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# **The greenest United Kingdom government never? A super veto players perspective on the green budgeting**

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## **Abstract**

As part of a wider research programme into factors shaping, or indeed inhibiting, the global transition to the green economy in industrialised states, this paper develops a veto players perspective to explain political (non)change. Drawing on the arguments of Tsebelis (2002), we examine the role of United Kingdom ministerial actors who, in possessing both significant ‘institutional’ and ‘partisan’ veto powers, reduced the scope of budgetary policy changes to promote ‘green’ growth. Shortly after becoming prime minister in 2010, David Cameron pledged that the UK Coalition Government would be the “greenest government ever”. Three years on, the government’s environmental record has been criticised by many commentators as seemingly few of the promises originally made, including promoting the green economy, were actually realised. A significant research question, therefore, is why has this pledge largely not been fulfilled given initially strong cross-party support for the green economy? By examining the coalition government’s environmental agenda using the case of green energy policy, these arguments suggest that the ‘super’ veto position of the Chancellor of the Exchequer, the finance minister, has provided a significant influence – but other factors may also have intervened, related to coalition government politics. We then discuss the potential of the revised veto players model to analyse the green economy transition on a global scale.

## **Introduction**

As part of a wider research agenda into examining progress towards a green economy (see Russel and Benson 2014), this research tests theoretical-analytical arguments based on the notion of institutional ‘veto players’ (Tsebelis 2002; Tsebelis and Chang 2004). For George Tsebelis (2002: 2-3) and others, change in political decision-making, including the sectoral composition of budgets is dependent on the agreement of two types of key actors in the

policy process: so-called ‘institutional’ veto players whose position is constitutionally enshrined; and ‘partisan’ veto players within ruling coalitions who base their preferences on political affiliation. Interaction between veto players and their interests determine the capacity for political change from what Tsebelis calls the ‘status quo’ (*ibid.*). Here we critique these arguments to theorise that the power exercised by what we call ‘super’ veto players, who have both ‘institutional’ and ‘partisan’ power due to their central agenda-setting position in the policy process and coalition government, has hampered priority shifts to politically non-core ‘items’ such as the environment. This factor also points to normative political solutions for placing the green economy more at the heart of government.

The analytical focus of this paper focuses on the green budgeting efforts of the United Kingdom (UK). This paper understands green budgeting as the way in which environmental measures are prioritised in national budgets, including departmental spending allocations. The UK has long been regarded as a front runner in integrating environmental priorities into sectoral policy making and has been at the forefront of efforts to green budgetary processes from at least the late 1990s (Russel and Jordan 2008; 2009). While such initiatives ultimately failed to live up to their promise (*ibid.*), environmentalists were given renewed optimism by the political rhetoric surrounding the UK’s response to the 2008 economic crisis (Russel and Benson 2014). Indeed, speaking during a visit to the Department of Energy and Climate Change (DECC) on 14 May 2010, Britain’s Prime Minister David Cameron boldly sought to underline the environmental credentials of his newly ensconced coalition government. In a speech to assembled journalists, he stated that the administration would be “the greenest government ever” citing interrelated priorities for government action including promoting the green economy and cutting carbon emissions (Cameron 2010). In this respect he said “[w]e’ve got a real opportunity to drive the green economy to have green jobs... and make sure we have our share of the industries of the future” (*ibid.*). Prospects for a green economy transition, involving the integration of environmental protection into long term economic growth patterns, were initially promising. Both parties in the Cameron-led UK Coalition Government had backed such action in their election manifestos. The Conservatives talked of their ‘vision for a greener Britain’ premised on ‘a country that leads the world in the market for green goods and services’ (Conservative Party 2010: 89). Meanwhile, the Liberal Democrats were traditionally considered the most environmentally conscious of the mainstream UK political groupings. The new government also spelled out its ambition in its

Coalition Agreement: to ‘build a new economy from the rubble of the old: that supported sustainable growth and enterprise, balanced across all regions and all industries, and promoted the green industries essential for the future’ (HM Government 2010). Hence the pledge to place the environment high on the government’s agenda was hardly controversial, although the record of past Conservative administrations in promoting environmental sustainability was not exactly encouraging (see Connelly *et al.* 2012).

Despite some initially positive signs, just two years after this now famous statement, the UK government stood accused of failing to deliver on its green promises. By 2012, a YouGov poll for Greenpeace suggested that only 2% of the public surveyed believed the government was ‘the greenest ever’, while just over half stated its record was ‘average’ (Greenpeace/YouGov 2012). Cameron’s pledge to promote the green economy had also proved somewhat hollow, with public investments in green infrastructure and job creation declining after some initial support (Russel and Benson 2014). According to the Parliamentary Environmental Audit Committee (2012: 3) the government’s inaction was ‘a missed opportunity to show global leadership’ on the green economy due its ‘market-led approach’ and reliance on voluntary measures. Environmental concerns had become largely marginalised in government strategic policy objectives suggesting that, conversely, the Coalition could best be described as the ‘greenest government never’. Subsequent backtracking on green energy promises in 2013 underlines this trend. This observation therefore raises fundamental questions to this paper about what factors are impeding the integration of the green economy into government decision-making despite apparent widespread cross-party and, to some extent, public support for these issues. Research on this question is important, as governments and international organisations extol the virtues of a green economy transition as an antidote to current economic malaise (Russel and Benson 2014; see also Bina and La Camera 2011).

