioning the scientific consensus that climate change is being caused by human actions or by disputing the economic arguments favouring strong action. Where governments are sympathetic to such views, as was the case until recently in the US, such groups can be a powerful brake on climate policy. Although the continued accretion of scientific evidence on climate trends and attribution appears to be weakening the ability of climate contrarians to impede the strengthening of climate policies, except when they are in government, their influence has been amplified and prolonged by the media practice of trying to enhance the news value of climate change by framing it as a debate in which the media has a duty to achieve “balanced” coverage that gives equal exposure to supporters and opponents of the scientific consensus despite the overwhelming preponderance of evidence upholding the consensus scientific view.

### **3. A shortage of technically and economically efficacious solutions**

Despite much hype, a number of potential technological fixes, including hydrogen power, nuclear fusion, and carbon capture and storage, are from a technical and/or economic point of view not yet ready to be implemented on a large enough scale to make a difference to climate change.

### **4. The problem of competitiveness**

Certain climate policy instruments, such as carbon/energy taxes, have the potential to increase production costs for affected firms, at least in the short term. To the extent that these firms export goods or compete with imports, and foreign firms are not subjected to the same costs, these policies can lead to a loss of international competitiveness that, if serious enough, would lead to insolvencies, cutbacks in investment and disinvestment, and thus to lower economic growth (or recession) and

higher unemployment. If affected industries relocate in significant numbers to countries without emissions constraints, overall industry emissions may not be reduced and may even increase (carbon leakage). Industry groups and associated concerns are rarely slow to bring these potential effects to the attention of politicians and officials. It is, therefore, not surprising that market-based instruments that are thought to erode competitiveness have often been avoided or diluted through the introduction of exemptions and concessions for energy-intensive or trade-exposed firms. Fears about losses in competitiveness have also contributed to member-state resistance to the tightening of emissions caps under the EU emissions trading scheme.

The obvious response to this problem is to level the playing field for domestic and foreign firms. Although there is little immediate prospect of this happening at global level, and in 2008 the European Commission flirted with the concept of compensating for the increased costs incurred by European firms by imposing a carbon import tariff. More ambitiously, the introduction of a common carbon tax across all EU countries would prevent competitive distortions within the Single European Market, although this would not help European-based companies' vis-à-vis firms based outside the EU. The problem is that some member states remain opposed to ceding any further taxation powers to the EU.

## **5. Fear of the electorate**

Growing public sympathy for the general notion of climate protection is arguably a major factor behind the emergence of greater cross-party agreement on the need for stronger climate policies in many countries, but individuals tend to be less supportive of climate policies that directly or indirectly impose personal costs or which impinge in other ways on personal freedoms, such as carbon/energy taxes and lifestyle changes that are implied by climate policy such as restrictions on vehicle use. Employees whose jobs are perceived to be threatened by measures such as carbon taxes are also likely to object. Democratic governments which ignore these objections risk losing votes in the next general election that may make the difference between retaining and losing office. Where parties are polarised on particular climate policies there is the further risk that an activist government would lose office to parties that have gained votes by promising to reverse these policies, so that even a noble sacrifice would be in vain.

## **6. Obstacles within government**

Although control of the executive in states such as the UK generally ensures safe passage through the parliamentary system for the government's preferred policies, in countries such as the US legislatures can and do regularly block government proposals. In federal countries, subnational governments possess constitutional powers that, depending on their specificity, enable them either to interfere with the implementation of the central government's preferred policies or to set independent agendas for climate policy. Another obstacle within government is the tendency of economic and energy ministries to oppose climate policies that are thought to have

negative economic effects. The ability of such ministries to block or dilute climate policies is enhanced by the fact that responsibility for critical areas such as energy and transport is generally located in economic rather than environmental ministries. While the opposition of economically-oriented ministries is not necessarily enough to block climate policies if heads of government are determined to pursue them, lack of effective leadership at the top is another frequent obstacle to greater progress on climate change.

### **Current strategies**

The contributors identify a number of typical political strategies that are currently being used by governments in developed countries to strengthen climate policy:

#### **1. Efforts to reach global agreement on climate change**

Governments continue their efforts to reach global agreements that deepen the commitments made by developed countries to cut emissions and broaden the range of countries making binding commitments, for example by promising financial assistance and technology transfer for developing countries if they agree.

#### **2. Reports and targets**

Although government reporting and target setting can in some cases be used as a substitute for action, when not used cynically reports and targets can play an important role in diagnosing the scale of the problem, specifying required outcomes, and in so doing provide a statement of intent, build support for action, and inform the structure and design of policy instruments. That said, one recurrent finding that emerges is that targets are often missed.

