

UACES 42nd Annual Conference

Passau, 3-5 September 2012

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Paper Presented at the UACES Conference “Exchanging Ideas on Europe”

Passau, 3-5 September 2012

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Climate Change and Energy: Values and Beliefs in Intra-Institutional Dynamics within the European Commission

Introduction

When the EU in 2009 adopted the climate change and energy package, it was hailed as a successful integration of climate change policies and energy policies. However, developments since have shown that climate change policies and energy policies often conflict, and that this conflict is reflected, perhaps even to a large degree rooted, in conflict between the actors having different values and beliefs regarding the relationship between climate change mitigation and regarding the choice of policy instrument. The divergence between the Commissioner for Climate Action, Connie Hedegaard, who have argued for an EU greenhouse gas reduction target for 2020 of 30 per cent compared to 1990 levels, and the Energy Commissioner, Günther Oettinger, who has explicitly argued against it, demonstrates that this division cut through the Commission. This paper will argue that the division within the Commission is not confined to the level of Commissioners, but also exists at the level of their respective Directorates-Generals (DGs).

Much has been written about the relationship and overlap between climate change policy and energy policy (see for instance Tosun & Solorio 2011; Lenschow & Zito 2010; Nilsson 2005; Frogatt & Levi 2009), and about the choice between different policy instruments available for use within these two policy areas. Yet, although much of this literature has focused on the EU, including the Commission, most of it has treated the Commission as a unitary actor and ignored intra-institutional dynamics (see for instance Dupont & Primova 2011). In other words, it is an open question which kind of role such dynamics have played, although the public debates between not

only Hedegaard and Oettinger but also senior officials from the DGs indicate that they have been influential.

The fact that the differing values regarding climate change mitigation and energy supply are deeply ingrained in the organisational cultures of respectively DG Climate Action and DG Energy, and intertwined with equally profound beliefs about the nature and effects of the different kinds of policy instruments means that it is very relevant to study the role of such values and beliefs. These conflicts may very well have consequences for the possibilities of creating coherent policies and integrating climate change policy and energy policy. Whereas a lot of the literature on the policy integration focuses on the integration of environmental objectives into other policy areas (see for instance Nilsson 2005; Biermann et al. 2009; Oberthür 2009), this paper will treat the two objectives (climate change and energy supply) in an equal fashion by studying how they have been promoted by respectively DG Climate Action and DG Energy. The intention is to analyse whether and how the values and beliefs intrinsic to the organisational cultures have influenced the output of the Commission in two cases, namely the May 2010 Communication “Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage” and the debate in 2011 regarding how to implement the EU’s Energy Efficiency Target. In this way, the article will contribute to the overall aim of the special issue by investigating whether and how discursive interaction within the Commission have influenced output in the shape of Commission decisions. In order to answer this question, intra-institutional dynamics have been mapped and the developments over time have been identified.

In both cases, the two DGs have been at loggerheads over the both the objectives of EU policy (due to different values) and the consequences of different policies and policy instruments (due to different beliefs). These differences have had a significant impact on Commission policy: they influenced the Commission’s decision not to call for a step-up to a 30 per cent reduction target on 2010, and resulted in a policy which is potentially incoherent in the case of the Energy Efficiency Target in 2011-12. Yet, the two cases also differ on important aspects: the 2010 case was characterised by little consultation between the two DGs but also by a clear difference in power (as DG Energy had the backing of other DGs and the Office of the President of the Commission). The 2011-12 case was characterised by more consultations and by more equal power relations. Furthermore, the 2010 case was to a large degree a conflict of values (which priority should be granted to climate mitigation) whereas the 2011-12 mainly concerned beliefs regarding the choice

of policy instruments. In the latter case did the two DGs to some degree succeed in finding a solution to the conflicting values and beliefs, in the former they did not.

In order to analyse the role of organisational values and beliefs in the two cases of intra-Commission clashes, the paper will proceed with a discussion of values and beliefs in organisational cultures, drawing among others on literature on the intra-institutional dynamics of the Commission. This discussion will be followed by a discussion of the values and beliefs which may potentially but necessarily conflict when climate and energy policy overlap. Subsequently, the two case studies (2010 step-up discussion and 2011-12 Energy Efficiency Directive) will analyse the interaction between the two DGs in order to explore which of the values and beliefs that have conflicted, and how the DGs have sought to handle these conflicts.

