



The EU in Turbulence:

What are the Implications for EU Climate and Energy Policy?

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1 Executive Summary

The EU is in crisis – who would doubt this assessment? And yet, **the crisis of the EU is ambivalent**. Trust in EU institutions is low but the majority of Europeans continues to support the EU membership of their country. Anxiety in Europe is high, but angst is not a new feeling in Europe. Even in the supposedly golden age of the 1960s to 1980s, many people were afraid – of rising crime, terrorism, or even much more terrible events such as a cold war turning nuclear. Refugees and the Euro crisis have strained EU solidarity but the EU was able to agree on significant reforms since the crisis began. The EU pulled off significant financial markets reforms and managed to stabilise the Euro for the time being. It also achieved some remarkable successes in climate and energy policies since 2009.

Although the situation is turbulent, **a few things are certain**. In the public perception, the EU is in a deep crisis and this perception matters more than facts. The multitude of crises in quick succession – the financial and economic crises of 2008 / 2009, the Eurozone crisis, the inflow of refugees, and the threats from Islamic terrorism and authoritarian regimes in the neighbourhood – is unprecedented. Where the EU has success stories to tell, these do not get through to its citizens. There are hardly any champions of further European integration – exemplified during the Brexit referendum, in which a politician with a long record of EU criticism led the remain campaign. And the crisis of the EU has become a vicious circle: media covers the different crises extensively, notably terrorism and migration, and in response politicians talk about existential threats in drastic terms, declare war on terror, and take unprecedented measures such as the state of emergency in France or the building of fences between Member States. These measures and its surrounding rhetoric reinforce the sense of crisis, leading to more frightening news, more negative opinion polls, and more anxiety. In the end, the EU always seems unable to find solutions.

Given the ambivalence of the current crises, it is difficult to anticipate their implications on EU climate and energy policies. Many consequences of the current crises have yet to unfold. Despite these uncertainties, we believe that the **consequences of the EU's current state of affairs on climate and energy policies will be, by and large, negative**. The various crises weaken the EU's capacity to shape climate and energy policies and embolden political groups that are not only critical of the EU but of climate policies in general. Possible positive effects – such as using a crisis as a new start for the European project, with inclusive, low-carbon development as the engine for such a revival – remain lofty and nascent, and have no political traction.

In more detail, the crisis of the EU could have these implications on EU climate and energy policies:

- **Implications of the rise of nationalistic and EU sceptical sentiments:** Nationalistic opinions, criticism of globalization, and EU scepticism are gaining support in Europe. There is a growing sense that countries are better off by themselves, tackling problems in isolation in the way that they see fit. The Brexit campaign, for example, was almost exclusively inward-looking – the campaign was about what serves Britain and the impact of a Brexit on the rest of the continent was practically absent from the debate. This is a problem because virtually all of the challenges that Europe faces – from international security, migration, regulation of financial markets, controlling unwanted side-effects of globalization, to climate change – re-

quire a coordinated, multilateral response. This holds true in particular for EU climate and energy policies which also depend on close cooperation between EU Member States.

- **Climate and energy policies side-lined by other issues:** According to opinion polls, climate change and environmental degradation no longer rank among the top five priorities that Europeans want to see their governments addressing. This lower importance attached to environmental policies does not foster more ambitious climate policies. At the same time, ranking of environmental policies has been low for a number of years and yet the EU was capable of adopting and implementing a number of important climate and energy policies, such as the ETS reform or the ratification of the Paris Agreement. We do not expect that the current levels of public support will have a significant impact on climate policies – at this point in time.
- **Sense of doom and gloom makes forward-looking policies difficult:** More fundamentally, the onslaught of different crises – heightened by the media coverage – creates a sense of insecurity. People feel exposed to a range of external threats (social, cultural, economic and political), whereas governments are perceived as incapacitated and unresponsive. Such a fearful attitude does not provide a solid base for a successful transformation to a low-carbon economy and society.
- **Rise of parties with weak or anti-climate policy agendas:** Right-wing parties are on the rise in many Member States. These parties are critical of international cooperation and pursue nationalistic policies. Where they take a stance on climate policy, they are typically critical of it; several of them outright deny that man-made climate change exists. At the same time, other political parties that gained support in the wake of the crisis – such as Podemos, Syriza, or the Five Star Movement – do not have a strong environmental or climate agenda. This is a problem for EU climate and energy policies, not only if these parties are in government but also if they are an opposition force that is able to shape policies and public opinion.
- **Crises reinforce intergovernmentalism, at the expense of the community method:** The European Council is increasingly engaged in the details of various policy fields. The different crises have reinforced this trend, which has had a significant impact on EU climate and energy policies. In contrast to the Council of Ministers, the European Council generally decides by consensus. In consequence, the involvement of the European Council in the details of EU climate policies is changing the rules of the game. The least ambitious Member State retains a *de facto* veto and can largely determine the level of ambition of future EU climate policies.
- **Brexit:** The departure of the UK from the EU will probably have negative implications for EU climate policies. An influential advocate for ambitious climate policies and strong emission trading intends to leave the EU. The UK has also been a powerful proponent for a strong international climate regime. At the same time, the UK's departure could open new opportunities in EU energy policies. The UK has lobbied against legally binding renewable energy targets and higher energy efficiency targets. It has also worked against higher EU budgets and harmonisation of energy taxation in the EU. With the departure of the UK, proponents of nuclear energy and the exploitation of unconventional gas lose an important ally.

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2 Introduction

The looming Brexit, mass migration, the Euro crisis, continued economic malaise, and the rise of EU-sceptical parties and nationalist sentiment across Europe all **tested the limits of the EU** and its Member States. Member States re-introduced border controls and built fences. Core achievements of European integration – such as the single market, the common currency, or the freedom of movement in the Schengen area – are under threat. The frozen conflict in Ukraine, strained relations with Turkey and Russia, unprecedented procedures against Poland under the Rule of Law Framework, high levels of unemployment in many Member States, and an entrenched mistrust against the political elites in large parts of society add to this list of problems. For the first time in its history, there is a risk that the EU might reverse to a free trade area without a political core. Or that it might split into a much smaller core that still clings to the ideal of an “ever closer union”, whereas other countries bid farewell to the European project and resort to national solutions. The EU’s existence is not necessarily regarded as a “given”. This debate was unthinkable only a few years ago – although discussions on changing the EU fundamentally are not new.

Although it almost seems to be truism that the EU is in crisis, the **depth and the causes of the crisis are complex and ambiguous**. The EU faces a long list of problems, but it has also shown that it is capable of adopting major reforms in response, such as the overhaul of Europe’s financial markets or the initial stabilization of the Euro. The largest inflow of refugees in recent memory and the Euro crisis have strained EU solidarity, but did not compromise the ability of the EU to work together on many policies issues. Significant parts of society mistrust the EU and their political elites but very many Europeans continue to believe in European cooperation and integration. The EU in crisis is also part of a larger challenge – Western democracies are under pressure because considerable parts of the population mistrust the “system”, believe to be unrepresented, feel disenfranchised, and struggle to maintain their identity in a world that appears ever more complex and frightening. In short, what some call the “EU crisis” is multifaceted and highly ambivalent.