#### **3. Focus on climate policies on which all major relevant political actors can agree**

One way that governments can reduce the political damage associated with climate policies is by obtaining the prior agreement of the main affected political actors and, implicitly, of the electorate as indicated by the results of opinion polls. This approach has pervaded the climate politics of many of the case-study countries. One indication of this is the ubiquity of voluntary agreements, whereby industry groups undertake to reduce their emissions in exchange for the non-imposition or delay of legal requirements or economic instruments. Although examples exist of climate policies being imposed by governments over industry and political opposition, such as the German ecotax in the late 1990s, in general this has occurred only after lengthy debates and/or periods of reliance on voluntary commitments, and the imposition of such policies have often been accompanied by concessionary measures.

The experience of affluent democracies demonstrates that a wide range of climate policies exists on which broad agreement can be reached. Consensus strategies are especially important in the early stages of climate policy as a means of binding key actors (especially industry groups) to the principle of emissions reduction while avoiding excessive political costs. On the other hand, once the policies on which

agreement can be reached have been implemented, persistence with a consensus strategy can impede further progress due to the effective veto that the perceived need for agreement gives to relevant stakeholders.

#### **4. Incrementalism on many fronts**

One widely shared belief among policy analysts and practitioners is that incremental policy changes usually elicit less political opposition than radical policy changes, and that incremental changes can create a platform for more major policy changes. It is, therefore, not surprising that most governments in affluent democracies have tended to implement a wide variety of relatively weak policies rather than adopting a few big radical measures. On the other hand, the emissions trading schemes introduced in the EU, some US states and Australia do constitute major departures from past practices.

#### **5. Taking advantage of weather-related natural disasters**

Even though it is impossible to be certain that individual weather-related disasters are a direct result of climate change, scientific research linking extreme weather events to climate change has fuelled media speculation on the subject when such events occur, leading to spikes in public concern about climate change that create windows of opportunity for governments to introduce or strengthen climate policies without sustaining as much political damage as might be the case at other times. At the same time it is important to note that these tend to close as the event becomes more distant in time and the media move on to other issues. Nevertheless, there is evidence that in some cases these opportunities have been grasped by governments, as happened in Germany in 2002 when the Elbe floods were instrumental in the government introducing new targets.

#### **6. Framing climate policy in terms of other policy objectives**

An increasingly common device used by governments to broaden support for particular climate policies is to stress their contribution to the achievement of other social and economic objectives (so-called ancillary and co-benefits). Expansion of energy generation from renewable sources, for example, contributes to energy security and employment as well as climate change mitigation, while measures to encourage people to switch from private cars to public transport would be expected to reduce traffic congestion as well as reducing emissions. The advantage of this approach is that actors who support these other objectives can be recruited to swell advocacy coalitions favouring, directly or indirectly, the objectives of climate policy.

#### **7. Policy instrument choice and design**

In general governments have moved from relying on voluntary agreements towards economic instruments underpinned by legal requirements. Among the most commonly used instruments are:

- Information provision.
- Encouragement of new technologies by means of subsidies and grants.

- Encouragement of renewable energy production by means of obliging electricity utilities either to provide a certain proportion of electricity from renewable sources or to buy all electricity produced by renewable sources at a set price (feed-in tariff).
- Regulation to enforce improvements in energy efficiency.
- Emissions trading.
- Carbon/energy taxes.

Important considerations in instrument choice and design have included effectiveness in reducing emissions in the targeted sector, legal enforceability, ease of monitoring, ensuring reasonable equity and protecting vulnerable or politically powerful groups, and controlling the impacts of the policy instrument on international competitiveness.

### Looking to the future

The evidence provided by the contributors has enabled the identification of a number of strategies that make it easier for governments to go further on climate change without sustaining significant political damage.

#### 1. Refinement of current strategies

The most obvious strategy is for governments to continue with, and further develop, the political strategies already being used, such as by:

- Redoubling efforts to strengthen global agreements in a way that also promotes greater involvement by developing nations.
- Improving reporting of climate change trends and predictions.
- Improving communication of the policy instruments that are needed and the benefits they will produce.
- Introducing progressively stricter emission and policy targets.
- Identifying and implementing further policies on which all powerful actors can agree.
- Preparing measures that can be implemented swiftly in response to major events, such as weather-related natural disasters, that heighten public concern about climate change.
- Continuing to stress the contribution of climate policies to other policy objectives such as energy security.
- Continuing to incrementally strengthen existing policies, especially economic instruments and financial incentives to promote technological innovations and renewable energy.

#### 2. Exploration of new policy options

The second strategy would be for governments to introduce policies such as:

- Much more stringent energy-efficiency regulations.
- Much bigger financial incentives for energy-efficiency improvements.
- *Grand projet* style investments in new infrastructure, such as massive new investment in nuclear power, to create step reductions in emissions.