This short paper unfolds in the following way. Firstly, we critique Tsebelis’ arguments on veto players to construct our analytical framework for explaining policy (non)change in terms of the relative influence of specific institutional and partisan actors on budgeting outcomes. Secondly, theoretical propositions are applied to the empirical account in a ‘plausibility probe’ (Eckstein 1975) to evaluate a revised veto players’ perspective on events. Here, the

account focuses on the influence of one super veto actor: the Chancellor of the Exchequer, who is both a high-profile member of the Conservative Party, the majority coalition partner, and head of the UK Treasury with ultimate responsibility for allocating public spending budgets. The case of green energy policy between 2010 and early 2013 is employed to illustrate key trends. Finally, the potential of the framework for evaluating the wider green economy transition in the UK and worldwide is then discussed.

### **A ‘super’ veto players perspective?**

Many theories potentially explain policy change and non-change in liberal democracies (see for example, Sabatier 1998; Dryzek and Dunleavy 2009; Peters 2005) but here we focus on a veto players perspective to understand the institutional dynamics shaping policy outcomes in practice in relation to budget composition. One reason is that new institutionalism has developed to become an important sub-literature in political sciences, explaining the role of institutions as rules and structures but also organisational forms in political decision-making (for example, Peters 2005; Schmidt 2010). Multiple theoretical perspectives have emerged from this debate, spanning an epistemological continuum between behaviouralist or rational choice approaches to more sociological and even discursive theory (*ibid.*). New institutionalism is also a potentially promising theoretical avenue for explaining the green economy transition in different national contexts worldwide (Russel and Benson 2014). Indeed, one leading theoretical approach on the rationalist side of institutionalist theory – the veto players’ model of decision-making (Tsebelis 2002; Tsebelis and Chang 2004; see also König and Troeger 2005) – may have some utility in this respect but is in need of further development and empirical testing (Russel and Benson 2014).

Tsebelis (1999; 2002) bases his arguments on the importance of veto players on several key propositions. Firstly, political systems can be understood in terms of their component veto institutions. Here, institutions are understood as organisational actors (players) who can veto policy options. Secondly, it is argued that policy change from the default position of what Tsebelis (2002: 2) calls the ‘status quo’ is subject to the preferences of these veto players whose agreement is required. Two types of veto players are suggested to be evident in conventional political systems: ‘institutional’ and ‘partisan’ (*ibid.*). The former are

empowered by constitutional structures, while the latter by political characteristics such as different parties in government coalitions. Their characteristics and numbers within the political system influence what Tsebelis calls the 'winset', or the suite of potential outcomes possible when change occurs away from the 'status quo'. Conditions are also clearly specified as to when change can occur, with: 'significant departures from the status quo... impossible when... veto players are many – when they have significant ideological distances among them, and when they are internally cohesive' (*ibid.*). Conversely, the winset could then move beyond this situation of 'policy stability' where veto players are limited, are less cohesive and share ideological beliefs. The status quo must also logically be positioned away from the preferences of veto players, otherwise stability will be high (Tsebelis 1999; 2002). Tsebelis also identifies the central role of key 'agenda-setting' veto players, who initiate proposals and attempt to persuade other veto players to accept change.

Although not without its critics (for example, Ganghof 2003), the veto players model has found widespread popularity in the political science literature for explaining (non)change in multiple contexts. Researchers have thus employed it to examine *inter alia*: the decision-making *power* of institutional actors such as the US Presidency (McCarty 2000) or the European Council (Tsebelis and Yatahanas 2002); institutional *voting preference* outcomes (König and Junge 2009); institutional *design choice* (Hallerberg 2002); *international cooperation* (Mansfield *et al.* 2007); political or economic *reform* (König and Finke 2007; Gehlbach and Malesky 2010; Hooghe and Deschouwer 2011); political *delegation* (Keefer and Stasavage 2003); constitutional *veto points* (Birchfield and Crepaz 1998); and *budgetary* decision-making, including sectoral compositions (for example, Bawn 1999; Tsebelis 2002; Tsebelis and Chang 2004; Russel and Benson 2014).