Against this backdrop, 27 Member States met in Bratislava on 16 September 2016 to discuss the present state of the EU and its common future. At this informal meeting, Heads of States agreed on the “**Bratislava Roadmap**” which outlines a number of objectives and measures that will be debated over the next months. It is the aim of this process to “set out orientations for the EU’s common future together” and to adopt a list of concrete reforms at the 60th anniversary of the Treaties of Rome in March 2017.

This **paper analyses how the different concurrent crises affect the EU’s capacity for climate and energy leadership**. In its first section, this paper gives an overview of the EU in crisis and its causes. Given the purpose and scope of this paper, the analysis only contains a brief overview of the development of a few stress factors or indicators. Its second part analyses possible implications of the EU in crisis on climate and energy policies.

3 Putting the Crisis of the EU in Context

Believe it or not – **Europe is actually a fairly happy place.** On a scale of 0 to 10, nearly 80 % of Europeans rated their overall life satisfaction in 2013 at 6 or higher, average satisfaction rate was at 7.1.¹ Europe is also comparatively safe. Recorded crimes in Member States have steadily decreased since 2003, with 12 % fewer crimes recorded in the EU-28 in 2012 than in 2003.² Gun homicide, for example, is very rare in all EU Member States.³ Furthermore, Europe is relatively healthy. In the last decade, life expectancy in the EU-28 increased from 77.7 to 80.9 years.⁴ Europe is also on track to achieve its targets on reducing cardiovascular diseases, cancer, diabetes and chronic respiratory diseases.⁵ Europe also drastically improved gender equality. In 1970, for example, 14 % of women in EU Member States were enrolled in universities, today 57.4 % of master degree students in the EU are women.⁶ Last but not least, Europe is fairly well governed and rich. Four Member States are among the world's 10 least corrupt countries, and even the four Member States ranked lowest among all Member States are in the upper half of the Corruption Perception Index.⁷ Average GDP/capita in the EU is about 340 % higher today than in 1960 and equivalent to 276 % of the world's average.⁸ More than 60 % of Europeans enjoy holidays at least once per year. Naturally, average figures disguise great differences between Member States but it is a fair statement that very many Europeans lead good and peaceful lives.

And yet there is a **widespread sense of crisis.** Many citizens are angry at the “system”. They feel that they are not represented and their voices not heard. National governments and parliaments appear to be detached from ordinary people and their daily concerns. The EU seems to be an even more distant project designed to serve the purposes of bureaucrats and elites. Many citizens are enraged by perceived threats – such as immigration, globalization, or terrorism – but also by social advances such as liberalism, feminism, and the inclusion of minorities. They long for certainty, to the point of conjuring up an idealised past, when life was seemingly simple, safe, and straightforward. Even if citizens recognize progress, they often think that this progress does not benefit them. There is also the feeling that the crisis is endless – after almost a decade of severe economic malaise in some Member States. And the sense of crisis is reinforced by political leaders who are ready to blame national ills on the EU and to describe the EU as a dysfunctional and distant bureaucracy. Last but not least, many policy makers and policy analysts have little genuine understanding of those who have or

¹ Eurostat, Quality of Life in Europe – Facts and Views – Overall Life Satisfaction; Helliwell, JF, Huang, H, Wang, S (2016).

² Eurostat, Crime Statistics.

³ Quealy, K. and Sanger-Katz, M. (2016). Last year's Paris attacks killed 130 people, which is nearly as many as die from gun homicides in all of France in a typical year. But even if France had a mass shooting as deadly as the Paris attacks every month, its annual rate of gun homicide deaths would be lower than that in the United States.

⁴ Eurostat, Mortality and Life Expectancy Statistics.

⁵ WHO, European Health Report, 2015, http://www.euro.who.int/__data/assets/pdf_file/0010/288649/European-health-report-2015-chapter2.pdf

⁶ World Bank, School enrollment, tertiary, <http://data.worldbank.org/indicator/SE.TER.ENRR.FE?end=2013&start=2013&view=map&year=2013> and Eurostat, Tertiary Education Statistics.

⁷ Transparency International (2015).

⁸ Trading Economics (2016)

appeared to have lost out of globalization. At the same time, many of those who fear or suffer from the effects of globalization have only modest comprehension of what politicians do.

All this makes the understanding of the crisis difficult. **It seems what went right is also what has gone wrong.**⁹ What seems clear at first sight is ambivalent at second sight. Understanding of the crisis of the EU becomes even more complicated because this crisis (singular) is fed by a number of other crises (plural) – which include the financial crisis of 2008-2009, the ensuing period of protracted economic stagnation, the inflow of refugees, the rise of autocratic and even hostile regimes in Russia and Turkey, and decreasing trust in liberal democracy.

For an informed understanding of the current EU's crisis situation, this section looks at the development of a number of indicators or stress factors over time. It is essential that an analysis of the current crisis situation does not only take account of facts only but also of perceptions. Like any other crisis, the EU's state of affairs is not only driven by reality but much more by the perceptions thereof.

Indicators for measuring the crisis include:

- Levels of trust in institutions, election turnouts, and levels of anxiety
- Levels of membership in political parties
- Levels of support for populist / extreme political parties
- Levels of cooperation between Member States and EU solidarity
- Levels of unemployment, inequalities, and public debts
- Ability of the EU to act and to take decisions.

3.1 Trust in institutions low and anxiety high, but...

Citizens' trust in the EU remains very low. According to the Eurobarometer, trust in the European Union was as low as 50 % until 2009 and dropped even further to 31% between 2012 and 2014. Trust only marginally increased to 33 % in the spring of 2016. The majority of people feel unrepresented in the EU.¹⁰ However, the sense of not being heard is hardly a new feeling. According to the 1982 Eurobarometer for example, 44 % of respondents were not very satisfied or not satisfied at all with the way democracy works in the EU. It should also be noted that in a number of Member States support for EU membership remains high and surged to multi-year highs after the Brexit vote. After the Brexit vote, support for EU membership increased to 81 % in Germany (a 19 % increase since November 2014) and grew to 67 % in France (plus 10 % since 2004). In the same period of time,

⁹ Ivan Krastev, Democracy without trust, presentation available at https://www.ted.com/talks/ivan_krastev_can_democracy_exist_without_trust?language=de

¹⁰ European Commission (2016).

support rose by 4 %, to 59 % in Italy and to 81 % in Spain (plus 9 %). 89% of the Polish citizens support EU membership.¹¹

It seems evident that **anxiety and fear in Europe** is widespread and increasing. All types of media outlets cover extensively Europe's different crises and portray Europe as a continent of angst. Pictures of terrorist attacks or large numbers of refugees are omnipresent. Surveys suggest that fear of terrorism and refugees is widespread.¹² Many Europeans are anxious to lose their identity – as a national of their country or as an individual with a certain way of life. Reflecting these levels of angst, perceptions often runs ahead of facts.¹³ However, again this is not a new feeling. In the 1980s – for some the golden age of stability – angst was also rife. In 1982, for example, 71 % of the respondents in the EU-12 feared rising crime and terrorism.¹⁴ In the 1960s-1980s, people were afraid that the cold war would turn into a nuclear war. Nuclear accidents in Chernobyl or Harrisburg triggered widespread fear of nuclear fallout in the late 1970s and 1980s. The oil crisis had a negative impact on public mood in the 1970s.

