

1. Introduction

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The EU has aimed to play a leadership-by-example role in international climate negotiations, adding increasingly ambitious targets and policy instruments. Its climate ambitions reached a new peak in October 2014, when the 28 heads of states and governments agreed to reduce greenhouse gas (GHG) emissions within the EU by at least 40 per cent between 1990 and 2030. This had been preceded by the March 2007 agreement among EU leaders to reduce GHGs by at least 20 per cent between 1990 and 2020, followed one year later by the unanimous adoption of a package of binding climate and energy policies. The chances for realizing the EU's long-term decarbonization goal by the year 2050 thereby gained traction.¹

This leadership ambition in climate policy gives rise to several intriguing questions from a political science perspective. How did the various member-states manage to agree on increasingly ambitious common targets and policies? Have the policies been implemented domestically – and have they served to trigger a transformation towards decarbonization? What are the consequences of these implementation experiences for the adoption of new EU policies to 2030 and beyond? The learning effect of the EU experience may prove considerable, as leaders around the world must grapple with related political feasibility challenges in responding to the threat of climate change (see Intergovernmental Panel on Climate Change (IPCC) 2014). Can climate policies be strengthened without creating losers who may try to block subsequent policy development? Can policies be designed in ways that promote domestic implementation and lower-carbon transformations? And how can policymakers reform and step up existing policies to meet the long-term challenge of climate change? Even though the EU is a 'unique' political system confronting distinctive energy challenges, its experience can be valuable for other factors, highlighting opportunities and pitfalls in responding to the problem of climate change.²

This book explains policymaking, implementation and reform by combining negotiation theory on issue-linkages with theories on EU policymaking and implementation. Using a novel analytical approach we follow the policy-cycle from the initiation, decision-making and implementation of targets and policies for 2020, to reform for 2030. The book offers insights into how climate ambitions can be raised under the most demanding decision-making rule – when unanimity is required. In the main, EU climate and energy targets and policies have been adopted by unanimity, which has alternately been legally required, politically determined or *de facto* under the ‘shadow of voting’. Negotiation theory has shown that agreement can be reached through *issue-linking*, by designing policy packages that combine different actor interests and values, and promote synergies (Sebenius 1983). However, policy packages may also lead to policy ‘trouble’. Bringing ‘wrong’ issues into policy packages may make negotiations too complex, splitting rather than unifying actor interests – and eventually failing.

We combine negotiation theory on issue-linkages with theories of EU integration, policymaking and implementation. Negotiations are necessary to the functioning of the EU. The once-distinct literatures on EU politics and negotiations theory are increasingly interlinked in the study of EU integration (Dür et al. 2010). Still, as far as we are aware, applying this combination of theories to climate and energy policies, encompassing the full policy-cycle, is unprecedented.³

And finally, we show the value added of tracking politics and policy development over the full range of policy phases – from initiation, through decision-making, to implementation and policy reform. This dynamic approach reveals how policies and issue-linkages within one phase affect outcomes in the next phase. Reform of existing EU policies for 2020, as illustrated by the EU 2030 climate- and energy-policy framework, is affected by how policies were initially made and by experiences gained from domestic implementation. Crafting ‘successful’ policy packages requires skilful entrepreneurship over time – not merely as a one-shot effort.

Our starting point in seeking to explain the initiation and adoption of the EU’s 2020 targets and policies is the following paradox: EU climate policy comes close to the positions of the ‘most ambitious’ actors even when the decisions have been adopted by unanimity. This unanimity included the ten Central and Eastern European countries (CEECs) that started to enter the EU from 2004 – some of them, such as Poland, highly sceptical towards a more ambitious EU climate policy. According to the null hypothesis indicated by negotiation theory, EU climate policy would reflect the position of the ‘least ambitious’ actor when unanimity is

required (Underdal 1980). As this expectation diverged fundamentally from realities, we began searching for mechanisms that could explain how all member-states could agree to policies that were significantly at odds with the interests and preferences of the 'least ambitious' actors. In theories on issue-linkage we found one compelling answer: agreement can be reached by combining different issues in a policy package. We observed that a key mechanism in EU policy-linking was to combine issues that were differently valued among pivotal actors who could block policy progress, issues such as differing concerns for climate change and energy security. Another mechanism involved compensating the 'losers' by adding new issues as side-payments, such as revenues from auctioning of emissions-trading allowances. A third mechanism was to create synergies by which policies for combating climate change could reduce air pollution and create new 'green' jobs in low-carbon energy industries, thereby raising the willingness to agree on climate policies.

