

# Policy Entrepreneurship Curbed by Member State Preferences

## DG Climate Action and the Effort Sharing Policy



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**Abstract:** Efforts to reduce greenhouse gas emissions from the European Union (EU) are divided between two sector overreaching policy frameworks, the Emissions Trading Scheme and the Effort Sharing policy. The Effort Sharing policy distributes national targets to all member states to reduce emissions from transport, buildings, agriculture, waste-management and small industry. A central feature of the Effort Sharing policy framework is the much-disputed flexibility mechanisms. These flexibility mechanisms contribute to increase the cost-efficiency in efforts to reduce emissions from these sectors but might also contribute to delay action where the costs of reducing emissions are high. The European Council, the European Parliament and the European Commission had diverging opinions on what is the right level of flexibility in the Effort Sharing policy. Thus, the flexibility mechanism took centre stage under the review of the Effort Sharing policy framework.

This study investigates to what extent the Directorate-General (DG) for Climate Action acted as a policy entrepreneur to influence the level of flexibilities in the review of the European Union's Effort Sharing policy for the 2021-2030 period. It draws on policy entrepreneurship theory and historical institutionalism and makes use of process tracing of the review of the Effort Sharing policy. Empirical data is collected from official EU documents and in-depth interviews. Due of the contextual conditions that constrained the room for policy entrepreneurship, it was least likely that the Commission would be able to act as a policy entrepreneur. The conditions for entrepreneurship were restricted by the asymmetrical preferences among the member states under the review process of the Effort Sharing policy from 2013-2016. However, the evidence suggests that even under such constraints, DG Climate Action is able to act as a policy entrepreneur. In response to the constraining conditions, DG Climate Action used entrepreneurial strategies to block attempts to increase the flexibilities in the Effort Sharing policy framework, thus acted as a status quo policy entrepreneur under the review of the Effort Sharing policy.

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## List of Abbreviations

<b>CDM</b>	Clean Development Mechanism
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>DG</b>	Directorate-General
<b>ENGO</b>	Environmental Non-Governmental Organisation
<b>EU</b>	European Union
<b>EU ETS</b>	European Union's Emissions Trading Scheme
<b>GDP</b>	Gross Domestic Product
<b>GHG</b>	Greenhouse Gas
<b>INDC</b>	Intended Nationally Determined Contribution
<b>JI</b>	Joint Implementation
<b>LULUCF</b>	Land Use, Land Use Change and Forestry
<b>NDC</b>	National Decided Contribution
<b>UNCED</b>	United Nations Conference on Environment and Development
<b>UNFCCC</b>	United Nations Framework Convention on Climate Change

# 1 Introduction

The European Commission (the Commission) is by many portrayed as a highly politically active institution with significant impact on European Union's (EU) policy-making, thus is often referred to as a policy entrepreneur (Pollack, 1997, Maltby, 2013, Leiren and Parks, 2014). Studies of EU climate and energy policy finds that the Commission has acted as policy entrepreneurs seeking to influence the Renewable Directive and the Emissions Trading Scheme (EU ETS) (Boasson and Wettstad, 2013, Bürgin, 2015, Skjærseth, 2017). However, no such study exists of the Effort Sharing policy, EU's policy for reducing greenhouse gas (GHG) emissions from transport, buildings, agriculture, waste management and small industry, covering about 60 percent of EU emissions (European Commission, 2016a).

20th of July 2016 Commissioner from Directorate-general (DG) for Climate Action Miguel Arias Cañete presented the Commission's proposal for the Effort Sharing Regulation for 2021 to 2030. In sharp contrast to the literature portraying the Commission as a politically active policy entrepreneur, this policy proposal did little but reflect what the member states had decided in the European Council (the Council) conclusions in 2014. Despite not straying far from the Council conclusions the Commission did challenge the member states on one crucial feature of the Effort Sharing policy, the flexibility mechanisms. The flexibility mechanisms in the Effort Sharing policy are crucial as they increase cost-efficiency by allowing member states to reduce emissions where the costs of reducing emissions are low. However, too much flexibility will delay efforts to reduce emissions in sectors where the costs of reducing emissions are higher, jeopardising compliance with EU's long-term climate targets. In the proposal for the Effort Sharing Regulation the Commission did not enhance the level of flexibilities to the extent the member states wanted. Nevertheless, the level of flexibilities proposed by the Commission was heavily criticised by greener parties in the European Parliament (the Parliament) and environmental non-governmental organisations (ENGOS).

This report examines to what extent DG Climate Action, the leading service in the Commission on the Effort Sharing policy, acted as a policy entrepreneur seeking to influence the level of flexibilities in the Effort Sharing policy. Central to the report is the investigation of under what conditions DG Climate Action acts as a policy entrepreneur and how these conditions affect the strategies they use to influence the Effort Sharing policy. Thus, the research question is: To what extent did DG Climate Action act as policy entrepreneurs to influence the level of flexibility in the Effort Sharing policy?

Despite covering the majority of EU emissions, the Effort Sharing policy has been overlooked by scholars of EU climate and energy policy, notable exceptions are Lacasta et al. (2010) and Haug and Jordan (2010). Thus, by exploring the vastly under-researched Effort Sharing policy, this report will contribute to filling part of this significant academic gap in the literature on EU climate and energy policy. Furthermore, as this report finds that DG Climate Action does act as a policy entrepreneur, despite constraining conditions it makes scientific contribution to the literature portraying the Commission as a policy entrepreneur. In addition, this report contributes to the understanding the Commission's role in European policy-making, thus enters into the wider European integration literature of "who governs" the EU. Hence, the conclusions made in this report should be of interests to anyone seeking to understand EU climate and energy policy, for scholars of supranational policy entrepreneurship and political scientists interested in European integration.

## 1.1 Analytical Approach

This report will investigate to what extent DG Climate Action acts as a policy entrepreneur under the policy-making process of the Effort Sharing policy. In addition, I will pay special attention to the conditions for entrepreneurship and how these conditions affect the entrepreneurial strategies that the DG Climate Action use to influence the Effort Sharing policy. As the final outcome of the Effort Sharing Regulation was still under negotiations when this report was conducted, it will not assess DG Climate Action's success as a policy entrepreneur. Choosing to analyse a political process before the final outcome poses some challenges. However, the literature on agenda setting finds that the initial phases of the decision-making process are crucial for an actor seeking to influence the policy outcome (Pollack, 1997). At the same time, the entrepreneurial strategies employed by the Commission are evident at this stage of the policy process, thus making an analysis of DG Climate Action as a policy entrepreneur possible. The final Effort Sharing Regulation was adopted 14<sup>th</sup> May 2018, and do not appear to be too different from the Commission's proposal for the Effort Sharing Regulation<sup>1</sup>. Thus, the inferences made in this paper appear to be valid beyond the policy proposal of the Effort Sharing Regulation.

Under the review of the Effort Sharing policy the conditions indicated that the room for policy entrepreneurship is limited, with asymmetrical member state preferences as a crucial constraining factor. Therefore, the case of DG Climate Action and the Effort Sharing policy contributes to explore the boundaries of the DG Climate Action's ability to act as a policy entrepreneur. Thus, this case study provides evidence of how supranational entrepreneurs act when the contextual conditions constrain the room for policy entrepreneurship. Exploring DG Climate Action's ability to act as a policy entrepreneur, this report follows what Moravcsik (1999) encouraged: that any study of supranational entrepreneurship must investigate under which conditions such policy entrepreneurship is feasible. Furthermore, this report will adopt Moravcsik's definition of policy entrepreneurship. As Moravcsik argues that supranational policy entrepreneurs have low influence on policy outcome, adopting his definition makes the inferences of DG Climate Action as a policy entrepreneur particularly interesting.

The theoretical framework is based on policy institutional entrepreneurship theory. To operationalise and assess whether DG Climate Action acts as a policy entrepreneur I will analyse the use of four entrepreneurial strategies: *Development of new ideas*, *issue framing*, *strategic use of decision-making procedures* and *policy brokering*. All these have previously been used by the Commission to increase their influence on EU policy. By formulating empirical expectations to high and low use of these entrepreneurial strategies I will make an inference of to what degree DG Climate Action acts as a policy entrepreneur.

To increase the strength of the causal inferences of DG Climate Action's ability to act as a policy entrepreneur, the theoretical framework also investigates path dependent feedback effects from historical institutionalism. A wider theoretical framework is beneficial as it offers an alternative explanation from the historical institutionalist perspective, thereby avoiding confirmation bias. In addition, it contributes to a fruitful discussion of how path dependent feedback mechanisms constrain or enable policy entrepreneurs.

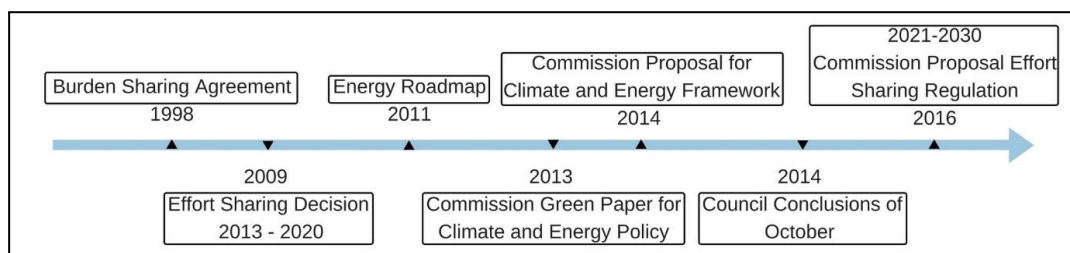
I will conduct process-tracing to analyse the review of the Effort Sharing policy at a detailed level to identify possible causal explanations of change in DG Climate Action's ability to act as a policy entrepreneur - with special attention paid to the existing and new flexibilities in the proposal for the Effort Sharing Regulation. The process-tracing is based on empirical data from official documents from the Commission, the Council and the Parliament, seven semi-structured interviews and (to a lesser extent) media articles.

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<sup>1</sup> With some important exceptions such as the Safety Reserve and some adjustment of the other flexibilities.

## 1.2 EU Effort Sharing Policy Framework

The Effort Sharing policy framework dates back to when member states first started combining their efforts to achieve an EU-wide target under the Burden Sharing Agreement of 1998, under the first commitment period of the Kyoto Protocol (Lacasta et al., 2010, Haug and Jordan, 2010). The EU commits to an overall GHG reduction target, this target is split between ETS and the Effort Sharing policy. Thus, the GHG reduction target in the Effort Sharing policy is a sub-target, a direct result of the economywide target for the EU. In the Effort Sharing policy framework annual reduction targets are distributed to all member states to be achieved in the Effort Sharing sectors: waste management, transportation, buildings, agriculture and small industry. As these amount to about 60 percent of EU emissions, mitigating emissions from these sectors are crucial for the EU to comply with their long-term climate targets (European Commission, 2016b). The distribution of national reduction targets follows a GDP per capita approach as the EU seeks to increase equity and fairness in the overall EU climate and energy policy. This approach means that member states with high GDP per capita get higher emission reduction targets than other countries. As abatement costs typically are higher in these member states there are flexibility mechanisms to increase the cost-effectiveness of the EU-wide efforts to reduce emissions from the Effort Sharing sectors (European Commission, 2016b). Timeline 1 offers an overview of the development of the Effort Sharing policy framework, from the Burden Sharing Agreement to the Commission's proposal for the Effort Sharing Regulation.



**Timeline 1:** The development of the Effort Sharing policy

Today emissions from the Effort Sharing sectors are covered by the Effort Sharing Decision running from 2013 to 2020. In the Effort Sharing policy proposal for 2021 to 2030 the policy framework is renamed Effort Sharing Regulation. To minimise confusion, I will refer to the general policy framework of the Effort Sharing Decision and the Effort Sharing Regulation as the Effort Sharing policy framework.

Under the Effort Sharing Decision member states are distributed emission reduction targets for each year over the 2013 to 2020 period, thereby creating a trajectory for each member state towards 2020. EU-wide these combined efforts will reduce the emissions from the Effort Sharing sectors with 10 percent by 2020 compared with 2005 levels. Under the Effort Sharing Regulation, the EU-wide target is to reduce emissions with 30 percent by 2005 levels. As the ambition is increased, so is the member states demand for flexibility to comply with their national targets.

### 1.2.1 The Crucial Question of Flexibility and Environmental Integrity

How these flexibility mechanisms are designed have crucial impact on the Effort Sharing policy framework works. The flexibility mechanisms will increase cost-efficiency thereby enable member states to comply with more ambitious mitigation targets. On the other hand, too much flexibility will undermine actions in sectors where the price of emissions is high, thus challenge the *environmental integrity* of the Effort Sharing framework. The term *environmental integrity* is central to understand the negotiations over EU climate policy as it is used by both policy-makers and NGOs. It refers to whether a specific policy reduces the GHG emissions intended, within the sectors the policy aim to reduce emissions. Thus, as too much flexibility in the Effort Sharing policy framework will delay actions to reduce emissions in sectors where the cost of reducing emissions are higher, this may challenge the environmental integrity of the policy framework.



The level of flexibilities was the centre of attention under the review of the Effort Sharing policy. As member states, the Parliament, ENGOs and lobby organisations had diverging views on what was the right amount of flexibility to comply with the 30 percent target. In their proposal for the Effort Sharing Regulation DG Climate Action proposed to continue with the flexibility mechanisms as they were under the Effort Sharing Decision, thereby ignoring the Council's demand for significant enhancement of the existing flexibilities. Nevertheless, the proposal for the Effort Sharing Regulation introduced two new flexibility mechanisms: a new one-off flexibility to access allowances from the EU ETS and a new flexibility to access credits from the land use, land use change and forestry sector (LULUCF).

The amount of flexibilities in the Commission's proposal is heavily criticised by Climate Action Network Europe, Sandbag and Carbon Market Watch, which refers to the new flexibilities as "loopholes" (Carbon Market Watch, 2016, Climate Action Network, 2016, Sandbag, 2016). Stressing how these new flexibilities are "a watering down of ambition", which undermines action in sectors that are crucial for complying with EU's pledge in the Paris Agreement, and clearly violate the environmental integrity of the Effort Sharing policy framework. The Council on the other hand, see these flexibilities as necessary to comply with the ambitious Effort Sharing targets in a cost-efficient manner that do not challenge economic growth in the EU. To understand to what degree DG Climate Actions acted as a policy entrepreneur a brief introduction of the main EU institutions is necessary.

### 1.3 The Council, the Parliament and the Commission

The next section will briefly direct the attention towards three key EU institutions and how these institutions affect policy matters. First, the two institutions with legislative power will be presented, the Council and the Parliament, before attention is directed towards the Commission and its DGs.

#### The European Council

The European Council consists of Heads of State of the member states and the Presidents of the European Council and the Commission. The Council can both initiate policy proposals and act as a final decision-taker in EU matters. Guidelines from the Council can range from broad policy guidelines, leaving it to the Commission to work out the details, or more detailed policy conclusions, reducing the Commission's leeway in designing the policy. When voting on policy the Council seeks to obtain a consensus vote on their policy proposals, however, a qualified majority is often sufficient depending on the issue at hand (Buonanno and Nugent, 2013, p. 46). In the Council conclusions on climate and energy framework of 2030, the member states agreed that all decisions on the climate and energy policies for 2030 must be taken with respect to *consensus* (European Council, 2014). The consensus requirement makes it challenging to move beyond the "least ambitious" member states, typically Poland with support for other Central and Eastern European member states. Their reasons for opposing an ambitious emission reduction targets is to some extent due to their dependence on coal in electricity production, and their concerns of energy security (Andresen et al., 2016, p. 190). Therefore, these member states have been more active in negotiations of the ETS, targeting their coal power plants, than in negotiations of the Effort Sharing policy. Nevertheless, Poland and the other Eastern European member states block attempts to increase the economywide GHG target, thereby also constraining the ambition of the Effort Sharing Regulation.

This report will not devote attention to the *Council of Ministers* as it lacks legislative power in the question of Effort Sharing Regulation. In the Council of ministers, government ministers from each EU country meet to discuss, amend and adopt laws, and coordinate policies. There are no fixed members, each country sends their minister responsible for the policy area being discussed. It is likely that extensive member state negotiations on climate and energy questions were carried out here. However the important decisions were taken in the European Council.

## The European Parliament

The European Parliament is the only directly elected EU institution, representing the people of Europe. The Parliament consists of transnational political party groups and is directly involved in policy and lawmaking of the EU, both by giving input on policy development and by voting over policy proposals (Buonanno and Nugent, 2013, p. 55). In the Parliament a legislative proposal requires an absolute majority to get adopted, which is also required for the Effort Sharing Regulation. The Parliament has traditionally called for more ambitious climate policy than the Council, in this regard the Effort Sharing Regulation is no exception. Nevertheless, the absolute majority voting rules mean that it is easier to get policy adopted in the Parliament than in the Council.

## The European Commission

In the EU polity, the European Commission is the most authentic executive body, undertaking several roles. From agenda setting, drafting of policy proposals to implementing and evaluating policy (Buonanno and Nugent, 2013, p. 40). The Commission is divided into into Directorate-Generals (DGs), which represent different sectors or policy fields are headed by a Commissioner. Each member state is represented by one Commissioner representing Europe's interests, not the interests of his or her home country, with the DG acting as the Commissioner's cabinet (Egeberg, 2006b, p. 23). Following this logic, one can argue that the Commission is partly political (the Commissioner and their cabinets) and partly bureaucratic (the DGs).

How and to what degree the DGs cooperate depend on the issue at hand. According to interviews, DG Climate Action enjoyed extensive autonomy under the drafting of the Effort Sharing Regulation, compared to the Renewables Directive and the Emissions Trading Scheme. This notion was further increased by declines to interview requests from other DGs<sup>2</sup> as they had not followed the Effort Sharing file. This is in line with how Egeberg (2006b) and Trondal (2010) finds that there is fairly little communication between the DGs across sectors or policy areas.

To overcome the silo mentalities in the different DGs, the Commission president Jean-Claude Juncker increased the centralisation and created a strong *political* Commission where his vice-presidents oversee and coordinate the work of the Commissioners (Peterson, 2017, p. 358). Several informants mentioned this and emphasised that all DGs had become less powerful under the Juncker Commission (Interview 2,4,5,6). The Commissioner for DG Climate Action is also the Commissioner for DG Energy, Miguel Arias Cañete, who according to informants, has improved the collaboration between the two DGs.

As the Commission prefers to appear as a coherent actor it is at times challenging to identify what ideas are coming from DG Climate Action and what is coming from other parts of the Commission. However, as DG Climate Action is leading-service and the autonomy of DG Climate Action was explicitly mentioned by informants, I consider the proposal for the Effort Sharing Regulation as coming from DG Climate Action.

### 1.4 The European Commission in European Integration Theory

The Commission's political power and influence over EU policy has been debated among European integration scholars for decades. In this report, the focus is on two prominent classical theories of EU integration: *liberal intergovernmentalism* and *new institutionalism*. One central dimension over which these theories disagree is the power of the Commission in relation to the member states. This is an ongoing academic debate from which *new intergovernmentalism* developed from liberal intergovernmentalism and several new institutionalist theories have their origin. A short presentation of these theories contributes to enlighten how this report's conclusions of the extent to

<sup>2</sup> DG Energy, DG Mobility and Transport, and DG Agriculture and Rural Development

which DG Climate Action is a policy entrepreneur fits into the wider literature on European integration.

The most prominent scholar of *liberal intergovernmentalism* is Andrew Moravcsik, who makes three core assumptions: the member states are rational actors, national preference formation is in line with liberal theory, and interstate negotiations follows intergovernmentalist analysis (Moravcsik, 1993, p. 480). Thus, scholars of liberal intergovernmentalism assume that only member states have direct influence on EU policy, and member states preferences are shaped by national conditions. Moravcsik highlights how climate change is an international problem, hence member states have incentives to turn to international coordination, surrendering domestic sovereignty (Moravcsik, 1993, p. 492).

Bickerton et al. (2015) refined the ideas of liberal intergovernmentalism to what they presented as *new intergovernmentalism*. According to Bickerton et al. EU integration in the post-Maastricht era cannot be explained as bargains between member states, and they emphasize how the behavioural norms in the Council have changed and is now more deliberation and consensus-seeking, which undermine the importance of supranational actors such as the Commission (Bickerton et al., 2015p, 705-706). Thus, according to new intergovernmentalism policy progress to the EU-level if member states find cooperation beneficial to achieve more ambitious policies. With regards to the Commission, Bickerton et al. highlight how increased delegation of power to EU agencies, have contributed to diminishing the power of the Commission in the EU polity (Bickerton et al., 2015, p. 705).

*New institutionalism* refers to wide range social science approaches, which differ in their methodological perspective and substantive focus. However, they share the key assumption that institutions matter for the policy outcome. The assumption that institutions matter serves as the analytical starting point as new institutional scholars investigate the interplay institutional structures and the actors operating within them (Saurugger, 2014, p. 92-93).

New institutional scholars challenge the conclusion that the Commission's power is declining. Nugent and Rhinard (2016) stress that the Council and the Parliament have always had influence over the Commission's agenda and agree that it has been some change in the influence and power of the Commission. Nevertheless, they emphasise that intergovernmentalist scholars tend to exaggerate this decline. According to Nugent and Rhinard the Commission have in some aspects increased its powers and influence by strategically using their informal power resources. With regards to the delegation of power to the EU agencies Nugent and Rhinard find in line with Egeberg et al. (2015), that as a result of the close ties between the EU agencies and the Commission this has in fact increased the centralisation of executive power in the EU.

As these theories disagree on the what role the Commission has in the EU polity, the conclusions in this report will enter into the debate of the power and influence of the Commission in European integration. To what extent DG Climate Action acts as a policy entrepreneur will support or challenge the literature portraying the Commission as a policy entrepreneur.

## 1.5 The Commission as a Policy Entrepreneur in Climate and Energy Policy

Within research of European climate and energy policy, the Commission is frequently portrayed as a policy entrepreneur. (e.g., Maltby, 2013, Boasson and Wettstad, 2013, Bürgin, 2015, Skjærseth, 2017). When establishing the EU ETS, the world's first international emissions trading scheme, the Commission used strategic entrepreneurial strategies to overcome low enthusiasm about what would become the flagship in reducing EU emissions (Boasson and Wettstad, 2013, Skjærseth, 2017).

Similar entrepreneurial strategies were used under the review of the Renewable directive. Although with limited success the Commission used framing strategies to push the policy in a more ambitious direction (Boasson and Wettstad, 2013, Bürgin, 2015). As the Commission has used entrepreneurial strategies to influence the ETS and Renewable directive I expect to find similar

entrepreneurial strategies used by DG Climate Action in the policy process of the Effort Sharing policy.