Values and Beliefs in an Organisation

The intra-institutional dynamics of the Commission have long been a subject of academic inquiry (for the seminal article on the subject, see Christiansen 2001). These dynamics can be either horizontal (between different DGs, Commissioners or Cabinets of Commissioners) or vertical (between the Commissioner and his/her Cabinet on the one hand and his/her DG on the other). Arguably the most important these dynamics is the horizontal interaction between the different DGs, each having responsibility for a distinct issue area. A fundamental argument of this paper is that organisations are characterised by distinct sets of values and beliefs which affect how they perceive and treat policies and other issues.

According to Dorthe Sindbjerg Martinussen & Torben Beck Jørgensen (2010), two organizational characteristics play an important role in the case of the Commission. Firstly, the functional specialisation of each DG, a specialisation which is perhaps even more outspoken than the specialisation between ministries and departments in national administrations, and which creates strong “local” values and beliefs (*ibid.*: 749). The lack of a strong hierarchy only exacerbates the risk and length of conflict between DGs adhering to different values and beliefs. In national administrations there is a clearer hierarchy of power with the prime minister’s/president’s office at the top and often with the finance ministry in a position as number two. Secondly, the use of network governance encompassing actors from the DG, national governments, experts and interest groups (*ibid.*). These networks facilitate cooperation with non-Commission actors as well as inter-

institutional socialisation into shared values and beliefs, but the entrenchment of the values and beliefs due to this socialisation may make it more difficult to reach agreement over conflicting values and beliefs between DGs, as they are each supported by and embedded in their respective policy communities, the latter making it hard to accept competing views. The more entrenched values and beliefs (and the conviction that these values and beliefs are superior) are in an organisation, the more difficult it is to compromise (Drezner 2000: 737).

Drawing on literature combining the insights from the bureaucratic politics literature and the constructivist and new institutionalist “ideas matter” literature (see for instance Drezner 2000 for such a combination) the paper will focus on how the ideas and discourses inherent in a given organisation – in this case a DG – influence its interaction with other actors. Particularly so-called discursive institutionalism (Schmidt 2008; Lauber & Schenner 2011) are relevant in this context. Like other new institutionalist theories, discursive institutionalism focuses on how institutions influence actors’ behaviour as well as social and political outcomes through rules, norms and other frameworks, and like some (but not all) other kinds of new institutionalism discursive institutionalism emphasises the role of ideas and cognition. What sets discursive institutionalism apart from other new institutionalism, including more the more ideas-oriented ones such as sociological institutionalism (see March & Olsen 1989), is the more dynamic view of change, emphasising the possibility of actors changing institutional structures. Being open for institutional change is relevant for this study, as such change has arguably been a possibility when the differing values and beliefs of DG Energy and DG Climate Action have overlapped.

Following discursive institutionalists such as Vivien Schmidt (2008), the paper does not distinguish between normative ideas and material interests (a position shared with most other but not all new institutionalists). Rather are interests are constituted by ideas, and that ideas can be both normative and cognitive, i.e. about “what is”, including causal beliefs about which factors that cause a given event or state of affairs (Schmidt 2008; see also Campbell 1998). The former will be referred to as beliefs, the latter as values. Organisations, including the DGs, can disagree over both values and beliefs, but there is reason to believe that disputes over values, i.e. what the objective of a given policy should be, will be more difficult to resolve than disputes over causal relationships. Following Lucia Quaglia (2005), the focus will be on the “intangible assets” that bureaucracies possess; namely information, technical knowledge and particularly organisational culture, and how these assets affect policy.

Altogether, the clash between the values of different organisations often but not necessarily led to clashes between the different organisations, also if the organisations are embedded within a larger institution such as the Commission. The risk of conflict do not only depend on the relationship between the values (as described above), but also on the relationship between the organisations: if one organisation is more established than the other, it is less likely to accept the other organisation moving in on what it considers its own turf (Drezner 2000: 734-735). Conflicts between new and old organisations are common, particularly when the new one seeks to change the status quo and infringes on the old organisation's territory and the older organisation seeks to preserve the status quo and what it consider its own domain. However, such clashes may be avoided by establishing a clear hierarchy between the values, by balancing the values, by reinterpreting them (possibly in a way which make them compatible) or keeping them separate (see Sindbjerg Martinsen & Beck Jørgensen 2010: 746). The different solutions may be arrived at through the use of power or deliberation (on the use of deliberation to solve value conflicts, see Risse 2000); the use of power being most relevant when a hierarchy exists between the organisations and most likely to result in a hierarchy between the values or possible a reinterpretation of the inferior organisation's values so they fit with the values of the dominant one. Deliberation is more likely to lead to balancing or reinterpretation of the values. Discursive institutionalists have stressed deliberation or discourse between actors using their foreground discursive abilities to reflexively assess the ideas influencing their actions. This does not mean that deliberation will inevitably lead to a change in ideas. Rather, such deliberation *may* lead to changes in ideas, more specifically values and beliefs, but may also result in protracted debates which can only be solved through the use of power. As Luigi Carafa has argued in this volume, deliberation may take place on the "forum" level of specialists engaging in processing, or on the "arena" level of policy actors engaging in policy formulation.