Negotiation theory proves necessary for understanding EU policy progress under conditions of unanimity, but theories of EU integration and policymaking are needed to explain why and how policies developed in the first place. Here, we apply two approaches: Liberal Intergovernmentalism (LI) and Multi-level Governance (MLG). From the LI perspective, we would expect the initiation and adoption of climate and energy policies to reflect the interests, preferences and actions of the member-states and their intergovernmental bargaining (Moravcsik 1998, 1999). Entrepreneurial member-states can take the lead in crafting new and ambitious package solutions because they believe that issue-linkage will improve the chances that less ambitious member-states will agree to more ambitious EU policies.

LI has been challenged by other approaches that hold that European integration includes other actors, institutions and channels for influence that challenge member-states. MLG outlines various mechanisms that restrain member-state governments from having full control (Hooghe and Marks 2001). Two such mechanisms are particularly relevant here. First, supranational institutions have an independent influence on policymaking as actors and arenas, an influence beyond the scope of their role as agents serving national governments. Secondly, non-state actors may directly influence both EU and national policymaking (Skjærseth and Wettestad 2008). These mechanisms can work in combination. The European Commission (henceforth Commission) has the power to initiate new legislation and can serve as a political entrepreneur by taking independent initiatives within 'networks' of non-state actors seeking to exert influence on EU legislation (Richardson 1996). In essence, this MLG approach may explain the initiation and adoption of EU climate and

energy policies as a result of complex bargaining at multiple governance levels that include EU institutions, non-state actors and member-state governments.

Implementation theory, derived from the MLG literature, provides our starting point for explaining domestic implementation of the EU package of binding climate and energy policies for 2020. We assess and explain implementation in selected national contexts (see below). We employ two main approaches focusing on the relationship between the EU and member-state levels to explain variation in implementation (Treib 2008; Di Lucia and Kronsell 2010). The first centres on the degree of 'fit' between EU requirements and national status quo. A good match will increase the feasibility of implementation. The chances of successful implementation would be particularly good if policies adopted at the EU level were linked or combined so as to promote benefits for all member-states. When unanimity is required at the EU level and policies are based on policy-package negotiations, however, there is also a pitfall as decision-makers can trade concessions between the various package components which, at the domestic level, might distort the 'fit' and protract later implementation of specific policies.

The second approach focuses on the relationship between the EU and domestic politics. Domestic politics explains responses to EU policies by the state (or its government) and society, and the relationship between the state and society (Underdal and Hanf 2000; Treib 2008; Di Lucia and Kronsell 2010). New governments may bring in new priorities after EU policies have been negotiated and adopted. Societal actors may be strengthened or weakened by new EU policies, and policy style may affect these actors' access to and influence on decision-making. Finally, administrative organization may promote or inhibit EU implementation.

Domestic implementation of short-term policies is likely to affect national positions on new long-term policies. How have implementation experiences affected the development of new longer-term targets and policies? Reform towards EU 2030 climate and energy targets and policies will probably reflect experiences and learning from implementing current policies for 2020. Positive experiences from implementation in the form of new low-carbon opportunities are likely to spur support for more ambitious targets based essentially on strengthening the linking of the same set of policies and issues. Conversely, negative experiences are likely to spur opposition to more of the same policies; and mixed experiences are likely to lead to preferences for re-packing, strengthening positively experienced policy elements and weakening negative elements.

