



The EU in Turbulence:

What are the Implications for EU Climate and Energy Policy?

Views from Member States

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Preface

The EU is clearly in turbulence – but how did it get there? What problems does the EU face, and do they amount to a crisis of the European Union? If there is a crisis – what does it entail for EU climate and energy policy? One of our premises is that there is no single, easy answer to these questions. Not least because the views and opinions diverge, also depending on national viewpoints – the Polish perception on the EU and its different crises differs from that in Portugal. There is not the one, single “EU Crisis”, but rather a convoluted mess of different overlapping and partly interrelated crises, including the Euro crisis, continued economic malaise, migration, the rise of EU-sceptical parties and nationalist sentiment across Europe, and a loss of trust in the EU and its institutions – all culminating in the UK vote to leave the European Union.

Before we can start thinking about solutions to this mess, we need to better understand what the problem is. But part of a problem is that the existing dialogue on the EU remains a national one – there is a lack of European dialogue on the situation of the EU, and therefore a lack of understanding of the different viewpoints on the EU crisis.

In an effort to address this gap, this project has brought together committed individuals from six EU countries – individuals who are recognized experts in their fields, and who are firmly rooted in the national debates of their home countries. But also individuals who care about the EU, and who are committed to the fight against climate change – and who therefore have devoted a significant part of their professional career to advancing climate and energy policy in Europe.

This volume presents a collection of six essays, with contributions from Belgium, Germany, Hungary, Poland, Portugal and the UK. While maintaining an EU perspective, each contribution presents views from these Member States on the current state of the EU, the reasons for the current turbulences, and their implications for climate and energy policy. The contributors are **Sebastian Oberthür**, Free University of Brussels, Belgium – focusing on the EU as a whole; **Benjamin Görlach**, Ecologic Institute, Germany – focus on Germany’s special role in the EU, and its difficulties of filling this role; **Istvan Bart**, Energiaklub Climate Policy Research Institute, Hungary, – with a focus on Hungary and its views on EU integration and decarbonisation; **Krzysztof Księżopolski**, Institute for Security, Energy and Climate Studies, Poland – providing the Polish view on EU climate and energy policy, and the relation between climate and energy policy objectives; **Pedro Martins Barata**, Get2C, Portugal – with a focus on the Euro crisis, austerity and its effects on the EU’s capacity for ambitious, integrated climate and energy policies; and finally **Martin Nesbit**, Institute for European Environmental Policy, UK – with a focus on the results of the Brexit referendum and its effects on UK climate and energy policy, but also on the EU’s capacity for ambitious and integrated climate and energy policies.

1 What Future for the European Union in International Climate Policy?

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Despite an apparently ever-growing number of crises in Europe over the past decade, the fundamental rationale of the European Union (EU) and its member states actively and jointly exerting leadership in international climate and energy policy has not changed. The members of the Union remain bound together by common policies closely linked to the single market. They also have a common interest in fighting climate change, enhancing energy security, and reaping the many economic benefits of the 'new climate economy'. With member states individually being vulnerable and lacking clout, they share a strategic interest in *jointly* shaping evolving international climate and energy governance. The crises therefore do not call for scaling down EU climate leadership ambitions, but for adjusting the leadership strategy.

The EU as an international climate leader

For more than two decades, the EU has pursued international leadership on climate change. Ever since climate change gained attention on the international agenda in the 1980s and early 1990s, the EU has demanded ambitious international action. Since then, the EU has proven its ability to learn and adapt: in the early 2000s, it strengthened its internal coordination to overcome a tendency of internal navel-gazing and reach out more effectively in dialogue with its international partners. Following the disappointing Copenhagen climate summit in 2009, it successfully reoriented its international strategy towards coalition building, adapting to an evolving multipolar world of rising powers.¹ As a result, it was able to realise important achievements - most recently the ground-breaking Paris Agreement adopted in late 2015, which was carried by a high-ambition coalition brokered by the EU and others.

A focus on the EU's international climate policy and leadership must not ignore domestic climate and energy policy – both go hand in hand. Lack of domestic climate policies crucially undermined the EU's international credibility and unity in the 1990s. In turn, the EU becoming a frontrunner in implementing domestic climate policies and deploying key low-emission technologies such as renewables and energy efficiency was foundational for its international influence in the 2000s. As external and internal policies are inextricably linked, any thinking about the EU's role in international climate policy also needs to look at domestic policies.²

¹ K. Bäckstrand and O. Elgström (2013) 'The EU's Role in Climate Change Negotiations: From Leader to "Leadiator"', *Journal of European Public Policy* 20(10): 1369-86.

² C.F. Parker and C. Karlsson (2010) 'Climate Change and the European Union's Leadership Moment: An Inconvenient Truth?', *Journal of Common Market Studies* 48(4): 923-943; S. Oberthür (2011) 'The European Union's Performance in the International Climate Change Regime', *Journal of European Integration* 33(6): 667-682.

The challenge of the EU crises

The recent EU crises constitute serious and perhaps even perilous challenges, for both the EU's domestic and international climate and energy policies. They tend to push climate and energy down on the member states' respective policy agendas and reduce the attractiveness of the climate transformation, as it implies further change considered unattractive in times of crisis. Brexit and the rise of populist parties, which lean toward combining Euro-scepticism with climate scepticism, weaken support for climate ambition within the EU. Especially support for the deployment of renewables has been axed in several member states in the wake of the intertwined economic and financial crises (including the Euro crisis and the sovereign debt crisis), contributing to the EU falling behind in renewables investment in international comparison.³

Overall, the crises have also strengthened calls for a reversion to the politics at the member state level. In the European Studies literature, it has been argued that the dynamics of European integration have shifted towards member states for some time under the label "New Intergovernmentalism".⁴ The past crises and the rise of Eurosceptic parties in many member states in particular have further empowered the narrative of 'taking back control,' implying a stronger focus on the powers of member states as compared with 'Brussels,' but also on the powers of regions and other sub-national entities - including civil society.

The crises, furthermore, seem to give rise to and reinforce internal cleavages. The Eurocrisis has pitted southern member states against northern ones, while the migration crisis has reinforced structural internal East-West battle-lines and trenches that also characterize EU climate politics. This challenges EU unity at a more general level including in international climate policy – at a time when Brexit is poised to reduce the EU's weight and capabilities in climate diplomacy and climate geopolitics. All in all, this would seem to undermine EU unity and hence effective international EU leadership on climate change.

The case for the continued international role and leadership of the EU

What may easily be overlooked in such a crisis account is that the rationale for EU climate (and energy) leadership remains strong and that some aspects of the trends/crises may even reinforce this rationale. First of all, EU member states remain bound together through existing climate and energy policies, which are currently being upgraded towards 2030. While some may attempt to weaken that framework, it is closely related to the single market. The value of the single market has in turn been highlighted recently by Brexit, and may hence be unlikely to be challenged fundamentally. Furthermore, public support for coordinated EU action on climate and energy remains high.⁵ With the 'new climate economy'⁶ gaining pace worldwide, smart climate and energy policies continue to have an enormous potential to advance European economies and to ensure they can have a prominent and competitive place globally.

