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DESIGNING EUROPEAN GOVERNING INSTITUTIONS FOR CLIMATE FUTURES -

SUMMARY FINAL REPORT

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I. OBJECTIVES

The research had the following aims :

- to assess the significance of the UN Framework Convention on Climate Change in coordinating policy and in creating mechanisms to ensure its compliance;
- to investigate the effectiveness of the Convention in terms of new organizational arrangements and policy outlooks in selected countries;
- to review the significance of the first phase of reactions as a guide to possible further responses to further reductions in greenhouse gases; and
- to consider the scope for integrating more effectively the social, economic, transport and industrial dimensions of climate policy both nationally and internationally.

II. METHODOLOGY

The conduct of the research involved documentary research and extensive in depth interviewing with a great variety of key contacts. This is why the final product was so policy-informed. The team worked very much as a collegiate whole. This created a great sense of collective commitment to high standards. The team met on five occasions, each of which lasted two full days. Before each working meeting papers were circulated and read by all participants. This enabled plenty of time both for discussion and the integration of theory into the actual case studies. Both political and legal theory was involved.

The research team looked at the European Union as a whole, as well as four selected countries, namely, the UK, Germany, Norway and Italy. The selection of the European Union as a separate legal and political entity was deliberate in that no full assessment had heretofore been made of the legalities of the powers of the Union to bring Member States into line in order to meet such a collectively agreed purpose. The Italian case study was not funded by the Commission, but followed the rubric of the research project. It was undertaken by a supervised postgraduate.

The purpose of this exercise was to evaluate institutional adaptation in the European response to the perceived threat of global warming. The idea was to assess how far there is a “climate change politics” that is separately identifiable, purposeful, and capable of changing political relationships, organizational procedures, individual outlooks, and mutually beneficial behaviour. In short, was the debate and commitment to a climate Convention sufficiently focused and powerful to alter what would otherwise have occurred in its absence?

Indeed, implementation may not even need a specific role for “the state”, weakened as it is by deregulation, privatization, a wider European agenda, and interest group capture of key policy areas through innovative alliances. The process of implementation in these “open-ended” policy arenas may therefore be far more decentralized, disjointed and opportunistic than has been interpreted by many analysts so far. In such “wide net” policy arenas there may be many “chaotic” ways in which policies emerge, unite, coalesce and submerge in political arrangements of competing and cooperative parts. The key therefore, was to look for interesting alliances, fresh forms of evaluation, cultural trends, and active social movements which combine and fragment in intriguing ways. Legal and institutional Regimes play their role in providing the all important basis for a set of potentially coordinating alliances and actions. But they are by no means the driving force for subsequent action. What we therefore may be witnessing is a process of alliance building and fragmentation, within which the Climate Convention plays its part, but only as it is allowed to do by circumstances that may have little to do with global warming. International conventions provide a vitally important focus for action and evaluation, so one must not underestimate their significance. But their stage may be peopled by many “walk on” actors.

III. MAIN RESULTS

The climate change issue illustrates the interconnections between politics, science and social response. It also challenges democracy in that it seeks policy shifts well in advance of its consequences being evident. In short,

the processes of both conceptualizing climate change, evaluating responses, and subsequently carrying out new or additional policy measures, are all part of institutional mechanisms.

The project concluded that the answer to the opening question, namely has the UN FCCC altered the course of events in European politics, is "yes", so long as "climate change" is broadly interpreted as part of a general institutional dynamic around restructuring economies, social rehabilitation, international realignments of influence and trade, and the amalgamation of policy into coupled objectives and programmes. Climate change politics is increasingly immersed in a ferment of institutional change that is a feature of a European Union, bent on greater integration, pushed by global economic forces not always in its control, the post cold war era of freer trade and troublesome regional conflicts, and the relentless progress of information technology and ubiquitous communication. To try to assess a specific "distinctiveness" for climate change politics would therefore be misguided and foolhardy. Misguided because the focus is more blurred, foolhardy because the pattern of influence would be misunderstood. This is why the research project did not ultimately concentrate on climate change on its own, but largely in terms of its influence on a host of organizational structures and relationships, and intermediate policy measures, leading to institutional adjustment to climate change "in the round".