Common to both LI and MLG approaches is the emphasis on EU internal factors and processes. However, international events and regimes

external to the EU can also influence the development, implementation and reform of EU policies. Because the EU is predominantly an import region for energy, it is vulnerable to events affecting supply and energy prices in the international energy markets. International events may affect the political priority accorded to climate and energy issues within the EU, and hence how policies are initiated and adopted. Further, the EU, with its member-states, seeks to harmonize international commitments across the globe, in order to create a level playing field as regards competition conditions for its industries operating in international markets. Therefore, also international regimes can affect the development of EU policies (Costa and Jørgensen 2012). For one thing, harmonization of international climate commitments may reduce opposition from European industries concerning more ambitious EU climate policies. Also, international flexibility mechanisms can reduce compliance costs within the EU. Accordingly, changes in the international climate regime can affect actor positions and the adoption of new EU policies. Our theory framework is further outlined in Chapter 2.

RESEARCH DESIGN

To explain how the EU has been able to adopt, unanimously, increasingly ambitious climate policies by linking energy issues and policies, we distinguish between functional and political linkages. Functional linkages refer to trade-offs or synergies between climate and energy policies. Climate and energy issues are functionally linked: energy policies will affect GHG emissions, and climate policies will affect energy production and use. Political linking is defined according to whether climate and energy policies are initiated, proposed and adopted at the same time by the same set of policymakers. Climate and energy policies are considered de-linked or decoupled to the extent they are functionally connected but have been initiated, proposed and adopted separately at different points in time.

To explain how EU policies have been implemented and reformed, we have selected four countries for in-depth study: Germany, the Netherlands, Norway and Poland. The first criterion for selecting these cases is that they provide significant variation in energy mix and import dependency well before EU climate *and* energy targets and policies were linked at the EU level (Eurostat 2007). This means they are confronted with a range of different challenges and opportunities as regards decarbonizing their economies.

In 2005, the Netherlands imported nearly 40 per cent of its energy needs, with energy consumption based almost exclusively on fossil fuels, mainly natural gas. Norway was a net energy exporter based almost exclusively on renewable hydropower for electricity production, which accounted for about 40 per cent of gross energy consumption. Poland imported 18 per cent of its energy needs; and 90 per cent of its electricity production was based on coal, representing nearly 60 per cent of its energy consumption. Germany was the most import-dependent (61 per cent) of the four, with a mix of coal (24 per cent), oil and petroleum (36 per cent), natural gas (23 per cent), nuclear (12 per cent) and renewables (5 per cent) in its gross energy consumption.

Secondly, these four countries represent the main differences in positions in the reform negotiations on EU climate and energy policies for 2030 (see Chapter 10). Poland has served as the informal leader of a larger group of 'least enthusiastic' CEECs in the EU. Germany, the Netherlands and Norway have all been part of the 'Green Growth Group' arguing for differing but more ambitious EU goals and policies. Our third criterion has been a pragmatic one. The authors of the various country chapters are all scholars who are familiar with the climate and energy policies of these countries.

Norway provides an opportunity to explore implementation of EU policies in a country that is not an EU member. However, it is part of the single market through the European Economic Area (EEA) agreement and is thus obliged to implement EU climate and energy legislation more or less like EU member-states (see Chapter 9). On the other hand, Norway has no seat at the decision-making table in Brussels, which makes it a special case as regards the relationship between policymaking and implementation.

We have structured the four implementation studies according to a common template. They start with an account of climate and energy policies before the EU policy package negotiations in 2007 and 2008, followed by an assessment of each country's role and positions in the negotiations as compared against the EU policy outcomes. We then explore the implementation of various EU climate and energy policies with a view to 2020 and beyond. The case studies assess implementation of the 'core' package, which consists of the Directive reforming the EU Emissions Trading System (EU ETS), the Effort-Sharing Decision (ESD), the Renewable Energy Directive (RED) and the Carbon Capture and Storage (CCS) Directive. Implementation of climate policies for the transport sector is analysed only for a sub-set of countries that are particularly affected. Implementation of the car emissions regulation is analysed for Germany, with its large car manufacturing sector, and the

Fuel Quality Directive (FQD) for Norway, with its sizeable petroleum industry. Finally, the case studies assess experiences with implementation of these policies, and the related consequences for national positions on EU 2030 policies.