³ Renewable Energy Policy Network for the 21st Century (REN21). *Renewables 2016 Global Status Report*. Paris: REN21, 2016.

⁴ Ch.J. Bickerton, D. Hodson and U. Puetter (2015) 'The New Intergovernmentalism: European Integration in the Post-Maastricht Era', *Journal of Common Market Studies* 53(4). 703-722.

⁵ Eurobarometer (2015) Climate Change Special. *Eurobarometer 435*. Brussels.

⁶ The New Climate Economy (2015) *Seizing the Global Opportunity: Partnerships for a Better Growth and a Better Climate*. 2015, Washington DC/London: New Climate Economy, July 2015.

The Ukraine crisis is noteworthy because it has reinforced the place of energy security on policy agendas in Europe, with important potential for synergies with the climate agenda. Ways of enhancing energy security include increasing energy efficiency (thereby lowering demand), and investing in renewables. Accordingly, climate objectives form an integral part of the EU's Energy Union project launched in early 2015 – not least in response to demands by Poland and other CEE member states after the eruption of the Ukraine crisis.⁷ This crisis has also served to bring home the external vulnerability of individual (member) states and hence the geopolitical rationale of European integration and a strong Union towards the outside world.

The geopolitical rationale of joint EU leadership on climate change is also strong and growing in the wake of the Paris Agreement concluded in December 2015. In the evolving multipolar climate world, individual member states can hardly act on par with powerhouses such as China and the US. Brexit has raised awareness that a unified and strong EU possesses muscles in world politics – while individual member states do not. Climate change has been clearly established as an important part of world politics. At the same time, the Paris Agreement suggests that the game of climate geopolitics will be about 'decarbonisation': the drive to phase out the use of fossil fuels will crucially shape future economic development and be an important aspect of the future world order.⁸ It remains therefore in the enlightened interest of EU member states to shape this process through leading domestically as well as internationally – pursuing this interest will significantly affect Europe's prosperity and the place of Europe and European nations in the world.

Key elements of a renewed leadership strategy

Against this backdrop, the central challenge for the EU in international climate and energy policy consists in aligning two partially competing demands. On the one hand, a much-needed strong role of the EU in international climate politics and climate geopolitics requires a strong and harmonised EU policy framework and unity towards the outside world. On the other hand, current dynamics of European politics seem to question deeper integration and unity, and strengthen a narrative emphasising a strong role of individual member states. From a geopolitical perspective, I want to offer five elements of a strategy for how to square this circle and achieve continued and reinforced international climate leadership by the EU.

- (1) A firm regulatory framework for climate and energy policy to 2030 and beyond. The elements of this regulatory framework are either already on the table (EU Emissions Trading Scheme, Effort-Sharing Regulation, also transport strategy) or to be proposed in 2016 (especially energy efficiency, renewable energies, energy markets, climate and energy governance framework). Such a common framework is indispensable for positioning the EU in the global race toward the new climate economy and for EU unity and credibility in international climate politics. At the same time, the level of ambition of the measures is unlikely to put the EU economy on a clear path toward full decarbonisation and a phase out of net GHG emissions by 2050, as required by science and the Paris Agreement in order to hold global temperature increase below 2/1.5° Celsius from pre-industrial levels.⁹

⁷ European Commission (2015) *Energy Union Package. A Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy*, COM(2015) 80 final, Brussels, 25.2.2015.

⁸ S. Oberthür (2016) 'Where to Go from Paris? The European Union in Climate Geopolitics', *Global Affairs* 2(2): 119-30.

⁹ C. Dupont and S. Oberthür, eds. (2015) *Decarbonization in the European Union: Internal Policies and External Strategies*. London: Palgrave Macmillan.

- (2) With political opposition from vested interests against both centralised EU regulation and decarbonisation remaining strong, the importance of positive incentives to green or 'climate-proof' investments has already grown and is poised to grow further. This calls for paying particular attention to a smart design of various funds (including the Innovation and Modernisation Funds under the EU Emissions Trading Scheme, the European Fund for Strategic Investments, the Cohesion Funds, etc.) and the broader policy and institutional framework for European investments (including the EBRD, EIB, ECB, Eurozone monetary policy, but also energy market design, state aid rules, etc.). Shaping such positive incentives may be more feasible in the context of current European cooperation narratives, as it allows a positive framing of the transformation and building solidarity. As such, it possesses significant prospects to help unleash support for the low-carbon transition.
- (3) Closely related, the rationale for leadership by individual member states is growing. As the scope for upward harmonisation of EU climate and energy policies seems limited, there is good reason for member states to profile themselves as frontrunners. Indeed, creating an upward dynamic to achieve decarbonisation will, in line with the Paris Agreement, depend on such member-state leadership. Legally, Article 193 TFEU allows member states to take more stringent protective environmental measures. EU regulation should thus, to the extent possible, be conceived of and designed as *minimum* standards that permit and facilitate member states (and others – see below) - possibly acting in regional groupings - to exceed them, including through the use of positive incentives mentioned above. Such "overachievement" should not be simply, 'consumed' by other less ambitious member states as is currently the case with the EU Emissions Trading Scheme. Also internationally, member states can go beyond common EU policy and thereby strengthen EU leadership, for example by notifying more ambitious national targets and measures under the Paris Agreement to complement the EU's target. They can also further advance and intensify their engagement in complementary frontrunner coalitions or partnerships that push ahead to advance and implement particular solutions.¹⁰
- (4) Similarly, the EU policy framework should facilitate and encourage leadership by sub-national and private actors such as cities, regions, business and civil society. Frequently transnationally connected and acknowledged under the Paris Agreement, such non-state initiatives form an increasingly important driver of 'polycentric climate governance'.¹¹ As in the case with frontrunner member states, domestic EU regulation should thus - to the extent possible - be conceived of and designed as allowing, facilitating and incentivizing (e.g. through the funds mentioned above) non-state actors to exceed them without such overachievement simply being 'consumed' by the respective member states. Hence, policy frameworks should focus on establishing stable supportive conditions that create certainty for non-state actors to enable and incentivise them to maximise climate protection. Compatible with the growing narrative of empowerment of lower levels of governance and own initiative ('taking back control'), such non-state action has significant potential to spur low-carbon development in Europe.
- (5) To remain influential in international climate governance, the EU needs to continue to engage in international coalition-building. In a world of rising powers around the US and China as the two heaviest weights, smaller players like the EU and its member states need to form coalitions to

¹⁰ See for example the Climate Initiatives Platform at <http://climateinitiativesplatform.org/index.php/Welcome>.