Clashes over values or beliefs may affect the coherence of the policies of the Commission, and of the EU as a whole. As Christiansen argues, the institutional coherence of the EU may be negatively affected by the intra-institutional dynamics of the Commission, leading to policies which are incoherent or ineffective in meeting the stated aims of the Commission or the individual DG. The relationship between DG Climate Change and DG Energy provides a good example of this: the values of respectively preventing climate change and meeting the energy needs of the EU – including sustainable energy production but also a functioning energy market and energy supply – interact in different ways which often include clashes, as will be discussed in detail below.

The intention is to study whether ideas have affected output from the Commission by analysing whether such ideas (more specifically values and beliefs) intrinsic to the two DGs have been driving forces behind the disagreements between the DGs and the way in which these disagreements have been sought solved. Regarding the way in which the disagreements have been sought solved, it will be analysed whether it has been the use of deliberation/discourse or rather the use of power which has been prevalent. Before we turn to the actual analysis of the two cases, it is necessary to first outline the main potential fault lines between the two DGs, namely the relationship between climate change mitigation and energy security (a potential value conflict) and the choice between market-based and regulatory policy instrument (based on a potential conflict over beliefs).

Competing Values and Beliefs in the Climate-Energy Nexus

Both climate and energy policy are sites of contestation between different values, including issues such as (social) justice, environmental security, economic growth and national security, issues which frequently overlap. For the purpose of this paper, two sets of values are particularly relevant: firstly those pertaining to climate change, which in this case means climate mitigation as a value in itself; and secondly those pertaining to energy, which in this case particularly has meant securing the supply of energy. The latter is a more multi-faceted concept than the former, and may include securing a stable supply, avoiding dependency on foreign powers, protection from price volatility as well as the affordability of the supplied energy. Climate change mitigation and securing energy supply are not inherently conflicting objectives, but whether they conflict or support each other depend a lot on the situation - the technology, the geographical distribution and price of resources, etc. - (Frogatt & Levi 2009) as well as causal beliefs (for instance how mitigation measures will affect energy prices and imports). Thus, as the relationship between climate mitigation and security of energy supply does not constitute an “either-or” choice, it is better to treat their relationship as being one of relative priority, i.e. how highly each objective is valued compared to the other. One body of literature which has addressed the question of how environmental and climate objectives interact with other objectives in different institutional settings is the Environmental Policy Integration (EPI) literature, which has studied the integration of environmental objectives in other policy areas, particularly in the EU (Jordan & Lenschow 2011). Specific attention has been directed to the integration of climate policy objectives into EU energy policy, what has been referred to as Climate Policy Integration (see for instance Dupont & Primova 2011; Tosun &

Solorio 2011). Broadly speaking, the EPI/CPI literature can be divided into two strands: one defining EPI/CPI in terms of the integration of environmental objectives into the policy process, and another defining EPI/CPI in terms of the degree of integration of environmental objectives in the outcome of policy. However, both strands do not capture the full picture as the integration process often is a two-way rather than one-way street, thus downplaying the role of influences going the opposite direction – an important aspect of the intra-institutional dynamics (Jordan & Lenschow 2011: 154). For this reason, the paper treats the relationship between energy and climate policy in terms of an intra-institutional dynamic between two institutionalised policy areas with equal weight and which are increasingly overlapping, rather than a question of integrating one into the other. Here, the focus will be on the priority given to the two objectives in each of the two DGs.