3.2 Voter turnout in the EU declining, but...

The EU's current crisis situation is part of a deeper malaise – decreasing trust in democracy, one indicator for which is **voter turnout**. Indeed, the trend for voter turnout in elections to European Parliament has been consistently negative for the last four decades – down from 62 % in 1979 to 42 % in 2014.¹⁵ Average voter turnout in national parliamentary elections has also fallen, from nearly 78 % in 2004 to 68 % in 2014.¹⁶ However, a turnout of more than two-thirds is comparatively strong. It is important to note that voter turnout varies significantly between Member States. Seven Member States had strong turnouts of more than 80 % at their latest national elections (Malta, Luxembourg, Belgium, Denmark, Sweden, Cyprus and France), while 12 countries had turnouts between 60 % and 80 %. Only Poland, Romania and Lithuania had problematic turnouts of less than half of the eligible voters.

¹¹ IFOP: Les Européens et le Brexit http://www.ifop.com/media/poll/3442-1-study_file.pdf; <http://uk.reuters.com/article/uk-britain-eu-poll-idUKKCN1002A0>.

¹² Wike, R, Stokes, B and Simmons, K (2016).

¹³ European publics, for example, wildly overestimate the proportion of their populations that is Muslim. French think the Muslim population of France is 19 %, when in fact it is 8 %. There are similar misperceptions of the actual Muslim population in other Member States. The Economist (2016). Furthermore, many Europeans are deeply afraid of terrorism but the number of deaths from terrorist attacks in Europe was higher in the 1970s (Northern Ireland) and the 1980s (Bask country) than today. There is a similar situation in the US, where fear of terrorism is high but the chances of falling victim of a terroristic attack are miniature. According to a study by the Cato Institute, the yearly chance of being killed by terrorism was one in four million in the US in 1970 to 2013. For the period after 9/11 until today, that rate is one in 90 million (Mueller, J. and Stewart, Mark Conflating Terrorism and Insurgency (2016).

¹⁴ Eurobarometer 1982.

¹⁵ <http://www.europarl.europa.eu/elections2014-results/en/turnout.html>

¹⁶ Eurostat (2015).

3.3 Membership in political parties is declining, but...

Membership in political parties is another indicator to understand the state of democracy in the EU and its Member States. **Party membership has almost halved** in most European countries since 1980.¹⁷ In the United Kingdom, France and Italy, for example, political parties lost 1 to 1.5 million members or one to two-thirds of their original supporters over the last three decades. On average only around 4.7 % of the national electorates are members of a political party today. There is of course considerable variation between countries, with peaks for Austria and Cyprus, for example, where around 17 % of the electorates are still affiliated with a political party. At the other extreme, in countries such as Latvia and Poland the level of membership does not even reach 1 %.¹⁸ Interestingly, this trend has reversed in the UK recently.¹⁹ Membership in basically all major parties increased in the last two years, and in the case of the Labour Party significantly.

At the same time, **citizens influence policy making through alternative routes**. In Poland, France, Spain and Greece, for example, civil society and individuals – rather than political parties – organized large demonstrations against major government reforms. 20 % of the Europeans are members of an NGO, although with significant differences between Member States.²⁰ In 2013 and 2014, 20 % of Europeans took part in a public debate at the local/regional level and 10 % shared their views with their elected representative. There has been an increase in online interactions of citizens with public authorities and as many as 28 % have expressed their views on public issues online, but these are often sporadic and fairly weak means of influencing public policies.

3.4 Populist political parties gain support

Support for mainstream parties in the European Parliament (SPE and EVP) has declined over the last decades from around 66 % in 1999 to 54 % in 2014. At the same time, **so-called populist parties at the left and right are winning ground**.²¹ Many of these parties are highly critical or flat-out reject the EU and oppose any further transfer of sovereign powers to the EU (and other international organizations), while others want to reform the EU but do not outright reject it. Poland and Hungary are governed by parties with nationalistic and EU-sceptical agendas.

¹⁷ Van Biezen, I.

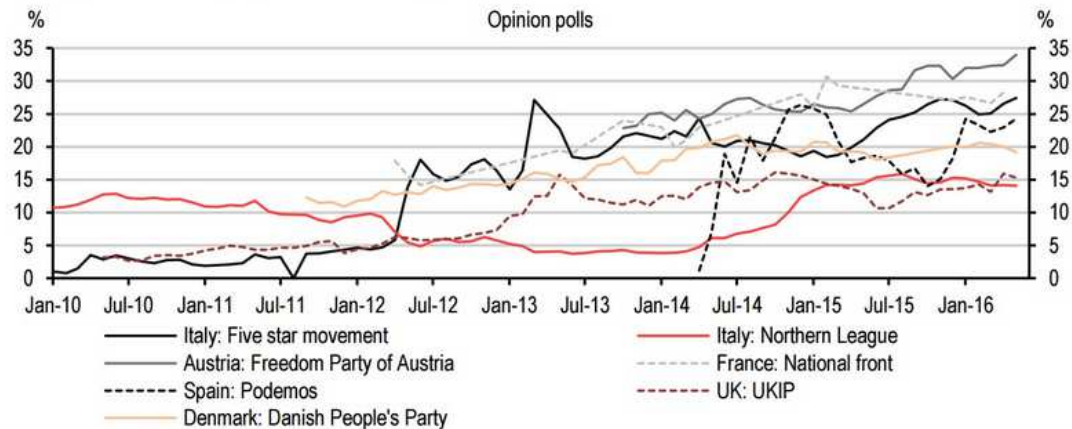
¹⁸ Van Biezen, I.

¹⁹ Keen, R and Audickas, L (2016).

²⁰ TNS Political & Social (2013). In 24 Member States, a majority of respondents say that they are not members of any kind of NGO or association. At least eight out of 10 people say this in Lithuania (84%), Estonia (81%) and Romania (80%). At the other end of the scale, only around a fifth of people are not a member of any such group in Sweden (19%), Finland (20%) and Denmark (21%)."

²¹ Populism is vague concepts that disguise significant differences between groups that are labeled as such. For the reasons of simplicity, however, we continue using this terminology. Henley, J, Bengtsson, H and Barr, C.