The most significant institutionally adaptive measures from all the countries studied include tax policies, policy integration arrangements, modest initiatives on the transport front, improved consultative and coordination procedures, and the momentum towards Local Agenda 21.

III.1 Tax Policies

Climate policy inevitably becomes entangled in tax policy, regional development strategies and social well-being issues. The most adventurous attempt to promote this mix was the proposal by European Commission to promote a powerful but competitively equalizing tool in the form of a Union-wide, fiscally neutral carbon-energy tax. With a potential revenue of around 30 billion ECU annually, this could have generated around two percent of tax revenue for the EU. The aim of the Commission was to recycle this revenue into the economy, so that it would not actually add to the tax burden. It would have been redistributed in various ways, including social welfare programmes for those most disadvantaged, labour cost reductions to industry to help keep jobs or create new ones, and regional development expenditures geared to energy efficiency, and reduced road and air transport requirements. These proposals are indicated clearly in the Commission's White Paper on Growth, Competitiveness and Employment published in December 1993 (COM(93) 700final, 5.12.93).

The carbon-energy tax would have been a real institutional reform. But it was probably promoted too rapidly to get the full support in the European administrative machinery. In any case any fiscal strategy requires unanimity amongst Member States, and Britain for one was not in a political position domestically to accept it. In addition, some of the many complicated details of this truly radical programme were not thought through. For example, the pattern of energy subsidies and excise taxes varies enormously across Member States, as does the structure and industrial role of the energy industry. It is simply not politically possible to impose a fixed tax into such an amorphous and non-comparable set of arrangements. The Commission has not abandoned the idea. The germ of revolutionary fiscal reform is in place. Its time will surely come as further economic and social restructuring will need new income and a justification for a tax reform that will be socially tolerated. So certain preparatory institutional structures are now in place, even if not yet at the EU level.

For example, in the UK the fuel tax escalator and the proposal, advanced in November 1994, for a landfill tax on industry, the proceeds of which would be earmarked for offsetting labour costs, are true innovation. Admittedly both are connected to other fiscal policies, and to political concern over popular protest regarding new roads, the growing alarm over the health effect of vehicle-linked air pollution, and the rumbling planning disputes over landfill sites and incinerators. Both show the significance of issue linkage and interest group realignments, and both give hope to tax reformers and environmental economists that this small shift will become progressive. The investment from VAT on fuel and excise tax on petrol in the Energy Saving Trust and in domestic insulation is a step in this direction.

The Norwegian carbon tax, though modified through political reaction, remains the Norwegians' only effective weapon in its carbon war. Joint implementation of emissions' is being tried out as part of the pilot phase promoted by the Berlin Mandate. Norway will not get any carbon credits in the interim. One might expect the Norwegians to push for some version of tradable permits in the future: this is hinted at Norwegian debates held in the period of the research.

FORMULATION AND IMPLEMENTATION OF INTERNATIONAL ENVIRONMENTAL AGREEMENTS

The Germans used their tax system to finance restructuring of its new eastern Länder. But it has helped to carry the German carbon reduction load in a form of an internal joint implementation strategy. In the future Germans may look towards more technologically based initiatives in industrial materials use efficiency, and thus may be disposed to nudging prices in an environmentally friendly direction even in the absence of an EU carbon-energy tax. This would be a crafty move as materials and energy efficiency technologies are bound to sell in the open European markets both within the expanded EU and across the borders to possible new members, especially those in central and eastern Europe. Here is where trade, social and industrial policies may intertwine to the benefit of long run carbon reduction.