¹¹ A.J. Jordan, D. Huitema, M. Hildén, H. van Asselt, T.J. Rayner, J.J. Schoenefeld, J. Tosun, J. Forster and E.L. Boasson. "Emergence of Polycentric Climate Governance and Its Future Prospects". *Nature Climate Change* 5 (2015): 977–82.

enhance their weight. The EU has done so successfully post-Copenhagen and the rationale for a continued coalition-building strategy grows further with Brexit. Acting through a bigger coalition may also provide an opportunity to link up to and coordinate with the UK after Brexit (in addition to the growing number of other countries engaging actively in the low-carbon transition). The EU and the UK could hence try to mitigate the effects of Brexit by pursuing coordination in the context of the 'high-ambition coalition' that formed in Paris. This high-ambition coalition may thus form a useful vehicle/mechanism for future EU-UK coordination of international climate policy.

These elements can form part of a strategy of international EU leadership on climate change that connects the international and intergovernmental with the domestic and transnational. The EU crises may have dented the appetite for change in Europe. It is important to understand, however, that change is inescapable: the impacts of climate change will increasingly force European societies to adapt – by advancing the climate transformation we can shape societal change, while limiting the change that climate change impacts will force upon us. The aforementioned elements may hold the promise to shape and advance change by encouraging action on national and subnational levels on the basis of EU-level action that is as strong as possible.

2 Germany, the EU Crisis and the Outlook for European Climate Policy

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To the outsider, Germany in the summer of 2016 could seem an island of calm in the raging sea of the European Union, largely unaffected by the crises around it. Germany does not seem to share the problems that trouble many of its European neighbours – with a (relatively) robust economy, high and rising exports, historically low unemployment, solid public finances, a stable government, a public that is not enthusiastic, but still largely supportive of EU integration and climate policy, and right-wing populists far from having a dominating influence on domestic policies. Up until the advent of the refugee crisis, probably the most ambitious domestic policy project was the *Energiewende*, the generational project to wean Germany's economy off nuclear first and fossil fuels later, while maintaining a healthy, competitive, industrial base. Thus – everything fine in Germany?

Germany's Role in Europe

Hardly so. Ever since the Second World War, and irrespective of which party was in power, European integration was an essential part of Germany's political ambitions. To Germany in particular, the EU has always been more than merely an economic project: over and above the four freedoms and the economic prosperity that comes with it, the European project also always had a political connotation of forming a strong, cooperative union after centuries of armed conflict. Germany had unleashed two devastating wars on its European neighbours and West Germany sought to bind itself in a peaceful union, forging such strong economic ties and political institutions that a future war between the same nations would become unthinkable.

Given these motivations, the prospect of the European project grinding to a standstill, or even its collapse, represents a great threat to Germany. And yet Germany has trouble defining how it should position itself within Europe, and how it should use its economic and political power to pursue its own interests, and those of the EU, without alienating its allies. This situation became even more problematic as Germany's economic and political power increased in recent years – not so much because of Germany's strength, but rather because other large countries were weakened economically, or politically, or both. Thus, the role of Germany in the EU has been described as that of an unwilling or reluctant hegemon¹² – at first not willing to accept a leading role, and then not being successful in exercising it.

In the early years of Angela Merkel's rule (she came to power in 2005), she was often criticized for her lack of a European vision; there were no notable EU initiatives, nor did she express much appetite for a deeper European integration. This changed with the unfolding sovereign debt crisis in the wake of the 2008/09 financial and economic crisis: as the largest economy in the Eurozone, the German government found itself in the middle of the negotiations on how to keep Greece, Spain, Portugal and Ireland afloat and in the Eurozone. Germany ultimately succeeded in enforcing its position and protecting the interests of German creditors and taxpayers – obliging Greece and others to

¹² The Economist, 'Europe's Reluctant Hegemon', 15 June 2013, <http://www.economist.com/news/special-report/21579140-germany-now-dominant-country-europe-needs-rethink-way-it-sees-itself-and>.

implement harsh austerity measures, without agreeing on anything that resembled common debt. But this victory came at the cost of lost reputation, as well as criticism of its economic dogma. Germany was portrayed as bullying Greece around, forcing weaker Member States to abide by the rules at a significant social and economic cost, promoting its own national interest (or that of German banks and exporters) while refusing solidarity. At the same time, the public debate in Germany focused almost exclusively on the lack of fiscal discipline in the crisis countries, which was made out as the main reason for the crisis; as a result, Germany's main goal was to ensure the necessary budget adjustments to reduce public deficits. Germany's own role in fuelling the crisis (in particular the huge export surpluses that Germany has been running), was hardly discussed: the political debate still mostly follows the mercantilist fallacy that export surplus is a sign of economic success and competitiveness, and that a huge surplus indicates huge success – relishing in the glory of the *Exportweltmeister* status.

Only a few months after the Eurocrisis was – for the time being – pacified, it was Germany that found itself largely isolated as millions of refugees arrived in Europe in the summer of 2015, with Germany taking on the largest contingent (in absolute numbers). While US commentators praised Germany as a beacon of humanity, many of Germany's European neighbours were much less enthusiastic. In particular, Angela Merkel's decision to allow thousands of refugees who were stranded in Budapest into Germany was perceived as acting in an uncoordinated and ultimately dangerous way. Efforts to distribute refugees across Europe have to be considered as a failure: the September 2015 agreement to relocate 160,000 refugees from Greece and Italy represented only a small share of the overall refugees to begin with, and even for this small amount implementation is difficult. 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 having indicated as little as 100 (Poland) or 50 places (Czech Republic). This, in turn, was seen as a failure of intra-European solidarity by many commentators in Germany.

Against the backdrop of already strained inner-EU relations, with a looming Brexit, and with France and Italy caught in a combination of economic stagnation and rising populists from left and right, Germany finds itself partly pushed towards, partly attracted by the opportunity of a stronger, leading role in Europe. So far, there has been some consultation with other EU partners, e.g. during two meetings with French president François Hollande and the Italian prime minister Matteo Renzi. Yet these consultations merely mark the beginning of the reflection period after the Brexit vote, and it is therefore unclear whether they will lead to a new European project or a revival of the European idea.

EU Crisis and its Effects on Climate Policy

The German view on the impact of the EU crisis on European climate policy is ambivalent – as is Germany's role in EU climate policy. On the one hand, Germany is among the more ambitious countries in Europe when it comes to climate policy. It is a self-proclaimed leader with the *Energiewende* as its flagship project, and it has adopted national emission reduction targets in excess of those mandated by EU legislation. To some extent, climate and energy policy in Germany is guided by normative ideas and principles – most evidently in the case of the nuclear phase-out. While there are interesting discussions to be had about the pros and cons of this decision, Germany has put them behind – there is a broad social consensus that phasing out nuclear and supporting renewable energy sources is the right thing to do.