Support for populist parties is rising



Source: http://www.businessinsider.com.au/chart-eurosceptic-political-parties-are-becoming-more-popular-across-europe-2016-6?_ga=1.254906433.835613869.1470225032

3.5 EU solidarity under pressure, but...

In 2015, the **number of refugees** arriving in the EU reached record numbers, more than doubling between 2014 and 2015 (from 562,680 to 1,255,640). The EU has not been able to find a shared and widely accepted solution to this challenge. The EU has struggled to help Greece and Italy, the two Member States in which most refugees arrive. EU Member States have not managed to find a lasting compromise on the distribution of refugees across Member States either.²² Member States agreed in 2015 to relocate 160,000 refugees to other Member States by September 2017 but this agreement has not been implemented yet and has been challenged before the EU courts.²³

The **Euro crisis and the sovereign debts crisis** in Greece and other Member States have been another test for EU solidarity. The Euro crisis led to divisions within the EU – splitting the continent into creditors and debtors, into fiscally conservative proponents of austerity (most of them in the North) vs. proponents of greater flexibility (most of them in the South).²⁴ Creditor countries insisted on reform programmes in exchange for guarantees; debtor countries felt forced to accept austerity programmes that they believed were imposed by Brussels or the “Troika” – an illegitimate and un-elected bureaucracy that was seen as detached from the reality of the programme countries.

²² While Germany registered 442,000 asylum applications (35% of total applicants in the EU), Hungary 174,000 and Sweden 156,000, France received only 71,000 and the UK merely 39,000. There are also great differences regarding the number of refugees per capita. Hungary and Sweden had the highest number (17,699 and 16,016 respectively per million inhabitants), Croatia had the lowest (34). Eurostat News Release (2016), Asylum in the EU Member States: Record Number of Over 1.2 Million First Time Asylum Seekers Registered in 2015. Eurostat News Release 44/2016 (2016).

²³ One year after the agreement was reached, Member States had indicated less than 13,000 available places to the EU Commission, and only 4,400 people have been re-settled – with some Member States indicating as little as 100 (Poland) or 50 places (Czech Republic).

²⁴ Sputnik News (2016).

At the same time, the **rationale of working together still holds true**. In many policy areas, integration in Europe has deepened further since the end of the cold war. 13 new countries joined the EU and worked together on a great number of issues, in most cases silently and unnoticed by the public. EU energy and climate policies are policy areas where the EU deepened integration further; concrete examples of further integration include emission trading or further steps towards a single energy markets. Financial policies is another example of deeper cooperation in the EU. Accordingly, the 2016 ECFR Cohesion Monitor showed that cohesion was tested during these crises but largely prevailed.²⁵

3.6 Unemployment, inequality and public debts, but...

Unemployment rate in the EU stands at 10 % in 2015. This is a high rate, but close to pre-crisis levels of around 9 % and drastically lower than in 2013 when unemployment peaked at 19.8 %. Average youth unemployment rate in the EU was at 19 % in 2015, a very high number.²⁶ At the same time, average youth unemployment in the EU has dropped by about 4 % between 2013 and 2015.²⁷ Average unemployment rates disguise great differences between Member States.

According to the 2015 EU Sustainable Development Monitoring Report, almost one in four people in the EU were at **risk of poverty or social exclusion** in 2013. According to the same report, monetary poverty remains the most prevalent form of poverty in the EU, affecting 16.6 % of the total population. In 2013, 9.6 % of the total EU population (48.3 million people) was living in conditions “severely constrained by a lack of resources”. The share of working poor increased between 2005 and 2013 by 8.5 %. However, income inequality barely changed between 2008 and 2013. In 2013, the richest 20 % of the population earned about five times as much as the poorest 20 %.²⁸

In 2016, **public debt** in the EU amounted to 87.8% of the GDP; it is expected to fall to 85.8% in 2017. The deficit-to-GDP ratio for the EU as a whole is forecast to decline to 1.6% in 2017 from an expected 2.5% this year and to 1.5 % in the Euro area.²⁹ In short, public budgets in many Member States are strained, in some cases severely, but the recent developments are positive. In addition, the European Central Bank and the European Stability Mechanism (ESM) have stabilized the Euro – for now, although the status of the common currency remains fragile.

²⁵ European Council on Foreign Relations.

²⁶ It should be noted, however, that youth unemployment ratios in the EU are much lower than youth unemployment rates. Youth unemployment ratio excludes students or other young people enrolled in training programmes.

²⁷ Eurostat, Unemployment Statistics.

²⁸ 2015 EU Sustainable Development Monitoring Report

²⁹ European Commission (2016a).

3.7 Erosion of the consensus on core EU values

Article 2 of the TFEU sets out the EU's core values – the rule of law, democracy, and respect for human rights. These values are vague in and of themselves but secondary law, numerous court verdicts as well as a number of political documents spell out these values in detail. They **define the EU's consensus on its core values**. Respect and a common understanding of these values are indispensable for the functioning of the EU. And yet, there are a number of recent developments that indicate that this consensus is eroding and illiberal democracy is rising:

- Following a request from the Polish Government, the Venice Commission (VC) analyzed the recent reforms on the Polish Constitutional Court. In remarkably clear terms, it stated that “as long as the Constitutional Tribunal cannot carry out its work in an efficient manner, not only is the rule of law in danger, but so is democracy and human rights”. It called the refusal of the Polish government to publish verdicts of the Constitutional Court “unprecedented” and said that this refusal deepens the “constitutional crisis” in **Poland**.³⁰ In July 2016, the European Commission issued recommendations how Poland could address the main issues which threaten the rule of law in Poland. This procedure under the 2014 Rule of Law Framework is a step towards a potential procedure under Article 7 TEU for serious breaches of the EU's values. For the first time in its history, the European Commission considers rule of law procedures against a Member State.
- **Hungary** has also come under scrutiny by European Commission for violation of the freedom of media and the balance of power.
- As one example of responses to terrorism, **France** invoked a state of emergency in response to the terrorist attacks in 2015 but it is questionable whether the existence of the nation is under threat – as required by Article 4 of the International Covenant for Civil and Political Rights.³¹ A number of local communities banned burkini from public beaches – in defiance of the freedom of religion and the personal liberty to wear clothes as one wishes.³²

3.8 Despite the crisis, the EU has been able to act

With the notable exception of refugee policies, the **EU has been able to take important decisions** – despite and in some cases because of the crisis. The EU reformed financial markets in the EU fundamentally; the EU adopted the ESM – a significant reform to stabilize the Euro – and adopted the

³⁰ Venice Commission: CDL-AD(2016)001-e

Opinion on amendments to the Act of 25 June 2015 on the Constitutional Tribunal of Poland, adopted by the Venice Commission at its 106th Plenary Session (Venice, 11-12 March 2016),