In respect of the last point, these arguments are also potentially useful in understanding the dynamics of environmental policy making (Russel and Benson 2014) - but some issues arise with Tsebelis' conditions for policy change, especially when applied to the UK context. Firstly, some critiques of the theory argue that it is often difficult to discern specific veto actors and their relative power. For Ganghof (2003: 3), problems occur when distinguishing genuine veto players from merely influential actors, and whether individuals are the same as organisational institutions in their veto ability. Ganghof (*ibid.*: 19) seeks to add greater

sensitivity to analyses by determining the ‘equivalence’ of veto players, and the conditions under which they are ‘strong’ or ‘weak’ in the policy process. It is evident that under the British parliamentary system only a limited number of institutions (and individuals within) enjoy a sufficiently powerful (‘strong’) veto position in the policy process, particularly when compared to the multiple institutional checks and balances of the US federal government or even the European Union. In the UK, power is split between the executive, or the Prime Minister’s office and key ministries, and parliament and is dependent on norms rather than strict constitutional rules. Secondly, and in relation to this feature, Tsebelis would predict that a situation of ‘policy stability’ is unlikely if ideological beliefs for change are shared amongst veto players. A characteristic of the UK Coalition Government, and indeed all leading UK political parties, was the strong support expressed for the green economy by their leaders; a feature at odds with the perceived poor environmental performance of the government. Little visible ‘ideological distance’ (Tsebelis and Chang 2004) was publicly apparent between Coalition Conservative and Liberal Democrat partners – partisan veto players – with both, outwardly at least, expressing continuing preferences for environmental policy outcomes. These outcomes, such as a desire to promote environmental issues, are also some distance from the status quo position<sup>1</sup> that we could interpret as the ‘business as usual’ neoclassical capitalist economic model; which is not based on environmental sustainability principles and was in near meltdown in the ‘credit crunch’ crisis of 2008 (see Bina and La Camera 2011). Under these circumstances, the environmental ‘winset’ should have been – drawing on Tsebelis - theoretically significant (i.e. limited players, low ideological distance), suggesting that movement away from the ‘status quo’ of traditional economic considerations was possible if Coalition Government actors had been supportive. What is all the more puzzling is that the green economy discourse has potentially provided the government with an opportunity to combine economic growth priorities with environmental objectives at a time of recession through the promotion of green technologies, investments and jobs. Yet this does not imply Tsebelis’ arguments lack explanatory power, rather that they can provide interesting insight if suitably modified.

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<sup>1</sup> Tsebelis recognises that often it is difficult to determine the exact position of the status quo in any policy process.

So what has prevented significant change? Tsebelis might point to cohesion amongst veto institutions as a factor. But despite strong ideological agreement on environmental issues between parties, as we later discuss, there has nonetheless been simmering disputes between specific individual veto players; suggesting cohesion is not always evident. In fact, a gap emerged between the publicly stated position of the Coalition on environmental issues and that of certain central actors. A much more subtle form of veto playing is therefore manifest in this case; one that relies on understanding the ideological position of both key agenda setters and the institutions they control. One major factor stimulating events, we argue, has been the agenda setting propensity of partisan, ideologically driven executive veto players to preserve policy stability and undermine the green economy 'winset'. Although Tsebelis' rather pluralist arguments tend to assume that in parliamentary systems governments are key agenda setters and parliaments the central policy makers, the role of certain government ministries and ministers in shaping policy is also discussed (Tsebelis 2002: 106-109). For his part, Tsebelis questions the importance of 'ministerial discretion' in agenda setting (Tsebelis 2002: 107). Critiquing institutionalists such as Laver and Shepsle (1996), who privilege ministerial power within cabinet decisions, he argues that while 'government ultimately controls the agenda... it is not clear that inside the government the agenda is controlled by the corresponding minister' (Tsebelis 2002: 107). Reasons given include the overall agenda setting power of prime ministers, and the fact that coalition governments must conform to agreed programmes thereby reducing the discretion of ministers.

In contrast, we argue that, following authors such as Laver and Shepsle, a veto players perspective must more fully account for the agenda setting power (i.e. the 'ministerial discretion') of such executively empowered veto actors in majoritarian parliamentary systems – a significant gap in these arguments. Indeed, there is a burgeoning section of literature (for example, Richards and Smith 2002; Marsh *et al.* 2001) and associated theoretical perspectives (Dunleavy 1986; March and Olsen 1989) that suggest in majoritarian parliamentary systems like Britain, the remit, resources and expertise for policy making are embedded in departments thereby giving their ministerial heads a degree of autonomy through providing substantial power bases. Within government departmental structures a clear hierarchy may also exist, with high profile departments - particularly budget setting finance departments - being more powerful. These departments are also often led by ministers with a substantial support-base in the parliamentary party. Taking into account such factors

links back to earlier studies that cite the political power of finance ministers in dictating budgeting decision-making (for example, Wildavsky 1975) and fiscal discipline (von Hagen and Harden 1994).