On the other hand, Germany's role in EU climate policy has not always been consistent with this self-proclaimed leadership: under the last Merkel government, the standoff between the ministries of economics and environment paralysed progress on a much-needed reform of the EU Emissions Trading

Scheme for several months. In 2013, Merkel herself intervened to block more stringent vehicle emissions standards at the EU level, purportedly in an effort to avoid burdens on German car manufacturers that would have been particularly challenged by the proposed revised rules. And as for the *Energiewende* – the project was initially pushed forward without much consultation with Germany's neighbours, although they soon felt the impacts of Germany's policy choices through the shared electricity grid and the common market for electricity. Thus, whenever the wind blew strongly, Poland's grid was clogged with surplus electricity from Northern Germany's wind farms and electricity prices in the Netherlands dropped so low that natural gas-fired power plants were no longer in the money, and had to stop production. Yet as the *Energiewende* progressed, it became increasingly apparent that the project could only succeed as a joint endeavour between Germany and its neighbours; hence mechanisms for cooperation and coordination are being established.

Since there is a well-developed and sophisticated set of climate and energy policies in Europe, Germany's political progress in this area does depend less on EU policies than in other fields of environmental policy. Also, in the case of a prolonged EU crisis and a weakened EU, many aspects of German climate policy would continue; above all the commitment to the *Energiewende* would remain. At the same time, EU climate policy over the last decades has been a stabilising factor, providing for continuity regarding goals and instruments also when political majorities in Germany changed, and a driver of more ambitious climate policy in sectors that were otherwise neglected (such as the road transport sector). However, in the absence of a strong EU role, Germany might resort to different tools to achieve its climate and energy objective. German environmental policy has traditionally relied on clear and binding norms and standards rather than more flexible, market-based approaches, such as carbon pricing.

One question that is looming large, however, concerns the trade-off between industrial competitiveness and ambitious climate policy: how would this play out in the absence of a strong EU climate policy, and what would that entail for Germany's ambitions to decarbonise its industry? Germany prides itself on its industrial base, which is heavily geared towards exports, well integrated into the European market, and dominated by small and medium-sized enterprises. As a result, the Federation of German Industry (BDI) is one of the most influential lobbying organisations in Germany – and in the past has repeatedly argued for more moderate climate policies. Given the high trade intensity of German industry, the concern about an unlevel playing field with competitors outside the EU (and the resulting risk of so-called “carbon leakage”) is already a politically powerful argument, irrespective of its empirical validity. A weaker EU climate policy would exacerbate these concerns, and might altogether stifle ambition for decarbonising industry – and for ambitious policy measures (such as a meaningful carbon price) that are seen as placing an excessive burden on industrial emitters.

Brexit and Germany's role in EU Climate Policy

On 23 June 2016, the UK voted in favour of leaving the EU – perhaps the most manifest demonstration to date of the EU crisis. A few months after the event, Germany – as all other EU States – is still grappling with the technical implications of negotiating a Brexit, the impact a Brexit might have on EU policy making in general, and on climate policy in particular.

When the Brexit materialises, Germany loses an ally that has pushed for more ambitious climate targets in the past, e.g. in the context of the “Green Growth Group”, which the UK was instrumental in setting up. The UK is also a country that has put forward its own long-run vision for decarbonisation – even if the UK's domestic policies were not always as ambitious as the targets would have suggested. Brexit also means a weaker voice for flexible, market-based approaches in EU climate policy – which Germany hasn't always pursued very keenly. In particular regarding the EU ETS – while

Germany has made its peace with the instrument, it also wouldn't be seen as the strongest proponent of a forceful EU ETS, and in 2012-13 had no hesitations to paralyse a needed reform of the EU ETS for several months over interministerial and intra-government divisions. Thus, a Brexit would certainly not increase the odds for a substantial EU ETS reform, which would allow it to finally assume the role of the flagship instrument of European climate policy that it was intended to have, but which it never fulfilled.

Reinventing the EU and its Climate Policy?

Since 23 June 2016, a great deal has been said and written about the threat that Brexit and a weakened EU represent to Germany and its political ideals. There is much less analysis, and even less discussion, of what Brexit, and a prolonged EU crisis, could entail for Europe's ambitions and ability to transform itself into a low-carbon economy and society, how this affects German climate policy, and what Germany could do about it. The German Institute for International and Security Affairs (SWP) published a short analysis, focussing mostly on the shorter-term challenges that a Brexit would represent for the EU climate policy dossiers that are currently under negotiation.¹³ In the short term, the challenge is thus to ensure there is progress on the climate and energy dossiers where decisions are needed – in particular agreement on the 2030 package and the sharing of emission reduction efforts between Member States, targets and policies for energy efficiency and renewables, and the reform of the EU Emissions Trading Scheme. Here, the looming Brexit adds a whole layer of uncertainty, and complicates decision making (e.g. when it comes to separating out the UK from the EU's "Nationally Determined Contribution" under the Paris Agreement). But as such, the negotiation processes on these dossiers continue in their respective formats. In this spirit, the immediate reaction of most leading German politicians was to accept the Brexit vote as a given – while regretting the loss of the UK as a partner in Europe, they equally called for a swift start of the negotiations of the modalities of the Brexit, in order to overcome the uncertainty that the Brexit vote created for the future of the EU, and to prevent a period of prolonged instability.

Regarding the longer-term implications of the Brexit vote, many voices have argued that the referendum should mark the turning point towards a re-invention of the EU – either with less or with more integration, depending on political tastes and preferences. As such, the consensus view remains that an integrated, stronger EU is in Germany's interests. While the need to reform the EU is acknowledged, so that it would better respond to the needs of its citizens – particularly those that feel threatened to be left behind, disenfranchised or marginalised – this does not translate into a general scepticism about the benefits of European integration. Along these lines, immediately after the Brexit vote, Vice-Chancellor Sigmar Gabriel and EP President Martin Schulz published a short note calling for a re-founding of Europe;¹⁴ however this note represents a personal view and has not (yet) had a noticeable impact on German EU policy. On a more official note, the foreign ministers of France and Germany, Jean-Marc Ayrault and Frank-Walter Steinmeier, issued a joint statement shortly after the Brexit referendum. In this note they acknowledged the challenge that the British vote represented for the EU, also as a sign of a deeper-rooted dissatisfaction of how the EU works and how it fails to serve the interests of its citizens, and in response sketched some options to improve the EU's performance. This included a European Security Compact to deliver internal and external security and respond to the security threats Europe is facing, a common EU asylum and migration policy, and

¹³ Severin Fischer and Oliver Geden, 'Die Energie- Und Klimapolitik Der EU Nach Dem Brexit-Referendum', SWP Aktuell (Berlin: Stiftung Wissenschaft und Politik, July 2016).