This report adds to and complements recent studies on the Commission's role under the drafting of the 2030 climate and energy package. Skjærseth (2017) finds that the type of leadership<sup>3</sup> has shifted from entrepreneurial and intellectual leadership during the drafting of the 2020 climate and energy package, towards more strategic behaviour sensitive to differing member state preferences during the drafting of the 2030 climate and energy package. Bürgin (2015) examines how contextual conditions shape the Commission's role in the decision-making process of the Renewables Directive. Skjærseth and Bürgin both point to how more clearly defined instructions and deadlines in the Council conclusions constrain the Commission when formulating their policy proposal. Bürgin (2015) further notes that these constraints might be beneficial in the internal negotiation process within the Commission as DGs and Commissioners might frame their policy suggestion as being in line with the Council conclusions (p.694). As Boasson and Wettstad (2013, p. 165) find that the competence distribution between EU organisations and member states vary significantly between sectors of EU climate policy. This report will by focusing explicitly on the Commission's influence on the flexibilities in the Effort Sharing policy complement the studies done by Bürgin and Skjærseth and contribute to the overall understanding of the climate and energy framework for 2030.

As the Paris Agreement replaces the Kyoto Protocol, international efforts to reduce GHG emissions do no longer follow a "top-down" approach of strict binding national targets but is based on a system of voluntary contributions by all countries around the world. It would not be surprising if the EU followed this international shift and moved away from strict targets to all member states, towards voluntary international contributions, or towards voluntary contributions to an EU-wide emission reduction target. This has been the case for the Renewables directive, where the EU has moved away from distributing national targets to only having an EU-wide target (Bürgin, 2015). Therefore, it was not given that the EU would continue with a policy framework based on strict target setting. Nevertheless, the Council has decided to continue with the Effort Sharing policy framework, distributing national emission reduction targets to every member state.

With its focus on DG Climate Action this report will also pay special attention to the internal proceedings of the Commission, often portrayed as a "black box" in political science literature (Egeberg, 2006a). Shedding new light on the "black box" is challenging as it requires extensive interviews with a wide range of Commission officials who are willing to be open on internal procedures. However, far from all Commission officials are comfortable with talking of the internal proceedings as one interviewee underlined by saying he was loyal to the institution, and that he found questions on the internal proceedings of the Commission awkward.

## 1.6 Outline

Chapter two elaborates on the theoretical framework. It clarifies the definition and operationalisation of policy entrepreneurship. From policy entrepreneurship and historical institutionalism, I formulate empirical expectations which guide the analysis of the Effort Sharing policy process.

Chapter three presents the research method and case selection. It elaborates on the use of process tracing, data collection, validity and reliability. The main purpose of this chapter is to increase the transparency of the analysis.

Chapter four centres its attention on the flexibilities of the Effort Sharing Regulation. It describes how the flexibilities have changed from the Effort Sharing Decision, and briefly introduces the new

<sup>3</sup> Skjærseth (2017) refers to "leadership" which is not equal to "entrepreneurship" but do to some extent investigate similar strategic behaviour.

flexibilities. The idea is that a clear understanding of how the flexibilities have changed will help the reader to follow the story of the Effort Sharing policy in the empirical chapters.

Chapter five offers an overview of the background of EU climate policy. Starting with how the member states began to share their efforts to comply with an EU-wide emission reduction target. Further it will present the Burden Sharing Agreement, which is crucial to understand how the EU's Effort Sharing policy has developed.

Chapter six describes the Effort Sharing policy, starting with the Effort Sharing Decision and following the process up to the Commission's proposal for the Effort Sharing Regulation.

Chapter seven uses the theoretical framework to discuss the empirical evidence. Special attention is devoted to the entrepreneurial strategies used by DG Climate Action and to what extent the empirical evidence supports the empirical expectations from the theory. In addition, chapter seven will assess the basis for the least likely case design and the explanatory value of historical institutionalism.

Chapter eight summarises the key findings of the analysis and discuss how these contribute to the existing literature on the EU framework for climate and energy policy for 2030. The chapter also discusses how this report fits into the wider academic literature on EU integration.

Chapter nine concludes on the research question and offer some topics related to the Effort Sharing policy which require further research.

## 2 Theory

The theoretical framework is constructed to best enlighten the research question in focus and explore the DG Climate Action's ability to act as a policy entrepreneur. When conducting a study of policy entrepreneurship, it is important to also pay attention to how contextual factors influence and shape actor behaviour. Contextual understanding will help the researcher to avoid assuming that policy change is always and everywhere driven by policy entrepreneurship (Mintrom and Norman, 2009). Mintrom and Norman (2009) point to the importance of investigating other sources of policy change like path dependence mechanisms. Where policy entrepreneurship theory points to actors to understand the policy outcome, historical institutionalism looks to structure for explanation. Used together they facilitate a deeper understanding of policy processes and offers several theoretical angles for explaining the outcome. A theoretical framework consisting of structure- and actor-based theories will move the analysis closer to the reality of policy-making and give the researcher enough structure to conduct a dynamic analysis and interpretation of the employed mechanisms (Schimmelfennig, 2015, p. 103, Bennett and Checkel, 2015, p. 14-15). By creating a theoretical framework consisting of structure- and actor-based theories I will investigate the research question from through the lens of both policy entrepreneurship and historical institutionalism. The two approaches will challenge each other but will also be used complementary, hence contribute to increased understanding of DG Climate Action's ability to act as a policy entrepreneur.

Following the theoretical framework, I have formulated empirical expectations and created a fine-tuned operationalisation of policy entrepreneurship. Which will enable me to make robust inferences about DG Climate Actions ability to act as a policy entrepreneur. Furthermore, two empirical expectations of feedback mechanisms from historical institutionalism may offer an alternative explanation of policy change. In addition, these empirical expectations will contribute to further understanding of which conditions enable or frustrate DG Climate Action as a policy entrepreneur. The following section elaborates on the theoretical framework which guides the analysis, and in the end, offers an answer to the research question.

### 2.1 Policy Entrepreneurship

Studies of policy change have been theorized and explored empirically from a wide range of perspectives over the last decades. Fligstein argues that policy entrepreneurs are actors that are socially skilful of getting others to cooperate, manoeuvring around more powerful actors and generally knowing how to build political coalitions in life (Fligstein, 2001, p. 108). Thus, the policy entrepreneurs are those with social skills that enable them to extend their influence far beyond what is expected of their position.

However, the focus on individuals, their motives, and their ways of acting is criticised by Mintrom and Norman (2009) as it does not offer fruitful grounds for the theorization of policy entrepreneurship. Moreover, the focus on individuals and their social skills poses serious analytical challenges, both identifying these individuals and the operationalization of their social skills will be very difficult in practice (Boasson and Huitema, 2017).

To avoid that theories of entrepreneurship become theories of individual heroism, Boasson and Huitema (2017) argue that studies of policy entrepreneurship should direct their attention towards entrepreneurial strategies; thereby they understand policy entrepreneurship as a role rather than a study of pivotal actors. This will distinguish the entrepreneur from the strategies they employ, and the strategies become the value that varies not the actor adopting it (Green, 2017, p. 1473). This

enables researchers to create clear operationalisations of policy entrepreneurship, fruitful for both empirical and theoretical discussions.

In his study of supranational entrepreneurship, Moravcsik directs his attention to supranational institutions that lack formal decision-making power. In efforts to assert political leadership, these institutions use policy entrepreneurship to wield political power. Thus, Moravcsik defines policy entrepreneurs as “Actors who aim to induce authoritative political decisions that would not otherwise occur” (Moravcsik, 1999, p. 271). According to Moravcsik policy entrepreneurs seek to alter the policy outcome along two dimensions. They may seek to increase the efficiency of the negotiations, by pushing the policy towards the option most beneficial to all actors, or entrepreneurs seek to alter the distributional impact of interstate agreements, by imposing their preferences on the outcome. Moravcsik finds that policy entrepreneurs generally seek both (Moravcsik, 1999, p. 271). Moravcsik is sceptical of supranational entrepreneurship and directs the attention to major EU Treaty amendments, arguing that supranational institutions have little influence. This report adopts Moravcsik’s definition of a policy entrepreneur as it is a demanding definition of policy entrepreneurship. If DG Climate Action can be said to be a policy entrepreneur according to Moravcsik’s definition, it will further increase the inferences made in this report. In addition, Moravcsik’s two dimensions invite to a refined discussion of what DG Climate Action seeks to achieve with entrepreneurial strategies, and it invites to a contractual discussion of “what could have happened” although this falls outside the scope of this report.

### 2.1.1 DG Climate Action as a Policy Entrepreneur

Seeking to influence the policy process, entrepreneurs may engage in various strategies of policy entrepreneurship. The role and strategy of the policy entrepreneur might change during the policy process, from agenda-setting to policy formulation and implementation (Reimer and Saerbeck, 2017). Furthermore, actors have different incentives to engage in policy entrepreneurship, which may be reflected in the policy strategies actor employ. Ackrill and Kay find that entrepreneurial strategies may also be used by actors seeking to defend status quo to preserve institutions and policy systems against reform (Ackrill and Kay, 2011, p. 78, Boasson and Huitema, 2017). These actors engage in “status quo entrepreneurship”, as they seek to induce political decisions that would not otherwise occur, they are policy entrepreneurs according to Moravcsik’s definition. Status quo entrepreneurs might seek to avoid getting targeted by new climate policy or defend existing policy against amendments that they perceive as diminishing the policy’s purpose.

The Commission is known to use a wide range of entrepreneurial strategies to influence policy outcomes in the EU. This report will focus its attention on entrepreneurial strategies used by the Commission to influence climate policy and expect to find that DG Climate Action uses similar entrepreneurial strategies to increase their influence on the Effort Sharing Regulation. Against this backdrop the first empirical expectation of this report is:

***Empirical expectation 1: DG Climate Action uses entrepreneurial strategies seeking to preserve the environmental integrity of the Effort Sharing Regulation.***

To test this empirical expectation, I have created an analytical tool operationalising policy entrepreneurship with a broader set of entrepreneurial strategies. It must be noted that other DGs than DG Climate Action may have influenced the policy proposal. However, DG Climate Action was lead service and it was highlighted by several informants how DG Climate Action had significant autonomy when drafting the proposal (With the exception being how to address LULUCF). Therefore, I assume that the influence of other DGs is limited.

### 2.1.2 Entrepreneurial Strategies

The following section presents four entrepreneurial strategies the Commission have used to increase their influence on EU policy and empirical expectations to how DG Climate Action have used these strategies to influence the Effort Sharing policy. By investigating a broader set of entrepreneurial strategies, the inferences of the first empirical expectation and the research question will be stronger. If DG Climate Action acts as a policy entrepreneur, we can expect high use of several of

these strategies. Low use will indicate that DG Climate Action is not actively engaging in policy entrepreneurship, hence cannot be considered a policy entrepreneur. It is not likely that the empirical findings will be a clear-cut example of the empirical expectations drawn from the theory, and in the end, it will be up to the researcher to decide whether the use of the entrepreneurial strategy is low or high. However, these empirical expectations will nevertheless provide a basis for a productive analysis of the use of entrepreneurial strategies. Table 1 offers an overview of empirical expectations to low and high use of the different entrepreneurial strategies.

**Table 1:** Empirical expectations to entrepreneurial strategies by DG Climate Action

<b>Entrepreneurial strategies by DG Climate Action:</b>	<b>Low use</b>	<b>High use</b>
<b>Developing new ideas</b>	New ideas in the Effort Sharing Regulation will come from outside DG Climate Action	DG Climate Action will develop new ideas for how to address emissions from Effort Sharing sectors or new flexibilities allowing them to increase the ambition.
<b>Issue framing</b>	Will not use framing strategies when addressing flexibilities in impact assessments and policy proposals.	Will actively use framing strategies when addressing flexibilities in impact assessments and policy proposals.
<b>Strategic use of decision-making procedures</b>	Will not use their agenda-setting power to influence the flexibilities or set focal points for future negotiations	Will use their agenda-setting power to influence the flexibilities and set focal points for future negotiations
<b>Policy brokering</b>	Will draft a policy proposal without including a wide range of actors	Will consult a wide range of actors when drafting the Effort Sharing Regulation to secure that their policy proposal is widely acceptable

### Development of New Ideas

The most central feature of a policy entrepreneur is its ability to develop new ideas. These new ideas may be major radical change of a policy framework or incremental change of existing policy (Huitema and Meijerink, 2010). By developing new policy ideas, the Commission have had crucial impact on how EU climate policy looks today (Maltby, 2013, Boasson and Wettestad, 2013, Skjærseth, 2017). With the most notable example being the development of the EU ETS. In 2001 the Commission proposed the world's first international emissions trading system. The idea was of emission trading were not new *per se*, however, the development of the EU ETS is a success story of Commission policy entrepreneurship (Skjærseth, 2017). The separation of ETS and non-ETS sectors was a radical change to the existing policy framework. If DG Climate Action actively uses this strategy, we can expect them to propose radical changes of the Effort Sharing policy framework, propose an alternative policy framework, or by proposing minor but essential amendments to the existing Effort Sharing policy. Another scenario would be DG Climate Action developing new flexibility mechanisms that would increase the cost-efficiency thereby allow them to increase the ambition of the emission reduction within the Effort Sharing sectors.

### Issue Framing

Issue framing refers to a range of strategies directed to underpin or undermine certain ways of understanding and interpreting information and events (Boasson and Huitema, 2017). In academic literature, there are several terms used to address these strategies, image-making, persuasion, problem definition and issue-framing, all refer to the same phenomenon. In line with Boasson and Huitema, I apply the term *framing* as referring to actions directed at underpinning or undermining certain ways of understanding and interpreting information. Framing strategies are often separated into *positive framing* and *negative framing*, both strategies can be used to make some policies seem



more attractive than alternative policies. *Positive framing* is strategies used to present certain policies as good, desirable, legitimate and appropriate. Policy entrepreneurs may use positive framing to highlight how their policy proposal is compatible with dominant norms and institutional logics (Boasson and Huitema, 2017). Similarly, *negative framing* refers to strategies to de-legitimise undesired policies by highlighting failures in current policies and presenting evidence in a way that suggests that a crisis is at hand (Mintrom and Norman, 2009). Boasson and Wettestad (2013) find that under the development of the 2009 Renewable Directive the Commission used the upcoming international negotiations to spread the view that carbon mitigation was a pressing concern, aiming to influence other actor's opinions on the Renewable Directive (p.102). Furthermore, framing strategies can also be used in green papers, and impact assessments can by highlighting the positive effects of their policy proposal, in turn, shape the contours of policy debates along DG Climate Action's boundaries of acceptable climate policy (Littoz-Monnet, 2012, p. 520). If DG Climate Action engages in high use of framing strategies it can be expected that it actively frames flexibilities as good or bad in its impact assessment and policy proposals. DG Climate Action may use negative framing strategies in impact assessments by showing how too much flexibility will undermine action in the Effort Sharing sectors, thus presenting evidence that a crisis is at hand. Furthermore, DG Climate Action will in a similar manner as 2009 use framing strategies related to the Paris Agreement to increase their influence over the Effort Sharing policy.

### **Strategic Use of Decision-Making Procedures**

As discussed, decision-making procedures can frustrate or enable entrepreneurial actors. Nevertheless, policy entrepreneurs who can make strategic use of the decision-making procedures may significantly increase their influence on a policy process (Kingdon, 1984). Policy entrepreneurs can strategically propose new policy or amendments to existing policy, what Kingdon (1984) refers to as agenda setting. By strategically launching discussions, highlighting problems, or advancing workable policy proposals a policy entrepreneur without formal decision-making power may influence the agenda of future negotiations (Moravcsik, 1999, p. 272). Furthermore, in complicated negotiations an agenda setter may seek to construct "focal points" for future bargaining (Pollack, 1997, p. 125). These focal points will direct the attention of the negotiations towards details, such as the size of specific flexibilities. As leading service on the Effort Sharing file, DG Climate Action has a significant "first mover advantage" by influencing the agenda for future negotiations of the Effort Sharing Regulation. Furthermore, DG Climate Action possesses expertise and knowledge-based authority, hence, they may use intellectual leadership to persuade actors in the Council and Parliament (Skjærseth, 2017). High use of this strategy would find that DG Climate Action uses their agenda-setting power to try to establish focal points for future negotiations in a way that the outcome will not challenge the environmental integrity of the Effort Sharing Regulation.

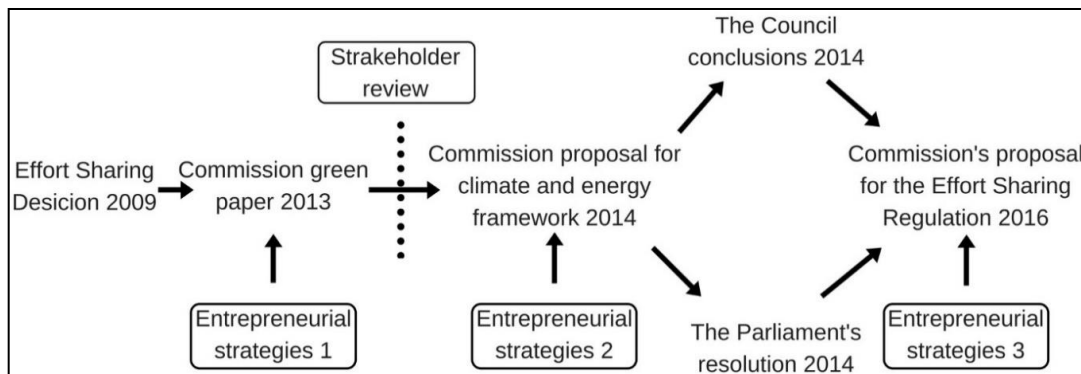
### **Policy Broker**

A policy entrepreneur can influence an ongoing policy process by strategically performing skilled mediation or brokering. There are several ways a mediator or policy broker can increase their influence on policy proposals, it can be done by searching for new policy options, by linking different policies, by finding compromises that are politically feasible, or by combining several of these strategies (Moravcsik, 1999, Ackrill and Kay, 2011). If DG Climate Action strategically engages in policy mediation, we can expect them to consult a wide range of actors under the drafting of the proposal. Furthermore, they will strategically link different parts of the Effort Sharing Regulation proposal to create a policy proposal that is politically feasible to all actors.

### **Visualization of the Effort Sharing Policy Process**

Figure 1 is a simplified visualization of the Effort Sharing policy process. It clearly shows how different entrepreneurship strategies will be used at different times over the policy process, as how other policy actors act will change the conditions for DG Climate Action. As entrepreneurial strategies are not performed in vacuum one cannot expect the same causal effect from the same entrepreneurial strategy when the conditions change (Ackrill and Kay, 2011, Kingdon, 1984). Thus, as the conditions for entrepreneurship change so will probably the strategies used by DG Climate

Action to maximise their influence. Hence, what is a good strategy at point 1 will not necessarily be a good strategy at point 3. The main attention of this report will be directed towards what in Figure 1 is entrepreneurial strategies 3, which is the strategies used in the final proposal for the Effort Sharing Regulation. It was in this final proposal DG Climate Action for the first time went into details on the policy framework and the level of flexibility.



**Figure 1:** Visual presentation of the Effort Sharing policy process and access point for policy entrepreneurship by DG Climate Action

### 2.1.3 Which Conditions Foster Policy Entrepreneurship

Crucial to any study of policy entrepreneurship is to investigate under which conditions policy entrepreneurship is possible. This was emphasised by Moravcsik (1999) highlighting how “The primary task of any explanation of supranational entrepreneurship must be to investigate the conditions under which supranational entrepreneurs enjoy such a comparative advantage over more powerful and directly interested governments.” Thus, it is key that researchers of policy entrepreneurship pay attention to how the entrepreneurial strategies employed by policy entrepreneurs are affected by the background conditions. The next section introduces conditions that researchers have found may enable or undermine policy entrepreneurs. In the case of the Effort Sharing Regulation these conditions are expected to constrain DG Climate Actions ability to act as policy entrepreneurs.

#### Policy Windows

Several scholars highlight how the existence of a policy window is essential for policy entrepreneurship (e.g., Kingdon, 1984, Zahariadis, 2008). John Kingdon’s multiple streams model (See Kingdon, 1984) assumes that three independent streams flow through the policy system: the identification of problems, the proposing of specific policies or policy alternatives, and the right political climate for their adoption. When combined, these three will create a policy window where policy entrepreneurs can increase their influence (Kingdon, 1984). When a policy window is detected policy-makers come under pressure to be “seen doing something”, making timing and sequencing of their policy proposals crucial for policy entrepreneurs (Zahariadis, 2008, p. 520). Thus, change of signals from the international community may open up a policy window which in turn will give entrepreneurs an opportunity to engage in entrepreneurial strategies (Copeland and James, 2014). The general trend has been that the development of EU climate policy is stepped up before international negotiations as the EU institutions negotiate EU’s position in the following negotiations. This is followed by a period after the international decisions are made, in which EU policy is specified to fulfil international commitments (Boasson and Wettstad, 2013, p. 101).

#### Institutional Traditions

In policy areas where policy has yet to be institutionalised, there may be more room for policy entrepreneurship. By many described with the metaphor, it is easier to paint on white canvas than on one that already displays painting (Boasson and Huitema, 2017). Hereby follows the logic that in policy areas where member states have yet to develop national policies the possibility for

supranational policy entrepreneurship will be bigger. Thus, as institutional traditions will entrench over time, the room for policy entrepreneurship will be reduced as national and EU policies get gradually more institutionalised. Furthermore, if there are asymmetrical preferences among member states on policies with highly distributional consequences, the Commissions room for entrepreneurship will be constrained as member states will block policy proposals. In the extreme case, the Commission will be unable propose new policy or improve existing policy and is left to continue with status quo (Pollack, 1997, p. 123, Skjærseth, 2017, p. 87).

### Decision-Making Procedures

The structural character of the institution will contribute to facilitate or undermine innovation (Sheingate, 2003). Complexity in decision-making procedures *can* create more entrepreneurial opportunities to pursue their policy interests. However, that is not always the case. Complexity in decision-making procedures makes the timing of when policy entrepreneurs launch their ideas crucial. This is especially the case for policy entrepreneurs who lack legislative power, as they are dependent on others to adopt their preferred policy. For policy entrepreneurs who lack legislative power, Pollack (1997, p. 122) finds voting rules to have great influence. The conditions for policy entrepreneurship is greater under majority voting rules where it is easier to get the policy adopted. On the other hand, where unanimous consensus is required to get policy adopted the room for entrepreneurship is constrained as actors may use their veto rights to block policy proposals. Thus, as DG Climate Action lacks legislative power, it is vulnerable to strict guidelines from the Parliament and the Council. Furthermore, to get climate and energy policy adopted by the Council it is required consensus among the member states. Hence, the room for entrepreneurship will be significantly constrained by detailed guidelines from the Council.

## 2.2 Historical Institutionalism

The central feature of historical institutionalism is that past policy decisions make an imprint on any policy development. Historical institutionalism holds a rationalist and historical contingent explanation of institution-building and policy change (Saurugger, 2014, p. 92). Historical institutionalism offers some fundamental concepts to capture change over time, namely path dependency, punctuations, sequencing and timing (Bulmer, 2009). As historical institutionalism and path dependency can be a source of incremental or radical policy change, it should be included to supplement or challenge any study of policy entrepreneurship.