The disadvantage of such a structured comparative approach is that the case studies are less context-sensitive than they would have been if studied in isolation. We have tried to compensate for this by encouraging each author to identify explanatory factors that are not part of the framework, and by applying the framework with flexibility to adapt to unique case features, such as the German federal political system or Poland's post-Soviet 'culture'.

Caution is warranted in assessing implementation with a view to 2020 and beyond. Major criticism has been raised against studies of public policy implementation where large programmes have been evaluated after only a few years of operation (Skjærseth 2000). Changing behaviour and transforming energy systems take many years, and implementation may be a matter of incremental change. Still, the EU member-states (and Norway) were required to implement the package of policies by a certain deadline – so at least the policies and measures should be in place today, although the impact on emissions and energy patterns may emerge gradually, over time.

Our analysis is based on combining historical records and qualitative case studies at the EU and national levels. We extract empirically assessable propositions from the various explanatory perspectives, and then examine them by a combination of pattern-matching and explanation-building. Pattern-matching is our preferred methodological technique for assessing well-established theories, such as 'fit' and adaptation pressure. Explanation-building based on 'narratives' and process-tracing is used for capturing more complex causal relationships. Data collection has been based on multiple sources, including energy statistics, position papers, secondary literature and interviews. Semi-structured interviews have been conducted with carefully selected representatives from EU institutions, non-state actors at the EU level, and representatives of various state and private organizations and interests in the four case-study countries. Interviewees are listed at the end.

OUTLINE OF THIS BOOK

The next chapter presents our analytical framework that we use to assess and explain the initiation, adoption, implementation and reform of EU climate and energy targets and the 2008 policy package. This chapter

guides the empirical analysis. Chapters 3 to 5 examine the initiation and adoption of EU policies. Chapter 3 provides some historical background to EU climate and energy policies and a baseline from which the linking of climate and energy targets and policies is studied. Chapter 4 focuses on the initiation of the climate and energy policies until the formal package proposal was presented by the Commission in January 2008. Chapter 5 directs the spotlight on the negotiations on the formal package proposal, and the outcomes and subsequent policy development at EU level until 2014. Chapters 6 to 9 analyse the implementation of EU climate and energy policies, starting with Germany in Chapter 6. The EU's renewable electricity production giant is struggling to implement several parts of the climate and energy package. Chapter 7 focuses on Poland, showing how and why the EU's sixth-largest member-state in terms of population has systematically opposed and then absorbed EU climate and energy policies. Chapter 8 turns to the Netherlands, a traditional environmental frontrunner that has shown surprisingly little interest in renewables. Chapter 9 examines the EU 'outsider', Norway, noting the challenges of combining petroleum production and an initially high level of renewables with an ambitious climate policy.

In Chapter 10, we compare implementation across the four countries and different policies. First we compare implementation of EU policies with a view to 2020 and beyond; then turn to explain variation in implementation. This is followed by analyses of the consequences of implementation experiences for national positions on the new EU 2030 climate and energy framework. Lastly, we feed the various experiences into an analysis of the adoption of the EU 2030 climate- and energy-policy framework in October 2014. Our empirical findings, with analytical implications and views on the road ahead, are presented in the concluding Chapter 11.

NOTES

1. In October 2009, EU leaders agreed to support the EU goal of reducing GHG emissions by between 80 and 95 per cent by the year 2050 compared to 1990 levels (European Council 2009).
2. The EU is the world's largest energy importer, its energy-import dependency has been rising since the mid-1990s. In 2012, 53 per cent of EU energy consumption was linked to imports. Energy imports to the EU cost about one billion euros per day; EU energy dependency is 88 per cent of crude oil, 66 per cent of natural gas, 42 per cent of coal and 95 per cent of uranium (Commission 2014).
3. Contributions on EU climate and energy policies include: Boasson and Wettestad (2013); Birchfield and Duffield (2011); Buchan (2009); Dupont and Oberthür (2015); Dreger (2014); Jordan et al. (2010); Oberthür and Pallemmaerts (2010); and Morata and Sandoval (2012).

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