¹⁴ Sigmar Gabriel and Martin Schulz, 'Europa Neu Gründen' (SPD, 24 June 2016), https://www.spd.de/fileadmin/Dokumente/Sonstiges__Papiere_et_al_/PK_Europa_Paper.pdf.

policies that would foster growth and complete the Economic and Monetary Union – including, as a longer-run outlook, the option of a fiscal capacity for the Economic and Monetary Union.¹⁵

As of now, there is thus no clear indication yet whether Germany will push for a fundamental reform of the EU, whether it will pursue greater integration (if necessary with a small group of like-minded countries, e.g. within the Eurozone), or whether it hopes to continue to muddle through with the current set of rules and procedures. Among those voices in Germany who favour greater integration, some have also argued that sustainable, inclusive low-carbon development could be one of the constituting elements of such a new European project.¹⁶ Others argued that a new debate about more or less integration and the need for new institutions could be a dangerous distraction, and that the EU should rather demonstrate its added value by focusing on concrete, visible solutions for concrete challenges – climate and energy policies being one of them, together with fighting youth unemployment, internal security, investments in education and research and civil rights.¹⁷

One field where the need for, and the benefits of, deeper integration become very tangible is energy policy – closely intertwined with climate policy. Through its location in the centre of Europe, the effects of German climate and energy policy – in particular the Energiewende – are already being felt in neighbouring countries, which are linked both physically by sharing the same grid with Germany, and economically through a (more or less) common market for electricity. Going forward, as countries rely more and more on energy from renewable sources, these interactions are set to increase. Increased cooperation in an integrated electricity grid offers great potential for lowering the costs of this transformation: by connecting different energy sources in different parts of Europe (North Sea wind, Norwegian hydropower, solar power in the South of Europe etc.) it helps to even out regional fluctuations of the different sources, greatly reducing the need for national-level backup solutions. A European energy transition thus offers a significant dividend from greater cooperation and integration.

While a revived EU with climate and energy policy at its centre might sound attractive to some – for the time being, this idea has not received attention in the debate on how the EU should respond to the crisis that culminated in the Brexit vote. And it is unclear where such a proposal for a New European Project, centred around the low-carbon society, could come from. It is clear that Germany – by its political and economic weight, and by its political predisposition – would need to have a role in developing such an initiative. But, given the (open or implicit) suspicion with which German leadership in the EU is faced, it is equally clear that such an initiative would not stand much chance if it was seen as the “German” plan for Europe.

Responding to the need for joint leadership in Europe after the Brexit vote, the French-Italian-German meetings between the Hollande, Renzi and Merkel marked a first step, as did the revival of the Weimar Triangle with France, Poland and Germany. Yet, where these processes articulated ideas for the EU agenda, they rather repeated the well-known priorities in responding to the imminent challenges that the EU faces – greater cooperation in the field of defence and internal security, promoting investment for economic growth and jobs, particularly to tackle youth unemployment, and a European response to migration. In tackling these challenges, the meetings should also change the

¹⁵ Jean-Marc Ayrault and Frank-Walter Steinmeier, ‘A Strong Europe in a World of Uncertainties’ (Auswärtiges Amt, 27 June 2016), <https://www.auswaertiges-amt.de/cae/servlet/contentblob/736268/publicationFile/217558/160624-BM-AM-FRA-DL.pdf>.

¹⁶ Hermann Ott, ‘Eine neues Friedensprojekt für die EU’, *fr-online.de*, 21 July 2016, sec. Gastbeiträge, http://www.fr-online.de/gastbeitraege/eu--eine-neues-friedensprojekt-fuer-die-eu,29976308,34527480.html?dmcid=sm_tw.

¹⁷ Ralf Fücks, ‘Nach Dem Brexit: Quo Vadis, EU?’, 24 June 2016, <https://www.boell.de/de/2016/06/24/nach-dem-brexit-quo-vadis-eu>.

perception that emerged in particular during the refugee crisis: that the EU is incapable of mounting a joint response to the challenges it faces. But, despite the symbolic setting of the Ventotene meeting in particular, they fell short of putting forward a new vision for a future European Union – let alone one that would incorporate the notion of sustainable, inclusive and low-carbon development.

The reluctance to put forward a grand European vision perhaps should not come as a surprise, as Angela Merkel in particular is not known for great visions, and has not articulated a vision on the future of the EU during the eleven years of her chancellorship. And, in the current political situation, she will be particularly weary to push for greater EU integration, whether low-carbon or otherwise. If Angela Merkel's handling of the Eurozone crisis is anything to go by, one would rather expect more muddling through, based on the current rules and institutions governing the EU and the Eurozone. During the Eurocrisis, her policy above all emphasised adherence to the rules, while largely resisting – or at least sidelining – initiatives that called for more integrated economic governance in the Eurozone, and the establishment of the related processes and institutions. Thus, the default assumption of Angela Merkel's handling of the coming years would be a focus on the technical negotiations of the Brexit, on the political dossiers where urgent action and cooperation is necessary (such as refugees or external and internal security), but without a strong push for greater integration, or for more ambitious climate and energy policies in a stronger EU.

Alternatives would be conceivable – e.g. the scenario that a “coalition of the willing” forms a core Europe within the EU, which pushes ahead with greater economic and political integration. In principle, such a core Europe should find it easier to agree on ambitious climate policies: many potential candidates also find themselves among the proponents of more ambitious climate action (e.g. the original six signatories of the Treaty of Rome – BE, DE, FR, IT, LU and NL – with the exception of Luxemburg are all members of the “Green Growth Group”, which have pushed for more ambitious targets within the EU).

Whether it is likely that the German government would push for such a move to a core Europe is another matter. In the current situation, a big push for the closer integration of a few core countries could be seen as alienating several Member States that are reluctant to integrate, thus ringing the death knell for the EU as we know it. But there are also less contentious models for greater cooperation: there have been several instances where the EU has decided to proceed at different speeds – with some Member States cooperating more closely (most prominently the Schengen area or the Eurozone countries), while others choose not to participate. In general, Germany has been fine with such instances of enhanced cooperation or the open method of coordination, and in almost all cases belongs to the club of countries that pursue greater integration.

Such models do not yet exist for climate and energy policies, but are well conceivable. In this way, a positively framed coalition of “energy transition pioneers” (if conveniently located geographically) could demonstrate the tangible benefits of a greater integration of energy grids and markets, and thus serve as a proof of concept to others. Having initially promoted its *Energiewende* as a domestic policy, poorly coordinated with its neighbours, Germany has recently developed invested more effort into dialogue and coordination with its “electricity neighbours”. These could become seedlings for new forms of deeper cooperation – in a field where cooperation is both in Germany's own interest, and also beneficial for Europe as a whole.