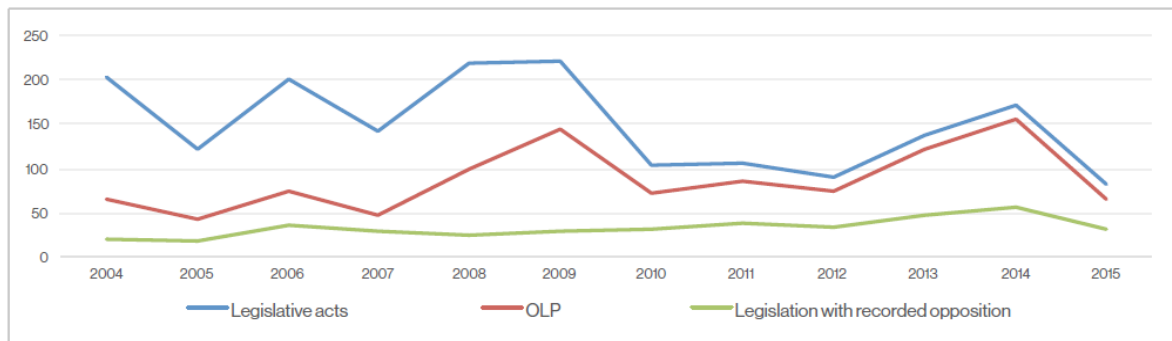
³¹ Meyer-Ohlendorf, N., Davis, A, (Democracy Reporting International, The Carter Center): Strengthening International Law to Support Democratic Governance and Genuine Elections: http://democracy-reporting.org/newdri/wp-content/uploads/2016/05/dri_report_strengthening_democratic_governance_.pdf

³² France's Constitutional Council found the burkini ban in Villeneuve-Loubet "seriously and clearly illegally breached fundamental freedoms", <http://www.bbc.com/news/world-europe-37198479>.

multiannual financial framework for 2014-2020 – another important achievement. Less noticed but equally important, the EU was able to adopt numerous legislative acts since the beginning of the economic crisis in 2008 – generally about 1,500 per year.³³ This is considerably less than at the beginning of the decade – when the EU adopted more than 2,100 legal acts per year – and says nothing about the quality of the legislation nor its impact. But it does show that the EU institutions are far from being paralysed.

It is important to note that the **Council continues to take most decisions by consensus**, although there is a slight increase in the number votes and abstentions in 2009-2014, compared to the 2004-2009 term. It is noteworthy that the UK was in the minority more often than any other EU government.³⁴

Legislation agreed in the EU Council, 2004-2015



Source: Vote watch

Furthermore, the EU took a number of important decisions in the field of climate and energy policy and **achieved a number of remarkable successes in this policy field since 2009:**

- The EU was a strong and successful advocate for the adoption of the Paris Agreement in 2015. The EU stayed remarkably united in the negotiations of the agreement.
- In response to the threat of boycott of natural gas supply from Russia, the EU rapidly managed to create reverse flow capabilities in natural gas pipelines, allowing Poland, Slovakia and the Baltic States to be supplied with natural gas from Western Europe.
- The EU adopted the Energy Efficiency Directive and a significant ETS reform.
- EU made progress in the implementation of the 2020 package and is on track in terms of meeting its RES and EE targets and has already met and exceeded its 2020 GHG target in 2015.

³³ EUR-Lex, Legal Acts - Statistics, 2016, available at: <http://eur-lex.europa.eu/statistics/legislative-acts-statistics.html> <5 September 2016>.

³⁴ Vote watch: in the 2009-15 period: jumping from being on the minority (losing) side only 2.6% of the time in 2004-09 to being on the minority (losing) side 12.3% of the time in the 2009-15 period. Also, the next most frequent "losing" governments, Germany and Austria, were only on the minority side 5.4% of the time in this period.

- The European Council struck a political compromise on climate and energy policies for the next decade in October 2014.
- In October 2016 the EU ratified the Paris Agreement, together with six Member States.

Although these decisions by themselves will not be sufficient to bring about the necessary reduction of greenhouse gas emissions, they demonstrate that the EU has been able to act and to bridge considerable differences in interests and views. This is more than the smallest common denominator.

Last but not least, the **crisis has not led to an increase in non-compliance with EU law** (including environmental and energy rules). To the contrary, the number of Single Market-related open infringement cases fell by 38 % between 2007 and 2014.³⁵ Furthermore, “the transposition deficit has more than halved with a 2.5 percentage point drop between 2000 and 2014. In the last five years, the deficit has remained below the 1 % target except in 2011, with the EU reaching its best result ever in 2014 (0.5 %). This puts the EU well inside the target for transposition deficit of Single Market rules and is its best result to date.”³⁶

³⁵ It should be noted that this indicator is ambivalent because recent trends could be a sign that the Commission is more cautious in starting infringement cases.

³⁶ 2015 EU Sustainable Development Monitoring Report

4 EU in Turbulence – Implications for Climate and Energy Policies

The EU is an important driver for climate policies. There is practically no piece of national climate legislation that is not impacted by or originates from EU legislation. The EU Emission Trading Scheme, the Effort Sharing Decision, fuel efficiency standards for cars, and ecodesign requirements for household appliances are all essential elements of EU climate action. National energy policies are also shaped by EU laws and policies, although to a lesser extent. Examples include rules on energy markets and energy efficiency. The EU has been instrumental for creating relatively consistent and relatively ambitious climate policies – consistent over time and across Member States.

There are only few instances where Member States voluntarily pursue more ambitious targets than what EU legislation requires. With respect to climate and energy policy, for example, only a few Member States have adopted more ambitious targets and specific measures to support them. Member States have rarely invoked Article 193 TFEU which allows them to take more stringent protective measures. The strong role of the European Parliament in shaping environmental policies – generally an advocate for ambitious environmental policy – and the leading role of the environmental council are essential factors for relatively ambitious environmental policy making at the EU level. Furthermore, once agreed, the core of EU legislation changes rather infrequently – which makes for greater consistency over time, differing from the Member State level where climate policy ambition is often tied to (shifting) political majorities. There are no cases where entire pieces of EU environmental legislation are scrapped, which creates considerable confidence in the underlying legal framework and the long-term policy direction.³⁷ Last but not least, the EU has been an influential driver for international climate policies, and a proof of concept that multilateralism can work – also in the area of climate policy. In consequence, an EU with limited decision making capacities or an even paralysed EU would have negative impacts – first and foremost on European climate and energy policy, but also internationally.

Against this backdrop, this chapter analyses the implications of the EU in crisis for EU climate and energy policies. To what extent does the EU's crisis situation impact the EU's capacity to pursue climate and energy policies? More specifically:

- What are the consequences of the rise of nationalistic and EU sceptical sentiment for climate and energy policies?
- To what extent could the crisis deviate political attention from climate and energy policies?
- Nationalistic and EU-sceptic parties that have risen in the polls, and are in government in some cases, are either agnostic about climate policy, or outright climate change deniers. What are the implications for climate and energy policies?
- EU solidarity seems to be strained. What are the implications for climate and energy policies?

³⁷ Baldock, D. et al. (2016).

- Does crisis reinforce intergovernmentalism at the expense of community method and climate and energy policies?
- What are the specific consequences of the UK exiting the EU?