A definition of what is considered an institution is needed before commencing on a historical institutionalist explanation of the Effort Sharing policy framework. In line with Streeck and Thelen (2005), I consider *policies as institutions to the extent that they constitute rules for actors other than for the policymakers themselves*. A policy framework as the Effort Sharing policy constitutes rules and regulations over a wide range of national, subnational and individual actors. Thus, well within what I consider an institution. Following this logic theories seeking to explain institutional change may at the same time be theories of policy change.

Over time the institution will develop unique values and norms, which will accumulate, evolve and become embedded in the institution framing actor behaviour and shaping actor preferences. Paul Pierson (2004) notes how the persistence of institutions in path-dependent processes is the result of feedback mechanisms increasing the incentives to continue on the policy path. The increasing returns of these feedback mechanisms cause rational actors to reproduce institutions in a path-dependent process (Pierson, 2004, p. 20-22). Thus, the sequence and timing of events are critical to path-dependent explanations. Policy alternatives at point A may not be available at point B, nevertheless at point C.

The assumption of path dependency tends to divide scholars into two groups when describing institutional change. Either as major and abrupt, typically linked to critical junctures, or as a continuous process of incremental change. From time to time in policy development essential review points emerge. Mahoney finds these to represent critical junctures in the policy path if: first,

a particular policy option is chosen between two or more alternatives; second, when one particular option has been chosen, it becomes progressively more difficult to return to the initial point where multiple alternatives were possible (Mahoney, 2001, p. 113). In path dependency literature these critical junctures are crucial turning-points where the stability of the policy path breaks. Potentially a result of political shocks, crisis or periods of uncertainty, which result in a radical change of policy (Pierson, 1996, Bulmer, 2009).

Streeck and Thelen (2005) find clear limitations to theories portraying institutional change as abrupt and sharp. They find that institutional change is a result of a continuous process of minor reproductive change. By paying attention to the minor changes and amendments one can observe how the policy change to provide stability and support the reproductive nature of institutions (Streeck and Thelen, 2005, p. 8).

Path dependency is used here to investigate how the Effort Sharing Regulation can be explained as a result of a series of sequential stages. The starting point is a crucial choice point where several alternative policies are available for addressing emissions from the EU. The policy chosen leads to a creation of an institutional pattern that endure over time, as a result of feedback mechanisms (Mahoney, 2001).

### 2.2.1 Feedback Mechanisms in the Effort Sharing Policy

To investigate path dependency in the Effort Sharing Regulation, I centre my attention to two mechanisms that may generate positive or negative policy feedback: *coordination feedback* and *power distributional feedback*.

*Coordination feedback* may occur when policy is ripe for revision. Coordination effects make actors adapt their strategies in ways that reflect, but also reinforce, the logic of the system (Thelen, 1999, p. 392). Actors may disagree over the ambition of the targets or the level of flexibility but agree that the existing policy framework is the best alternative for addressing emissions from transport, agriculture, buildings and waste management. As actors adapt their policy strategies to the Effort Sharing policy framework they also increase the incentives to follow the established policy path. From coordination feedback we can expect the following:

***Empirical expectation 2: As all actors have adopted strategies that reflect the Effort Sharing policy framework negotiations will be over specific details, thus the logic of the system will continue.***

*Power distributional effects* assume that institutions are not neutral, but reproduce and magnify particular patterns of power distribution in politics (Thelen, 1999, p. 394). Thus, institutions will not only reproduce the power distribution of the institution, but also reproduce and possibly magnify the policy mechanisms which benefit certain groups while marginalising others. These effects will feedback, reproduce and magnify the existing power distributional mechanisms when the policy framework is up for review. Hence, the power distributional effects will be reinforced as over time, some policy options become increasingly blocked (Weir, 1993, p. 18-19).

The flexibility mechanisms are a key feature of the Effort Sharing policy. As increased flexibility means increased cost-efficiency in reducing emissions for the member states, it is in their interest to have flexibility in the Effort Sharing Regulation. For high GDP per capita member states as flexibility mechanisms mean they may purchase emission allowances from low GDP per capita member states. Low GDP per capita member states can reduce emissions domestically and benefit by selling their potential surplus emission allowances. From power distributional feedback effects, we can expect that the importance of the flexibility mechanisms will increase under the review of the Effort Sharing policy framework. As it is in the interests of the member states increasingly marginalising the actors seeking to limit the flexibilities. Against this backdrop we can expect the following:

***Empirical expectation 3: The role of the flexibility mechanisms will become more prominent further down the Effort Sharing policy path***

If these self-reinforcing mechanisms are present in the policy process it will indicate that the Effort Sharing policy is in a path-dependent process in which feedback mechanisms increase the probability and incentives to continue on the policy path. Furthermore, the investigation of these mechanisms will contribute to understanding how path dependent mechanisms affect the room for entrepreneurship and the choice of entrepreneurial strategy. Which will contribute to understanding under which conditions DG Climate Action is able to act as a policy entrepreneur.

The following chapter outlines the research methodology of this report. To increase the transparency of the analysis, I elaborate on the selection and collection of data, and briefly discuss the validity and reliability of the evidence.

## 3 Research Method

This report is based on a case study of to what extent DG Climate Action acted as a policy entrepreneur under the review of the Effort Sharing policy. George and Bennett (2005) define a case as “an instance of a class of events”. Where the “class of events” refers to a phenomenon of scientific interest, such as revolutions, government types or political processes that a researcher chooses to study with the aim of developing theory regarding the causes of similarities or differences among instances of “that class of events” (George and Bennett, 2005, p. 17-18). A well-designed case study has notable strengths enabling a researcher to complement or challenge large-n studies. Where comparative or large-n studies give us more confidence in the relationship between independent and dependent variable, it might not provide significant information on the causal mechanism linking the two. This is where case studies offer in-depth analysis of a limited number of cases, exposing complex causal relationships that cannot be exposed in large-n studies. The detailed consideration of contextual factors is one key strength of the case study method, this allows researchers to achieve high levels of conceptual validity, and to identify and measure the indicators that best represent the theoretical concepts the researcher intends to measure (George and Bennett, 2005, p. 19). However, to avoid overstating inferences it is important to not only look for indications confirming hypothesis but also look for indications for elimination of the hypothesis, thereby avoiding potential confirmation bias (George and Bennett, 2005, p. 217). It is important for case study researchers to ask themselves two basic questions: “What is this a case of?” and “From what historical pathway did this event emerge?” (George and Bennett, 2005, p. 148).

The objective of this case study is to explore the boundaries of DG Climate Action’s ability to act as a policy entrepreneur, aiming to contribute to understanding how supranational entrepreneurs act when the contextual conditions constrain the room for policy entrepreneurship. If this thesis finds that DG Climate Action acts as a policy entrepreneur, it will support literature, which portrays the Commission as a policy entrepreneur. However, if this thesis finds that DG Climate Action does not act as a policy entrepreneur, it will contribute to understanding the limits of supranational entrepreneurship in the EU.

As Moravcsik is generally sceptical to supranational entrepreneurship, his definition of policy entrepreneurship is more demanding than definitions used by scholars who to a larger extent recognise policy entrepreneurship (e.g. Green, 2017). Drawing on Moravcsik will therefore contribute to strengthen the inferences of to what extent DG Climate Action act as policy entrepreneur under the review of the Effort Sharing policy.

Furthermore, the case follows King et al.’s (1994) criteria that a research project should pose a question that is important for the real world and contribute to scholarly literature. The Effort Sharing policy itself is significantly under-researched, and the studied inferences will contribute to the larger scholarly literature on the Commission as an entrepreneur.

### 3.1 Process Tracing

Process tracing is a powerful method for testing and developing theories about causal mechanisms in individual cases and developing contingent generalisations about the conditions under which these mechanisms operate in particular ways in specified context (George and Bennett, 2005, p. 129). Bennett and Checkel (2015) define process tracing as:

*The analysis of evidence on processes, sequences, and conjunctures of events within a case for the purposes of either developing or testing hypotheses about causal mechanisms that might causally explain the case (Bennett and Checkel, 2015, p. 7).*

One of the strengths of process tracing as a technique is to measure and test hypotheses of causal mechanisms. Good process tracing goes back in time to trace the roots of policies and consult a wide range of data sources. By looking at a finer level of detail than the proposed theoretical explanation, the researchers seek to create an analytical narrative of the process through which the policy outcome has come about and document that the chosen case fit the theory.

Causal processes and causal mechanisms are central elements of causal explanations. However, causal mechanisms are ultimately unobservable. When researching causal mechanisms one cannot observe causality, but one is able to make inferences about it. To make inferences about causal mechanisms a researcher must go to the level of detail where he with confidence can argue that one explanation is more likely to be true than the alternatives. There is no perfect way of deciding how far down in the data or how far back in time to go when explaining an event. This makes it eminent for researchers to make defensible decisions about when and where to begin and stop the constructing and testing of causal explanations (Bennett and Checkel, 2015, p. 11).

### **Starting Point and Endpoint**

The analysis starts with the Commission green paper of 2013 which initiated the process of the revision of the Effort Sharing Decision. However, there are important events before 2013 that have an impact on the Commission green paper. Notably, the Kyoto Protocol, the Burden Sharing Agreement and the Energy Roadmap.

The endpoint of this analysis is the Commission's proposal for the Effort Sharing Regulation the 20<sup>th</sup> July 2016. Nevertheless, the process of the Effort Sharing Regulation has continued with trialogue discussions with the Parliament and the Council, which reached a provisional agreement in December 2017, and the final agreement, which was adopted in spring 2018.

### **Variables**

The aim is to explain to what degree DG Climate Action has acted as a policy entrepreneur in the Effort Sharing policy process. This is quite complicated to measure. Thus, to make qualified inferences of to what degree DG Climate Action acts as a policy entrepreneur, I direct my attention towards entrepreneurial strategies. I have chosen four entrepreneurial strategies the Commission have previously engaged in, seeking to increase their influence on EU climate policy, thereby operationalising how to measure change in whether DG Climate Action acts as a policy entrepreneur.

The contextual conditions that constrain DG Climate Action's ability to act as a policy entrepreneur are considered explanatory factors. I control for four contextual conditions known to either enable or constrain policy entrepreneurs: policy windows, cultural-institutional traditions and decision-making procedures. In addition, as DG Climate Action lacks legislative power, its manoeuvre room as a policy entrepreneur will be limited by strict guidelines from the legislative bodies of the EU (i.e. the Council and the Parliament).

The alternative theoretical approach includes two additional research interests. From historical institutionalism and path dependency, I will investigate how coordination effects and power distributional effects may offer an alternative explanation. However, more importantly, how these can contribute to increased understanding of under which conditions DG Climate Action acts as a policy entrepreneur.

## 3.2 Information

The availability of evidence is often a driver for a researcher's choice of a qualitative or a quantitative research design. The scarcity of data on the Effort Sharing policy process made the choice of conducting a case study unavoidable as the aim is to reveal strong and weak causal relationships (Gerring, 2007, p. 58). The data in this report has been collected by two methods: first, from publicly available documents; and second, by conducting in-depth interviews with elite informants. To increase the understanding of the case and provide a broad set of observations, the case study is based on data sources from official documents covering the policy process, from seven in-depth interviews with informants (five of which have first-hand experience from working with the Effort Sharing Regulation negotiations), and from secondary data such as news reports and NGO position papers. Although limited, the existing academic literature on the Effort Sharing Decision is used to put this thesis into context. The project was reported and approved by the NSD before the data collection.

### Documents

Official EU documents relevant to the Effort Sharing policy from the Commission's Green paper in 2013 to the Commission's policy proposal in 2016 are treated as the primary data used to enlighten the research question. Documents from the Parliament and the Council are also included. As all official EU documents are publicly available, this will significantly increase the transparency of the analysis. In the background chapter EU documents are used in combination with secondary academic literature to get a contextual understanding of the Commission's role in the development of the Effort Sharing policy framework. Furthermore, to get greater understanding of how their role as policy entrepreneurs may have changed.

Although many important text documents are accessible, a study of an ongoing policy process poses some challenges, as important information may not be available or cannot easily be retrieved for research purposes. Furthermore, important discussions between policymakers may take place over telephone, internal email or in unofficial meetings which are inaccessible to researchers (George and Bennett, 2005, p. 98). In the Effort Sharing policy process there were important decisions made in inter-service consultations within the Commission. In these meetings the relevant DGs negotiate the Commission's proposals. The documents from these inter-service consultations are not open to the public, nor do the Commission distribute these documents upon request. Therefore, good understanding of the internal negotiations in the Commission requires a researcher to interview a wide range of civil servants from different DGs who are open about the internal negotiations. This was too comprehensive for this report due to the lack of time, network and resources.

### Expert Interviews and Selection Bias

A proper selection of respondents is crucial for obtaining valid and reliable interview data. Given the wide range of actor that will be affected by the Effort Sharing policy, one would expect the involvement of a wide range of EU actors. However, the responses to interview requests indicate that many actors have not paid attention to the negotiations of the Effort Sharing policy. 28 informants were contacted, ten from the Commission and Parliament, nine from interest organisations and NGOs, seven think tanks and academic research institutions and two country representatives. 21 of the 28 declined to be interviewed or stated they could not contribute with valuable insight. From within the Commission, four DGs were contacted: DG Mobility and Transport, DG Agriculture and Rural Development, DG Energy and DG Climate Action. DG Mobility and Transport, DG Agriculture and Rural Development and DG Energy declined to be interviewed as they did not follow Effort Sharing closely and referred to DG Climate Action for questions on the Effort Sharing Regulation. From outside the Commission, a wide spectre of actors was contacted. Several Members of Parliament, lobby organisations, NGOs and academic think tanks. The general trend from the responses indicate that low attention has been paid to the Effort Sharing policy process from actors not directly involved in the policy development itself, the exception being NGOs.



To correct possible misinterpretations or distortions from the informants, I have tried to establish good prior knowledge of the Effort Sharing policy process before conducting the interview. I have also used secondary sources to cross-validate (as far as possible) the data collected in the interviews. In total I have conducted seven interviews with; two representatives from DG Climate Action, one former employee of DG Climate Action, now working in Transport and Environment, one former member state representative in the negotiations of the Effort Sharing Regulation, now working in Sandbag, one of the shadow rapporteurs of the Effort Sharing Regulation in the Parliament, one from Climate Action Network Europe and one from Centre for European Policy Studies. I will refer to the interviews by naming them interview 1 to 7, which does not correspond to the order they have been listed above. The informants were asked to explain the positions, arguments, actors and which factors most influenced the Effort Sharing policy up to the Commission's proposal in July 2016.

The interviews were conducted in a semi-structured manner, all informants were asked similar questions, at the same time allowing them to elaborate on their specific areas of expertise and giving me the freedom to ask relevant follow-up questions. It was helpful to adopt a freer interview style where the questions were formulated rather broadly as the follow-up questions became key to get important data about the policy process. The time lag between the interview and the topic of which the interview focuses may distort the reliability of the study (Beyers et al., 2014). As the case under study is from 2013 to 2016, some informants were not involved over the whole period of the policy process, other had special knowledge on parts of the Effort Sharing and went deeply into details on specific details.

Furthermore, another potential issue as stressed by Beyers et al. (2014) is how experts may be reluctant to answer questions on an ongoing policy process. This was a concern as the policy negotiations of the Effort Sharing Regulation is yet to be finalised. Although not a big problem, this was notable on the representatives from DG Climate Action. They were somewhat reluctant to go too far into details of the negotiations. Furthermore, they were especially sensitive to questions about internal discussions within the Commission. To minimise this potential problem, all informants have been given full anonymity, hence to the extent that quotes are given it shall not be able to identify the source of information.

One can argue that the selection of interview objects is somewhat biased towards the "green" side. However this is a direct result of numerous declines from those arguing for a less stringent Effort Sharing policy. Furthermore, the lack of attention paid to the Effort Sharing policy may be in part due to a large number of climate and energy policy cases that was happening in the EU in the same period, and how the migration crisis overshadowed EU politics in 2016 (Andresen et al., 2016). In relation to this, it is important to note that policymaking does not take place in a vacuum, the outcome of one policy can be affected by compromises and "horse-trading" in negotiations over policy in the same policy package (Boasson and Wettestad, 2013). Furthermore, the Effort Sharing Policy framework is somewhat decentralised compared with other EU climate policies, most notably compared to the ETS which according to Boasson and Wettestad (2013) is something of a "pet-project" for DG Climate Action (p. 72).

### 3.3 Validity and Reliability

Questions of validity can be separated to questions of internal validity and questions of external validity. The strength of the case study is the internal validity of the in-depth analysis which offers detailed studies of why an event occurred, when it did and in what way it did (Gerring, 2007, p. 43). George and Bennett (2005) elaborate that the sacrifice of breadth allows the researcher to find under which conditions specified outcomes occur, and the mechanisms through which they occur. These thick descriptions of events establish a greater causal relationship than a study of a larger number of cases. Furthermore, process tracing as an analytical tool is meant to discover causal mechanisms and is not *per se* meant to produce external validity. Analysing process-level evidence on causal mechanisms, process tracing increases the internal validity of causal inferences and thereby strengthen the causal interpretations of single case studies (Bennett and Checkel, 2015, p. 102).

This report is going into the depth of the Effort Sharing policy process, closely examining the ability of DG Climate Action to act as a policy entrepreneur. To increase the internal validity claims made in the interviews were cross-validated with other informants and with official documents. Further, all informants were asked the same questions on central topics, increasing the validity of the data. One potential weakness is the lack of access to platforms where decisions are made, especially in this case the interservice consultations in the Commission, and bilateral negotiations between the Commission and specific member state. However, the careful process tracing of Effort Sharing Regulation policy process with data collected from the interviews and official documents this thesis has high internal validity. Although not the main goal of this thesis, it does also offer some external validity by offering some inferences about under which conditions the Commission is able to act as a policy entrepreneur.

Reliability means that applying the same procedure in the same way will always produce the same measure (King et al., 1994, p. 25). Central to achieve good reliability is transparency a key virtue. Being transparent on how the data were created and on the procedures of collecting the data secures (as far as possible) replicability in qualitative case studies. All the data collection and interpretation were done by one researcher eliminating the change for conceptual misinterpretations and analysis differences between scholars. Hence, if a researcher would conduct the same interviews in the same way, there is a high probability that he or she would come to the same conclusions. As much of the data used in this thesis is publicly available the reliability of the data is high. Nevertheless, the data collected in the interviews are not available in the same way, however as the interview guide and the list of informants is in the appendix the whole thesis is replicable, with high probability of the same inferences.

The following chapter will give an overview of the flexibilities in the Effort Sharing policy, and how these flexibility mechanisms have changed from the Effort Sharing Decision to the Effort Sharing Regulation. Without going too far into the details of the flexibilities, the hope is that a clear understanding of how the flexibilities have changed will help the reader to follow the story of the Effort Sharing policy in the empirical chapters.

## 4 The Flexibilities of the Effort Sharing Policy

Before embarking on the background of the Effort Sharing policy, and the process tracing of the policy process leading up to the Commission's proposal for the Effort Sharing Regulation, a short presentation of the flexibilities and how they changed is useful. This section gives a brief summary of the change in the flexibility mechanisms from the Effort Sharing Decision to the Commission's proposal for the Effort Sharing Regulation. A presentation of *how* the flexibilities have changed will contribute to explain *why* the flexibilities have changed, which is the aim of the chapters five, six and seven.

### How Has the Flexibilities in the Effort Sharing Policy Changed?

As the GHG reduction target is a sub-target of the EU-wide GHG target, the increased ambition of the EU-wide target means that a bigger share of GHG reduction must be executed within the Effort Sharing sectors. Thus, as the EU settled on reducing their emissions with 40 percent compared with 1990 by 2030, the target in the Effort Sharing policy was raised from reducing GHG emissions 10 percent to 30 percent compared with 1990 by 2030 (European Commission, 2016c). National targets were distributed among member states ranging from 0 to -40 percent GHG reduction. As the ambition of the Effort Sharing policy is increased, so is the member states' need for flexibility mechanisms to comply with their national mitigation targets. In the proposal for the Effort Sharing Regulation, the Commission has proposed to continue with the existing flexibilities as they were in the Effort Sharing Decision and introduced two new flexibilities, the one-off link to ETS allowances and the limited access to LULUCF credits. Table 2 gives a summary of the flexibilities of the Effort Sharing Decision and the Commission's proposal for the Effort Sharing Regulation, all which will be elaborated in the following chapters.

**Table 2:** Comparing Flexibilities in the Effort Sharing Decision and the Commission's proposal for Effort Sharing Regulation

Name	Effort Sharing Decision	Effort Sharing Regulation
<b>Emissions reduction target</b>	10 %; 2013 - 2020.	30 %; 2021 – 2030
<b>Banking</b>	No limit	No limit
<b>Borrowing</b>	5 %	5 %
<b>Selling</b>	5 %*	5 %*
<b>Buying</b>	No limit	No limit
<b>International credits</b>	Equal to 3% of annual emissions allowances.	No
<b>Access ETS allowances</b>	No	2 – 4 % accessible to nine member states.
<b>Forestry and land use credits (LULUCF)</b>	No	All member states are entitled to a certain amount of LULUCF credits if these sectors absorb more carbon than they emit.
*After having verified the real emission numbers, all excess emission allowances can be sold.		

### Existing Flexibilities

In the Commission's proposal for the Effort Sharing Regulation the three existing flexibilities, banking, borrowing and selling/buying, were kept as they were in the original Effort Sharing

Decision. *Banking and borrowing* were meant to give member states temporal flexibility. Overachievement in a given year can be carried over to subsequent years, or in the case of underachievement, member states can borrow up to 5 percent of the following year's emission allowances. *Selling and buying* emission allowances gives member states geographical flexibility. To account for the differences in abatement costs and enhance overall cost-efficiency, member states can transfer surplus allowances to other member states. The limit on selling is set at five percent of annual emissions allowances, however once real emissions are verified, the whole surplus can be sold. For the receiving member states, there is no quantitative limit on how many emission allowances one can buy to comply its Effort Sharing target (European Commission, 2016c). That the existing flexibilities were kept unchanged in the Commission's proposal for the Effort Sharing Regulation was surprising, as the Council Conclusions of 2014 made it clear that the existing flexibilities needed to be enhanced (European Council, 2014).

Under the Effort Sharing Decision the availability of international credits from the Kyoto Protocol provided a source of cheap emissions credits from outside the EU climate system. The international credits were disputed and already in the Commission's green paper on climate and energy policy in 2013, the Commission proposed to exclude the international credits. This was widely accepted by the stakeholders, member states and the Parliament (European Commission, 2014a). This does also reflect the change of international approach (i.e. in the Paris agreement), which now emphasizes efforts to reduce emissions domestically rather than abroad. However, it must be noted that international credits can be included in a future scenario where EU's climate ambition is increased.

### **New Flexibilities**

One of the main issues with international credits was that they brought emission credits from outside the EU into the Effort Sharing policy framework. The two new flexibilities also bring new credits into the Effort Sharing Policy framework, but these emission credits come from inside the EU, thus contribute to domestic compliance with the GHG emission reduction target.