On this basis, we therefore hypothesise that in the UK Coalition Government, it was often ideologically driven partisan veto actors (ministers), through their control over powerful executive institutional players (ministries), that effectively determined political (non)change by virtue of their central agenda setting position. Ideological resistance to change by such ministerial ‘super’ veto players – who combine institutional and partisan veto power - significantly reduced the available winset from the default policy stability position, effectively countering the preferences of Coalition parliamentary veto players and militating against certain issues. The super veto player in respect of political decision-making in the UK government budgetary context is invariably the ministerial Chancellor of the Exchequer in respect of the control this post asserts over all government expenditures via Her Majesty’s Treasury (HMT). By setting departmental spending limits and an annual national budget, the Chancellor’s position is second only to the Prime Minister in terms of veto power within government. Empirical analysis suggests that the close ideological position of this dominant actor to the economic status quo has increasingly narrowed the environmental policy winset between 2010 and early 2013 – a feature evident in growing opposition to the green economy agenda by the Conservatives, the senior coalition partner.

### **The un-politics of the green economy**

Given that identifying veto players’ preferences raises evident empirical challenges of measuring preferences (see Ganghof 2003) and that Tsebelis’ original arguments tended to treat coalition preferences as fixed. A qualitative process tracing can be used to show how ministerial leadership attitudes of HMT, rhetorically at least, shifted during the Coalition Government from mildly supportive of environmental issues in mid 2010 to oppositional in mid 2013. This shifting ideological position, we argue, helped reduce the capacity for radical environmental policy change due to the central agenda setting position of this actor. We also illustrate this influence in more depth within the case of renewables energy policy; a central

feature of UK attempts to green its economy by creating new environmental technologies, markets and employment.

### *The power of the green purse*

The importance of the UK Treasury's status of veto player over environmental policy can be traced back to the Labour Governments of 1997 to 2010. Although in no way historically opposed to environmental interests, HMT was often provided a conspicuous brake on integrating the environment into UK government policy (Russel and Jordan 2009). Environmental issues, notably climate change, had enjoyed some priority status under the tenure of Blair as Labour Prime Minister, but became a less attractive spending priority for HMT as the credit crunch crisis deepened during the latter part of the Brown (Blair's replacement as Prime Minister) administration (Russel and Benson 2014). By this point, the Labour Chancellor Alastair Darling had become embroiled in a desperate battle to save financial institutions while coping with a mounting public borrowing deficit. Seeking to seize the political initiative, the Shadow Chancellor George Osborne (Conservative) sought to promote his credentials ahead of the impending national election by deploying the environmental card. He singled out HMT's obstructionism as an impediment to past environmental policy, calling its stance under New Labour "at best indifferent, and at worst obstructive" (Osborne 2009). He further stated his preference for:

"... a Conservative Treasury to be in the lead of developing the low carbon economy and financing a green recovery. For I see in this green recovery not just the fight against climate change, but the fight for jobs, the fight for new industry, the fight for lower family energy bills and the fight for less wasteful government." (*ibid.*)

He also pledged that: "[i]f I become Chancellor, the Treasury will become a green ally, not a foe", citing the need to green the economy and reduce climate emissions (Osborne 2009).

Following the 2010 General Election, George Osborne's support for an environmentally driven economic agenda was initially carried over to the new Coalition Government, comprising the Conservatives and its junior partner the Liberal Democrats, in which he was appointed Chancellor. Amongst pledges made in the Coalition agreement between the two

governing parties were plans for a green investment bank, increasing targets for renewables generation, a Green Deal investment package for household energy efficiency (see below) and promises to reform energy markets to promote low carbon generation and ensure secure supplies (HM Government 2010).

Rhetoric was not, however, entirely replicated in practice. Under the Osborne tenure, HMT increasingly acted to veto or water down government green economic initiatives, gradually retreating back to a traditional pro-economic growth agenda as the electorate's support for the Coalition Government's Conservative inspired economic policy weakened in the wake of high inflation, weak growth and high unemployment. This renewed obstructionism can be traced back to early on in the life of the Coalition Government. At the Conservative Party conference in October 2011, the Chancellor, reacting to worsening national economic data, questioned whether a strong environmental agenda "risked putting our country out of business" (Osborne 2011a). These sentiments were re-iterated in the Chancellor's Autumn Statement in November 2011 that set out government short term spending priorities. Osborne used the Statement to launch a stinging attack on environmental regulation as part of a general critique of the costs of red tape on the British economy, a position to which a large number of backbench Conservative MPs and grass root supporters were sympathetic. The EU Habitats Directive was singled out as presenting "ridiculous costs on British businesses" through slowing down development proposals (HM Treasury 2011). Another area targeted was the land use planning system, long characterised by local authority control in the UK. This system, it was argued by the Chancellor, inhibited economic growth. Policy discourses emanating from the HMT seemingly now revolved less around the virtue of the green economy and climate concerns but more on traditional pro-growth strategies.