It is clear that **answers to these questions depend on how the EU's crisis situation will unfold**. If the EU manages to reassert itself as a leader, help solve pressing problems and thereby increase trust and legitimacy, climate and energy policies could largely remain unaffected, which is in contrast to another scenario where the crisis of the EU deepens further – because, for example, other Member States decide to hold an exit referendum, or openly anti-EU parties are elected into power in more Member States.³⁸

4.1 Rise of nationalistic and EU sceptical sentiment

Nationalistic opinion, criticism of globalization, and EU scepticism are gaining support in Europe – to the extent that the Economist viewed the new political divide between open, internationalist attitudes looking outward and forward, and closed, nationalistic views, looking inward and backward, as more divisive than the old split between left and right. The Brexit campaign was almost exclusively inward-looking – the campaign was about what serves Britain. The impact of a Brexit on the rest of the continent was practically absent from the debate. **This trend is a problem for EU climate and energy policies** – in particular if it gains additional support or even majorities:

- **EU not made out to be part of the solution, but as part of the problem:** By definition, those who hold nationalistic and EU-sceptical opinions also believe that nation states are better suited to address the grievances of their citizens. The EU, in contrast, is deemed a bureaucratic project that lacks transparency and causes more problems than it solves. This could weaken EU climate and energy policies.
- **Climate policies are inherently international:** With the atmosphere as the quintessential global public good, the solution to preventing dangerous climate change will require in practice some form of global cooperation. Also, the international climate regime is based on a certain degree of international solidarity, that those who are in a position to take on more effort should do so – as expressed in the principle of common but differentiated responsibilities and respective capabilities. Nationalistic policies, in contrast, have little or no appetite to pursue international solutions. They are even more opposed to transferring national competencies to a supranational organisation. This could also impede the further development of EU climate policies, in particular where it involves a transfer of national competencies to an international or EU body. An example is the EU ETS, where the EU already plays a central role since the

³⁸ In a number of Member States, right wing parties called for referenda on exiting the EU (Netherlands, France, Germany, Italy, Austria, Sweden, Denmark). See: Lyons, K and Darroch, G (2016).

2008 reform, with an EU-wide cap and EU-wide harmonised allocation rules. It is likely that nationalistic views would have opposed this reform on principal grounds, i.e., the Commission should by no means receive new powers. More fundamentally, the EU is viewed internationally as the most advanced example where a group of countries have agreed to cede some of their sovereignty to jointly pursue a set of common causes and ideals. A failure of the EU would thus also be seen as a failure of such value-based multilateralism, primarily in Europe but also beyond.

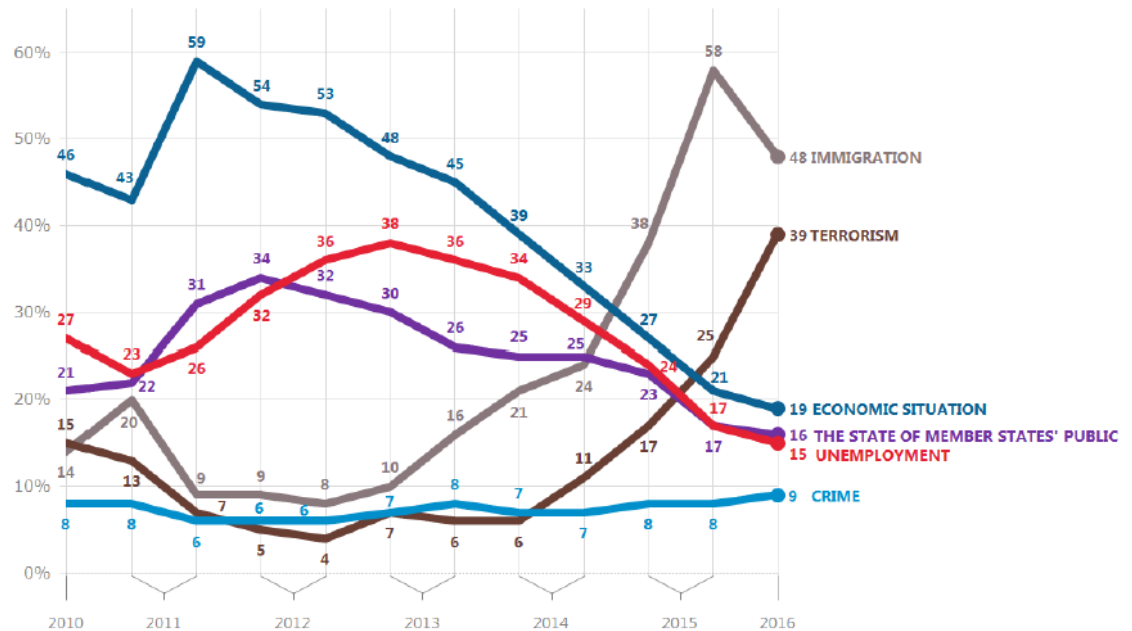
- **Climate policies need to take account of the others:** In all likelihood, climate change will impact different regions in different ways and at different speeds. Some countries might benefit from new agricultural lands and extended growing seasons, while others are expected to suffer from rising sea levels, heat waves, droughts, or storms. It is likely that Europe – particularly Northern Europe – will not be hit first or hardest. Accepting climate change as a pressing problem thus requires a minimal amount of empathy for those that will be affected more by climate change – be it future generations, or current generations living in particularly vulnerable parts of the world. Almost inherently, nationalistic views take little account of the fate of others; the own countries matters more than what happens elsewhere.
- **Understanding interconnectivity:** Climate and energy policies have to take into account global developments and trends in other countries, possibly in very distant countries. In an interconnected and globalised world, decisions in China or the US, for example, can impact local energy policies. Nationalistic views generally do not take these developments into account but instead take a narrow and partial focus on what is best for their country. They fail to understand it is in the enlightened self-interest of countries to consider the plight of others and to take into account the direct and indirect consequences (on their own well-being).

4.2 Climate and energy policies side-lined by other issues

According to the Standard Eurobarometer 85 of Spring 2016, **migration and terrorism are the top concerns of Europeans**. Despite a decline of 10 percentage points since the autumn of 2015 – the first drop since spring 2013 – almost half of the Europeans consider immigration as one of the two most important issues the EU is facing. Terrorism is now the second most mentioned concern (39% after a steep 14-point increase since late 2015). This is the fourth successive increase since autumn 2014 (+33, up from 6%).³⁹

³⁹ European Commission (2016). Standard Eurobarometer 85

QA5 What do you think are the two most important issues facing the EU at the moment?
(% - EU)



This survey reflects the multitude of different threats that Europeans perceive. Climate change or the security of energy supply were not even ranked among the top five concerns. As a result, climate policy could be (further) side-lined. Confirming these findings, the 2016 survey by the European Parliament shows that environmental protection was ranked as the seventh most preferred spending area, which is two ranks lower than in the previous year. However, **52 % of Europeans consider EU action on the environment insufficient, and 67 % support greater policy intervention in this area.**⁴⁰ Importantly, there is an East-West split in attitudes, with the strongest support coming from Sweden (83 %) and the lowest backing in Estonia (45 %).