The one-off access to the ETS allowances is not a Commission initiative but comes from the Council conclusions. As high GDP per capita member states received strict national reduction targets, they needed a new flexibility to be able to comply with their target in a cost-effective manner (European Council, 2014). In the Commission's proposal for the Effort Sharing Regulation DG Climate Action limited the amount of ETS credits to 100 million allowances over the 2021-2030 period, available to nine member states (European Commission, 2016c).

The access to credits from the LULUCF sector is a result of DG Climate Action wanting to keep the LULUCF sector separate from the Effort Sharing sectors, but at the same time incentives action to increase the emission sinks in the forestry sector. Member states with a large part of their emissions from the agricultural sector will get access to a larger share of the allocations. However DG Climate Action has limited the number of allowances that can be used in the Effort Sharing sectors to 280 million EU-wide for the 2021-2030 period (European Commission, 2016c).

DG Climate Action has limited these flexibilities in size so that even in the case of maximum use of the flexibilities it will not delay action in the Effort Sharing sectors too much. In 2013 the EU-wide emissions from the Effort Sharing sectors were 2519 million tonnes (European Commission, 2016b). Therefore, DG Climate Action argues that 100 million from ETS allowances and 280 million allowances from LULUCF over the 2021-2030 period does not challenge the environmental integrity of the Effort Sharing Regulation.

The following chapter goes back to how the EU member states first started to share their emission reduction efforts into one EU-wide goal. The policy framework the member states adopted was called the "Burden Sharing Agreement". The design of the Burden Sharing Agreement and its flexibilities are essential to understanding the Commission's proposal for the Effort Sharing Regulation.

## 5 Background Chapter; Communal Approach to Climate Policy

To understand the Commission's proposal for the Effort Sharing Regulation in July 2016, there is a need to go back to the very beginning and understand how EU member states decided to share their efforts to comply with one EU-wide target. Furthermore, attention must be paid to the close connection between EU climate policy and international climate policy, as the EU from time to time have attempted to exert global leadership in the development of international climate policy (Jordan et al., 2011, p. 541). Timeline 2 gives a brief overview of the most important events of the Effort Sharing policy.



**Timeline 2:** Timeline of the Effort Sharing Policy framework

### 5.1 Towards a Community-wide CO<sub>2</sub> Reduction target

Pre-1980 the development of a standard EU climate policy went slow. By the mid-1980s climate change had become a topic on the EU agenda, and both the Commission and the Parliament were pushing to address the issue at EU-level. However, little progress was made as many member states opposed the EU institutions involved in what they perceived to be their sovereign affairs. Nevertheless, some pieces of environmental legislation, as sectoral-integrated environmental standards, were adopted to eliminate trade barriers of the internal market (Hildebrand, 2002, p. 14, Skjærseth et al., 2016, p. 32).

As the first UN Conference on Environment and Development (UNCED) in Rio de Janeiro was approaching, a breakthrough in EU climate policy took place. The environmental and energy ministers from the 12 Member States agreed to share differentiated contributions to one EU-wide

GHG reduction target. Together the member states adopted the “stabilisation target”, a non-binding target for stabilising CO<sub>2</sub> emissions by 2000 at 1990 levels pending similar commitments from other industrialised states. However, designing a policy framework to implement this stabilisation target proved challenging. There were wide disagreements over which policy tools would best achieve the stabilisation target within the Commission and between the member states (Skjærseth, 1994). As UNCED in Rio de Janeiro in 1992 failed to achieve binding commitments to reduce GHG emissions, these early efforts to develop a community-wide EU climate and energy policy was never finalised. However, it did produce some essential building blocks for future EU negotiations (Skjærseth et al., 2016, p. 34).

## 5.2 Kyoto Protocol and the Burden Sharing Agreement

As the Council had agreed on sharing efforts to reach a community-wide target, the Commission was eager to conclude on a community-wide reduction target, and policies to implement it before the international climate negotiations in Kyoto. However, once again it proved difficult, and the Council declined two policy proposals of how to share the efforts in 1996. The breakthrough came in March 1997 with the “Triptych” approach, differentiating emissions for member states in three sectors; electricity production, domestic sector, and energy-intensive industry. The Triptych approach provided a transparent and neutral assessment of members states’ reduction potential based on a relatively simple set of indicators. To ensure a level playing field within the EU and minimise carbon leakage identical emission reduction targets were imposed on energy-intensive industry across member states (Haug and Jordan, 2010, p. 85, Lacasta et al., 2010, p. 95). For the electricity production sector and domestic sector, reduction targets were distributed in a differentiated manner, allowing poorer member states to increase their emissions not to counteract economic development. Following the Triptych approach, the EU committed to reduce their emissions by 15 percent if other industrialised countries made comparable commitments in a legally binding international agreement.

## 5.3 International Agreement and Legally Binding Emission Reduction Targets

The Kyoto Protocol divided the world into industrialised countries with commitments to limit emissions, and a larger group of developing countries without obligations to reduce emissions (Grubb et al., 1999). This divide reflected the United Nations Framework Convention on Climate Change’s (UNFCCC) principle of “common but differentiated responsibilities and respective capabilities” (Giddens, 2009, p. 187).

In preparatory meetings before Kyoto, the EU was a strong advocator for ambitious and legally binding emissions targets and had committed to reducing their emissions by 15 percent pending an international agreement. The United States accepted that industrialised countries would set themselves quantified legally binding reduction targets but stressed the importance of including flexibility mechanisms to increase economic efficiency, allowing mitigation to happen where the price of reducing emissions were low (Grubb et al., 1999, p. 112). The EU strongly opposed these flexibility mechanisms and argued that the flexibilities would provide a way for industrialised countries to avoid serious domestic action. Nevertheless, as suggested by the United States, the final Kyoto Protocol included several flexibility mechanisms. The first was Joint Implementation (JI), giving industrialised countries the possibility to generate emission credits by investing in cross-border projects in other industrialised countries. The second flexibility was Clean Development Mechanism (CDM), similar to the JI but enables industrialised countries to invest in projects in developing countries. Although the EU opposed these flexibility mechanisms at the time, these would become a central part of EU climate policy.

The final agreement on the rules of the Kyoto Protocol was reached in 2001, and the agreement entered into force in February 2005. For the first-time industrialised countries committed to reducing emissions in a legally binding international agreement. The industrialised countries

committed to differentiated targets that amounted to an overall reduction of at least 5 percent from 1990 levels by 2008-2012. The initial target of the protocol was CO<sub>2</sub> emissions, but after pressure from the United States, several other GHGs were included in the agreement<sup>4</sup>. The removal and emissions of GHGs from land use, land-use change, and forestry (LULUCF) are to be accounted for and included in each countries carbon budget as emission sinks<sup>5</sup> (Oberthür and Gehring, 2006).

Due to the lack of ambition from other industrialised countries the EU lowered their emission reduction target from 15 to 8 percent from 1990 levels by 2008-2012. Hence, the Burden Sharing Agreement was revised to reflect the 8 percent target, with Member State targets ranging from -21 percent to +27 percent. Following the “tritych” approach the EU member states had for the first time successfully distributed targets among themselves to achieve an EU-wide target. Nevertheless, the 8 percent target would prove challenging as emissions in the EU were rising.

The first major blow to the Kyoto Protocol came before it entered into force as United States president George W Bush failed to ratify the agreement. The compliance mechanisms of Kyoto proved vague and without strong mechanisms to enforce compliance, the US were soon followed by Australia, Japan, and Canada. This left the Kyoto Protocol with little impact outside the EU (Stern et al., 2014). Within the EU this raised questions of the importance of being an international leader on climate change surfaced. Energy Commissioner Loyola de Palacio, Spain and Italy challenged the EU commitments to Kyoto Protocol as it would be a cost problem for European business. Commission President Romano Prodi publicly criticised Energy Commissioner de Palacio and stressed the importance of the Commission acting as a unified actor. The Parliament and the Commission presidency showed support to Environment Commissioner Wallström, commitment to the Kyoto Protocol and was in favour of the EU continuing their leadership role in international climate politics. Nevertheless, the public dispute between DG Transport and Energy and DG Environment reviled internal cleavages over the importance of and the primary objectives of climate policy being energy security or GHG mitigation (Skjærseth et al., 2016, p. 42-45).

To reduce tensions between the DGs, Commission President Barroso increased the involvement of the Secretariat-General in inter-service coordination and drafting of impact assessments. However, wide disagreements over the 2020 target prevailed within the Commission and between member states (Bürgin, 2015). In 2006 energy security rose to the top of the EU agenda as Russia shut off European gas supply over a long-lasting dispute with Ukraine increasing the urgency for EU collaboration. Within the EU, DG Environment<sup>6</sup> had initiated a pilot period for the European Union’s Emissions Trading Scheme (EU ETS) from 2005 to 2007. EU ETS was a market-based policy instrument, based on a cap-and-trade system, which could be adopted with qualified majority vote among the member states, hence problem of the consensus vote required for a carbon tax (Skjærseth, 2017, p. 89). The idea was that emissions trading would aid member states in reducing emissions in large industrial sectors and increase the cost-efficiency of the overall EU emission reductions by compensating for the significant variation in abatement costs in power- and energy-intensive sectors (Interview 6).

#### **5.4 EU Climate Policy Gaining Momentum Facing Copenhagen in 2009**

Both within the Commission and the Council the discussions on the 2020 target started to settle around the two options 20 and 30 percent reduction. In the Commission DG Environment was pushing for 30 percent target but were opposed by DG Enterprise who was unwilling to cut more than 15 percent to keep European business economically competitive (Jordan and Rayner, 2010, p. 73). The final solution was a compromise within the Commission, reducing GHGs with 20 percent

<sup>4</sup> Carbon dioxide (CO<sub>2</sub>), Methane (CH<sub>4</sub>), Nitrous oxide (N<sub>2</sub>O), Hydrofluorocarbons (HFCs), Perfluorocarbons (PFCs) and Sulphur hexafluoride (SF<sub>6</sub>).

<sup>5</sup> Carbon sink refers any process, activity or mechanism which removes a greenhouse gas, an aerosol or a precursor of a greenhouse gas from the atmosphere

<sup>6</sup> In 2010 split to DG Environment and DG Climate Action (European Commission 2010)

compared with 1990 levels which would be stepped up to 30 percent if an adequate international agreement could be agreed in Copenhagen 2009 (European Commission, 2008).

After the pilot phase of “learning by doing,” the second phase of the EU ETS significantly expanded the scope of the emissions trading. However, the main share of EU emissions would fall outside the scope of the EU ETS and would be covered by a policy framework similar to the Burden Sharing Agreement, where national targets are distributed based on fairness to comply with the EU-wide target (Interview 6). This new policy framework was called the Effort Sharing Decision, and would cover emissions from agriculture, transport, buildings, waste management and small industry. By dividing mitigation efforts between sectors, the Commission hoped to impede sectoral free-riding, while at the same time securing sufficient flexibility mechanisms to make mitigation efforts fair and cost-efficient.

The 20 percent GHG reduction target was accompanied by a 20 percent target for renewable energy share and a 20 percent target for improved energy efficiency to be achieved by 2020. The Commission’s proposal was unanimously endorsed by the Council. Hence, what is known as the “20-20-20” targets were adopted. The Commission’s goal with the 20-20-20 policy package is to establish a broad approach to EU climate and energy policy, thereby designing a policy package that is ambitious, fair and cost-efficient. The package is designed so that the targets interact and are mutually supporting. However, the ETS, the renewable directive or specific energy efficiency will not be discussed in length in this paper, but it is important to note that equity and fairness in EU climate policy were not only persuaded in the Effort Sharing Decision (Jordan and Rayner, 2010, p. 73, Lacasta et al., 2010, p. 100).

## 5.5 Copenhagen Accord and Last Attempt at a Top-Down Approach

As the international negotiations in Copenhagen was approaching all major emitters and pledged to domestic action on reducing GHG emissions. However, the discussions of the design of the climate agreement were not settled. In the process towards Copenhagen, the discussion became increasingly polarised between the “top-down” approach, as the Kyoto Protocol, or a “bottom-up” approach, based on a “pledge and review” system (Dubash and Rajamani, 2010, p. 594). The EU wanted to continue with the framework of the Kyoto Protocol. However, one month before the meeting in Copenhagen the “top-down” approach was abandoned as the lack of progress in negotiations made it clear that an agreement on targets would not be in place by December (Dimitrov, 2010, p. 19). 125 heads of states and governments attended the negotiations which attracted global attention from media, NGOs, and climate enthusiasts, but failed to deliver the progressive climate agreement many had hoped for. The negotiations themselves are described as “cold, chaotic and quarrelsome” and characterised by mistrust between the “north” and the “south” (Rydge and Bassi, 2014, p. 4, Dubash, 2009, p. 8). The outcome of the negotiations was the Copenhagen Accord, a political deceleration which was by many considered a failure.

Nevertheless, the Copenhagen Accord created an important foundation shaping future climate change negotiations. First, all major emitters agreed on the need to reduce global warming to no more than 2°C. Second, a “Green Climate Fund” was to be set up by the developed states to aid developing states in mitigation and adaption measures. Third and most important, major emitters as the United States, China and India agreed to a system of voluntary pledges as the basis for future climate negotiations. The bottom-up approach of self-determined targets that would contribute to the global effort proved a vital step away from the top-down design of the Kyoto Protocol. By sidestepping the distributional conflicts of top-down target setting one of the most significant barriers to an international agreement were already passed, and all major emitters from developing countries showed a willingness to contribute to the global mitigation effort (Falkner, 2016, p. 1111).

As the first commitment period of the Kyoto Protocol ended in 2012, it was launched one last attempt to get states to commit to a second commitment period in Durban 2011. However, industrialised countries that had struggled or failed to comply with their Kyoto targets were reluctant to commit another set of rigid targets. Nevertheless, the EU, Norway, Switzerland,



Ukraine and Australia committed to a second commitment period of the Kyoto Protocol running from 2013-2020. However, without significant commitments, the second period of the Kyoto Protocol is left with little effect.

The second Kyoto commitment period the EU committed to reduce GHG emissions with 20 percent compared to 1990 by 2020. Efforts to comply with this target was split into sub-targets for EU ETS and the Effort Sharing policy. The design of the Burden Sharing Agreement and the flexibilities under the Kyoto Protocol became the starting point when the Commission started developing their proposal for the EU Effort Sharing policy.

## 6 Process Tracing: The Effort Sharing Policy

This chapter tells the story of the Effort Sharing Decision and the policy process towards the Commission's proposal for the Effort Sharing Regulation. The chapter will follow the policy process chronologically with special attention paid to the flexibility mechanisms and what role the Commission and DG Climate Action had as the flexibilities changed. Furthermore, the process tracing will enlighten how the conditions for entrepreneurship change from 2007 to 2016.

### 6.1 2007 – 2012 Commission Showing Determination with the Effort Sharing Decision

After the failure of the climate negotiations in Copenhagen the EU pledged to achieve its target to reduce GHG emissions with 20 percent by 2020 under the second commitment period of the Kyoto Protocol. Following the 20-20-20 package, the strategy to comply with the 20 percent economy-wide GHG reduction target was for the first time split into two sub-targets. 21 percent would be reduced in the ETS sectors and 10 percent would be reduced in non-ETS sectors of agriculture, transport, buildings, waste management and small industry, which are in this report addressed as the Effort Sharing sectors. As abatement costs typically are higher in the Effort Sharing sectors, these had previously only been targeted by relatively modest sector-specific legislation<sup>7</sup>, despite covering about 60 percent of EU GHG emissions (Lacasta et al., 2010, p. 101). The separation between the ETS sectors and Effort Sharing sectors is the crucial difference between the Burden Sharing Agreement (economy-wide) and the Effort Sharing Decision (sector-specific). With the exception of this sectoral split, the policy framework of the proposal for the Effort Sharing Decision is similar to the Burden Sharing Agreement.

The Commission changed the terminology of the policy framework from “burden sharing” to the more positive “effort sharing” reflecting the possibilities for jobs, innovation and clean growth, framing action on climate change in a positive manner (Lacasta et al., 2010, p. 103, European Commission, 2008). However, how to distribute national reduction targets once again proved challenging. The increased number of member states, from 15 to 27, significantly increased the socio-economic differences and the demand for equity, fairness and cost-efficiency when distributing national targets. Furthermore, as the low-cost emission reductions achieved in the early 1990s were running out, future mitigation efforts would be more expensive making member states more reluctant to high targets. To distribute the targets, the Commission proposed to adopt a simplified version of the “Triptych” approach by using GDP per capita as the sole indicator for national targets. Boundaries were set at -20 percent to +20 percent for those member states with respectively highest and lowest GDP per capita (European Commission, 2008). This would allow countries with a GDP below EU average to increase their emissions so not to constrain their economic development and at the same time demand higher contribution from member states with high GDP per capita. In addition to their 2020 target, the Commission gave each member state annual emission targets, establishing a linear reduction pathway from 2013 to 2020. The introduction of annual emission targets in addition to the 2020 target make the Effort Sharing policy

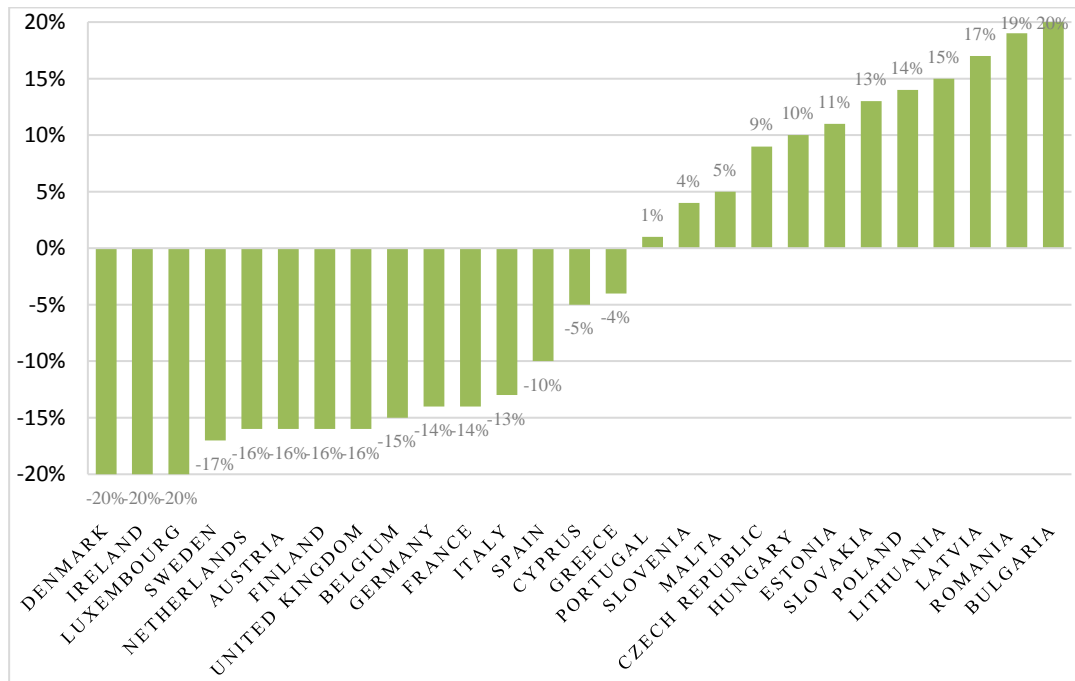
<sup>7</sup> Such as energy efficiency and stimulate energy performance in transport and building sector, and a directive to reduce land filling waste and methane emissions (Skjærseth et al., 2016, p. 37-42, Jordan and Rayner, 2010, p. 67)

framework significantly stricter, thus increasing the need for flexibility mechanism to comply with their annual targets.

To give member states temporal flexibility, the Commission proposed that member states could *bank or borrow* up to two percent of its annual emission allowances. Thus, overachievement one year could be carried over to subsequent years, or in the case of underachievement borrowing emission allowances from the following year. To give member states geographical flexibility The Commission proposed to allow member states to *transfer* (sell) emission allocations to other member states with a quantitative limit of three percent of annual emission allowances. In addition the Commission proposed to allow member states to make use of international credits from the flexibility mechanisms of the Kyoto Protocol, Clean Development Mechanisms (CDM) and Joint Implementation (JI) equal to three percent of annual allocations (European Commission, 2008).

Furthermore, the Commission proposed to change the baseline year from 1990 to 2005 as it was the most recent year of which reliable emissions data existed for both ETS and Effort Sharing sectors (European Commission, 2008).

The structural changes of the Effort Sharing policy framework proposed by the Commission was upheld in the final agreement of the Effort Sharing Decision. They were subject to serious criticism by central and eastern European states, claiming that the change of baseline did not take into account early efforts made by member states. However, the policy framework was never under real threat as the focus of the negotiations became the degree of flexibility available for member states to comply with their targets in a cost-efficient manner (Lacasta et al., 2010, p. 105).



(Source: Adapted from European Council, 2009, p. 12)

**Figure 2:** 2020 GHG emission targets for EU member states under the Effort Sharing Decision

**6.1.1 Member States Demand More Flexibility**

The member states accepted the annual targets as proposed by the Commission. However, they stressed the need for more flexibilities than the Commission had proposed. Of the flexibility mechanisms the Commission had proposed, the use of international credits was the most controversial.

Several Member States saw CDM and JI credits as important tools to secure that mitigation efforts were made as cost-effective as possible. Furthermore, the use of these credits would also promote

sustainable growth in third world countries. On the other hand, the Parliament and environmental NGO's strongly opposed use of international credits as it would undermine domestic mitigation action and reduce incentives to invest in green growth and innovation in the EU. Thereby, potentially extending Europe's dependence on energy imports. The pressure from the Parliament and NGOs helped contain member states demand for international credits, while the possibilities to *bank*, *borrow* and *transfer* emissions allowances was increased (Lacasta et al., 2010, p.107).

The final decision by the Parliament and the Council on how to distribute efforts to reduce GHG emissions member states possibility to *borrow* emission allowances from the following year was increased to five percent. The final Effort Sharing Decision has no quantitative limit on *banking* in the case that a member state was overachieving. Hence, any excess allowances may be carried forward until 2020. Furthermore, the restrictions on the *transferring* emission allowances was changed, the limit was increased to five percent and made temporary. Meaning that before the actual emissions are verified a member state can transfer five percent of its emission allowances, however once real emissions are verified there is no transfer limit and the member state can sell the whole surplus. For the receiving member state, there is no quantitative limit on how many emission allowances it can buy to comply its Effort Sharing target (European Council, 2009, p. 5-6).

Banking, borrowing and transferring emissions allowances are flexibilities that secure temporal and geographical flexibility, thus increase cost-efficiency while still contributing to reducing emissions in the EU. The international credits on the other hand introduces emission allowances from outside the EU to comply with the Effort Sharing target. In the final Effort Sharing Decision the use of international credits (CDM and JI) were kept as proposed by the Commission, equivalent to three percent of that member state's emissions in 2005 (European Council, 2009, p. 6). Furthermore, the Council stressed that international credits should be supplemental to domestic action, to secure that GHG emissions are reduced within the EU. However, unforeseen changes in the international community had severe impact on the EU emissions and the Effort Sharing Decision.