3 The EU Crisis and its Implications for Climate Policy

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When crabs are growing, their old shell must break so that a larger crab in a shiny new shell can climb out. This is quite a dramatic sight to behold. During the process, the animal is very vulnerable, and yet this must be done in the interest of survival. Like crabs, polities also need to evolve, and their evolution is none the less dramatic.

The EU's crisis is due to the fact that the European body politic is now too large for its shell and is in dire need of a new one. Over the past decades, the EU grew both because Europeans wanted to come closer together and because the challenges of the globalising world required answers that could not be offered at the level of smaller nation states. Recently however, the desire of European nations for more Europe seems to have abated. This is in my view, due to several things: the inability to address the economic crisis, demographic processes and tension between nations and the union. The uncomfortable tightness of the old shell is one more reason to dislike the EU.

There is also an ebb in the natural founts of pro-EU public sentiment: those who see the EU as a bulwark against conflict in the EU (the “nie wieder Krieg” generation) are passing from the scene, while the naturally pro-EU groups, i.e.: immigrants, expats, binationals, and young people who cannot imagine life without the EU and its benefits, are not numerous enough to weld the continent's nations together. In between these groups, there are large numbers of people who have (not altogether unpleasant) memories of life before the Euro, EU membership, and the crisis. The crisis and the attendant unemployment and the rise of inequality scare people and make them more tribal and less open towards other European nations.

Even if in theory the EU could offer adequate solutions for many problems, integration has reached a level where “more Europe” puts national governments in a direct competition for power with the European centre. For those who have worked at the Brussels EU institutions, it is frustrating to hear Member State politicians lamenting the lack of democratic legitimacy of “Brussels bureaucrats”, whereas in reality it is the Member States themselves who are jealously guarding their role of the protector of the people. Member States are quite content with keeping the EU in the background, having it pay for many things and highlighting it only when they need a scapegoat. A classic case in point is flood defences: although a large share of flood defence funding is paid by the EU Solidarity Fund, you never see EU commissioners packing sandbags. The photo op belongs to the local prime minister. Even where the EU has a lot of power, these areas are cleverly disguised to appear less important than they actually are: a good example is the EU's advance review process of national budgets that goes under the innocuous codename of “European Semester”.

Ultimately, I think that this problem will be solved in the dramatic way: the EU will be called into a major armed conflict where Europeans would fight side-by-side to defend the continent, and the military leaders of this conflict will be the definitive uniters of Europe. This scenario is similar to the way the thirteen British colonies were transformed in the crucible of war into the United States in 1788. Or maybe a more appropriate parallel is how Augustus replaced ancient Rome's republican system with an imperial system after decades of civil war. We should all pray that this disruptive moment lies far in the future.

In the meantime, we must keep on patching this old cracked crab shell of an EU framework that we inhabit. The EU's problem is that it is trying to run a diverse 28-nation bloc on an ethos of homogeneity that seems to be less and less valid as the EU is growing. The EU has a well-functioning system of subsidiarity: many local issues are successfully handled locally. Our system for agreeing on steps that all Member States need to take simultaneously is also functioning more or less.

What the EU really needs however, is an effective mechanism for allowing or initiating European policies that only work in one or more, but not all Member States, even if this would go against single market principles. In their intentions and objectives, regulations and directives apply equally to Germany and Bulgaria, at most with some differentiation in targets or phase-in periods. The idea seems to be that somehow Bulgaria for example will eventually become like Germany, it will just take a little bit more time. It is not certain that this singular vision is tenable or even desirable for many parts of the EU.

An important exception to the universality of EU integration is the euro, which for better or worse, has become a strong symbol of European unity. Yet it is notable how the Euro's partial implementation was always viewed as a flaw of the project, something that needs to be eliminated as soon as possible.

Most large and diverse states allow for such flexible subdivisions: in the US, there are federal programs in which states can participate voluntarily, and are lured with federal funding to do so; China routinely experiments with policies in just one or two cities or provinces before implementing it on the national stage.

At the moment, the EU is not very good at initiating top-down policies that are optional. The formal system of enhanced cooperation has existed for almost 20 years, and yet it has only been used in the limited areas for divorce law and patents. Enhanced cooperation can only be initiated by Member States, and it is understood to be a "last resort" when there is no chance of a full harmonisation. This "universality" is probably coming from the EU's origins as a single market, where divergence in market rules is a problem. Useful as it may have been in the past, it is time to move beyond this idea because it is unworkable in an EU of 28 Member States and it leads to diluted, ineffective and weak legislation too often.

Where does this leave us with respect to EU climate policy? It is clear that the North, the West, the East and the South of the EU approach climate policy differently. At the moment, overall EU climate policy is often held back by Member States who want as little action on climate as possible. Sadly, the climate policy of the EU, a bloc that holds some of the most climate conscious and wealthiest nations on the planet, has become the lowest common denominator among the 28 Member States. Wealthy and progressive Member States, e.g. the Nordics might want to do more on climate policy, but for that they would need the cooperation and decision-making infrastructure of the EU. But as the EU can only move as one, they are left to their own devices, with little support or coordination from the EU.

The reluctant Member States are usually (though not always) the ones in the East. The 13 Member States that have joined after 2004 are often the tail that wags the dog: their emissions and population amounts to about 20% of the EU total, and yet among them, they share about 30% of the votes in the Council of Ministers.

The difference in approaches to and the relevance of climate policy between the East and the West of the EU are not likely to disappear any time soon. Eastern Member States are mostly poor in comparison to the Western EU, and many people feel that their right to a Western living standard is more important than climate policy. Furthermore, western Member States have a long history of independence, self-determination, and the legacy of empires that straddled the globe. It is this colonial heritage that makes them engaged in global issues: the “white man’s burden” was transformed into the moral obligation to care for all mankind.

By contrast, Eastern Member States have a history of semi-colonial exploitation as vassal states or territories within large empires. They know how to defend their own parochial interests within the empire of the day and few citizens have any interest in the predicament of the world’s poor. Ditto for the efforts to save the planet: this is something that is too large to contemplate and should surely be undertaken by the US and other giants. What is more, joining the EU in 2004 was a great moment of liberation for Eastern European states: EU-membership made their worldviews an equal of the worldviews of the western Member States. No longer did they have to be ashamed about social and moral arrangements that were different from those in the West: Eastern European values and positions now have their lawful place at the table, for better or worse.

Thus, we need to find ways to do EU-level climate policy where we do not need the approval of all Member States for everything, where forward looking Member States can charge ahead and others can choose to follow when convenient. Although recent constitutional changes have broadened the scope of qualified majority voting, the practice of decision-making in the EU has in effect gone in the other direction, with unanimously adopted Council Conclusions setting important policy details.