It is clear that this low rank of climate policies does not help (ambitious) policies – particularly where climate policy is to become transformative, involving increasingly tougher choices for certain sectors and regions in Europe. High levels of support and the necessary sense of urgency could have triggered more ambitious policies. At the same time, public policy is of course not limited to the top five “threats of the day” – the fact that energy and climate policies have ranked relatively low for a number of years has not prevented the EU from adopting and implementing a number of important climate and energy policies, such as the ETS. We do not expect that the **current levels of public support will have a significant impact on climate policies** but this could change if public support were to decrease or even turn against climate policies – if perceived as an impediment to economic recovery or made out as liberal greenery.

⁴⁰ The findings, from a European Parliament (EP) survey: European Parliament (2016).

Public support for policies is one thing, political attention is another – while the two are of course interrelated, they are not identical. There have been occasions when climate and energy policy issues have made it onto the highest political agenda, were discussed at length by the European Council, and received corresponding coverage. For now, while the European Council will continue to deliberate on climate and energy policy issues and provide guidance, the agenda will probably be dominated by the topics of the day – the Euro crisis, immigration, and Brexit. Climate and energy could be relegated back to just another sectoral policy, which has not necessarily led to worse results. And yet, there are also incidences where high-level political backing can be decisive, particularly in cases of (real or perceived) conflicts with other political objectives, such as competitiveness of and employment in energy-intensive industries.

4.3 Rise of parties with weak or anti climate policy agendas

Right-wing parties are on the rise in many European countries. In Poland and Hungary, they are in government, supported by absolute majorities in parliament. In other Member States they are an opposition force that shapes the political discourses. This is not good news for ambitious climate policies, as the attitudes of these parties towards climate change range from indifference to outright denial. Some parties' programmes deny climate science and oppose climate policy and renewable energies on grounds of identity.⁴¹ All of these parties are critical of international cooperation and believe in re-nationalisation, when effective climate policies largely depend on international cooperation and possibly the transfer of competencies to international bodies. The sense of fear instilled by right-wing populists does not easily lead to an optimistic outlook into the future, courage to tackle great changes, or acceptance of short-term costs in exchange for a longer-term benefit. This sits uneasy with the “great transformation” narrative of climate policies.

At the same time, **other political parties** that gained support in the wake of the crisis do not have a strong environmental or climate agenda. Podemos and Syriza, which have strong support in Spain and Greece, do not pursue strong environmental agendas. They address environment only as part of their broader critique of capitalism. They are also sceptical of EU integration and the transfer of additional powers to the EU.

Potentially distressing is the observation that, beyond the confines of climate policy, the rising populist parties (from the right or the left) tend to **reject scientific methods and empirical evidence** in general when it does not suit their arguments, and rather rely on emotions, ideologies and – simple but often misleading – intuitions. Famously, former Tory Justice Secretary Michael Gove asserted during the Brexit referendum that “people in the country have had enough of experts”. This is of particular concern for climate policies. Unlike other environmental problems, where the causal relations are more evident, more immediate and more intuitive, climate change necessarily relies on the inter-

⁴¹ Such as the AfD in Germany, UKIP in the UK or Front National in France.

pretation of data by experts. While extreme weather events are already increasing in frequency and intensity, the conclusion that the individual events together constitute a wider phenomenon can only result from scientific interpretation of the data. If the very acceptance of scientific findings as an objective, impartial basis for policy making is contested, this spells bad news for climate policy of any sort.

4.4 Strained EU solidarity

Refugees and Euro crises suggest that EU solidarity is under pressure. For some, these issues seem to herald the decline of EU solidarity. This would be bad news for EU climate and energy policies. Given different capacities of Member States and the high investment needs for decarbonising Europe's economies, solidarity among Member States is key for successful EU climate and energy policies.

However, while the refugee and Euro crises illustrate the practical challenges and also the limits of working together, there is no evidence that Member States are unable to effectively cooperate. The EU has adopted and implemented a number of remarkable reforms, including in the area of energy and climate (see above). We believe that EU solidarity was brought to its political limits in the refugee crisis and – to lesser extent – in the Euro crisis (see above) but there are no indications that EU solidarity is strained to the extent that this alone would exclude the continuation of EU climate and energy policies.

4.5 Reinforced intergovernmentalism, at the expense of community method

Since 2008, the **European Council has increasingly been engaged in the details** of EU policies and lawmaking. Euro stabilization and refugee policies are important examples for cases in which the European Council agreed on the details of the implementation of these policies. Climate and energy policies are other examples – in 2008, the European Council adopted the 2020 package, and it adopted the 2030 package in 2014. Both packages set out technical details of climate energy policies, including important details of ETS reform and the sectors not covered by the ETS. Although they are not legally binding, these decisions at the highest political level mean that *de facto*, the Council of Ministers and Parliament could not deviate from these political agreements. The European Council is the EU's centre of gravity; the result is an intergovernmentalism that sometimes complements and sometimes replaces the 'community method'.⁴² The different crises have reinforced this

⁴² Boysen, Sigrid, von Unger, Moritz, Legal Requirements for the Adoption of Conclusions by the Council and the European Council in the Area of EU Climate and Energy Policy (2014)

trend – the magnitude and urgency seemed to require decisions by heads of state, i.e., at the highest political level.

This **trend has had a significant impact on EU climate and energy policies**. Although majority voting is not a common practice in the Council, the simple possibility of being outvoted has had a considerable effect on the willingness of Member States to compromise. The European Council, in contrast, decides by consensus except where the Treaties provide otherwise – which is not the case in the area of climate change policy. In consequence, the involvement of the European Council in the details of EU climate policies is changing the rules of the game – possibly very significantly. In principle, the least ambitious Member State could retain a *de facto* veto and the EU's ability to act would be reduced considerably. The political consequences of such a potential new practice seem dire – although it is too simplistic to assume that always the least ambitious Member State would necessarily determine the speed and level of ambition of future EU climate policies.⁴³

4.6 Implications of Brexit on EU climate and energy policy

The implications of a Brexit on EU climate and energy policies depend largely on the outcome of the exit negotiations between the EU and the UK. These negotiations have not even started. Regardless of the outcome of the negotiations, it is clear that the UK will have significantly less influence on EU climate and energy policies than a full EU member. This could have a **number of implications** for EU climate and energy policy:

- With the UK, an advocate for ambitious climate policies departs
- Brexit negotiations will strain administration and deviate political attention
- EU loses an advocate for liberalised energy markets and against tax harmonisation
- EU loses opponent against EU budget increases
- An advocate of nuclear and unconventional energy sources departs
- Less opposition against EU renewable energy policies

4.6.1 UK as an advocate for ambitious climate policies

The UK has traditionally been an important and **influential advocate** of ambitious climate policies nationally, within the EU, and internationally. The UK has achieved significant GHG reductions of –34 % (1990–2014) at home and adopted ambitious and innovative national policies, most notably the UK Climate Change Act. It was one of the few Member States that actively worked for a higher 2030

⁴³ Meyer-Ohlendorf, N (2015).

reduction target (55 % instead of 40 %). The UK has also been a vocal proponent of ETS reform. It has been an important supporter of an ambitious international climate regime.