Despite continued support for environmental initiatives within many parts of the Coalition, particularly from within the Liberal Democrats (the junior partner), the Chancellor's budget in March 2012 gave little additional cause for optimism. In his budget announcement, he stated that the government would continue to support renewables, which "will play a crucial part in Britain's energy mix" (HM Treasury 2012). Support was expressed for a Green Investment Bank and a carbon floor price. But then he added "I will always be alert to the costs we're asking families and businesses to bear" (*ibid.*). Osborne also argued that

"[e]nvironmentally sustainable has to be fiscally sustainable too" (*ibid.*). Here, he sought to make "major savings" for businesses in administering the Carbon Reduction Commitment, a tax he had introduced on energy use in 2010, or would replace it altogether (*ibid.*). On stimulating growth, the Chancellor talked of "new growth-friendly planning rules" and support for major infrastructure projects. Perhaps even more controversially, given the 'greenest government ever' pledges of the Coalition, substantial tax breaks were given to oil and gas companies to support their decommissioning of facilities in the North Sea, while some £3bn was given away to help development of new reserves off the Shetlands.

By early 2013, the Coalition's support for environmental policy had waned significantly. Despite the Government's reaffirmation of its green credentials in the Coalition Mid Term Review (HM Government 2013), these statements began to ring somewhat hollow. Speaking in response, Friends of the Earth's Executive Director Andy Watkins observed that in terms of the Coalition:

'Blue and yellow hasn't produced green. David Cameron's pledge to lead the 'greenest Government ever' is being systematically undermined by short-sighted policies, not least its reckless dash for gas.' (Friends of the Earth 2013)

Environmentalists were then quick to point out the Coalitions abandonment of many earlier green pledges; a feature that was exemplified by its growing ideological resistance to green energy in preference to more conventional forms of generation.

### *Powering down*

Indeed, the strength of this ideological opposition is perhaps most visible in the downgrading of renewables generation. Several legal drivers have stimulated demand for government policy to promote renewables, most notably the EU Renewable Energy Directive (RED) and the UK Climate Change Act 2008<sup>2</sup>. Both the Conservatives and Liberal Democrats had also made a strong commitment to green energy in their election campaign commitments, and in the Coalition agreement (HM Government 2010). Despite these pledges, government policy soon ran into opposition from actors within the Coalition, most notably the Chancellor.

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<sup>2</sup> The RED establishes renewable energy generation targets for EU Member States, while the Climate Change Act compels governments to meet annual climate emissions reductions.

Arguments erupted in 2011 between HMT and other ministries, primarily the Liberal Democrat-led Department of Energy and Climate Change (DECC), over the direction of policy. A revised national Energy Act, passed by Parliament in September, sought to make good on the Coalition agreement pledge by creating a financing mechanism, known as the Green Deal. The scheme would have forced homeowners improving their properties to fit energy efficiency measures, with funding coming through suppliers adding the costs to their domestic bills. Other measures were included for obligations on energy companies to reduce carbon emissions, improving energy efficiency and security, and promoting low carbon technologies. Responding to the Act, George Osborne used his speech at the Conservative Party Spring Conference in early October 2011 to argue that the UK risked becoming economically uncompetitive if it cut greenhouse gas emissions more than other EU states. Delegates were told, rather contradictorily, that despite the need for green investment, “We’re not going to save the planet by putting our country out of business” (Osborne 2011). Parliament’s Environmental Audit Committee (EAC) responded, with its chair Joan Walley MP stating that HMT “still doesn’t get climate change - or the risk it poses to global stability and economic prosperity” (UK Parliament 2011a). These comments coincided with the publication of an EAC report into UK targets for cutting carbon emissions that warned against government backtracking and expressed fears that policy-making had become captured by fossil fuel industry lobbying (UK Parliament 2011b). Osborne was also challenged by the Liberal Democrat Secretary of State for Energy and Climate Change, Chris Huhne. A strong advocate of the Green Deal and investment in renewable energy, Huhne announced subsidies for offshore wind farms shortly after Osborne’s speech. At the Liberal Democrat conference in late October, he then called for a green economic “third industrial revolution” in the UK based on renewables technology and attacked the position of HMT (Liberal Democrats 2011). A significant rift developed in the Coalition between these two camps that continued well into the following year, despite Huhne’s subsequent resignation from the Cabinet and his replacement with another Liberal Democrat Ed Davey.