There are too many beliefs regarding climate and energy policy to do them full justice here, and instead I will focus on the two sets of beliefs which appear most pertinent for this article, namely regarding the choice of policy instruments and regarding the economic consequences of climate policy. Concerning the former, there is a crucial distinction between two types of instruments: market-based and regulatory (Lauber & Schenner 2012: 514-515; Victor 2011: XX). Briefly put, market-based instruments¹ aim at changing behaviour through putting a price on externalities (e.g. climate change) while granting the polluters flexibility regarding how to reduce the externality, using instruments such as taxation, emissions-trading systems or subsidies of alternatives without the externality (e.g. renewable energy). The flexibility would work for instance through polluters trading obligations between each other, so that one polluter would take on the obligations of another polluter in return for payment, thus ensuring that mitigation takes place where it is cheapest.

Regulatory policy instruments impose non-tradable obligations – e.g. a standard for the energy use of a product such as washing machine - directly on the polluters/producers, who face some kind of punishment if they do not meet the obligation themselves. In reality, the distinction is often less than clear-cut, as regulatory approaches often have a market element (for instance if the punishment for not meeting the obligation acts more like a tax than a fine), and market-based approaches have a regulatory element (for instance though setting a standard for the share of renewable energy). The two kinds of policy instruments each have their advocates, with proponents of market-based

¹ As Volkmar Lauber & Elisa Schenner (2012) have pointed out, the term “market-based” has a certain normative bias, as it implies cost-efficiency and flexibility as opposed to the more interventionist term “regulation” (in some quarters even known as “command-and-control”).

solutions arguing that their instruments are the most cost-efficient as pollution can be mitigated where it is cheapest (Victor 2011: 63), thus allowing for more effective mitigation. Proponents of regulatory instruments often argue that utilising low-cost mitigation possibilities as well as securing long-term transition often requires more direct state intervention. Furthermore, a market-based solution usually requires setting either a price (in which case the mitigated quantity is unknown) or a mitigated quantity (in which case the price is unknown). Such proponents of regulation may also point to the practical difficulties facing many market-based instruments, such as the European ETS which suffer from allowance prices which are volatile and arguably not sufficiently high to create incentives for the long-term transition to a low-carbon society.

Nonetheless, to many policy analysts the choice is often less stark, as they argue that which instrument is preferable depends on the objects of the policy, for instance may smaller sources of pollution (e.g. households) be most effectively regulated through regulation, whereas larger sources (e.g. factories and power plants) may be most effectively regulated through market-based instruments. Furthermore, in terms of concrete policy, the picture is also less clear-cut: most countries (here including the EU) adopt some kind of combination of the two kinds of policy instruments.

Irrespective of one's position on the choice of instruments, it is hard to ignore potential consequences of the interaction between the two types of instruments. Particularly pertinent is the influence that regulatory instruments such as product standards or energy efficiency targets may have on the price in a carbon market. Such obligations may force polluters to cut their pollution (this is after all largely the intention behind them), which mean a lower demand for carbon allowances and consequently a lower carbon price. David Victor – placed in the market-based instruments camp – refer to this situation as a “Potemkin market”: a market characterised by artificially low prices as the real constraint on pollution comes from regulation rather than market signals, meaning that the real costs of meeting the target is hidden (Victor 2011: 79-80). Arguably, such a situation has arisen in the EU as will be discussed below.

Concerning the economic consequences of climate policy, it is a common argument that the environment and the economy are two competing objectives, and as such there is an inevitable trade-off between them (Hoffman and Ventresca 1999, 1370-1371). According to this view, environmental policies generally come with overall economic costs. Yet, there are also those who argue that environmental and economic concerns are not only compatible, but may even constitute a

win-win situation. The most prominent example of this argument is the political concept of green growth and its academic counterpart, Ecological Modernisation theory (Milanez and Bührs 2007, Hajer 1995, Mol and Spaargaren 2000). According to adherents of Ecological Modernisation, the right policies (focusing among others on renewable energy technologies and energy efficiency) may deliver environmental objectives without economic costs, perhaps even ensuring net benefits and economic growth. Often, such policies direct behavior and investment through regulatory instruments rather than purely market-based ones.

Which beliefs regarding the economic consequences of environmental and especially climate policy that predominate in the policy-making process have far-reaching consequences for the policy output. The same is the case with the other previously mentioned beliefs and values. How they have played out in the cases of the intra-institutional debates regarding a step-up to a 30 per cent target and the Energy Efficiency Directive is the subject to which we turn to now.