With the departure of the UK, ambitious Member States lose an important and influential ally. A recent analysis by VoteWatch suggests that the UK has diminishing influence in the EU.⁴⁴ According to this analysis, the UK is the most frequently outvoted Member State in the Council (although the UK has supported more than 97 % of the EU laws adopted in the last 12 years). However, this does not apply to climate and energy policies in the EU. Members of the European Parliament from the UK have captured powerful agenda-setting positions, including rapporteurships of key EU legislation and EP committee chairmanships. UK government departments have skilfully and successfully lobbied for UK positions in the past, notably ETS reform and the new target architecture on renewable energy.

4.6.2 Administrative strain and deviation of political attention

Irrespective of how and when Brexit unfolds, it will create significant administrative strain. This strain will be felt first and foremost on the UK itself, which needs to overhaul much of its legal and political system, but also on the EU bodies. Sorting out the exit negotiations with the UK could therefore impose a significant strain on the EU, both politically and in terms of administrative capacity. The same is true for political attention, including at high-level meetings. With Brexit negotiations and its consequences commanding a large chunk of political attention and administrative capacity, these resources are not available for other purposes, including EU climate and energy policy.

4.6.3 Effort Sharing

The UK is the EU's second largest emitter; it has also achieved much higher emission reductions than EU average. The Commission's proposal of July 2016 for target distribution contains a UK target of -37 %, which is significantly higher than the average EU reduction target of 30 %. The size of the UK's emissions and its above average emission reductions will have implications for the redistribution of national targets once the UK leaves. If the EU wants to maintain its (highly visible) headline target of a 40% reduction by 2030, other Member States will have to take on (slightly) higher reduction targets in order to make up for the UK reductions. Depending on the distribution formula, Member States would have to accept an increase of their national target between 0 and 2%.⁴⁵

⁴⁴ Vote Watch: Would Brexit matter? The UK's Voting Record in the Council and European Parliament http://60811b39eee4e42e277a-72b421883bb5b133f34e068afdd7cb11.r29.cf3.rackcdn.com/2016/04/VoteWatch-Report-2016_digital.pdf

⁴⁵ Graichen, Jakob / Öko-Institut, Brexit, ESR and the Paris Agreement (forthcoming)

4.6.4 Emission trading

With the UK, the EU would lose one of the strongest proponents of carbon pricing in general, and the EU ETS in particular. British experts have been influential in shaping the system and in addressing some of its flaws, and the British financial sector has been key to the emergence of a liquid carbon market in Europe – to this day London is the main trading hub for EU allowances.

Technically, a Brexit from the EU ETS would not have to be a major issue. If the UK were to leave the EU ETS entirely, the ETS cap would need to be adjusted, and the auctioning and trading of allowances would most likely shift to an exchange on the continent. Yet, given the fact that the UK remains bound by its multiannual carbon budgets, that it has been an advocate of market-based approaches, and with the carbon price floor has voluntarily exceeded the requirements of the EU ETS, it does not seem likely that the UK would abandon carbon pricing entirely. More likely scenarios are that the UK either remains part of the EU ETS – as Norway, Iceland and Liechtenstein already do, even though they are not EU members – or that, akin to Switzerland, the UK would set up its own ETS, and then negotiate a bilateral link of this UK ETS to the EU ETS.

Politically, the fallout for the EU ETS from a Brexit could be more concerning. Brexit comes at a time when the EU ETS is at a crossroad. If it is to assume the role of the flagship instrument in EU climate policy it would need a bold, coherent reform, including a significant adjustment of the ETS cap. Otherwise, there is a risk that the ETS continues to be sidelined by other policies, including additional policies at the national level. While such policies might drive down national emissions, they would not change EU emissions in the long run (if the cap remains fixed), but add to the existing surplus of allowances and further depress the carbon price. Not all MS were as supportive of a strong ETS as the UK; indeed some might be happy to see the EU ETS increasingly marginalized. Technically, Brexit – by reducing the expected growth in the UK, but also in continental Europe – exacerbates the main problem from which the EU ETS suffers, which is the surplus of more than 2 billion allowances, making it even longer before scarcity is re-established on the carbon market and a significant carbon price emerges.

4.6.5 EU loses advocate for liberalised (energy) markets and against tax harmonisation

British politicians are substantially more in favour of reducing what they call red tape than their continental counterparts – according to the VoteWatch survey.⁴⁶ In line with this general attitude, the UK advocated continuously for **liberalised energy markets** in the EU. The UK has been in favour of more integrated EU energy markets and strong regulatory powers of the European Commission and the European regulators.⁴⁷ Depending on their specific design, liberalised energy markets could become an important driver for effective climate policies. As such, the departure of the UK would have

⁴⁶ Vote Watch (2016)

⁴⁷ Fischer, S und Geden, O (2016).

negative implications. At the same time, however, the design of liberalised energy markets could also work towards concentration in energy markets, possibly at the expense of smaller players.

Furthermore, British MEPs – across all parties – have voted against **tax harmonisation** across the EU.⁴⁸ With the departure of the UK, it seems that opposition to more ambitious EU energy taxation would become weaker. However, energy taxation in the EU remains technically complex and politically contested – with or without the UK.

4.6.6 Energy policies: nuclear, unconventional energy sources, and renewable

The UK has been a strong advocate of **nuclear energy, unconventional gas, and CCS**. Supporters of nuclear energy would lose a potent ally after Brexit. Similarly, there would be less backing for exploiting shale gas. The UK – in coalition with a number of Eastern European countries – has insisted on upholding national energy mixes. It has successfully lobbied against a legally **binding national target for renewable energies**. The UK has also worked for a low **energy efficiency target** of 27 % by 2030, rather than the higher 30 % target. A higher efficiency target, more ambitious EU energy efficiency policies, and binding renewable targets would be important contributions to EU climate policies. In this sense, the departure of the UK could open up new opportunities.

⁴⁸ VoteWatch.

5 Conclusions

- The EU has weathered a good few crises in its history. And although some of these crises were perceived as the end of European integration, up until now, the EU has proved remarkably resilient, and continued with its agenda unswayed. And the EU still has a lot to show. Europe is still a much better place to live than most other parts of the world, with economic and civil liberties and stable governments. Many Europeans today live longer, better, healthier, and happier lives than their parents did.
- But something is different this time around. The multitude of crises in quick succession has created the impression that the EU is losing control. This perception has culminated in a crisis of the EU as a whole – an erosion of the pro-European sentiment in a way that seemed unimaginable not so long ago. If anyone needed proof that the EU is in a real and serious crisis, they got it on 23 June 2016, when the UK voted in favour of leaving the EU.
- It is difficult to predict implications of the current crises on EU climate and energy policies. The crisis of the EU develops and many of its consequences have yet to unfold. Despite these uncertainties, the consequences of the EU's current state of affairs on climate and energy policies will probably be, by and large, negative.

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