### 6.1.2 The Effort Sharing Decision and the Financial Crisis

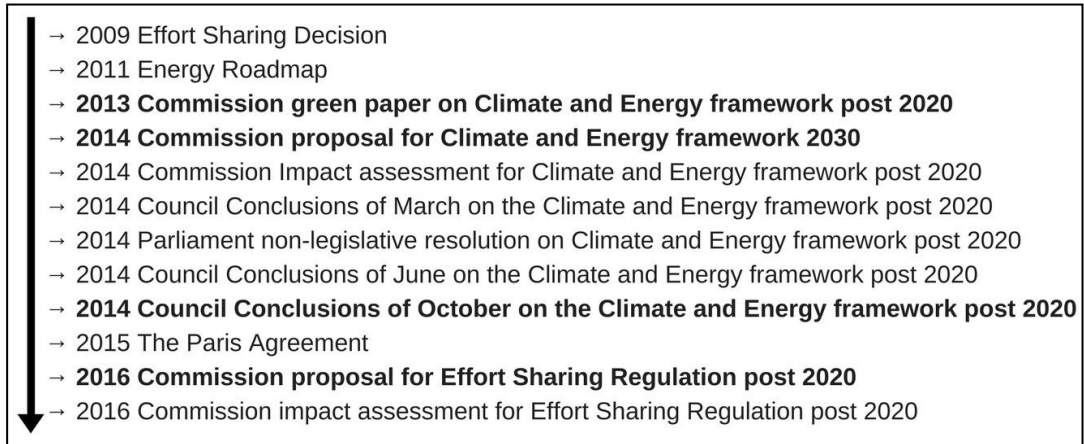
The drop in economic activity following the financial crisis from 2008, significantly reduced emission from both the ETS and the Effort Sharing Sectors (European Commission, 2017). In the Effort Sharing sectors the emissions were reduced and it became likely that the EU will overachieve their domestic reduction target of 10 percent. Within the ETS, reduced emissions resulted in a huge surplus of emission allowances, which was further increased by the access to international emission credits. By 2012 the accumulated surplus of emission allowances had reached 955 million allowances, plummeting the price of an emission allowance from 30€ in 2008 to 5€ in 2012 (Skjærseth, 2017, p. 83). By 2013, surplus had accumulated to around 1.69 billion emission allowances, while the number of ETS emission allowances distributed was 2.01 billion allowances (European Commission, 2017).

Due to the limitations of this report, the ETS is not devoted great attention, however knowledge of the huge surplus of ETS allowances are central to understand the negotiations of the Effort Sharing Regulation. As the EU were on its way to overachieve the 2020 target for the Effort Sharing Decision the review of the climate and energy framework began.

## 6.2 The Commission, DG Climate Action and the Effort Sharing Regulation

The process of reviewing and replacing the Effort Sharing Decision, which is ending in 2020, started in 2013, as the EU needed to agree on their climate and energy politics for 2030 ahead of the international climate negotiations in Paris in 2015. Already in 2011, member states had committed to the Commission's Energy Roadmap which laid an important foundation for the following negotiations over the 2030 climate and energy framework. The negotiations were initiated by the Commission with a Green Paper for a framework for climate and energy policies posted 2020 in

2013 and resulted in the Commission's policy proposal in July 2016. Between these two there are several important stepping stones to understand the development of the Effort Sharing policy.



**Timeline 3:** Important steps in the development of the Effort Sharing policy

After the EU committed to reducing GHG emissions by 85-90 percent below 1990 levels by 2050<sup>8</sup>, the Commission developed an Energy Roadmap exploring challenges and possibilities on the road to reaching this decarbonisation target. The Commission hoped that commitment to a long-term goal would send a clear message to investors, governments and citizens on the direction of future European energy and climate policy. Thereby, decrease uncertainty and increase incentives for long-term investments towards a low-carbon society (European Commission, 2011). Furthermore, it laid a foundation on which the Commission could base their arguments for a medium-term GHG reduction target.

### 6.2.1 2013 - 2014: Hesitant Commission and Unusual Member State Involvement

In the first period the main negotiations are over the economywide GHG reduction goal for 2030, and over the general policy framework. During this first period the specifics of the Effort Sharing policy, such as the flexibilities, are not discussed in detail as the questions of overall ambition is not set.

It started with the 2013 Commission green paper for a framework on climate and energy for 2030, DG Climate Action actively used the member states commitments to the 2050 target in the Energy Roadmap to put pressure on the member states. DG Climate Action used the Green Paper to stress that to achieve the 2050 target in a cost-effective manner, GHG emissions needed to be reduced by 40 percent by 2030. In addition to a 30 percent renewable energy target and increased ambition in energy efficiency measures (European Commission, 2013, p. 3).

DG Climate Action does not use the Green Paper to suggest to continue with the 2020 framework, but stresses that the 2030 framework must take into consideration the diversity between Member States when it comes to wealth, industrial structure, energy mix, building stocks, carbon and energy intensity, exploitable renewable resources and social structure (European Commission, 2013). DG Climate Action call for an assessment of future access to international credits, openly criticising the access to the credits as CDM have subsidised competing sectors in emerging economies. Furthermore, they highlight how international credits have contributed to increase the surplus of allowances in the ETS (European Commission, 2013, p. 9).

The green paper is explicit on the future of the EU ETS but does not explicitly mention the Effort Sharing policy framework. Instead the Commission asked for stakeholders' opinions on whether

<sup>8</sup> In a context where similar commitments from other industrialized countries are made in an international agreement consistent with limiting global warming to 2°C.

targets should be set at EU, national or sectoral level to successfully reach the 40 percent target. Opening for diverging views on how emissions from the Effort Sharing sectors should be addressed to ensure environmental integrity and cost-efficiency. Thereby opening up for potential discussions of the design of the Effort Sharing policy framework.

Several interviews highlight how the green paper on climate and energy generated an unusual amount of responses from national governments (Interview 3,5,6). The Commission received 114 formal replies to the green paper, of which 28 from member states giving their opinions on target setting, flexibility mechanisms, reporting and compliance, complementary EU-wide action and more (European Commission, 2016b, p. 95). When all member states reveal their positions in response to the green paper it gives the Commission a clear idea of what can be considered adoptable policy before drafting their policy proposal. This was also highlighted by one informant, “There is no doubt the Commission paid special attention to these feedbacks when drafting their proposal.” (Interview 3).

#### **Commission First Proposal for Effort Sharing post 2020 in January 2014**

In the policy proposal from January 2014 the Commission repeated the importance of following a cost-effective path to the decarbonization target of the 2050 Roadmap. The Commission did not propose any major changes to the policy framework as responses from member states to the 2013 green paper indicated wide consensus to continue with the split between ETS and non-ETS (European Commission, 2014b, Interview 5). Reflecting over the responses to the green paper one DG Climate Action official said “They (member states) made it clear that they wanted to continue with the system as it is. We said fine.” (Interview). Thus, as the member states wanted to continue with the Effort Sharing policy framework as it was, and DG Climate Action had no objections, it was not at any point proposed or discussed any alternative frameworks for addressing emissions from the Effort Sharing sectors (Interview 1-7).

The member states’ consensus in the responses to the green paper did not go much further than the framework. As member states gave their preliminary positions on the GHG target the responses indicated wide support for a binding GHG target, but diverging preferences over the ambition of this target, and how the EU should respond to a potential successful international agreement (European Commission, 2014a, p. 207). In response to these disagreements DG Climate Action used the impact assessment to estimate the effects of reducing GHG with 35 percent, 40 percent and 45 percent (European Commission, 2014a). The Commission propose to set the GHG reduction target at 40 percent. They stress that if the policies needed to comply with the 2020 targets are fully implemented these are expected to reduce emissions by 32 percent by 2030. Thus, the Commission argue, although continued effort to reduce emissions is needed, reducing emissions by 40 percent by 2030 is not only achievable but will contribute to economic growth, create jobs and have positive health effects (European Commission, 2014a).

In the policy proposal of 2014 and the following impact assessment, the Commission for the first time explores options for how to address emissions and absorbs from LULUCF. Without concluding, the Commission compares three options: first, the status quo option, keeping agriculture in Effort Sharing and develop an approach for LULUCF separately; second, the Effort Sharing option, including LULUCF in the future Effort Sharing; and third, land sector pillar option, merging LULUCF and Agriculture non-CO<sub>2</sub> emission in one independent pillar of EU’s climate policy (European Commission, 2014a, p. 114). The building sector is also mentioned as a crucial sector where mitigation action cannot be delayed as the turnover rate and renovation of buildings is low (European Commission, 2014a). Furthermore, the Commission uses the impact assessment to highlight how existing flexibility mechanisms mean that national targets do not necessarily need to be met domestically. Selling and buying (transferring) of excess emission allowances between member states will increase overall cost-efficiency and secure benefits for member states who overachieve their targets. The Commission refers to it as the market mechanism of the Effort Sharing policy framework. However, it was stressed by informants that many member states perceive extensive use of flexibility mechanism as problematic, therefore wish to comply with their national GHG reduction target domestically (Interview 5,7). One informant explains how excessive

use of the flexibility mechanisms without domestic action may challenge the political integrity of national governments, as voters do not like politicians who “buy their way out of a problem” (Interview 1).

Before the Commission’s proposal moved on to the member states in the Council, the Parliament had a consultation on the policy proposal. As questions of the ambition of the EU-wide target to reduce emissions was not settled, the Parliament did not go far into the details of the Effort Sharing policy. However, The Parliament highlighted the importance for decarbonisation of the Effort Sharing sectors and asked the Council to increase the ambition for transport, waste, buildings and agriculture. The Parliament did not propose a new GHG reduction target but referred to the Commission’s proposal as unambitious and called for the Council and the Commission to increase the ambition of the EU climate policy to contribute to their fair share of global emissions reduction efforts (European Parliament, 2014).

Following the Commission’s policy proposal and the Parliament’s consultation on the proposal, the Council met in March, June and October to conclude on their position on the energy and climate framework for 2030. Little progress was made on the Effort Sharing policy when the Commission met in March and June. The basic framework was agreed upon; however, other issues were more urgent than the climate and energy framework. Nevertheless, the Council was clear that conclusions would be made in October, in time to announce the EU’s Intended Nationally Determined Contribution (INDC) for the Paris Agreement by the first quarter of 2015.

### **6.2.2 2014 - 2015: Detailed Council Conclusions and the Paris Agreement**

The Council conclusions of 23/24 October on 2030 climate and energy politics became very important to the following negotiations of the Effort Sharing policy framework. Before the Council conclusions very little details of the future policy framework had been negotiated. However, the Council conclusions on the 2030 climate and energy framework reached in October 2014 were unusually detailed (Interview 2,4,5,6).

The Council accepted the Commission’s proposal for a 40 percent domestic reduction by 2030 compared to 1990 levels. Just as in the 2020 framework overall target was split into two sub-targets; 43 percent reduction target in the ETS and a 30 percent reduction target in the Effort Sharing sectors compared to 2005 levels, as it had been proposed by the Commission (European Council, 2014). Following the Commission’s proposal, the Council conclusions explicitly said that the target will be met domestically. Thereby, clarifying that international credits will not be available to comply with the 2030 targets. As commitments to the Kyoto Protocol ended so would the JI and CMD mechanisms for international emission credits. As the international community have not agreed on how international credits will be used under the Paris Agreement. This uncertainty surrounding the international credits mean that they cannot be included at this point. However, DG Climate Action officials stressed that this do not mean that international credits cannot be included at a later point of time, to reflect a potential increase of ambition (Interview).

The Council decided to continue with the GDP per capita approach to set the national reduction targets as was used under the Effort Sharing Decision. Reflecting the increased ambition, the national targets will now span from 0 percent to -40 percent compared to 2005 emissions. Which means all member states will have their current reduction target shifted down about 20 percent. Hence, the low GDP per capita member states whom under the Effort Sharing Decision were allowed to increase their emissions, now had to reduce emissions and contribute to the reaching of the overall target (interview 5). The targets for member states with a GDP per capita above the EU average will be relatively adjusted to reflect cost-effectiveness in a fair and balanced manner (European Council, 2014). However, the increased ambition means that high GDP member states will need to comply with strict reduction targets posing significant cost concerns for the high GDP member states demanding more flexibility to be able to comply with their targets. Reflecting this, the Council addressed the existing flexibilities and introduced new flexibilities in the Council conclusions.

Despite limited experience with the existing flexibilities, the Council wanted the availability and use of existing flexibilities significantly enhanced. The Council argued that this would increase the cost-effectiveness of the collective EU efforts to reduce GHG emissions. Furthermore, the Council introduced a new flexibility. A one-off limited use of ETS allowances to comply with their Effort Sharing reduction target. Three criteria were set for which member states could access this flexibility: member states had to have national reduction targets significantly above EU average, cost-effective reduction potential above EU average, and they could not have received free ETS allowances for industrial installations in 2013. Hence, this flexibility would only be available to a limited amount of member states. The Council decided that the use of this one-off flexibility must be announced before 2020 to preserve predictability in the ETS and Effort Sharing framework. The total amount of emission allowances that could be transferred between the ETS and Effort Sharing framework was not discussed, but the Council highlighted that it must be limited so not to challenge the environmental integrity of the Effort Sharing sectors. Last the Council did not conclude on the policy options proposed by the Commission for how to address emissions and absorb from LULUCF, but invited the Commission to examine how LULUCF could best be included into the 2030 greenhouse gas mitigation framework (European Council, 2014).

With the Council conclusions the member states had agreed on the EU ambition level for its climate and energy policy for 2030 in time for the international negotiations in Paris the following year. The Council had set detailed guidelines not only for the Effort Sharing policy but for the whole climate and energy package for 2030. However, details that could have crucial implications for the Effort Sharing policy framework were yet to be decided. As the Commission started working on the climate and energy policy proposal they collaborated with member states. In 2015 the Commission had four meetings consulting member states on the Effort Sharing policy framework, three of which were discussions of the flexibility mechanisms (European Commission, 2016b, p. 94). However, the finalization of the Effort Sharing policy proposal had to wait until after the Paris conference.

### Paris Conference 2015

After the step away from the top-down approach of the Kyoto Protocol the international community succeeded to create a legally binding climate agreement with universal participation. The Paris Agreement contains both collective and individual mitigation goals. The collective temperature goal of reducing global warming to no more than 2°C, was strengthened to include a “commitment to pursue efforts to limit the temperature increase to 1.5°C” which was more ambitious than EU’s position (Andresen et al., 2016). Further the Paris Agreement specifies a long-term goal of “emissions neutrality”<sup>9</sup> by the second half of this century, highlighting the important role of emission absorbs in the LULUCF sector. To achieve the collective goals, each country submit a national decided contribution (NDC) to the global effort. These NDCs are to be submitted and updated at regular “pledge and review” meetings every five years (Brun, 2016). The assumption of the Paris Agreement is that these meetings will serve as a “naming and shaming” mechanism to put pressure on states that do not contribute to the global effort to reduce climate change (Keohane and Oppenheimer, 2016). Furthermore, at these meetings progress is assessed, and ambition will be increased as states commit to further emission reductions. The Paris Agreement has a clear long-term goal; hence it is not only an agreement but a process which hopes to drive ambition over time. The agreement also addresses adaptation to climate change not only mitigation and recognizes that efforts must be made at several levels of the society. The Paris Agreement does not have strong enforcement mechanism, but states are legally bound to stay on their path, and to increase ambition over time. Hence, the long-term success of the Paris Agreement is dependent on the success of the “pledge and review” meetings. Over the course of the negotiations the EU managed to act as a unitary actor, thus opposition to increased ambition from Poland did pose a real risk of internal division and put a significant restraint on EU’s negotiation mandate (Andresen et al., 2016). The flexibility mechanisms of the Kyoto Protocol, JI and CDM, will not continue under the Paris

<sup>9</sup> A balance between emissions from human activity and emission absorbs from GHG sinks (such as forests).



Agreement. Nevertheless, the Paris Agreement have an opening for introducing new international credits as soon as the international community agree on how these should be designed.

### **6.2.3 2015 – 2016: Diverging Ambition and DG Climate Action Putting Their Mark on the Effort Sharing Regulation**

After the success of the Paris Agreement the Commission started preparing the policy proposal for the Effort Sharing Regulation. As the detailed Council conclusion put significant constraints of the freedom DG Climate Action had to develop new ideas when drafting the policy proposal. As one informant put it “The Council conclusions is the holy grail to understand the Commission’s proposal for the Effort Sharing framework for 2030.” (Interview 2). After the success of the Paris Agreement there were expectations of a more ambitious policy proposal, however the Commission stayed close to the pre-Paris Council conclusions (Interview 4,7).

Although the Council conclusions were unusually detailed, it was not explicit on the availability and size of the flexibility mechanisms nor on mechanisms indirectly affecting the flexibilities such as the starting point. These will not be discussed in length in this report but are important to the context of which these flexibilities were negotiated. The Council being vague on the flexibilities are important, as how the flexibilities are designed have huge implications for how the policy framework works. The Council asked for a significant increase of the flexibility mechanisms, which had hardly been used, and were unclear on how these flexibilities would work, the Council conclusion sparked uncertainty and speculation of how the future Effort Sharing Regulation (Interview 2).

The Council conclusions were reflecting a pre-Paris Agreement target in line with the Energy Roadmap of 2011. In the Paris Agreement the international ambition increased from 2°C target to striving for limiting global warming to 1.5°C. Thus, there was excitement to how this increased ambition would be reflected in the Commission’s proposal for the Effort Sharing Regulation which was to be announced 20. July 2016. However, already 8th of January 2016 Commissioner of DG Climate Action and Energy Miguel Arias Cañete gave a speech on how the Paris Agreement would impact EU climate and energy policies. In this speech Cañete stressed how the Commission was working hard on the new Effort Sharing policy and highlighted how the Commission was helped by the detailed guidance of the Council conclusions, which already set the overall reduction target as well as the methodology for how to distribute targets (Cañete, 2016).

The Commission’s proposal for the Effort Sharing Regulation was presented on the 20th July 2016. During the presentation of the policy framework and its national targets Commissioner Cañete highlighted, “These targets are realistic, fair and flexible” (EURACTIV, 2016). Furthermore, the EU-wide target of reducing emissions with 40 percent by 2030 were presented as in line with the Council conclusions, the 2050 climate and energy roadmap, and consistent with limiting global warming to under 1.5°C in a scenario where necessary reductions were taken by developing countries (European Commission, 2016c).

During the drafting of the 2030 climate and energy package there was close collaboration between DG Energy and DG Climate Action, enhanced by Cañete being the Commissioner for both DG Climate Action and DG Energy (Interview 5, 2). Nevertheless, on the Effort Sharing Regulation, DG Climate Action was the leading service and enjoyed significant amount of autonomy, with low involvement from other DGs. As a result there was less internal disagreement in the Commission over Effort Sharing Regulation than over the Renewable Energy Directive or the review of the Emissions Trading Scheme (Interview 2). In 2016 GHG emissions from the Effort Sharing sectors were 11 percent lower than in 2005. Hence, it is likely that the EU will overachieve their target to reduce domestic emissions by 10 percent. However, emissions from the Effort Sharing sectors increased by 0.9 percent in 2016, the second year of increased emissions in a row. The Commission point argue that this can in part be explained by the decrease in oil price and the cold winters of 2015 and 2016.

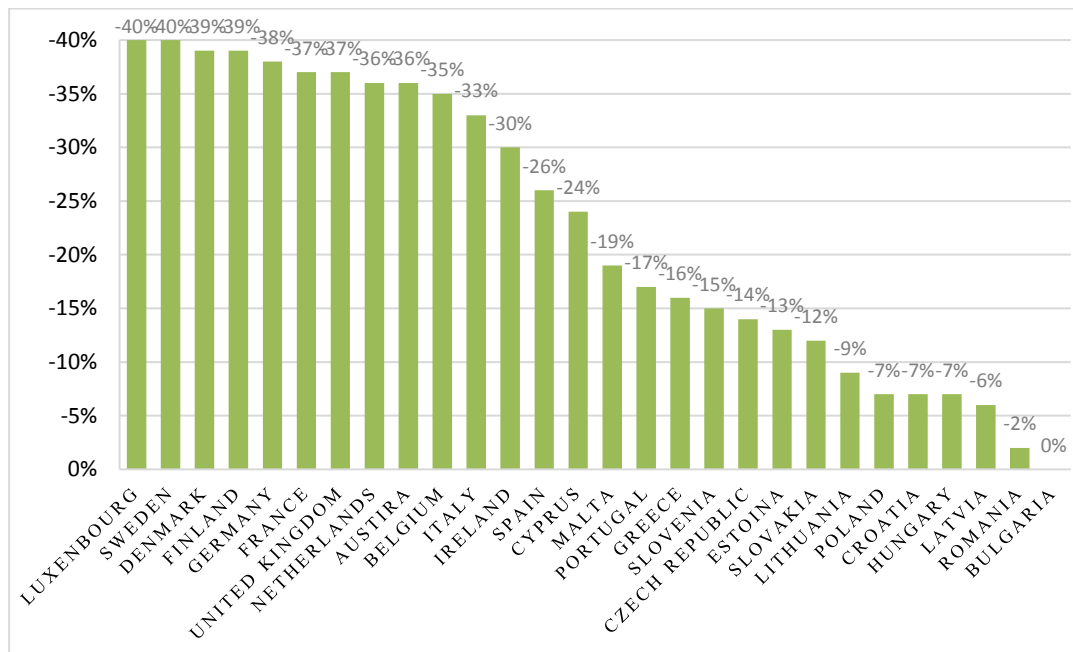
Despite being on track to reach the EU level target Malta, Belgium, Finland, Ireland, Germany, Luxembourg and Austria are not on track to achieve their 2020 target and will have to take

additional measures or make use of the flexibility mechanism to comply with their Effort Sharing Decision targets. It must be noted that there have been very low use of the flexibility mechanisms in the Effort Sharing Decision to this date. The expectation being Malta, who has purchased emission allowances from Bulgaria. Furthermore, for the three years from 2013-2015 there have not been used international credits to comply with targets in the Effort Sharing Decision (European Commission, 2017).

The following section will in detail go through parts of the Commission's proposal for the Effort Sharing Regulation. However, it is important to keep in mind that not only were these parts drafted together, they were also used for bargaining when negotiating the proposal to make it politically feasible to all member states.

### Setting the Targets

As the Council had decided to continue with the GDP per capita approach with targets spanning from 0 to -40, all member states have to contribute, while the targets for the high GDP per capita member states are adjusted to reflect cost-effectiveness. Although the GDP per capita approach is relatively straightforward, the negotiations of the national targets were challenging as the member states knew that once the Commission's proposal was out, the national targets would be very hard to change. A few member states asked for sector-specific concerns related to transport, agriculture and LULUCF to be reflected in their target (European Commission, 2016b, p. 101). Commissioner Cañete travelled to several member states to have dialogues with national authorities over the targets of the Effort Sharing and learn more of about how to include LULUCF in the Effort Sharing framework (Cañete, 2016). Several informants also made a point of how the Commission had bilateral negotiations with all member states over national targets and flexibilities before submitting their policy proposal (Interview 1,2,4,7). As the overall target for the Effort Sharing Regulation was set, the negotiations over national specific targets were a zero-sum game. If a country wanted to do less, somebody else had to do more. In the end, the flexibility mechanisms the new regulation became the key to make countries accept their targets (Interview 4,7).