The May 2010 Communication “Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage”

The EU has had a high profile on climate change since the mid-Nineties, when the EU started acting as one actor within the global climate change negotiations. Prior to COP3 in Kyoto, the EU offered to reduce its greenhouse gas emissions by 15 per cent by 2010 compared to 1990 levels provided that others would take on comparable targets (Ringius 1999). In the end, the EU “only” took on a 8 per cent target for the period 2008-2012 in the context of the Kyoto Protocol, something which was nonetheless a higher target than the ones other developed countries took on. In March 2007, the Heads of State and Government of the EU decided to unilaterally and unconditionally cut greenhouse gas emissions by 20 per cent in 2020² or by 30 per cent provided that

“other developed countries commit themselves to comparable emission reductions and economically more advanced developing countries to contributing adequately according to their responsibilities and respective capabilities”.

The reduction target was set at a time when the other major developed emitters had not announced any targets, and there were reasons to believe that the US would not do so in the future. Hence, the ambitious target confirmed the EU's status as the leading (developed) actor in the global climate change negotiations. In December 2008, the 20 per cent target was turned into EU legislation with the adoption of the EU climate change and energy package. The package distributed the reduction commitments between sectors covered by the Emissions Trading System (the ETS) and the ones not covered by it, as well as between Member States³.

Exactly how the requirements for a step-up shall be interpreted is unclear. When the EU started discussing the possibility of stepping up to 30 per cent in the run-up to Copenhagen, the Member States held different opinions about whether and under which circumstances the EU should step up to a 30 per cent reduction target. This meant that the EU in 2009 entered the fifteenth Conference of the Parties (COP15) with having agreed that the decision concerning whether to step-up or not should be made by the European Council in Copenhagen. However, at COP15 the EU could not agree on whether it should step up its reduction target to 30 per cent, which meant the question was left unanswered.

Yet, the question resurfaced in April 2010, when DG Climate Action started drafting the Communication “Analysis of options to move beyond 20% greenhouse gas emission reductions and assessing the risk of carbon leakage” (European Commission 2010). As the title indicates, the Communication concerns how the EU may meet the 30 per cent target. The first draft of the Communication – as mentioned drafted in DG Climate Action – argued in favour of a step-up to 30 per cent. The arguments were that the crisis had made it a lot cheaper to meet the 30 per cent target, and the cost estimates for the 30 per cent target (in May 2010) were “only” 81 billion euro, which has to be compared to the 2008 estimates according to which the costs of meeting the 20 per cent target would be 70 billion euro. Additionally, stepping up to 30 per cent would create green jobs as well as create significant co-benefits in terms of improved air quality and reduced oil and gas import bills.⁴ The 30 per cent target would primarily be met within the EU Emissions Trading System (ETS) by issuing fewer emissions allowances, something which would increase the price of these allowances. This meant that although sectors not covered by the ETS account for more than half of EU, they would deliver less than half of the additional reductions needed to meet the 30 per

⁴ These benefits were not included in the Commission's estimate of the costs.

cent target (DG Climate Action, draft Impact Assessment, 2010). The ETS would also be the main tool to reduce emissions within the sectors covered by the ETS (power generation and larger industrial installations), not utilising other instruments such as the binding 20 per cent target for the share renewable energy or the non-binding 20 per cent energy efficiency target. However, more regulatory instruments including both spurring innovation through rewarding “fast-movers” within the ETS with extra allowances and developing smart grids were also part of DG Climate Action’s initial draft.

The first draft of the Communication reflected DG Climate Action’s fundamental values and beliefs. Preventing climate change was and is the fundamental value of the DG, something which was a crucial end in itself. The draft also reflected fundamental causal beliefs of the DG: that climate change mitigation would bring about other positive things such as green jobs, improved health quality and reduced gas and oil bills. However, the first draft of the Communication was amended when it went through the so-called Interservice procedure, a procedure in which other DGs are allowed to comment on a draft text before it is adopted by the College of the Commissioners acting as one entity. After Interservice, the Communication did not advocate a step-up, but rather stated how an eventual 30 per cent target *could* be met.

The Communication was altered due to opposition to the 30 per cent target coming primarily from DG Energy, DG Enterprise, DG Industry and the Office of the President of the Commission (Interview with senior official at the Council Secretariat, 27/6/2011). Within DG Energy, the the most significant opposition came personally from the Commissioner, Günther Oettinger (but also from civil servants in the DG). Thus the conflict took place at the arena level, rather than the forum level, as the DG Energy civil servants were overshadowed by Oettinger’s involvement. An important factor in DG Energy’s opposition to the 30 per cent target (as well as in the opposition of DG Industry and DG Enterprise) was the concern in the DG over the consequences for European industry in terms of higher energy costs, a relationship which was reinforced by Oettinger’s close ties with German industry. Two lobbying groups, the European Alliance of Energy Intensive Industries and Business Europe, both spoke out against a step-up after the Communication was made public 26 May, but the first draft had been leaked already three weeks before, giving the business interests time to react and contact people in DG, Energy, Enterprise and Industry. Interestingly, DG Climate Change had not involved other DGs in the drafting process, and the changes made to the draft Communication following the Interservice were quite significant.