The Chancellor’s opposition to the renewables agenda became even more noticeable in relation to its support for gas powered generation as a means of meeting UK climate emission reductions. The so-called second wave ‘dash for gas’ was first officially signalled by HMT in

the Chancellor's March 2012 Budget speech. In an apparent shift away from the Coalition's initial privileging of renewables, the Chancellor talked of making gas powered generation the centrepiece of the UK energy mix in future years due to its relative cost advantages. His announcement was this time supported by DECC. Now led by the Liberal Democrat Ed Davey, the former business minister, DECC announced rules that would encourage investment in gas power stations. But DECC's continued support for the Green Deal and wind farms was increasingly opposed by senior Conservatives ahead of the announcement of plans for a new Energy Bill in the Queen's Speech in May 2013. Vocal resistance came from the Secretary of State for Communities and Local Government Eric Pickles who throughout April, together with other Conservative ministers, led calls for the scrapping of the Green Deal. With Chris Huhne gone from the Cabinet, they saw an opportunity to stop a policy most clearly associated with the Liberal Democrats. This opposition was also underpinned by increasingly anti-environmental rhetoric from George Osborne. Liberal Democrats fought back by stating their support for the policy, thereby splitting the Coalition on the issue. David Cameron was then forced to intervene to halt the proposed compulsory imposition of the scheme on homeowners making improvements to their properties. Further controversy was to ensue after the government announced its intention to reform electricity markets by encouraging clean generation in the Queen's Speech (see UK Parliament 2012).

By July, Osborne was seeking to influence the upcoming Energy Bill through heavily promoting the 'dash for gas'. His support for gas generation became even more apparent in a letter to Ed Davey, where the Chancellor argued that it should constitute the main source of UK power (Guardian 2012a). Critics suggested that Osborne's position reflected intensive lobbying of HMT from the gas industry which was promoting its fuel as a lower carbon alternative to coal (*ibid.*). Another factor was growing pressure from Conservative back bench MPs, who enjoyed significant power to influence government decision-making due to the Coalition's small Parliamentary majority. A vociferous number had begun to express opposition to renewables, particularly wind farms, which they feared would impact their constituencies and place additional financial burdens on the public. Yet not all Conservatives supported the Chancellor's preferences. Tim Yeo, Chairman of the UK Parliament's Energy and Climate Change Committee, openly criticised the 'dash for gas'. In an interview with the Guardian, Yeo stated that "The Treasury has never been signed up to the green agenda, but this has got much more serious in the past year" (*ibid.*). A Committee report, published at this

time, was also highly critical of HMTs attempts to influence the direction of energy policy. Committee members concluded that ‘the Treasury’s apparent refusal to engage with the possibility that its policies may have unintended consequences risks derailing DECC’s proposals and producing a worse deal for consumers’ was concerning, noting that HMT refused to provide evidence into its pre-legislative review of the Energy Bill (House of Commons 2012: 8). By this point, DECC also appeared to be in open conflict with the Treasury over energy policy, pitting Liberal Democrat ministers against their Conservative Coalition partners.

Rows over the direction of energy policy were relit in September. Former Conservative environment minister John Gummer wrote a public letter to George Osborne voicing concerns over his continued promotion of gas generation over renewables. Gummer, a former Conservative minister and recently appointed Chairman of Parliament’s Committee on Climate Change, warned that the dash for gas risked the UK missing its legally binding climate emissions targets established by the Climate Change Act. The green agenda then suffered a further setback when David Cameron reshuffled his cabinet. Conservative John Hayes, an opponent of wind farms, was installed as a minister at DECC to work alongside Secretary of State Ed Davey, with environment minister Caroline Spellman replaced by Owen Paterson – a more economically neoliberal opponent of energy subsidies and wind farms. With the Coalition’s pledges on green energy seemingly in danger, George Osborne’s Liberal Democrat Treasury colleague, Danny Alexander, was moved to add his criticism of the Conservatives. The Treasury chief secretary spoke out ahead of the Liberal Democrat conference in late September where he identified “luddites” within Conservative backbench MPs as a serious impediment to green technologies such as renewable energy through their demands for subsidy cuts and opposition to windfarms (Guardian 2012b). In this acrimonious context, the future of green energy, and hence the green economy, remained uncertain.

This uncertainty was reflected in the watering down of the Green Deal policy. Finally introduced in October 2012, the Green Deal became more of loan instrument, with energy companies allowed to supply customers with energy saving home improvements, with the costs recouped from domestic bills. Yet, many questions remain over the viability of the scheme, most notably its dependence on homeowner buy-in and the participation of major

energy companies and home improvement retailers, the imposition of the so-called 'golden rule' that stipulates financial savings from fitting energy efficiency measures should exceed the costs, and the requirement that any debt should stay with the property not the homeowner if they move. The HMT, despite all the earlier controversy, provided £200 million for promoting early uptake of the scheme in its first year.

However, business leaders remained concerned over the Chancellor's position on energy policy. Writing in an open letter, published in October 2012, 50 leading businesses and environmental NGOs demanded that carbon emissions reductions targets for 2030 be introduced in order to give greater certainty for investment (BBC 2012). They argued that the Chancellor's support for gas was undermining business confidence in supporting low carbon generation, thereby damaging moves towards a green economy.