Policy integration is long called for but rarely takes place. This should not be a wonder when administrative departments and also parliamentary procedures usually focus on departmental separation for budgeting and political scrutiny. The interdepartmental coordinating machinery is much more likely to become effective through cost reduction measures and multiple objective planning than it is through formal political coordination of ministerial whims. The British interest in programme coordination aimed at least cost combinations of departmental measures is also a powerful innovation, again carried out for fiscal reasons as much as environmental ones. Admittedly these are very early days: the British Treasury is not yet convinced, the integrative economic techniques are still being developed, the policy coordinating units are small with little clout, and the whole process has negligible public visibility. Nevertheless the aims of systematic, cross departmental cost benefit analyses using environmental economic tools aimed at minimizing social costs in the context of multiple policy combinations is a huge step forward, if only conceptually. In all probability this will be the basis of future political coordination of policies elsewhere. Just as privatization gripped the world, so eventually will multi-objective cost minimization - though it will need a catchy title. One can detect the elements of this in Norway certainly, Italy to a lesser extent because of its peculiar bureaucratic politics, and in Germany where administrative efficiency is highly popular. In the European Commission, however, it seems a distant prospect - at least until it attracts the attention of the President's office and the key finance ministers.

III.2 Consultation and Outreach

All the governments studied explicitly recognized that any move in a precautionary direction requires stakeholder support. A common innovation was staged participation in a more open manner than has been the case before in such exercises, and the emergence of two developments. One was the parliamentary commission such as those that took place in Germany and Italy, involving distinguished experts as well as legislators. The other was the round table, notably drawing in business, but increasingly involving environmental groups. This process has helped the various interests share each other's viewpoints and assumptions, it has begun the collegiate approach to problem solving based on mutual interest, and it has created a sense of trust in political arrangements that was fast disappearing.

Again these are early days. One should be careful of overemphasizing a necessary condition for any precautionary political commitment. The fact that the various stakeholders actually recognize their shared interests is an important step forward in creating both effective response to international agreements, and the basis for local action backed by national consensus. Cross party support would also help this process, but this is very unlikely given the fact that climate change politics are enmeshed in so many other policy arenas where party ideologies conflict. So the concept of mutual advantage through policy networks and interest realignments beyond the party political battleground is the basis for further development. The research team regarded this as a much more significant institutional change than efforts to create formal integrative bureaucratic structures.

III.3 The Transport Crunch

Everywhere one looks transport-based CO₂ emissions are rising and show little indication of slowing down. Both air and land transport demands show no sign of abating, yet both create environmental and social costs that are alarmingly high. Admittedly the calculations need refinement, but even with a heavy carbon tax income, these aggregated external costs could still be greater. At present, it is this under-financed social burden that strikes at the heart of the schizophrenia over transport. The modern age has all but made air and road transport indispensable for many people in industrial countries. This is partly, a function of specializing and globalizing economies where it still pays to ship components and final products over great distances rather than to retain locally provided distribution networks. Because of this perceived, yet politically demanding, transport dependency, the clash between transport emissions and climate change reduction measures will be most severe and painful.

Technological innovation, spurred on by price signals, can make the car lighter, more recyclable and hence much more fuel efficient. Similarly a combination of regulations and pricing might shift the growing amounts of short haul air traffic towards high-speed trains linking all European capitals and other centres. But such technological fixes in themselves are nothing like enough. Local climate action plans may encourage businesses to permit teleworking, to decentralize offices, to encourage cycling and car pooling and to redeploy their supplier-distributor geographies. The German experience shows that localization of climate action within Local Agenda 21 politics has helped to coordinate efforts at reducing individual private travel in favour of more collective modes or cycling, even though the national picture still reveals growing transport-related emissions.

For transport to be tackled on a grand scale, many forces will need to be put in place, including the fiscal, multi-objective coordination, health-social gains, interest realignments and international cooperative arrangements. This will test the nerve of governments and the basis of the project's conclusions. Informal commitments to fresh socially supportive norms, coupled to local activism could become the way out. The Germans are most advanced in this respect, but the British are catching up. The Norwegians and the Italians are harnessing their business communities in this area too. This is already proving to be fertile ground for institutional adaptation.