At a more fundamental level, the opposition also reflects DG Energy's values and beliefs. In terms of values, DG Energy does not emphasise climate change prevention as an objective the degree that DG Climate Action does. Rather, an equally important objective is to provide affordable energy to business and citizens, something which (to a large degree depending on which causal beliefs one subscribe to) could be hindered by the step-up, especially in the electricity sector as the price of emissions allowances would go up. Although sustainable energy production, transport and consumption are also among the stated objectives of DG Energy, the importance of this objective is not equal to the importance that DG Climate Action grants to it, especially as the values of DG Energy does not entail that the EU shall lead the global fight against climate change. This does not mean that DG Energy as an institution is not committed to fighting climate change (more doubts linger over the commitment of Gunther Oettinger), but that other objectives are considered equally important, and in case of (perceived) conflict climate change may lose out.

More importantly, the division reflects a deeper difference between the two DGs regarding policy instruments: whereas DG Climate Action believes in market-based instruments based on the polluter pays principle, DG Energy believes in regulatory measures such as standards (often defined in cooperation with the energy sector). Over the years, both market-based and regulatory policy instruments have influenced EU environmental, climate change and energy policies. As mentioned, the draft Communication operated with the ETS as the by far most important instrument in the step-up, something which grated against DG Energy's view of the ETS being one instrument among many. In the words of one DG Energy official, the ETS is seen in DG Energy as a "necessary, but not sufficient" instrument (Interview with senior DG Energy Official, Brussels, 24/7/2012). An important aspect of DG Climate Action's commitment to the ETS is also their bureaucratic "ownership" of the ETS, something which is arguably both the result of and a contributing factor to their belief in market-based solutions.

Regarding the economic consequences of the step-up, DG Climate Action painted a rather positive picture in the draft Communication, a picture which was questioned on the arena level by Oettinger. On the basis of the analysis of the Energy Efficiency Directive below, there is reason to believe that in the case of DG Energy itself the scepticism concerned the notion that a policy relying heavily on the ETS could provide such benefits, rather than the notion than the more fundamental notion that climate policy as such would necessarily be costly. In other words, the difference in beliefs concerned disagreement over the economic consequences of given instruments rather than over

whether it is possible to combine the objectives of improving environmental protection and improving economic growth.

In terms of handling the clash of values and beliefs between DG Climate Action and DG Energy, power rather than deliberation has been the tool: the attempt of DG Climate Action to promote own values (mitigating climate change) was stopped by the power of the sceptical and more “enterprise-friendly” Commissioners and especially the President of the Commission, and little attempt of deliberation was made from DG Climate Action prior to the Interservice. This means that a clear hierarchy of values and beliefs was established: not only were the values of competitiveness and growth prioritised above the value of climate change mitigation, but the belief that a market-based solution alone could be create economic societal benefits justifying the costs was also set aside.

The June 2010 Environment Council was supposed to discuss the Communication and possibly reach a decision on whether to step up to 30 per cent or not. As the Communication did not include a clear recommendation and the Council was split on the issue (with most Member States opposed to the idea), the issue was deferred until the October Environment Council, which also did not reach a decision on the subject. Instead the focus of both DG Climate Action and Energy turned to the EU’s Energy Efficiency Target, which the European Council and the Energy Council had adopted in March 2007 together with the 20/30 per cent target and a target for renewable energy.

The Energy Efficiency Target and the ETS

In 2011, the discussion of a step-up increasingly became intertwined with the related issue of the EU’s Energy Efficiency Target. Already in 2010, DG Climate Change and DG Energy had addressed the issue of the implementation of the target, suggesting a set of binding targets for the Member States, who nevertheless opposed the idea. Instead the DGs tried other possibilities for addressing energy efficiency, and in March 2011 DG Climate Action put forward the Communication “2050 Roadmap for a Low-Carbon Economy” (European Commission 2011) and DG Energy put forward the Communication “Energy Efficiency Plan 2011” (European Commission 2011). Both were official Commission documents, which meant that they had gone through Interservice, but there had also been prior consultations mainly on the forum level between the two DGs.