The new Energy Bill also remained controversial. Introduced to the House of Commons by Ed Davey on the 29<sup>th</sup> November 2012, it 'will establish a legislative framework for delivering secure, affordable and low carbon energy' (UK Government 2013). Few of the demands from both industry and environmentalists were seemingly included in the policy, with the main emphasis placed on market efficiencies to deliver low carbon generation. Provisions included measures for *inter alia*: Electricity Market Reform (EMR) to stimulate investment in upgrading electricity grids, including the so-called Contracts for Difference and Power Purchase Agreements to ensure long-term contracts for low carbon generation; transitional arrangements for Renewables Obligation scheme investments; and an Emissions Performance Standard (EPS) that would reduce emissions from new-build fossil fuel plants. Yet the Bill hardly marked a shift away from fossil fuel and nuclear generation, with limited actual financial support provided for the renewables sector.

Meanwhile, the Chancellor's perceived anti-environmental bias continued into 2013. Under pressure from public opinion to reign in rising domestic energy prices and the looming threat of a 'triple-dip' recession, Osborne scrapped a recently introduced rise in fuel duty in his March 2013 budget. More controversially, he signalled his intent to further support fossil

fuels by providing generous tax breaks to the so-called ‘fracking’<sup>3</sup> industry and concessions for domestic oil production. Much to the ire of environmentalists, speaking during the budget debate in the House of Commons he stated that:

“... in the Spending Round we will provide support for energy intensive industries beyond 2015. For the North Sea we will this year sign contracts for future decommissioning relief, the expectation of which is already increasing investment there. But I also want Britain to tap into new sources of low cost energy like shale gas. So I am introducing a generous new tax regime, including a shale gas field allowance, to promote early investment. And by the summer, new planning guidance will be available alongside specific proposals to allow local communities to benefit. Shale gas is part of the future. And we will make it happen.” (HM Treasury 2013)

While some (energy) industry actors were highly supportive of the measures, others feared the continued shift away from green policy objectives. Despite the government’s own data that showed a growth in the green economy of 5 per cent per annum, Mark Kenber of the Climate Group<sup>4</sup> argued that the Chancellor “keeps on making the fundamental mistake of thinking that investment in renewable energy and clean tech ‘costs’ jobs”, citing evidence from other countries to the contrary (Climate Group 2013). In addition, the Aldersgate Group<sup>5</sup> also criticised the apparent lack of budgetary support for UK green technology, a sector that was performing strongly in global export markets. Environmentalists were also unimpressed. Representing Friends of the Earth, Andrew Pendleton issued a statement saying that “Our economy desperately needs new ideas, but Osborne is a 19<sup>th</sup>-century chancellor, using 20<sup>th</sup>-century tools to fix 21<sup>st</sup>-century problems” (Friends of the Earth 2013). By the end of 2013, the Energy Bill was still being debated in Parliament while renewable energy production and the wider green economy had seemingly fallen further down the Coalition

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<sup>3</sup> A drilling process involving the hydraulic fracturing of shale deposits to release gas reserves.

<sup>4</sup> A campaign group funded by major corporations.

<sup>5</sup> A coalition of NGOs, business groups, corporations and trade unions that is dedicated to promoting a sustainable economy.

Government's priorities. The Chancellor by this point had signaled his intention to remove some green levies from energy bills to counter public criticism of rising domestic electricity prices.

In the 2015 election the Conservatives won a majority of seats in the House of Commons, the Conservative Party. Thus the Chancellor George Osborne has more freedom to remove green budgeting measures without being reigned back by his former partners in the government the Liberal Democrats. The Chancellor signalled his intent in his early emergency budget shortly after the election victory in which he announced the removal of subsidies for onshore wind, solar installations and biomass, the ending of lower rates of vehicle excise duty for greener cars in 2017, and the privatization of the Green Investment Bank.

### **A super veto players' perspective?**

By modifying Tsebelis' original argument, it is possible to shed new light on environmental politics in the UK Coalition Government. A super-veto player explanation can help understand the Coalition Government's rapid shift from environmental champion in 2010 to its ambivalent stance towards the green economy by late 2012, to its virtual abandonment in 2015. Applying the super veto player explanation in the UK context it is important to note that it relies on an unusual convergence of factors. Not only is there the traditional agenda-setting power of the Chancellor of the Exchequer through control of HMT expenditures important, but also the rare outcome of a Coalition government in a first past the post parliamentary system that usually delivers a majority government. This situation further politicised the institutional veto of the Treasury by introducing coalition politics into the equation. This was especially prominent in the area of green budgeting as prominent departments (for example, HMT and DECC) were headed by ministers from different parties. Indeed, as we saw above and go on to discuss below, Osborne's control of HMT in this context paved the way for HMT to be more of an ideologically driven actor with significant opportunity to curtail movements towards the environmental win-set. Despite initial support for the environment agenda, the Chancellor gradually reverted to promoting a *status quo* default position based on classical economic liberalism notions of cutting public expenditure and regulation to boost jobs. While measuring precisely how influential the power of this