Where could we have such policies? A number of areas come into mind: taxation, building standards, vehicle standards, urban planning. The EU could develop standards or policies that could be used as a benchmark for Member States. If these policies are then used by a large enough group of Member States, they can begin to make an impact. Both Norway and the city of Paris are currently considering the banning of internal combustion engines by 2025, and many others may follow suit – such initiatives could be taken up and driven by the EU, and help those move ahead who do want to do so.

The EU ETS could also benefit from less homogeneity, if Member States were allowed to unilaterally withhold allowances from auctioning on the market (maybe in exchange for more lenient non-ETS targets); it would increase prices and thus make the EU ETS more effective. Disruptive and risky as this may sound, it may well be the most cost-effective climate policy measure that an EU government could implement.

Furthermore the introduction of these policies could be bolstered by EU funding from a reformed EU Structural and Investment Funds (ESIF). The current ESIF is probably doing more harm than good for the Union, but we should turn it into a mechanism that promotes a united Europe and not a corrupted Europe.

Where does Hungary stand in all this? Although responsible for only 1.3% of the EU’s emissions, the country punches well above its weight in the EU due to its combative and controversial prime minister, Viktor Orbán. His worldview is dominating Hungarian policy and for better or worse, he does not really have views on climate change. He was not there at the Paris COP and to date he has spoken only once about the importance of climate change. In the past, Hungary has routinely associated itself with Poland’s climate positions. This was always odd, as Hungary with its low per capita carbon emissions, high share of gas and nuclear and large electricity imports and few energy intensive in-

dustries is really the opposite of Poland. Although never made explicit, this was probably the result of deals on other subjects between the two countries, who are natural allies of each other as they share a historically strong sentiment of brotherhood and cooperation.

Recently however, the situation seems to have changed with the emergence of President János Áder as a global champion of climate action. Áder and Orbán started politics together in 1989, and despite the lack of formal powers at the President's office, his regular drumbeat on climate cannot have failed to have an impact on Orbán. This was made clear by the fact that within the EU, Hungary was the first to ratify the Paris Agreement, beating to the punch even the French. So now, although Orbán has become a role model for Kaczynski's Poland on domestic affairs more than ever, the two countries seem to have parted ways on their treatment of international climate policy.

On the domestic front however, there is an important similarity between Poland and Hungary: the crucial importance of residential energy prices. Before starting his campaign against refugees, Orbán's main tool to keep the public's support was the cutting of end-user energy prices by 30% in 2012-2013. Before these measures, the average Hungarian household spent about 17% of its monthly outlays on energy, so this was understandably a major political issue. It was largely thanks to the price-cuts that Orbán has managed to win reelection in 2014. Thus, it is very difficult for Hungary to support policies that would result in an increase of residential energy prices. The situation is similar in Poland, where residential heating provision is still largely in state hands.

While clearly a problem, the importance of energy prices in Eastern Europe could also be a way to create support for progressive climate policies: the EU and its Member States should use climate revenues for the alleviation of energy poverty through the subsidisation of end-user energy consumers. In addition to urging Eastern Member States to improve residential energy efficiency, the EU should realise that there are millions in these countries who will never have enough money to renovate their houses or apartments. Subsidies to mitigate energy poverty could replace the earlier policy of providing solidarity through additional auctioning revenues to Member States: as eastern Member States have more EU structural and cohesion funds than they are able to spend, it is becoming difficult to gain their support with the promise of some more investment money.

It should be recalled that apart from Poland, in the Eastern EU climate change is at best a second-level political issue. According to the 2016 Eurobarometer, only 4% of the Eastern EU states think that "climate, energy and the environment" is a key issue compared to 8% in the older Member States. While there is tacit support for climate policy in the public (e.g. people are not revolting against stricter building standards), policy action is entirely driven by the EU requirements and not by popular demands. Most people have not yet understood that climate change is a risk for their own way of life, and by the time they do, it will probably be too late. In Hungary, the Syrian refugee crisis of 2015 was the first obvious opportunity for the public and the government to recognise the role of climate change in national security, but this was lost in the noise of the general panic.

Quite apart from climate policy, Orbán's policies are much more of a threat to the EU's cohesion in general. As if dismantling a system of constitutional checks and balances, abolishing any vestiges of legal certainty, creating a state-dominated media, creating a crony capitalist system with phenomenal levels of corruption - all from EU funds - were not bad enough, he even forged a strong alliance with Putin, which involves building a new nuclear power station from Russian loans. He is not only getting away with all this, but the economy is recovering and seems to be stable. Orbán's unchecked ram-

page though the EU's common values and the uncontrolled theft of EU funds makes the EU and Brussels look entirely toothless.

Other Member States may look in horror or admiration at the path Hungary has taken, but they are united in one thing: they do not want to use the EU to stop Orbán, for fear of baiting a monster that may bite them the next time around. Germany is Hungary's most important business partner and would be able to make life difficult for Orbán, but Angela Merkel has so far satisfied herself with finger-wagging and ensuring in the meantime that German car-factories in Hungary are protected and pampered.

At only 53 years, yet for over 25 years on the political stage, Orbán shows no sign of slowing down or losing popularity, and seems intent on reforming the entire EU to his vision. His undoubted charisma and political talent is enhanced through the artifice of ruthless spin doctors who come up with ever more sinister schemes. In October 2016, the country held a referendum where we voted on whether we “want that the EU should mandate the settlement of foreigners in Hungary without the approval of the Hungarian Parliament's approval”. And if this absurd question were not enough, the country is peppered with billboards proclaiming: “a million people want to come to Europe from Lybia”, or “the attacks in Paris were committed by immigrants”. These incendiary messages serve the sole purpose of inciting hatred of the unknown and support for the strongman.

While Hungarians in general are supportive of the EU, they trust it more than the average EU citizen does, and more than the Hungarian national parliament. And yet they are mesmerized by a strong leader or just simply like to listen to Orbán laying into the West, the part of Europe that Hungarians both admire and resent. In a sense, Hungary is like the rebellious teenager who has just realised the shortcomings of its beloved parents, is eager to be free of them, and yet needs their financial and emotional support. On the other side, the EU is like the parent that is torn between trying to treat the teen as an adult and hoping that this phase will pass.

It is not at all certain that these autocratic and nativist tendencies will pass: it could also be a sign of a broader European trend. As clouds are gathering on the horizons and the political and economic future is ever more uncertain for the average European citizen, new strongmen will become ever more popular. While the prevailing notion among pro-European thinkers is that Europe will be united around democratic values and respect for human rights, this is not at all certain: almost all European nations have some autocratic traditions and it may take only the next great crisis to breathe new life into them. Ironically, unpleasant as this outlook might be, it may not be all that bad for climate policy: just one look at China and the US makes it clear how much easier it is to take effective action on climate without having to worry about elections.