The roadmap argued that the most cost-efficient way of getting to an 80 per cent reduction compared to 1990 levels by 2050 (which is an official EU target) would be to reduce domestic⁵ emissions by 25 per cent compared to 1990 by 2020. Such a 25 per cent reduction could be met simply by meeting the 20 per cent renewable energy and Energy Efficiency Targets. The Energy Efficiency Plan also argued that meeting the Energy Efficiency Target (through a range of measures proposed in the Communication) would reduce emissions but did not mention how large emission reductions compared to 1990 levels this proposal would lead to. Furthermore, the two texts differed regarding total energy consumption in Europe in 2020, a difference reflecting caution in DG Energy regarding working together with DG Climate Action on proposals that could be used to link energy efficiency with emissions reductions, even technical issues (Euractiv 2011). Altogether there has been a lot of interaction between the two DGs during the drafting of the two texts (the impact of this is discussed in detail below). In March 2011, the Environment Council at an informal meeting bid the Roadmap welcome without endorsing the idea of any kind of step-up (Council of the European Union 2011), in spite of the joint call from seven EU environment ministers (from Germany, the UK, Denmark, Spain, Greece, Portugal and Sweden) for a step-up to 30 per cent, which could fit with the 25 per cent domestic reductions if 5 per cent of off-sets were added⁶ (Harrison 2011). Yet, only the UK and Danish ministers had the backing of their governments.

Following the March Environment Council, attention shifted to the proposed Energy Efficiency Directive following the Energy Efficiency Plan. An important issue which soon surfaced in connection this Directive was the issue of the impact on the price of emission allowances. If the implementation of the Energy Efficiency Target would cover sectors already covered by the EU ETS, meeting the 20 per cent target for energy consumption would not only reduce emissions by 25 per cent in 2020, but would also lower the price of emission allowances in the ETS and create a surplus of allowances which would be carried over into the period after 2020 (Harrison 2011). In other words, unless this problem is handled, implementing the Energy Efficiency Target would simply move emission reductions forward, not increase them, arguably creating policy incoherence. Furthermore, adherents of market-based instruments argued that lower prices would create less of

⁵ The 20 and 30 per cent reduction targets did not specify how large a part of the reductions that should be carried out domestically or through the purchase of off-sets, but UNFCCC rules stipulate that more than half of the reductions shall be met through domestic reductions.

⁶ The Commission has also in its May 2010 Communication about the 30 per cent target operated with the notion of meeting the 30 per cent target through a domestic reduction of 25 per cent and purchase of off-sets 5 per cent corresponding to 5 per cent.

an incentive for companies to invest in low-carbon measures, something which is important given that a lot of the European energy production installations and infrastructure will be replaced within the next ten years. If the price is low, the companies will be a lot less likely to replace the old installations with low carbon installations, something which will lock European energy production into a carbon intensive mode of production for decades to follow, again creating policy incoherence.

For this reason, when it became clear that ETS sectors would be included under the target (without using the ETS as an instrument), DG Climate Action first wanted to exclude industry sectors under the ETS from the Directive, and when the DG did not succeed on this issue, it wanted provisions about setting aside emission allowances if the Directive influenced the allowance price (Interview with senior official from DG Energy, Bruxelles, 24/7/2012). Yet, DG Energy was sceptical of such an automatic set-aside. The disagreement between the two DGs on the forum-level influenced the drafting of the Energy Efficiency Directive, a process which was the responsibility of DG Energy but which also involved DG Climate Action to a large degree. The cooperation did not go smoothly: on 16 June, just before the Commission would reveal the draft Energy Efficiency Directive, Peter Vis, chief of staff of Climate Commissioner Connie Hedegaard warned that the Directive risked undermine the ETS (Neslen 2011). He also criticised policymakers who wanted command-and-control measures (probably a veiled reference to Oettinger) and added that such regulatory approaches conflicted with market-based approaches such as the ETS, thus taking the disagreement regarding the market-based or regulatory instruments to the arena level. This is a clear example of the clash between DG Climate Action's belief in market-based solutions and DG Energy's belief in regulatory solutions. It also has an element of bureaucratic turf war, as DG Climate Action "owned" the ETS.