actor was on the direction of policy is difficult, evidence from the analysis of green energy shows, nonetheless, that interventions by the Chancellor and HMT were successful in watering down Coalition agreement pledges. Their increasing opposition to the Green Deal and renewable energy and overt support for gas generation did shape the scope for policy change. Once the counter veto of the liberal democrats as the junior Coalition partner was removed with the election of a majority Conservative Government, the Chancellor of the Exchequer, who was largely opposed to green budgeting, was able to abolish many of the Coalition's flagship initiatives. In this sense, the modified veto players theory has some explanatory power.

The theory however still presents problems when applied to the green economy issue in the UK. Firstly, the Chancellor of the Exchequer has not always been able to impose an environmentally hard line since 2010. Policies such as the Green Deal and support for renewables were not stopped entirely, while the 'dash for gas' is still uncertain, suggesting that this super veto player is influential - but certainly not all powerful. Secondly, although the theory can explain how the relative power of this actor shapes outcomes, it nonetheless cannot completely elucidate why, given the continued broad support for the environment expressed by the Coalition, its green credentials have proved so limited. Clearly other veto players such as the Prime Minister, cabinet colleagues and MPs have also contributed to the government's stance. A critical factor evident in this case was the lobbying of Conservative backbenchers, who enjoyed significant power within the Coalition due to the government's limited majority in parliament. Indeed, continued weak economic performance heightened concerns that the environmental agenda was a short-term break on economic recovery, which could ultimately hamper the Conservative Party's chances in the next General Election. At the very least this opportunity was seized upon by more environment-sceptic Conservative MPs to pressure the Chancellor. In this respect the ideological distance on the environment widened between the coalition partners meaning that the environment winset declined relative to that of the relative political safety of the traditional neo-classical economics status quo. Thirdly, although the ideological influences of key veto players are manifestly significant in this case, the theory does not account for wider exogenous events. The continued impact on economic policy of broader crises in the eurozone or global financial markets was perhaps also a major countervailing factor in reducing the scope for the environmental winset in the age of austerity. In this context, HMT's room for manoeuvre

may have been severely limited anyway as continuing external economic pressure gave it little opportunity for significant green investment.

## **Conclusions**

Several conclusions are evident, from a theoretical, empirical and normative perspective. Firstly, our 'proto-theoretical' preliminary arguments require much greater development beyond the initial plausibility probe. Further elucidation of the super veto player concept is manifestly required in terms of the institutional characteristics and conditions, both constitutional and partisan, under which such powers can be exercised. An interesting point of departure for such theoretical building may be combination with other, more established, institutional theory. For example, rational institutional choice could help in understanding the self-maximising (i.e. pragmatic) game playing strategies of super-veto actors regarding shifting environmental policy choices. Laver and Shepsle's (1996) arguments on the importance of party preferences and departmentalism to government decision-making may be particularly significant in this respect. Meanwhile, historical institutionalism may provide clues as to the embedded, path dependent behaviour of institutions such as HMT in opposing (or supporting) the green economy agenda. A more sociological institutionalist perspective may add real depth to explanations of such players' propensity to act environmentally according to a rule-based 'logic of appropriateness' (March and Olsen 1989). Discursive approaches, meanwhile, would stress the importance of ideas and discourse, such as economic liberalism and austerity, in shaping super veto players' identities and hence actions (Peters 2005; Schmidt 2010). Alternative explanations could also integrate the role of constitutional veto points in addition to veto players in determining movements away from the economic policy status quo in the UK majoritarian context (Birchfield and Crepaz 1998; Crepaz and Moser 2004). Secondly, Tsebelis's arguments are drawn from extensive quantitative testing in multiple contexts. Our preliminary arguments rest on the evidence of one time dependent, qualitative case. A role then emerges for tightly instantiated multi-case comparative research that 'tough' tests these arguments more broadly across country case comparators. It may well be that the UK government policy process, due to its unique political context, is a more extreme example of the super veto player effect. Exogenous factors such as global economics may also be important in explaining the patterns detected. Finally, such research would have implications for normative political research and potential

policy transfer (see Benson and Jordan 2011). Identifying the political conditions, including the role of key veto players, through which the transition to the green economy is being enhanced or impeded worldwide will potentially allow the generation of more effective strategies. On the basis of the UK experience, integrating green issues, not only at the heart of government policy generally, but also within fiscal decision-making specifically, would seem an important lesson.

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