(Source: Adopted from European Commission, 2016a)

**Figure 3:** 2030 GHG emission targets for EU member states under the Effort Sharing Regulation

### Starting Point

A central feature of the Effort Sharing policy framework is the “clean-up” of surplus allowances, as it is not allowed to carry forward emission allowances from the 2013-2020 period to the 2021-2030 period (Interview 4). Thus, as the starting point of the trajectories of the annual targets towards 2030 will be set higher than real emissions, the level set for the starting point will determine the amount of surplus allowances in the Effort Sharing policy framework as it starts in 2021 (Interview 4,5). The close relationship between the starting point and the level of flexibilities must be further emphasised. As the selling and buying of emission allowances between member states are crucial to reduce emissions in a cost-efficient manner, the Effort Sharing policy framework depends on there being surplus emission allowances in the system. Thus, setting the starting point too close to real emission levels would risk allowance deficit in the policy system, meaning that there would not be emission allowances for member states to buy. At the same time setting the starting point high would create a high emission allowance surplus which will undermine mitigation efforts in the Effort Sharing sectors (Interview 4).

As the EU-wide emissions from the Effort Sharing Sectors are well below the 2020 targets setting, applying the 2020 target as the starting point at will mean starting with a significant amount of surplus allowances in the Effort Sharing Regulation (Interview 4,5). Furthermore, as the annual emission targets follow a linear trajectory, a high starting point means that member states get higher annual emission targets for the whole 2021-2030 period (Interview 1,4,7). There were a number of member states and lobby organisations arguing that it is logical to start the trajectory from the 2020 targets, highlighting how surplus allowances is not necessarily bad, as it means that EU as a whole is overachieving (Interview 5). This view was fiercely criticised by the Parliament and NGOs as Carbon Market Watch, Sandbag and CAN Europe. They see a high starting point as a “loophole” that will allow member states higher emissions for the whole 2021-2030 period. ENGOs highlight how this will allow member states to delay action in the Effort Sharing sectors and stress the need for setting the starting point closer to real emissions in 2020.

In their proposal, the Commission tried to find a politically feasible compromise close to real emissions and suggested starting from the average GHG emissions between 2016-2018 as these are the latest available data in 2020. Arguing that if you have good climate policy, your emissions will most likely decrease from 2016 to 2018, and further decrease until the start in 2021. Therefore, member states with good climate policies will start with some surplus allowances, but at the same time, this approach will adjust for possible fluctuations in member states emissions (Interview 5,6).

### Enhanced Existing Flexibilities

Point 2.12 in the Council conclusions reads, “The availability and use of existing flexibility instruments within the non-ETS sectors will be significantly enhanced in order to ensure cost-effectiveness of the collective EU effort and convergence of emissions per capita by 2030.” (European Council, 2014, p. 4). This clear guideline was ignored by the Commission, as was highlighted by one informant, “The most interesting about the Commission’s proposal for the Effort Sharing Regulation is not what was included, but what was omitted” (Interview 2). Despite several meetings between the Commission and member states on how the existing flexibilities could be increased, DG Climate Action kept the existing flexibilities unchanged in the Effort Sharing Regulation (Interview 2,5).

So, similar to the Effort Sharing Decision, if a member state does not comply with its annual allocation a given year, it may *borrow* a quantity of 5 percent from its annual emission allocation for the following year in the period 2021 to 2029. If a member state is overachieving, the member state may *bank* its excess emission allocations and use it to comply with targets for subsequent years until 2030. Member states can sell up to 5 percent of its emissions allowances without knowing their surplus, once they have established their real emissions, the whole amount of surplus allowances can be sold. Furthermore, there is no quantitative limit on how many emission allowances a member state may receive from other member states (European Commission, 2016c).

### One-off Access to ETS Allowances

The Council concluded to include a new flexibility in the Effort Sharing Regulation, the one-off access to ETS allowances that could be used to comply with the Effort Sharing target, whilst preserving predictability and environmental integrity (European Council, 2014, p. 4). It was a last-minute proposal from Denmark, arguing that reaching their target of reducing emissions by 39 percent by 2030 would pose severe cost issues (interview 1,3,4,7). Furthermore, they were concerned over the availability of emission allowances as some of the greener member states had indicated they would delete their surplus allowances rather than selling them. This concern was shared by other high GDP per capita member states who wanted a flexibility that would guarantee them access to emission allowances in a scenario where other member states refused to sell (Interview, 5,6,7). DG Climate Action staff was not very enthusiastic about creating a link between the ETS and Effort Sharing Regulation as these are two very different policy systems that are not easily compatible (Interview 6). However, the ETS and the Effort Sharing Regulation was linked as it was very important to high GDP member states and explicitly mentioned in the Council conclusions. In addition, this flexibility was seen as less problematic as the beneficial countries were a small number of member states with high GDP per capita who already had invested a lot in reducing their emissions, not the ones where no effort had been taken (Interview, 2,5,6,7).

Within the Commission the burden of designing the one-off link between the ETS and Effort Sharing Regulation fell upon DG Climate Action. The debate centred on how this could be done while at the same time avoiding undermining action within the Effort Sharing sectors (Interview 2,4,5,6). ENGOs tried to challenge the accounting rules, arguing that taken into account the massive surplus of allowances in the ETS, one Effort Sharing allowance should equal four ETS allowances, but these arguments never caught on (Interview 3). The Parliament expressed concerns over how the poor functioning and massive surplus in the ETS could result in a spillover of bad effects on the ESR arguing to limit the flexibility, while at the same time acknowledging that some member states needed it to comply with their targets (Interview 4). In DG Climate Action the focus became to limit the amount of allowances that could be transferred, and more importantly limit which member states that could make use of this new flexibility. As the Council conclusions stressed that the link would "...whilst preserving predictability and environmental integrity." DG Climate Action had good arguments for limiting the number of allowances to make sure it not in any way would undermine action in the crucial sectors housing, transport and agriculture (Interview 5). DG Climate Action used the impact assessment following the policy proposal to argue that the amount of allowances and the number of member states who can access this flexibility must be limited (European Commission, 2016b). DG Climate Action argued that despite having emission targets above average, Italy, France, United Kingdom and Germany should not be allowed to access the ETS flexibility. All these states have significant domestic emission reduction potential, further as including these states will have impact on the surplus in the Effort Sharing Regulation it is not compatible with preserving the environmental integrity. DG Climate Action provide similar arguments for limiting the size of the flexibility, providing evidence which strongly support limiting the size of the link to the ETS (European Commission, 2016b, p. 65).

In the Commission proposal the EU-wide limit of ETS allowances were set to 100 million tonnes over the period 2021 to 2030. Furthermore, the proposal included two disincentives to use this flexibility, therefore DG Climate Action do not expect full use of it (Interview). First, as the ETS emission allowances are extracted from the member states auctioning pot it will result in loss of potential revenue for the member state. Second, it is a one-off, which means that member states will have to inform the Commission about the amount they intend to use by 31 December 2019. Hence, they have to decide whether to commit to reducing within the Effort Sharing sectors or using this flexibility to comply with their reduction target. Which will also help to preserve predictability in the ETS. Furthermore, it is strictly a compliance tool and cannot enter into trading with other countries (European Commission, 2016c, Interview).

The Commission's proposal to introduce 100 million tonnes of ETS credits over a ten year period in a system annually covering 2519 million tonnes of emissions was always seen as a very

small amount (European Commission, 2016b). According to the Commission, it did not challenge environmental integrity and did not reduce incentives to invest emission reductions in the Effort Sharing sectors too much (Interview 4,5,6). This view was not shared by ENGOs and the Parliament. They were happy that in the proposal only nine member states<sup>10</sup> could access this flexibility. Nevertheless, they wanted the amount of ETS allowances decreased. As although 100 million is not too much, it will significantly delay mitigation efforts in the nine member states (Interview 4,6). However, the beneficial member states are not the ones where no action is taken to address emission within the Effort Sharing sectors, and as the emission allowances are taken for the ETS auctioning pot it will still contribute to reduce EU emissions with 40 percent by 2030 (Interview 6).

### **Link to LULUCF**

Under the Kyoto Protocol emissions and absorbs from Land Use, Land Use Change and Forestry (LULUCF) are addressed as a separate pillar. As the Effort Sharing Decision was drafted in 2008, when the EU still was hoping for global commitment to a second period of the Kyoto Protocol, LULUCF was addressed in a separate pillar (Interview 5). Under the Paris Agreement, on the other hand, the Kyoto approach does not continue, but LULUCF is pointed out as a crucial sector as forest absorbs CO<sub>2</sub> and act as an emission sink. The Paris Agreement stresses how actions that will increase the CO<sub>2</sub> sink needs to be incentivised to reach the long-term climate objectives.<sup>11</sup>

Following the international shift, the EU had to develop a new strategy for how to address emissions and incentivise actions to increase absorbs from the LULUCF sector (Interview 5). Hence, the Council wanted to include LULUCF in the overarching EU climate policy framework for 2030, and invited the Commission to work out the details and propose how this could be done (European Council, 2014). Several informants stress how complicated and politically sensitive reducing emissions from agriculture and LULUCF is as it directly connected to livestock, biomass and afforestation of existing land (Interview 2,4,5,6). However, negotiations over how to address emissions and absorbs from agriculture and LULUCF is not in any way a new issue but have been a long-lasting fight with diverging views within the Council, between political parties in the Parliament and internally in the Commission (Interview 4).

All the options from the impact assessment following the Commissions policy proposal of 2014 were considered. Full inclusion of LULUCF in the Effort Sharing policy, addressing LULUCF in a separate pillar or including agriculture in LULUCF and addressing them in a separate land use pillar (Interview 6).

First, continuing to address LULUCF as a separate pillar was preferred by ENGOs. Keeping them separate does not mean a no-action scenario, but targets and measures would have to be developed separately. This would mean that agricultural and LULUCF emissions would be addressed with sector-specific policy tools (European Commission, 2014a).

Second, full inclusion of the LULUCF sector would increase the number of sectors in the Effort Sharing policy framework, thus increase the flexibility for member states to achieve their target. It would allow member states to develop a better integrated approach for agriculture and forestry. On the other hand, this would delay action in the Effort Sharing sectors, it was epically stressed by ENGOs and the Parliament how emissions credits from the forestry sector could potentially flood the Effort Sharing framework in the case of full inclusion (European Commission, 2014a, Interview 4,7).

Pressure for full inclusion of the LULUCF in the Effort Sharing Regulation came from member states with a significant share of emissions from the agriculture sector such as Ireland, Denmark and France. While opposing member states shared the Parliaments concerns that full inclusion would

<sup>10</sup> Luxembourg, Sweden, Denmark, Finland, Austria, Netherlands, Malta, Belgium and Ireland.

<sup>11</sup> The accounting rules for the uptake of CO<sub>2</sub> in the LULUCF sector is very complex and disputed and will not be discussed in length in this thesis.

slow down or diminish action in the Effort Sharing sectors, and thereby challenge the environmental integrity of EU climate policy (Interview 1,3,4,7).

Third, addressing emissions from agriculture and LULUCF as one separate pillar was the preferred outcome for the agricultural lobby. This would not undermine action in transport, waste and small industry and would allow member states to develop an integrated agricultural and LULUCF policy (European Commission, 2014a). However, depending on the EU policy that were adopted for this sector, it could decrease incentives to address emissions from the agriculture sector, the main source of non-CO<sub>2</sub> GHG emissions (Interview 2,4).

The Council had invited the Commission to develop a policy proposal for how to include LULUCF in the existing policy framework, which proved to be challenging. Within the Commission there were seven inter-service consultations<sup>12</sup> where the three options on how to include emissions and absorbs from LULUCF was discussed. 16 DGs<sup>13</sup> attended these inter-service consultations, jointly chaired by the Secretariat-General and DG Climate Action (European Commission, 2016b). On the LULUCF issue, special attention was paid by DG Agriculture and Rural development as the result could potentially have huge implications for the agricultural sector.

As generating reliable data on absorbs from LULUCF is very complicated, there has been a lack of reliable EU-wide data. Although the confidence in the measuring have significantly increased from the mid-2000s, putting EU measuring several steps ahead of international measuring, the uncertainty was a strong incentive to keep LULUCF separate (Crisp, 2016, Interview 2).

The final proposal from the Commission was a compromise which had support from a large majority of political actors. The Commission proposed to keep the sectors separate but to include a possibility for a limited transfer of emission credits between them. This would incentivise member states to use the LULUCF sectors to increase the emission sink, and at the same time preserve the environmental integrity by protecting the Effort Sharing sectors from being flooded by emission credits. As the Commission settled on the “separated but linked” approach disagreements again spurred as DGs disagreed over the number of emission credits that could be transferred while at the same time preserving environmental integrity (Interview 5,6).

In the final proposal the Commission states that to stimulate action in the land use sector, the proposal permits up to 280 million tonnes CO<sub>2</sub> credits<sup>14</sup> to be used for national targets over the 2021-2030 period (European Commission, 2016c). All member states have access to these 280 million credits. However, the amount of credits accessible to each country is adjusted so that member states with a larger share of emissions from agriculture can access a higher number of credits. This creates an incentive for all member states to take action within their LULUCF sector, even though their access to the 280 million credits may be limited. The link to LULUCF credits is strictly a compliance tool and cannot be transferred to other member states. In the impact assessment following the policy proposal different scenarios are accounted, here it is highlighted that it is not likely that full 280 million allowances will be used. As the LULUCF credits are a compliance tool, maximum use would mean that all member states fall short of their emission reduction target and have to use LULUCF credits for compliance. However, in the event of full use of this flexibility, DG Climate Action find that it will not challenge the environmental integrity of the Effort Sharing framework (European Commission, 2016b, p. 74). In the LULUCF negotiations there were bigger internal disagreements within the Commission than in the link to ETS. However the outcome of the negotiations has enhanced the collaboration between DG Climate Action and DG Agriculture and Rural development (Interview 6).

<sup>12</sup> Inter-Service Consultation is the procedure to be used for requesting the formal opinion of other DGs on the contents of a proposal.

<sup>13</sup> The following DGs and services were invited: Secretariat General, Legal Service, Agriculture and Rural Development, Competition, Economic and Financial Affairs, Energy, Environment, Internal Market, Industry, Entrepreneurship and SMEs, Joint Research Centre, Mobility and Transport, Regional and Urban Policy, Research and Innovation, Taxation and Customs Union and Trade (In addition to DG Climate Action).

<sup>14</sup> In 2013 the EU-wide emissions from the Effort Sharing sectors was 2519 million tonnes

### **A Commission Proposal Close to the Council Conclusions**

There was little trace of the Paris Agreement in the Commission's proposal for the Effort Sharing Regulation. Nevertheless, DG Climate Action has proposed that the Effort Sharing Regulation shall be reviewed in 2024, and every five years thereafter. This review process will take into account national circumstances and the results of the "pledge and review" sessions of the Paris Agreement (European Commission, 2016c, p. 16). These reviews will be crucial for actors seeking to increase the ambition of the Effort Sharing policy (interview 4).

With the flexibilities DG Climate Action did not challenge the Council conclusions but kept the new flexibilities rather limited. DG Climate Action consulted a wide range of actors on several parts of the Effort Sharing Regulation, thus were able to release a policy proposal that was widely acceptable to all member states. In the Parliament the discussions over the Effort Sharing Regulation the various political groups showed different levels of ambition. Still, the majority in the Parliament wanted higher ambition than what was proposed by DG Climate Action (Interview 3). When asked about this a DG Climate Action official frankly pointed out; "You know, a political compromise does not need to be in the middle." (Interview). When reflecting over why the Commission's proposal did not challenge the Council conclusions, despite increase of international climate ambition in the Paris Agreement, several informants highlighted the power of the member states in the EU polity. Furthermore, the need for consensus in the Council on climate and energy policy. Frustrated over the low ambition of the Commission one informant claimed; "The Commission does not care about reducing emissions, they only care about passing laws!". Although this might be an overstatement it contributes to paint the image of the Commission's proposal for the Effort Sharing Regulation as cautious and considering towards the least ambitious actors of the EU climate and energy policy.

The next chapter challenges how the Commission is portrayed as a cautious actor, an analyse how and to what degree DG Climate Action acted as a policy entrepreneur to increase their influence on the Effort Sharing policy. Furthermore, the report will offer an analysis of the conditions under which DG Climate Action sought to conduct policy entrepreneurship.

# 7 Analysis

The analysis follows the empirical expectations from the theory chapter and analyses the empirical findings from the process-tracing. The first section will analyse how and to what degree DG Climate Action use entrepreneurial strategies to influence the Effort Sharing policy by following the fine-tuned operationalisation of policy entrepreneurship from the theory chapter. The second section includes an analysis of the conditions under which DG Climate Action has acted as a policy entrepreneur; thus, contributing to increased understanding of under which conditions supranational entrepreneurship is possible. This second section also investigates the alternative explanations from the historical institutional approach. Finally, I assess the explanatory value of the two theoretical perspectives, and how two theoretical approaches enrich the overall understanding DG Climate Action as a policy entrepreneur and the room for entrepreneurship in the Effort Sharing policy process.

## 7.1 DG Climate Action as a Policy Entrepreneur

Did DG Climate Action use entrepreneurial strategies seeking to “induce political decisions that would not otherwise occur?” (Moravcsik, 1999, p. 271). This analysis will answer which entrepreneurial strategies were used by DG Climate Action to increase their influence on the Effort Sharing policy. Which entrepreneurial strategies was employed are affected by contextual factors significantly constraining the room for policy entrepreneurship, which will be elaborated later in this chapter. In relation to conditions for policy entrepreneurship Pollack emphasised; that constraining conditions may leave the Commission unable to propose new policy, thus leaving it to defend existing policy against diminishing amendments (Pollack, 1997, p. 23). The use of entrepreneurial strategies to defend status quo is referred to as status quo entrepreneurship, which if successful will induce a political decision that would not otherwise occur (Ackrill and Kay, 2011, p. 78, Boasson and Huitema, 2017). The next section will investigate DG Climate Action’s use of entrepreneurial strategies to shed light to whether they seek to induce a policy decision that would not otherwise occur.

### 7.1.1 DG Climate Action and Entrepreneurial Strategies

What strategies DG Climate Action seeking to influence the policy outcome is an important indicator of their ability to act as a policy entrepreneur. The following section will assess how DG Climate Actions acted as a policy entrepreneur by comparing the empirical expectations to high and low use of entrepreneurial strategies from Table 1 p. 16. If the empirical evidence indicates that DG Climate Action engages in high use of several of these strategies, this will support the claim that they seek to induce a policy outcome that would not otherwise occur. Hence, support the empirical expectation to DG Climate Action acting as a policy entrepreneur despite the constraining conditions.

<b>“Development of new ideas” – Low</b>	
<b>New ideas in the Effort Sharing Regulation will come from outside DG Climate Action</b>	DG Climate Action will develop new ideas for how to address emissions from Effort Sharing sectors or new flexibilities allowing them to increase the ambition.



DG Climate Action could have introduced new policy idea either in the green paper, in their first policy proposal or in the final policy proposal. However, the empirical evidence indicate that DG Climate Action did not use the policy window to engage actively in developing new policy ideas that changed the Effort Sharing policy in any way, as the Commission did when initiating the Emission Trading Scheme. DG Climate Action did remove the international credits (with broad support) and increased the ambition of the policy but neither of these are new ideas. DG Climate Action did engage actively with the development of the new policy ideas from Council conclusions of 2014 and acted within the existing leeway to develop these policy ideas so they would not challenge the environmental integrity of the Effort Sharing Regulation.

The only truly new policy idea in the Effort Sharing Regulation was the new flexibility of a link between the ETS and the Effort Sharing Regulation. The link between the ETS and the Effort Sharing Regulation came from the Council conclusions, more specifically from Denmark with support from several other high GDP per capita member states. In this sense Denmark can be considered a policy entrepreneur as they succeeded with what could have been a radical policy proposal. However, as DG Climate Action was not very enthusiastic about this new flexibility, they used their knowledge-based authority to limit its effect on the Effort Sharing policy framework.

DG Climate Action strategically used the impact assessment to argue for limiting the number of member states who can access this flexibility and restrict the total amount of allowances which these states can access. The scenarios in the impact assessment were crucial arguments for why this flexibility must be strictly limited as the alternative would mean a huge allowances surplus in the Effort Sharing policy framework, which will delay actions to reduce emissions from the Effort Sharing sectors. Furthermore, DG Climate Action strategically included disincentives the use of flexibility. Hence, maximum use of the flexibility is not expected. This an example of how DG Climate Action, by strategically engaging with the policy proposal from Denmark, succeeded to limit a potentially radical proposal into an incremental change in the Effort Sharing policy framework.

How to address the LULUCF pillar has been a long-lasting fight within the EU, hence, cannot be understood as a new policy proposal. However, to keep LULUCF separate but link it to the Effort Sharing Regulation as a flexibility mechanism, was not a policy option which had been previously proposed in the Commission green paper, policy proposals, impact assessments or in the Council Conclusions. In that sense it can be argued that this was new idea developed by DG Climate Action who did not want full inclusion, as the lack of reliable emission and absorbs data proved a strong incentive to keep LULUCF separate from the Effort Sharing sectors. On the other hand, one can argue that the LULUCF proposal was a result of a political compromise, hence more a case of DG Climate Action acting as policy brokers rather than a case of DG Climate Action developing new policy ideas.

The empirical findings do not indicate that DG Climate Action developed new policy ideas in the proposal Effort Sharing Regulation. However, DG Climate Action did engage actively and made severe impact on the proposed flexibility linking ETS to the Effort Sharing Regulation. By strategic use of the impact assessment and their knowledge-based authority DG Climate Action abstained from increasing the existing flexibilities and strategically developed the new flexibility proposals so the use of these new flexibilities will be limited.

<b>"Issue framing" – High</b>	
Will not use framing strategies when addressing flexibilities in impact assessments and policy proposals.	Will actively use framing strategies when addressing flexibilities in impact assessments and policy proposals.

During the review process of the Effort Sharing policy DG Climate Action used positive framing strategies several times portraying their policy proposals as appropriate, good and in line with EU's long-term decarbonization target. DG Climate Action have restrained from using negative framing to discredit policy proposals from the Council or the Parliament but have showed how, if not

limited, these might undermine the effect of the Effort Sharing Regulation. The empirical findings does not support that DG Climate Action used framing strategies to increase the ambition of the Effort Sharing Regulation before or after the Paris Agreement in a similar manner as the Commission did before the 2009 negotiations in Copenhagen. DG Climate action used the introduction of the proposal for the Effort Sharing Regulation to emphasize how the transition to allow carbon society will increase growth, produce jobs and contribute to the EU’s ambition to become a world leader. Nevertheless, they did follow up this by increasing the emission reduction target, but at the same time stressing how additional mitigation measures must be taken by member states, local and regional governments and cities. With regard to the flexibility mechanisms of the Effort Sharing Regulation DG Climate Action has used both negative and positive framing strategies.