III.4 Local Agenda 21

It is possible that the bulk of climate change politics will have to devolve to the local level if it is to become effective in the informal institutional dynamics of individuals and households. The rise of informal networks of cooperation is an important development here, spurred on through schools and colleges, various social groupings, and local business. This is by far the most exciting arena for innovation in climate change politics. For this transition to succeed, it will require :

I. an effective mechanism through which the international message can be converted to the local level, so that local action is seen as resonating with global action. This will mean a fresh role for those NGOs that straddle the global and the local in their lobbying and educational roles, as well as clearly coordinated civic initiative and school teachers;

II. visionary leadership by local authority politicians and officers who begin with their own official life styles and their personal commitments. This will be a demanding task, requiring dedication and careful publicity, helped through media and schools support;

III. constructive national policies, in such matters as tax, housing, employment, education, health care and transport, to help local authorities find their own level in Local Agenda 21 without being impeded by unnecessary and unhelpful restrictions;

IV. collaboration by local business, both in backing local strategies as well as in putting their own greenhouse gas emission reductions in order. Much can be done via regional, inter-business collaboration, particularly amongst the smaller firms, as well as through careful audits of supplier and distributor usage of climate change inducing emissions;

V. some central unit of advice, guidance and intelligence gathering for all local initiatives. This unit should be electronically networked to allow for speedy and effective communication. It should be prepared to review local action but in a helpful and encouraging manner. And it should be able to pinpoint blockages and suggests ways forward, even if a range of non-local activities have also to be harnessed.

IV. SCIENTIFIC INTEREST AND POLICY RELEVANCE

Progress will be made as climate change generates, or reinforces realignments of power, patterns of cost benefit analysis and democratic involvement, issue networking and interest group reconnection that are always taking place, but which can be loosely organized in the larger stage of wide policy momentum. We can see that institutional innovation has centered on a series of vital themes.

- the European Union has created a coherent, response sharing perspective that it has backed by the monitoring mechanism, incipient policy integration, the beginnings of an awareness of the need for ecological tax reform, and the organizing focus of a regular response to the UN FCCC Secretariat. This is global commitment at the multi-national level;

FORMULATION AND IMPLEMENTATION OF INTERNATIONAL ENVIRONMENTAL AGREEMENTS

- national cohesion is incipient, but at least in every country, structures are in place that should maintain the momentum of integrated climate change science and a depth of coordinated national response, if for no other reason than the reporting mechanisms are now there, and some form of identifiable reaction is expected by the NGO community in its loosest sense. But the UN FCCC Secretariat has to enjoy full CoP backing for this to prove effective. So far that backing has not been guaranteed. This is the most important single innovation if the changes outlined below are to prove truly effective. Local action has begun. It may be faltering and it is inhibited, but it carries the seeds of democratic involvement through learning, doing and cooperating that cannot effectively take place in any other arena;
- policy integration has occurred because of policy width, and the opportunistic scope for interesting sub-alliance within an amorphous policy field. This in turn has enabled valuable new approaches to policy instruments of informing, consulting, mediating and distributing that occur anyway but can cooperate around climate change without being too obvious or subversive;
- this in turn is creating social learning, both in interministerial arrangements at the local community level, in a host of ways. Again, the learning is by no means only climate change driven, but it is a productive area of ferment;
- the precautionary principle has its place, but action remains most acceptable in the “no regrets” stage of the response cycle. The precautionary principle will be more properly tested when that phase has run its course. By then, only if the points made above are in place, will the precautionary principle prove effective;
- the connections of scientific evaluation, technological advance, organizational repositioning, and the shift in power caused by new amalgamations of policy communities, provide a vital trigger for all these changes. These connections are the fluid of institutional adaptation to climate change in a paradoxical world where climate change politics are both separately identifiable and comfortingly obscure.

Two main policy-relevant conclusions emerge from the research :

- If you want to implement a climate policy, it is wise not to call it that. Call it an economic policy, a fiscal policy, an employment policy, a social policy, or an international relations policy. Climate policy on its own does not command either widespread public support or effective political weight. But a climate policy that resonates with or reinforces other arenas of policy, where there is higher public and political profile, can help give it strength and durability;
- Global commitment through the Convention process, is vital to create a framework for common action that is ultimately mutually beneficial. The national task is to coordinate a range of actions across a broad sweep of policy, to ensure that the reporting mechanisms are sound and verifiable, and to create an atmosphere of flexible interpretation of costs and benefits of policy options. But it is at the local level that real response will be found, for here is where the climate issues touch the lives of every city and household.