A few days later, the Commission put forward its proposal for an Energy Efficiency Directive including a provision about monitoring the impact of the Directive on the ETS price, and considering "setting aside a corresponding number of allowances from the part to be auctioned during the period 2013 to 2020, should a corresponding political decision be taken". Exactly when setting aside the allowances would be necessary, and what constitutes "corresponding" number of allowances is not clarified. The intra-institutional controversy in the Commission over the set-aside was mirrored in the 21 June 2011 Environment Council, in which Poland blocked a set of conclusions bidding the 2050 Low-Carbon Roadmap welcome due to opposition to any talk of a set-aside or deepening the 20 per cent target.

After a year of intense negotiations especially in the Council, on 15 June 2012 a compromise on the Energy Efficiency Directive was reached between the Council and the European Parliament. Besides the above-mentioned provisions on the ETS set-aside, the compromise also included a declaration from the Commission that it would analyse the impact on the ETS price and act to do something to raise the price of allowances, which was around 6-8 euro compared to an expected price (when the EU Climate Change and Energy Package was adopted) of 30 euro. Connie Hedegaard had already made a similar but “softer” commitment at the informal Energy Council in Horsens in Denmark in April (Interview with senior official from DG Energy, Bruxelles, 24/7/2012). DG Climate action holds the responsibility for this commitment and on 25 July put forward a proposal for postponing the auctioning of allowances in order to drive the allowance prices upwards. The proposal is drafted in DG Climate Action but the commitment reflects a common Commission position, which the Commission agreed to as part of the overall compromise. In other words, although the issue is not settled in the Commission or in the EU institutions as a whole, the Commission’s direction of travel is becoming more specific, reflecting more agreement between the DGs and Commissioners including DG Climate Action and Energy as well as Hedegaard & Oettinger.

Thus, in spite of diverging positions the DGs and their Commissioner reached a common position based on no small degree on the continuous interaction on the forum level between civil servants from the two DGs. However, as the problem is far from solved, there is still scope for future disputes, especially as the fundamental values and beliefs still differ between the two DGs. These differences concern, as mentioned above, both how climate change shall be prioritised compared to other objectives and beliefs concerning policy instruments and their consequences. Whereas the two DGs agreed that climate change mitigation constitutes an important objective of the Energy Efficiency Directive, DG Energy gave equal to other objectives such as economic growth and job creation. However, the decisive difference between the two DGs rather concerned causal beliefs, especially the choice between regulatory instruments and market-based ones. The ETS was in DG Energy seen as an instrument which was necessary but not sufficient to secure the environmentally optimal and particularly not the economically optimal outcome (Interview with senior official from DG Energy, Bruxelles, 24/7/2012). Other instruments, such as the more regulatory ones in the Energy Efficiency Directive, were necessary to tap the potential for economically viable energy efficiency improvements in many sectors (*ibid.*). DG Climate Action has fought to preserve the central position of the beleaguered ETS, while DG Energy has wanted to keep energy efficiency

and the ETS separate and avoid that energy efficiency was simply used as a tool for tightening the ETS cap. In the end, deliberation on the forum level rather than power on the arena level has shaped the policy output of the Commission and consequently also of the EU as a whole.

Conclusions

Both the 2010 Communication on a step-up to a 30 per cent nor the debate over the Energy Efficiency Directive have been characterised by disputes between DG Energy and DG Climate Action. This is due to the differences in organisational culture, more specifically the differences in normative values and especially causal beliefs. Although the differences in values (DG Energy prioritising climate change on par with other objectives), the most important differences have concerned the beliefs regarding policy instruments with DG Climate Action seeing the ETS as the main instrument whereas DG Energy believed in using regulation to a larger degree.

It is possible to conclude two things on the basis of the analysis. Firstly that causal beliefs may be a bigger cause of disagreement than differences regarding what the objective of a given policy ideally should be. Secondly, that some sort of solution between differing causal beliefs (and normative values) can be solved both by power and deliberation, but that the latter may require a lot more time and effort on the forum level, but seems to work better when the bone of contention is causal beliefs.

Yet, this paper also provokes further questions. Although the paper revealed the existence of significant differences in values and beliefs in the organisational cultures of the two DGs, it has not been able to fully clarify the role of the Commissioner versus the role of the DG as a bureaucratic institution. A final important question regards the role of the Council and inter-institutional dynamics more generally: to what degree have the intra-institutional dynamics in the Commission affected the dynamics of the Council? The last question is crucial for how relevant the intra-institutional dynamics in Commission are. All of the questions are important to investigate further.

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