Ignoring the Council conclusions’ call to significantly enhance the existing flexibility mechanisms, DG Climate Action framed the level of flexibilities in the Effort Sharing Regulation as appropriate to balance concerns of environmental integrity and economic efficiency. This positive framing of the policy proposal became even more evident when Commissioner Cañete introduced the proposal for the Effort Sharing Regulation as “realistic, fair and flexible” (EURACTIV, 2016), legitimizing the ambition, the fairness and the level of flexibilities in the policy proposal.

DG Climate Action’s use of negative framing was the most evident in the impact assessment following the policy proposal. Especially with regards to the two new flexibility mechanisms, the link to the ETS and access to LULUCF credits. In the impact assessment DG Climate Action put forward evidence of how these two flexibilities challenged the environmental integrity of the Effort Sharing policy if these were not kept limited. DG Climate Action did not seek to delegitimize the policy proposals itself but highlighted how allowing emission allowances from ETS and LULUCF to be used to comply with the Effort Sharing target would diminish efforts to reduce emissions in the Effort Sharing sectors if not kept strictly limited. Thus, by pointing to the potential dangers (or crisis) DG Climate Action use negative framing to keep these new flexibilities limited.

The analysis finds that DG Climate Action use both negative and positive framing strategies, thus seek to induce a policy outcome that would not otherwise have occurred. Nevertheless, to how little extent DG Climate Action used the Paris Agreement to try to increase the ambition of the Effort Sharing policy, and the EU climate policy in general is surprising.

<b>“Strategic use of decision-making procedures” – Medium</b>	
<b>Will not use their agenda-setting power to influence the flexibilities or set focal points for future negotiations</b>	Will use their agenda-setting power to influence the flexibilities and set focal points for future negotiations

To assess to whether DG Climate Action engaged in high or low use of strategic use decision-making procedures poses an analytical challenge. Under the review of the Effort Sharing policy, DG Climate Action appeared hesitant and did not use their agenda-setting power, which can be explained by DG Climate Action not actively engaging in developing new policy ideas. DG Climate Action did initiate to remove the international credits from the Effort Sharing policy framework in the green paper in 2013. However, as the international credits are flexibility mechanisms from the Kyoto Protocol, these would not have continued after 2020 regardless, as the Kyoto Protocol is replaced by the Paris Agreement. In their policy proposal in January 2014 the Commission did little but summarise the member states preferences on the Effort Sharing policy based on the responses to their 2013 green paper. The detailed Council conclusions are in sharp contrast to the hesitant behaviour from DG Climate Action and had crucial impact on the following negotiations of the Effort Sharing policy, and DG Climate Actions leeway as a policy entrepreneur.

On the other side, the unusual detailed Council conclusions allowed DG Climate Action to use their knowledge-based authority and go far into the details on the effects of different policy options and

the various levels of flexibility mechanisms in the impact assessment following the proposal for the Effort Sharing Regulation. By going into details on the environmental, distributional and economic effects of the number of emission allowances included from the ETS and LULUCF, DG Climate Action also invites the policy proposal to be critiqued along these lines of economic efficiency vs environmental integrity. Thus, DG Climate Action directs what could have been very complicated negotiations towards “focal points”, the level of flexibilities, of which the effects of higher and lower levels of flexibilities are accounted for in the impact assessment.

The crude “high or low” use of this paper does not fully capture DG Climate Actions use of the decision-making procedures, thus would leave out valuable information of DG Climate Action as a policy entrepreneur. For this reason, I make an exception and assess the strategic use of decision-making procedures as medium. The empirical evidence finds very little use of their agenda-setting power. However, after the detailed Council conclusions, DG Climate Action seek to establish focal points for the following triologue negotiations over the Effort Sharing Regulation. These focal points will increase the efficiency of the negotiations and secure that the outcome does not stray too far away from what DG consider to be the acceptable level of flexibilities.

<b>“Policy brokering”- High</b>	
<b>Will draft a policy proposal without including a wide range of actors</b>	<b>Will consult a wide range of actors when drafting the Effort Sharing Regulation to secure that their policy proposal is widely acceptable</b>

Several informants highlight that there was little internal disputes in the Commission under the drafting of the Effort Sharing Regulation, which can be explained by the low involvement from other DGs. The exception was how to address emissions and absorbs from LULUCF sectors. In the LULUCF questions there were internal disagreements between DG Agriculture and Rural development and DG Climate Action. The solution was a political compromise between two of the alternatives proposed in the Commission green paper of 2014, keeping the sectors separated but linked<sup>15</sup>. As the Commission settled on the “separate but linked” approach the negotiations continues over the amount of allowances from LULUCF that could be used in the Effort Sharing Regulation. The empirical evidence indicate that also member states were involved in the negotiations over the amount of LULUCF allowances that could be transferred to the Effort Sharing sectors, as Commissioner Cañete in his speech mentioned how the LULUCF question was one of the issues of the dialogs with member states (Cañete, 2016). Thus, on the Effort Sharing Regulation there was internal unity in the Commission. The interests of the member states on the other hand was diverging, although most of the Effort Sharing framework had been agreed upon in the Council conclusions, the Commission had to find a policy proposal adoptable to all member states.

With regards to the member states, the empirical evidence shows that DG Climate Action and Commissioner Cañete have engaged in policy brokering to secure wide acceptance for their policy proposal for the Effort Sharing Regulation. Several informants highlight how Commissioner Cañete strategically preformed policy brokering when travelling to member states to get them to accept their national targets. In these bilateral negotiations the flexibility mechanisms played a crucial part. How the flexibilities were designed, who gain access to them, and the amount of emission allowances in the new flexibilities, were used to get member states to accept their national targets. Hence, the national targets and the level of flexibilities are a product of political compromises were DG Climate Action strategically used the flexibilities to secure wide support for their policy proposal.

The result of the wide involvement of the member states was that the Commission’s proposal paid close attention to member states preferences and the Council conclusions. As much attention was

<sup>15</sup> Despite efforts I have not been able to track down whether the proposal for the “separated but linked” came from DG Agriculture and Rural Development or DG Climate Action.

devoted to try to find an adoptable compromise between member states less consideration was devoted to the more ambitious interests of the Parliament. The majority voting rules means that it will be easier to get policy proposals adopted in the Parliament than in the Council, which on the Effort Sharing needs consensus among the member states. Nevertheless, by conducting skilled policy brokering DG Climate Action succeeded in creating a policy proposal which was widely acceptable on very complicated issues.

Going back to the claim by one informant, that the Commission does not care about reducing emissions, only about passing laws, this report considers this claim to be a crude overstatement. However, it raises an important question. There is no doubt that it is in the interests of the Commission and DG Climate Action to get the climate and energy framework for 2030 adopted, especially as the Commission president Jean-Claude Juncker has the “Energy Union” as one of his main priorities, and his term ends in 2019. Nevertheless, the empirical evidence in this report finds that DG Climate Action has strategically acted to preserve the environmental integrity of the Effort Sharing policy framework. Therefore, the Commission has done more than can be expected from an actor simply caring about passing laws. Furthermore, the inclusion of a wide range of policy actors meant that very much of the final deal was in practice negotiated in the Commission’s proposal for the Effort Sharing Regulation (Interview 3,7).

### 7.1.2 Empirical Evidence Supports Empirical Expectation 1

DG Climate Action has used several entrepreneurial strategies in seeking to induce a policy outcome that would otherwise not occur. The conditions have affected to what extent and which entrepreneurial strategies has been employed by DG Climate Action. Central to the story is how the Council conclusions were more detailed than usually, significantly constraining the room for policy entrepreneurship. The empirical expectation 1 delineated from policy entrepreneurship theory, was:

***Empirical expectation 1: DG Climate Action uses entrepreneurial strategies seeking to preserve the environmental integrity of the Effort Sharing Regulation.***

The empirical findings in this report supports the empirical expectation 1 and find that DG Climate Action douses entrepreneurial strategies seeking to preserve the environmental integrity of the Effort Sharing Regulation. This report finds that DG Climate Action has acted as a status quo entrepreneur under the review of the Effort Sharing policy, which can be explained by how the conditions restricted the manoeuvring room for supranational policy entrepreneurs. The analysis of the four entrepreneurial strategies which is used to make inferences of empirical expectation 1 is summed up in table 3.

**Table 3:** Summary of entrepreneurial strategies used by DG Climate Action

<b>Entrepreneurial strategies by DG Climate Action:</b>	<b>Low use</b>	<b>High use</b>
“Development of new ideas”	X	
“Issue framing”		X
“Strategic use of decision-making procedures”	X	X
“Policy brokering”		X

First, I will devote some attention towards the entrepreneurial strategies DG Climate Action did not use. DG Climate Action did not engage in *developing new policy ideas*. But did on the other hand, engage actively with the new policy proposals from outside the Commission. Successfully reducing the new link to the ETS sector from a potential radical change to an incremental change, not

challenging the environmental integrity of the system. DG Climate Action did not use their agenda-setting power to the extent that could be expected, which indicate low strategic use of *decision-making procedures*. However, DG Climate Action not using these strategies can be explained by their role as status quo entrepreneurs. Its role as a status quo entrepreneur contributes to explain its hesitant behaviour in the early stages of the review process of the Effort Sharing policy.

However, DG Climate Action engaged in a wide range of entrepreneurial strategies seeking for influence the Effort Sharing policy. DG Climate Action used both *positive* and *negative issue framing* strategies to increase their influence on the policy outcome. Positive framing was used to present policy proposals as good, appropriate and in line with previous commitments. And negative framing was used in impact assessments to show too many emission allowances from the ETS sectors and LULUCF would undermine efforts to reduce emissions in the Effort Sharing sectors. After the detailed Council conclusions DG Climate Action *strategically used decision-making procedures* by using their knowledge-based authority and to establish focal points for the following triologue negotiations over the Effort Sharing Regulation. Furthermore, DG Climate Action skilfully played the role of *the policy broker* to managing the complex exercise of drafting a politically feasible policy proposal. By going beyond their institutional role DG Climate Action drafted a policy proposal which had broad support and did not challenge the environmental integrity of the Effort Sharing policy framework.

The next section assesses the conditions under which DG Climate Action acted as a policy entrepreneur. The analysis of the conditions will also serve as a critical assessment of whether the case of DG Climate Action and the Effort Sharing policy really is a least likely case of supranational policy entrepreneurship. Furthermore, the next section investigates the explanatory value of the alternative explanation from a historical institutionalist perspective.

## 7.2 Basis for Least Likely Case Design and Alternative Explanations

Moravcsik emphasised the importance of investigating under which conditions supranational entrepreneurs have a competitive advantage. This report draws on the assumption that the conditions for policy entrepreneurship under the review of the Effort Sharing policy have been a constraining factor. An analysis of the conditions is crucial to assess the basis for the least likely case design and the credibility of the inferences of DG Climate Actions ability to act as policy entrepreneurs.

### 7.2.1 Conditions for Policy Entrepreneurship

The conditions during the review of the Effort Sharing policy does not foster supranational entrepreneurship. Hence, it is of interest to investigate DG Climate Action's ability to act as a policy entrepreneur under constrained conditions. The analysis suggests that asymmetrical preferences between member states constrain the room for policy entrepreneurship.

#### Policy Window and Critical Juncture

In 2006 – 2009 the Commission deviated from the normal procedures of EU policy-making. The Commission launched a package of measures in January 2007, including their vision for climate policy and a range of actions and policies to achieve this vision. Harshly simplified, 2006 – 2009 provided a policy window as (1) the upcoming international negotiations and energy security concerns provided a problem that had to be solved, (2) the Commission had specific proposals on how to solve it, and (3) member states were eager to adopt the climate policy to take a leadership role in the negotiations in Copenhagen (For details on the 2006-2009 policy window see; Maltby, 2013, Skjærseth, 2017, Boasson and Wettestad, 2013). There are several reasons why this was not as straightforward for the 2013-2016 period.

The external conditions in 2013 seemed similar to 2008. Climate Change was again put on the agenda as the international conference on climate change in Paris 2015 was approaching. Thus, it was time to review and enhance the existing energy and climate policy framework. The responses to

the 2013 green paper on climate and energy policy showed diverging views on what was the appropriate ambition level and how the EU should respond to a potential international agreement (European Commission, 2014a, 2017). This indicated that several member states saw no need to enhance the climate policy before the Paris conference. Thus, the “problem stream” was significantly weakened by member states who had no intentions of increasing the ambition of their climate policy.

The proposal for the 2030 energy framework put forward by the Commission in January 2014, reflected the diverging responses to the green paper. The policy proposal did not introduce specific policies or policy alternatives but reflected the member states wish to continue with the existing policy framework as it was. DG Climate Action did not propose any new policy ideas or policy proposals and remained hesitant under the review process. The detailed Council conclusions introduced new flexibility mechanisms to the Effort Sharing policy framework, indicating the existence of a policy window that was not taken advantage of by the Commission.

The deep divisions between member states in issues of climate and energy policy did not provide the right political climate for adopting new policy. Nevertheless, the “greener” member states were impatient to adopt the policy as the EU had to submit their INDC by the first quarter of 2015. The result was a repackaging of the existing climate and energy policy framework. The diverging views between member states continued after the success of the Paris Agreement, making it challenging for the Commission to get ambitious climate politics adopted.

The Commission has formal responsibility to initiate the review process of the climate and energy policy framework, thereby formally opening the policy window. However, under the review process from 2013-2016 the policy window was challenging as all member states did not perceive climate change as an important issue. Thus, asymmetrical preferences between member states made it hard to find policies that were acceptable to all member states. In this sense, the 2013 – 2016 policy window is a good example of the crucial effect asymmetrical preferences between member states have on the policy entrepreneurs room to manoeuvre.

In relation to the analysis of the policy window is whether this policy window can be considered what is referred to in historical institutionalist literature as a critical juncture. To assess whether the review process of the Effort Sharing policy can be considered a critical juncture, we need to go back to Mahoney’s two criteria for a critical juncture. First, is the particular policy chosen between two or more alternatives. Moreover, second once a particular option is chosen it becomes progressively more difficult to return to the initial point were multiple options were possible (Mahoney, 2001, p. 113).

As ambition was increased in order to fulfil international commitments, alternative policies to address emissions from the Effort Sharing sectors could have been considered. The Commission's green paper also opened up for discussions of sectoral, national or EU wide targets, and questions of which sectors should be included in the Effort Sharing Regulation. As the analysis of the critical juncture showed there was an opportunity to change policy directions, however, this did not happen. This indicates that feedback mechanisms increase the incentives to continue on the Effort Sharing policy path, which will get increasingly entrenched as the institutionalisation of the policy continue making it progressively harder to return to the existing point were many policy options were possible. These feedback mechanisms will be further analysed later in this section. As the Effort Sharing policy framework has a review procedure where existing policy may be altered or replaced, it offers a critical juncture in the policy path. However, this does not necessarily mean that it will be possible to succeed with policy entrepreneurship.

### **Institutional Traditions**

Within institutions, traditions will grow stronger over time. Within the EU distribution of national targets to achieve an EU wide emission reduction target has been the institutional norm since the Burden Sharing Agreement. The Effort Sharing policy framework gives the member states flexibility to peruse GHG mitigation in the “Effort Sharing sectors” they prefer, which have resulted in wide range of different national approaches.

As all member states have developed national strategies to reduce emissions from the Effort Sharing sectors and developed expectations to the Effort Sharing policy framework it gets increasingly institutionalised. Thus, the canvas is already displaying paint, and the existence of institutional traditions constrain the room for policy entrepreneurship.

Pollack (1997) emphasises how asymmetrical preferences among member states on policies with high distributional consequences will significantly constrain the room for policy entrepreneurship from actors without legislative power. The Effort Sharing policy certainly has high distributional consequences as reducing GHG emissions is not cheap. Therefore, member states are reluctant to accept national targets they preserve as too costly and take a more active role in the policy development. This is reflected in the detailed Council conclusions of October 2014, which put a significant restraint on DG Climate Action's possibility to act as a policy entrepreneur.

### Decision-Making Procedures

The decision-making procedures may enable or constrain policy entrepreneurs. The review process of the Effort Sharing policy does provide DG Climate Action with advantages as an agenda setter, however strict voting rules in the Council reduce the power of the agenda setter.

The review of the Effort Sharing policy enables DG Climate Action several "access points" where it may use entrepreneurial strategies to increase their influence over the Effort Sharing policy<sup>16</sup>. Nevertheless, voting rules have crucial impact on the agenda setter. Pollack emphasizes how the influence of an agenda setter without legislative power is minimal were consensus vote is required, and considerably higher under majority voting rules (Pollack, 1997, p. 122). In the Council conclusions of 2014 it was stressed that all elements of the climate and energy policy framework would be kept under review with respect to consensus on ETS, non-ETS, interconnections and energy efficiency (European Council, 2014). The consensus required in the Council makes it very difficult to get policy adopted. In the Parliament on the other hand, there are majority voting rules, which means it will be easier to find a policy proposal that will be endorsed by the majority. Therefore, in the search of "adoptable" policies DG Climate Action could not move too far from the member states preferences, thus had to adjust their entrepreneurial strategies to the constraining conditions of the Effort Sharing Regulation.

The analysis of the conditions for policy entrepreneurship finds that under the review of the Effort Sharing policy framework the conditions did constrain DG Climate Actions leeway as a policy entrepreneur. Furthermore, the analysis indicates that it was a somewhat limited policy window in which new policy could get adopted, but this opportunity was not taken by DG Climate Action. However, the contextual factor which affects all these conditions is how asymmetrical preferences between member states make supranational entrepreneurship challenging. Thus, the analysis finds that this is truly a crucial case for policy entrepreneurship, increasing the inferences made of DG Climate Action as a policy entrepreneur. The next section explores the explanatory value of historical institutionalism.

### 7.2.2 Historical Institutionalism and Path Dependency

The historical institutional analysis of the review of the Effort Sharing policy investigates whether *coordination effects* and *power distributional effects* are present. If these mechanisms are present, it will indicate a process of increasing returns, and that the Effort Sharing policy is in a path-dependent process. By strategically focusing on these mechanisms, I will be able to make inferences of if, how and why the Effort Sharing policy process is a path-dependent policy process.

#### Coordination Effects

All informants highlight how there is wide agreement that the policy framework is good, and that disagreements are over the ambition and the level of flexibilities. All actors preferred to build upon the existing framework to increase consistency and predictability of EU climate policy. Hence, there was no interest in developing an alternative policy framework. As all actors had adapted their

<sup>16</sup> As shown in figure 2 at page 19.

expectations and strategies to the Effort Sharing policy framework there was not at any point discussions of alternative frameworks. A strong indicator of how coordination feedback effects increased the incentives to continue down the policy path. Thus, the empirical evidence finds strong indications of *coordination feedback effects* in the Effort Sharing policy process supporting empirical expectation 2.

***Empirical expectation 2: As all actors have adopted strategies that reflect the Effort Sharing policy framework negotiations will be over specific details, thus the logic of the system will continue.***

All actors were set on continuing with the Effort Sharing policy framework, the disagreements centred on the ambition and the flexibility mechanisms. All actors agree that higher ambition means that the states with the strictest targets are going to need flexibility to reach these targets, but what is considered high ambition by the Council is not considered ambitious enough by member states and NGOs. As all actors coordinate their strategy to the existing policy framework it provides stability in the Effort Sharing policy framework. Further, as the negotiations and disagreements do not challenge the policy framework but focus on details such as the flexibility mechanisms is the Effort Sharing policy in a path-dependent policy process. The fact that the Commission green paper of 2013 explicitly mentioned ETS but not the Effort Sharing policy, indicates that the policy framework continues as a result of member states preferences more than a result of the Commission's interests.

### **Power Distributional Effects**

From the Burden Sharing Agreement to the Effort Sharing Regulation member states have kept control over how to comply with their national target by reducing emissions from the Effort Sharing sectors, transport, buildings, waste management, agriculture and small industry. As the cost of reducing emissions in these sectors are high, member states can use a number of flexibility mechanisms to increase the cost-efficiency of the EU wide efforts to reduce GHG emissions. The flexibility mechanisms are in the interests of high GDP per capita member states, as it means they may purchase emission allowances from low GDP per capita if they consider the cost of domestic reduction to high. Furthermore, the flexibility mechanisms are in the interests of low GDP per capita member states, as they reduce emissions domestically were the price of reducing emissions is low and sell potential surplus emission allowances to high GDP per capita member states.

Although they have not been used much, the existing level of flexibilities provides security for high GDP per capita member states. If they find the cost of reducing emissions domestically to high they can use the flexibilities to reduce emission were the costs are lower. As ambition increase, the member states expect the flexibilities available to increase as well. Thus, the existing level of flexibilities feedbacks and magnify under the review of the Effort Sharing policy. As expected the member states wanted more flexibility in the new Effort Sharing policy, and the flexibilities became key under the negotiations. As the Council demanded significant enhancement of the existing flexibility mechanisms and added a new flexibility, link to ETS, the empirical evidence supports the third empirical expectation.

***Empirical expectation 3: The role of the flexibility mechanisms will become more prominent further down the Effort Sharing policy path***

The report finds that feedback from the existing Effort Sharing policy framework reproduce and magnify the flexibility mechanisms in the Effort Sharing policy. The empirical evidence indicate that it is the member states who contribute to increase the power distributional feedback in the Effort Sharing policy. DG Climate Action tries to contain the Council's demands for flexibility in their proposal for the Effort Sharing Regulation.

### **Path Dependency in the Effort Sharing Policy**

Historical institutionalism contributes to increased understanding of the Effort Sharing policy process and shed light on the remarkable stability of the Effort Sharing policy framework. All actors coordinate their strategy to the existing Effort Sharing Decision, and the flexibility mechanism from



the Effort Sharing Decision feedback reproduce and magnify in the Effort Sharing Regulation. Thus, the analysis finds that coordination feedback effects and power-distribution effects contribute to the path dependency of the Effort Sharing Policy.

The empirical evidence points to how both the coordination effects and the power distribution effects are strongest among member states. DG Climate Action first engaged actively in the policy process after the Council had decided to continue with the policy framework. By seeking to limit the flexibility the Council asked for, DG Climate Action acted against the expectations from historical institutionalism, limiting the feedback of power distributional effects. Nevertheless, DG Climate Action increases the flexibilities in their proposal for the Effort Sharing Regulation. Thus, the analysis indicates that the explanatory value of historical institutionalism in the case of the Effort Sharing Regulation is more valid when explaining the actions of the member states than the actions of DG Climate Action.