- Extending emissions trading to the individual level by introducing tradable personal carbon allowances.
- Introducing carbon import tariffs at the EU level to compensate for any losses in international competitiveness caused by the adoption of stringent climate policies.

### 3. Governance reform

A third strategy would be to reform the way that climate policy is governed by means such as:

- Improving the measurement of emissions.
- Devoting more resources to systematic envisioning of what a low carbon society would look like in order to make it easier to identify the policies needed to get there.
- Improving the integration of economic and environmental governance by means such as moving energy and transport into an environmental ministry.
- Creating a separate climate ministry in order to raise the political profile of climate policy.
- Providing seats for independent experts and environmental nongovernmental organisations on all official climate change-related committees on which industry is represented.
- Ensuring that able and committed individuals are placed in key posts.
- Improving the transparency of potentially popular initiatives.
- Distributing any costs imposed by climate policies more equitably, on the basis that initiatives are more likely to be acceptable if they are perceived as being fair.
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### 4. Spillover strategies

By “spillover policies” are meant policies that are relatively easily to transfer to other countries, difficult to reverse once introduced, or which create functional or political pressure for their own strengthening or the introduction of related measures, such as policies that lead to increased investment and employment in the renewables sector, as these employment effects might be expected to increase pressure on governments to take further steps to facilitate further expansion of this sector. The aim of a spillover strategy, then, would be to select and implement policies that 1) increase the pressure on other governments to implement similar policies, and 2) increase pressure for stronger such policies to be implemented at home.

### 5. Selective imposition of more radical policies

Focusing on measures on which the agreement of powerful actors can be obtained has enabled governments to introduce and strengthen some climate policies at relatively low political cost. Once the relatively uncontroversial policies have been negotiated and implemented, however, continued acceptance of the need to obtain broad agreement impedes the introduction of more radical measures by giving all stakeholders an effective veto on government action. This, combined with the fact

that consensus strategies have not (yet) delivered emissions cuts of the magnitude required to mitigate climate change effectively, suggests that governments which are serious about significantly reducing emissions will at some point need to impose more radical policies against the wishes of powerful actors and/or voters—that is, to adopt a strategy of selective policy imposition. While this approach clearly carries greater political risks than consensus strategies, tactics that can be employed to limit these risks include:

- Introducing unpopular policies during the early years of an administration to allow time for opposition to subside and for the benefits of such policies to become apparent before the next election arrives.
- Targeting economic sectors that are able to pass on at least a proportion of their extra costs to consumers, as this may facilitate the internalisation of environmental costs without government being blamed directly, although the media is often quick to publicise how carbon/energy taxes, for example, lead to higher prices for consumers.
- Adopting policies that target losses on small sections of society, particularly groups that are least able to inflict political damage via the ballot box or to exercise threats to withdraw investment from the country.
- Compensating powerful actors in order to weaken their resistance to more progressive climate policies, although this approach is open to accusations of unfairness if the groups in question are responsible for large quantities of greenhouse gas emissions. For this reason such measures would need to be accompanied by the message that compensation must be accompanied by action and greater cooperation with the objectives of climate policy.

## Conclusion

To sum up, our study identified six political obstacles that deter national governments from implementing more radical policies on climate change:

- The perception that individual countries make little difference.
- The influence of climate sceptics.
- A shortage of technically and economically efficacious solutions.
- The problem of competitiveness.
- Fear of the electorate.
- Obstacles within government.

This is by no means a definitive picture, but it does provide a fairly comprehensive overview that is at the same time forward-looking in that it directs our attention to thinking about what might help governments to do what is needed while minimising political damage. In this connection five promising political strategies have been identified:

- Refinement of current strategies.
- Exploration of new policy options.
- Governance reform.
- Spillover strategies.

- Selective imposition of more radical policies.

One final point. If mainstream thinking about this problem is capable of identifying a new political strategy that would enable governments to take significantly more radical action, this would already have implemented. After all, many clever politicians and officials have been thinking about this issue for years. What this means is that political analysts in this area need to think outside the box if progress is to be made. Among other things this means tackling this problem from as many different angles as possible by applying as many different theories of political causation as possible, ranging from the rational actor theories employed by economists through policy network theories to the discourse theories used by postmodernist analysts. The idea here is that all theoretical perspectives by their very nature highlight some aspects of reality while leaving others in obscurity. If we are to identify political strategies that have been overlooked by mainstream thinking, therefore, we have to look to theories of political causation that are not often applied to this topic, such as theories drawn from psychology and linguistics. This is the subject of the study that we are leading at present, and which we are hoping to turn this into a much bigger study in the future.