From the Effort Sharing Decision to the proposal for the Effort Sharing Regulation the change in the policy framework is small, in line with how Streeck and Thelen (2005) describe how incremental change provide stability on the policy path. The change of flexibilities does represent incremental change as international credits no longer are available, they are replaced with new flexibilities limited in size. Seeing how the ambition was increased, the need for flexibilities to comply with emission targets in a cost-efficient manner also increases, hence a limited increase of the flexibilities provides stability for the Effort Sharing policy framework.

The analysis in this report indicates that strong path dependency in a policy process contains the room to manoeuvre for the policy entrepreneur. Historical institutionalism provides an explanation of the stability of the policy framework, and how this incremental change and amendments in the Effort Sharing policy contributes to the stability of the overall political framework. However, a theoretical framework solely consisting of a historical institutionalist approach would not fully explain the development of the Effort Sharing policy framework.

In this report the historical institutionalist approach contributes to enlighten the conditions under which DG Climate Actions seek to preform policy entrepreneurship. This report finds that coordination effects and power distribution effects in a policy process contributes to further institutionalise actors' preferences, thus constrain the room for policy entrepreneurship. Thus, in a path-dependent policy process the policy entrepreneur might need to adjust its strategy when seeking to induce a policy outcome that would not otherwise occur. The next chapter will summarize and highlight the key findings of this report and see how this report contributes to existing academic literature.

## 8 Key Findings and Contribution to Existing Literature

The analysis finds that DG Climate Action have engaged in entrepreneurial strategies trying to induce a policy outcome that would not otherwise occur, thus a policy entrepreneur according to Moravcsik's definition. DG Climate Action engaged in three out of four entrepreneurial strategies which consisted the operationalisation of a policy entrepreneur. The one entrepreneurial strategy DG Climate Action did not engage in was developing new ideas. Under conditions where member states have asymmetrical preferences and have adopted strategies to maximise their influence within the existing policy framework, developing new policy ideas is a challenging entrepreneurial strategy for a supranational actor without legislative power. This can explain why DG Climate Action have used the three other entrepreneurial strategies to act as a status quo entrepreneur, seeking to limit the increase of flexibilities that was asked for in the Council conclusions. Thus, the analysis from the policy entrepreneurship finds that DG Climate Action has to a large extent acted as a policy entrepreneur; however, the conditions have severely constrained the room for entrepreneurship. In response to the constraining conditions DG Climate Action adjusted their entrepreneurial strategies and acted as status quo entrepreneurs.

As we recall, Moravcsik finds supranational entrepreneurship to follow two dimensions: policy entrepreneurs seek to increase the efficiency of the negotiations, by pushing the policy towards the option most beneficial to all actors; or entrepreneurs seek to alter the distributional impact of interstate agreements, by imposing their preferences on the outcome. Moravcsik argues that policy entrepreneurs generally seek both, which this report finds to be the case with DG Climate Action and the review of the Effort Sharing policy. DG Climate Action tried to construct a policy proposal beneficial for all actors and increase the efficiency of the negotiations in two ways. First, by consulting with a wide range of actors under the drafting of the policy proposal DG Climate Action made sure that their policy proposal had wide support. Second, by constructing focal points for the following negotiations DG Climate Action seek to simplify the negotiations over a very complex policy framework by directing actors' attention towards the level of flexibilities. DG Climate Action seek to alter the distributional impact of the Effort Sharing Regulation by limiting the flexibility mechanisms which have huge impact on the cost of complying with national targets. Hence, by limiting the flexibilities the burden of reducing emissions will become higher for the member states, but it will increase the probability of member states reducing emissions from their Effort Sharing sectors domestically.

The analysis from historical institutional perspective finds that coordination effects and power distributional effects are present indicating that the Effort Sharing policy is in a path-dependent policy process. This report finds that these feedback mechanisms have stronger explanatory value on the behaviour of member states, rather than DG Climate Action. Hence, the historical institutional approach serves two purposes in this report. First it finds that the behaviour of DG Climate Action is not explained by feedback mechanisms from a path-dependent process. Second, the historical institutional analysis enlightens how policy feedback constrain the room for policy entrepreneurship. However, it is important to keep in mind that causal mechanisms are interrelated, making it challenging to isolate the causal effect of policy entrepreneurship or feedback mechanisms on the level of flexibilities in the Effort Sharing policy.

## 8.1 Contribution to Existing Literature

The case of DG Climate Action and the Effort Sharing Regulation gives further support to the literature portraying the Commission as a policy entrepreneur. However, the contextual conditions put severe constraints on the room for supranational entrepreneurship. The analysis of entrepreneurial strategies and how these were used found that DG Climate Action use these entrepreneurial strategies to defend the status quo of the Effort Sharing policy framework.

This report finds a similar development as found by Bürgin (2015) and Skjærseth (2017) on renewables and emissions trading: the Commission's role in the Effort Sharing policy-making seems to be less active than under the 2006-2009 negotiations of the climate and energy policy framework. Similar conclusions made in these studies of different policy areas indicate a trend where Commission's policy proposals for the 2030 climate and energy policies do not diverge much from member state preferences. This report finds that the impression that the Commission is less active can be explained by how the constraining conditions have made DG Climate Action use entrepreneurial strategies and act as a status quo entrepreneur. The condition that put the strongest constraints on DG Climate Action's room for entrepreneurship, was asymmetrical preferences among member states, which lead to unusual detailed Council conclusions in 2014.

This report finds that member states preferences have great influence on the Effort Sharing policy. Hence, the case of DG Climate Action and the Effort Sharing Regulation is not the most convincing evidence for new institutionalist scholars. On the other hand, DG Climate Action has made an impact on the policy proposal by their entrepreneurial strategies. The next section will discuss how this report fits in the wider academic literature on EU integration.

### **This Report and Academic Literature on EU Integration**

The inferences made in this report does not only contribute to understand DG Climate Action as a policy entrepreneur but also invite to a discussion of the academic literature on EU integration. However, as the attention of this report is a policy proposal, not adopted policy, this report cannot make inferences of the success, influence and power of the Commission compared to the Council and the Parliament.

The policy process of the Effort Sharing policy especially up to DG Climate Actions proposal for the Effort Sharing Regulation fit how power relations are described by liberal and new intergovernmentalist. DG Climate Action's behaviour is hesitant, and in their green paper in 2013 and policy proposal in 2014 they do not challenge the member states preferences in any way. The asymmetrical preferences in the Council support Moravcsik's (1993) claim that member states preferences are shaped by national conditions. Nevertheless, as this report has not analysed the negotiations in the Council, it cannot support or disregard Moravcsik's claim that EU policy is a result of member state bargaining. However, the need for consensus among the member states to get the Effort Sharing Regulation adopted, are in line with how Bickerton et al. (2015) find that the behaviour norm in the Council has changed.

Liberal intergovernmentalists argue that member states will turn to international coordination when facing an international problem such as climate change. However, now the Paris Agreement has changed the international approach to climate change from strict target setting to voluntary contributions. Hence, following the liberal intergovernmentalist arguments we would expect the least ambitious member states to coordinate their policy either as a domestic voluntary contribution, or by a voluntary contribution to the EU-wide emission reduction target. Therefore, the liberal intergovernmentalist narrow focus on member state preferences cannot explain why the EU continues with the Effort Sharing policy framework of strict target setting on emission reduction.

New intergovernmentalism highlights that policy progress to the EU-level if member states find cooperation beneficial to achieve more ambitious policies. There is no doubt that cooperation between the EU member states allow them to collectively achieve a higher emission reduction target. However, new intergovernmentalism does not explain why the flexibilities have remained

limited despite of the Council seeking to increase the flexibilities under the Effort Sharing Decision and under the negotiations of the Effort Sharing Regulation. As new intergovernmentalism expects the policy proposal from DG Climate Action is close to the Council conclusions. However, the demand to increase the existing flexibility mechanisms is ignored, and the new ETS-flexibility is strictly limited both in size and who can access it. Thus, DG Climate Action does challenge the Council consensus on some parts of the policy proposal, which would not be expected from a Commission without any significant power.

As the final draft of the Effort Sharing Regulation falls outside the scope of this report I will not be able to conclude on the power and influence of DG Climate Action as a supranational entrepreneur. However, it is beyond doubt that they seek to influence the Effort Sharing policy process. The analysis of the entrepreneurial strategies' use by DG Climate action finds that they have used informal powers seeking to increase their influence on the Effort Sharing policy proposal. This is in line with Nugent and Rhinard (2016), who argue that the Commission has kept its influence and power in the EU polity. This is most prominent in how the Commission succeeded in reducing the member states demand for more flexibility in the Effort Sharing Decision, and DG Climate Action seeks to do the same with the Effort Sharing Regulation. Therefore, this report finds, in line with new intuitionist scholars, that institutions matter for the policy outcome, however how much DG Climate Action influence the final Effort Sharing Regulation cannot be concluded in this report. The following chapter briefly summarizes the main findings and offers a final conclusion of the research question.

## 9 Conclusion

Under the review of the Effort Sharing policy diverging views on ambition and the level of flexibility mechanisms became evident between the Council, the Parliament and the Commission. The asymmetrical preferences among the member states over the Effort Sharing policy framework for 2021-2030 resulted in unusually detailed Council conclusions in 2014. These Council conclusions asked for a significant enhancement of the existing flexibility mechanisms, proposed a new link to ETS flexibility and for the Commission to assess how to include LULUCF in the Effort Sharing policy framework. This increase of flexibility was heavily criticised by ENGOs and greener party groups in the Parliament. In the Commission, drafting a policy proposal for the Effort Sharing policy was DG Climate Actions responsibility. This report investigates to what extent DG Climate Action acted as a policy entrepreneur seeking to influence the level of flexibilities in the review of the Effort Sharing policy for 2021 – 2030.

The last chapter of the report presents the main findings of the analyses. First, I make a conclusion about whether this case is a crucial case to test DG Climate Action abilities as a policy entrepreneur. Second, I conclude on how the different theoretical perspectives contributed to understand to what extent DG Climate Action acted as a policy entrepreneur. Third and last, I conclude on the research question and propose topics for future research based on my findings.

### **Conditions Constraining Policy Entrepreneurship**

The review process of the Effort Sharing policy from 2013-2016 is characterised by how asymmetrical preferences among the member states have had a crucial effect on the conditions for policy entrepreneurship. The asymmetrical preferences between the member states resulted in unusually detailed Council conclusions in October 2014, where the Effort Sharing policy framework for 2021-2030 policy was decided. This report has conducted a case study of DG Climate Action's ability to act as a policy entrepreneur under the review process of the Effort Sharing policy. The study has controlled for three conditions which have an impact on the room for entrepreneurship and found that the asymmetrical preferences of the member states had severe impact on all these conditions.

As the Effort Sharing policy was under review there was a formal policy window for proposing new policies or amendments to the existing Effort Sharing Decision. However, diverging preferences among the member states significantly limited the possibility to get new policy adopted, especially affecting policy entrepreneurs without legislative power. Thus, there was a limited policy window in 2013-2016, nevertheless as DG Climate Action lack legislative power, the probability for them to get new policy adopted was limited.

The institutional traditions further constrained DG Climate Actions manoeuvre room as a policy entrepreneur. As each member state had developed its own national strategy for reducing emissions from the Effort Sharing sectors the institutional norm of the policy framework made it increasingly harder to change. Furthermore, the distributional nature of the Effort Sharing policy caused the member states to take a more active role in the policy development. Thus, reducing DG Climate Action's room for policy entrepreneurship.

The decision-making procedures of the 2030 climate and energy policy framework further constrained policy entrepreneurs without legislative power. In the case of the Effort Sharing policy it was especially the voting rules in the Council, where consensus among the member states was required, that constrained policy entrepreneurs. The asymmetrical preferences among the member states makes it challenging to get consensus support in the Council, which limited DG Climate

Action's possibility to move far from the Council conclusions of 2014 when developing their proposal for the Effort Sharing Regulation.

Thus, this report finds the contextual conditions to significantly constrain the room for policy entrepreneurship under the review of the Effort Sharing policy, giving support to the choice of a least likely case design. The most crucial containing factor has been the asymmetrical preferences among member states. As this is in fact a crucial case for policy entrepreneurship, the inferences made of DG Climate Action's ability to act as a policy entrepreneur will provide concluding evidence of whether they can be considered a policy entrepreneur or not. The next section concludes on the evidence from institutional entrepreneurship theory and historical institutionalism.

### **Policy Entrepreneurship**

The analysis from the policy entrepreneurship perspective followed four entrepreneurial strategies that the Commission has used seeking to influence EU climate and energy policy. By devoting attention to several entrepreneurial strategies, the analysis offers a broader understanding of how DG Climate Action acted as a policy entrepreneur seeking to influence the level of flexibilities in the Effort Sharing policy. The analysis found that in response to the constraining conditions, DG Climate Action used entrepreneurial strategies to block efforts to significantly increase the flexibilities in the Effort Sharing policy framework, thus acted as a status quo entrepreneur.

In response to the constraining conditions, DG Climate Action did not seek to develop new ideas for how to address emission from transport, agriculture, buildings, waste management and small industry. The chance of attaining consensus in the Council for new policy proposals is challenging when the member states have strong asymmetrical preferences. This can explain DG Climate Action's hesitant behaviour in the early stages of the review of the Effort Sharing policy, and why they used other strategies seeking to influence the policy proposal.

DG Climate Action used both negative and positive framing strategies seeking to influence the level of flexibilities in the Effort Sharing policy. Positive framing was used to legitimise the level of flexibility mechanisms, despite not enhancing the existing flexibility mechanisms, and limiting the size of the two new flexibilities. Negative framing was used by putting forward evidence that the new flexibilities would diminish the effect of the Effort Sharing policy if these were not strictly limited.

It is not easy to conclude to what degree DG Climate Action used the decision-making procedures to increase their influence on the Effort Sharing policy. DG Climate Action did not take advantage of their agenda-setting power, which is linked to DG Climate Action not engaging in development of new ideas. Nevertheless, they used the proposal for the Effort Sharing Regulation and the following impact assessment to create focal points over which future negotiations will follow; thereby ensuring that the level of flexibilities would not increase to a level that would diminish the effect of the Effort Sharing policy for 2030.

DG Climate Action engaged actively in policy brokering to secure that the policy proposal had wide support from several actors before it was released. The new flexibilities were strategically used to get member states to accept their national targets, and secure that the proposal had wide support in the Council. Less attention was devoted to the Parliament. Hence, the level of flexibility in the policy proposal reflects member states' preferences more than the interests of the Parliament. Internally a compromise solution on how to address emissions and absorb on LULUCF, secured that the policy proposal had unanimous support from the whole Commission. This report finds that DG Climate Action, by employing these entrepreneurial strategies, sought to induce a policy outcome that would otherwise not occur; hence, DG Climate Action is a policy entrepreneur in line with Moravcsik's definition.

### **Historical Institutionalism**

The analysis based on the historical institutional perspective focused its attention on two feedback mechanisms which are indicators of a path-dependent policy processes. The analysis found the

presence of both coordination feedback effects and power distributional feedback effects. This indicates that the Effort Sharing policy is in a path-dependent policy process.

The analysis of the Coordination effect found that all actors had adopted strategies that reflect the Effort Sharing policy framework, hence the logic of the Effort Sharing system continues. However, the coordination feedback effect seems to have stronger influence on member states preferences than on the Commission, which did not initiate to continue with the Effort Sharing policy.

The analysis of the power distributional feedback effect found that feedback from the existing level of flexibilities reproduced and magnified the level of flexibility in the Effort Sharing policy framework. This offers an alternative explanation to the increased flexibilities. However, it only explains the behaviour of the member states. DG Climate Action seeks to constrain the member states demand for more flexibilities in the Effort Sharing policy, on the contrary to what is expected from power distributional feedback effects.

The analysis of the feedback effects indicated that the Effort Sharing policy is in a path-dependent policy process. However, both coordination effects and feedback effects seem to have stronger influence on member states preferences than on DG Climate Action. Nevertheless, a path dependent process contributes to further institutionalise member states preferences, thus constrain the room for policy entrepreneurship. The conclusions from historical institutionalism help to explain the conditions under which DG Climate Action acted as a policy entrepreneur and contributes to explaining DG Climate Action's choice of entrepreneurial strategies.

### **DG Climate Action as a Policy Entrepreneur**

It is time to answer the research question: *To what extent did DG Climate Action act as policy entrepreneurs to influence the level of flexibility in the Effort Sharing policy?* This report finds strong support for DG Climate Action seeking to influence the level of flexibility of the Effort Sharing policy. In the case of the review of the Effort Sharing policy, constraining conditions made DG Climate Action act as status quo policy entrepreneurs. The analysis found that DG Climate Action used three out of four entrepreneurial strategies investigated in this report. The one strategy DG Climate Action did not use was developing new policy ideas, however this is not expected from a status quo entrepreneur. By strategically using entrepreneurial strategies to constrain the member states demand for more flexibility in the Effort Sharing policy framework, DG Climate Action seek to induce a policy outcome that would otherwise not occur. This crucial case for policy entrepreneurship find that constraining conditions do not stop supranational actor from acting as policy entrepreneurs but may encourage a policy entrepreneur to change their choice of entrepreneurial strategy to increase their influence on the policy outcome.

The conclusions of this report bring additional support for the literature portraying the Commission as a policy entrepreneur. However, under the Effort Sharing policy negotiations DG Climate Action actively use entrepreneurial strategies to block policy change. Boasson and Huitema (2017) underline how this form of status quo entrepreneurship is seldom made a point of in literature on policy entrepreneurship. As this report finds that under constrained conditions, the policy entrepreneur is more likely to have influence on the policy by conducting status quo entrepreneurship, which are in line with how the Commissions power is portrayed by (Pollack, 1997).

As this report has made conclusions of to what extent DG Climate Action act as policy entrepreneurs to influence the level of flexibility, it cannot make any inferences of whether they succeeded as policy entrepreneurs or not. The final outcome of the Effort Sharing Regulation was adopted on the 14<sup>th</sup> May 2018, thus another report may use the knowledge acquired in this report and investigate to what degree this is a case of failed entrepreneurship or whether the DG Climate Action succeeded as policy entrepreneurs. Furthermore, the negotiations over how to address emissions and absorbs from the LULUCF sectors are very complicated and this report have only scratched the surface of the issue as it is important to understand the Effort Sharing Regulation. However, an in-depth study of how the EU's LULUCF policy have developed and where the "separate but linked" approach came from, should be interesting for scholars of EU climate policy.

In addition, as much of the Effort Sharing Policy framework was decided under the Council conclusions of 2014, a detailed investigation of the negotiations in the Council would provide important insight. As this report find that path-dependent feedback effects seem to have a significant influence on member states preferences, a study of the negotiations of the Council conclusions of 2014 would increase the understanding of EU climate and energy policy for 2030.



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## Appendix

### 10.1 Appendix 1: List of Interviews

#### February and March 2018

Caroline Westblom	Climate Action Network Europe, EU Climate and Energy Policy Coordinator, Oslo, February 13
Milan Elkerbout	Centre for European Policy Studies, Research Fellow, Brussels, February 26
Carlos Calvo Ambel	Transport and Environment, Manager, Analysis and Climate, Brussels, February 26
Bas Eickhout	Member of the European Parliament, the European Green Party, Brussels, February 27
Tom Van Ierland	DG Climate Action, Head of Unit, Strategy and Economic Assessment, Brussels, February 28
Jan Nill	DG Climate Action, Policy Officer, Governance and Effort Sharing, Brussels, March 1
Pieter-Willem Lemmens	Sandbag, Head of Analysis, Brussels, March 1

## 10.2 Appendix 2: Interview Guide 2018

### General questions:

- How long have you works with EU climate and energy politics?
- Briefly tell me about the Effort Sharing policy framework?
  - o Origin
  - o Development
- (What is your organisation view of the Effort Sharing Regulation?)
  - o (Which political actors/organizations share your view on the ESR?)
  - o (Which political actors/organizations do not share your view on the ESR?)
- Which actors/organizations do you see as most influential on the Commission's proposal of the ESR?
- As far as you know, where there any alternative policy framework discussed for addressing emissions from agriculture, buildings, waste management, transport and small industry?
- Where there any important compromises or trade-offs made when drafting the policy proposal?

### Questions about flexibility

- Are the level flexibilities increased in the proposal for an ESR compared to ESD?
- The Council conclusion asked for an increase of the existing flexibilities. Who supported and who wished to constrain the increased flexibilities in the Commission?
- Why is it no longer possible to use international credits - JI/CDM?
  - o Any actors opposing to remove these?
- What is the reason for the limited use of the flexibilities in the ESD?

### One-off access to ETS allowances

- Can you elaborate on the background of the one-off access to ETS allowances?
  - o When was it proposed for the first time?
  - o Who proposed it?
- Who supported allowing ETS allowances in the ESR?
- Who opposed allowing ETS allowances in the ESR?
- How was this proposal received in the Commission?
  - o Who supported it? Who opposed it?
- Which arguments were used to include the one-off access to ETS allowances? Arguments against?
- Any point linked to the removal of international credits?

### Linking LULUCF to ESR

- Can you elaborate on the background for how to address emissions and absorbs from LULUCF?
- Where did the proposal of linking LULUCF to the ESR come from?
  - o Who proposed it?
- How was the proposal perceived in DG CLIMA?
- How was the proposal perceived in DG AGRI?
- Which member states supported linking LULUCF to ESR?
- Which member states opposed linking LULUCF to ESR?
- Which arguments were used to link LULUCF in the ESR? Opposing arguments?

### Closing questions?

- What was the most important factor under the drafting of the ESR?
  - o How well do the proposal for ESR reflect the final policy outcome?
- Do you think external factors have influenced the Commission's proposal ESR? Which and to what degree?

- Is there something you want to add? Something relevant to the policy development of the ESR? Or something important that I have not asked about?

**CICERO** is Norway's foremost institute for interdisciplinary climate research. We help to solve the climate problem and strengthen international climate cooperation by predicting and responding to society's climate challenges through research and dissemination of a high international standard.

CICERO has garnered attention for its research on the effects of manmade emissions on the climate, society's response to climate change, and the formulation of international agreements. We have played an active role in the IPCC since 1995 and eleven of our scientists contributed the IPCC's Fifth Assessment Report.

- We deliver important contributions to the design of international agreements, most notably under the UNFCCC, on topics such as burden sharing, and on how different climate gases affect the climate and emissions trading.
- We help design effective climate policies and study how different measures should be designed to reach climate goals.
- We house some of the world's foremost researchers in atmospheric chemistry and we are at the forefront in understanding how greenhouse gas emissions alter Earth's temperature.
- We help local communities and municipalities in Norway and abroad adapt to climate change and in making the green transition to a low carbon society.
- We help key stakeholders understand how they can reduce the climate footprint of food production and food waste, and the socioeconomic benefits of reducing deforestation and forest degradation.
- We have long experience in studying effective measures and strategies for sustainable energy production, feasible renewable policies and the power sector in Europe, and how a changing climate affects global energy production.
- We are the world's largest provider of second opinions on green bonds, and help international development banks, municipalities, export organisations and private companies throughout the world make green investments.
- We are an internationally recognised driving force for innovative climate communication, and are in constant dialogue about the responses to climate change with governments, civil society and private companies.

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