4 A Polish Perspective on the Implication of the EU Crisis on EU Climate and Energy Policies

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Climate policy divides the Member States into “old” and “new” members of the EU. This division was visible before the 2008 crisis and soon after the EU enlargement in 2004 and 2007. The enlargement destroyed the existing consensus in terms of EU internal and international policy on climate protection, the more so because the new Member States were very active in creating an international regime of climate protection and did not hesitate to veto some solutions¹⁸. Central European societies have a different outlook on climate issues than the Western European ones, which is exemplified in their political, administrative, and legal systems. Some scientists point out that these differences result from a different energy culture¹⁹ or the differences in security economization²⁰. The differences are getting stronger with new stages of climate policy that require much deeper actions based on a long-term and carefully considered policy. It is hard to disagree with prominent scholars who claim that the EU enlargement of Central European and Southern countries was one of the challenges in the area of environmental policy²¹. The crisis of 2008 did not reach Poland and some CE countries. As a consequence, the differences between the old and new Member States of the European Union deepened. For this reason, Poland has not seen climate and energy policy as a tool to stimulate the economy after the crisis. At the same time the financial crisis of some European Union countries, as well as Brexit, have strengthened trends contesting all European policies.

In recent years, there has occurred an increased interference of climate policy with other policies, including energy policy, which in fact has led to “cohabitation” of both policies. Alongside the growing importance of climate policy, especially in the era of the 2008 crisis, we witness the increasing supremacy of climate policy over energy policy, where the former has become one of the possible mechanisms to trigger economic growth. Furthermore, a decrease of importance of energy resources is a key element of strategic thinking aimed at freeing economic growth in the EU from the dependency on energy prices. In the context of the Russian Federation’s aggression on Ukraine, which caused a threat both for the regional and global safety, climate policy took on a new dimension, i.e., that of energy security. This is due to the fact that climate policy assumes a shift from the use of hydrocarbons, which in the case of EU, poor in energy resources, means basing the energy mix on internal sources, such as renewable energy sources or nuclear power. Coal, of which the largest EU resources are located in Poland, is perceived by political elites in Poland as a viable alternative,

¹⁸ Książkowski K., Stefanowicz U., Niewola T. (2014). *Konsekwencje XIX konferencji w sprawie ustanowienia międzynarodowego reżimu ochrony klimatu (COP 19)*, *Stosunki Międzynarodowe – IR*, nr 49, s. 103–123.

¹⁹ Pronińska K. (2013). *Development of „Green Energy” in Coal-Based Energy Culture – Implications for Poland’s Energy Security*. W: „e-Politikon”, nr. VII, edycja specjalna Klimat i Polityka, s. 54–75.

²⁰ Książkowski K. (2013). *The Impact of Securitization and Economization of Security on the Establishment of an International Climate Protection Regime*. W: „e-Politikon”, nr. VII, edycja specjalna Klimat i Polityka, s. 35–53.

²¹ Burns Ch., Carter N. (2012). *Environmental Policy*. W: E. Jones, A. Menon, S. Weatherill (red.), *The Oxford Handbook of the European Union*, Oxford–New York: Oxford University Press.

though its combustion using currently available technology produces a large amount of CO₂ emissions. Generally speaking, climate policy has become a tool for ensuring long-term energy security of the whole EU despite insufficient resources of energy fuels. The supremacy of climate policy over energy policy and the fact that Germany, France, and Great Britain perceive Russia as a reliable partner and supplier of natural gas that enables energy transformation causes something of a paradox²². It means that when the EU, or to be more precise, the strongest countries, wish to improve their security, they increase the system risk through the purchase of gas during the so-called transition period, i.e., during the shift from hydrocarbons. The current development of infrastructure makes it clear that without Russia, this transition is not possible. Different perception of threats leads to growing differences between old and new members of the European Union. Climate and energy policy is more and more frequently seen in Poland as a tool for achieving economic and political interests of the strongest countries, and not as a way to protect the environment. Perpetuating such a belief may cause opposing climate and energy policy to energy security, which could have a devastating impact on implementation of the former.

From this perspective, the key element in the perception of climate policy in Poland is the issue of energy security and Russian policy to polarize members of the European Union, thus breaking the cohesion of the organization. The willingness to correct climate and energy policy of the EU was manifested in a proposal of the Energy Union put forward by the Polish Prime Minister Donald Tusk²³. It was focused on the matters of energy security, which was supposed to consist of 6 pillars. One of the pillars was using coal to strengthen the energy security of the EU. The proposal was not further included in the work on the Energy Union. In March 2015, the European Council made decisions regarding the Energy Union. The Council asked the Commission to prepare a proposal based on the following five pillars: energy security, solidarity and trust, a fully integrated European energy market, energy efficiency which would help to pare down the demand, the decarbonisation of the economy, and lastly, scientific research, innovations and competitiveness²⁴. In connection with the idea to build Nord Stream 2 through Germany and Russia, it triggered big concern in Poland and in CE countries. The Nord Stream 2²⁵ will increase the possibilities of gas transmission between them while bypassing Poland, Ukraine, and other Central European states as transit countries. Naturally, it would lead to making the bypassed countries more dependent on the large countries (especially on Germany) in the matter of gas supply, which would increase the risk of supply disruptions from that direction²⁶.

The aforementioned factors affected the public debate on climate policy and energy security in Poland. The intensification of the debate took place during the four election campaigns held in Poland in 2014 and 2015. The elections to the European Parliament (25.05.2014), local elections (16.11.2014 and 31.11.2014), presidential elections (10.05.2015 and 24.05.2015), and parliamentary elections (25.10.2015) were held in this period. The research within the program Energy Security and Climate

²² Łada A., Skłodowska M., Szczepanik M., Wenerski Ł. (2015). *Unia Energetyczna z perspektywy Francji, Niemiec, Polski i Wielkiej Brytanii*. Warszawa: Instytut Spraw Publicznych.

²³ *Financial Times*, (2014). A united Europe can end Russia's energy stranglehold by Donald Tusk, April 21, <http://www.ft.com/intl/cms/s/0/91508464-c661-11e3-ba0e-00144feabdc0.html>.

²⁴ Council of European Union (2016). Outcome of The Council Meeting, 3452nd Council meeting Environment Brussels, 6792/16 (OR. en), 4 March.

²⁵ Nord Stream 2 is a project of building sub-sea pipelines in the Baltic Sea between Russia and Germany which would have the annual capacity of 55 billion cubic metres of gas, which is approximately the same capacity as the already existing Nord Stream pipeline.

²⁶ Księżopolski K. (2015). *Polska polityka klimatyczno-energetyczna 2014–2015*, Warszawa, s. 24–132.

Policy OAP UW²⁷ covered the analysis of manifestos, official statements, and election materials of the committees' representatives appearing in national and regional media, presented by the candidates by means of websites, leaflets, and social networks.

During each of the analyzed elections, Law and Justice (PiS, the party holding the majority in the Parliament) opposed the EU's climate protection policy. In the elections to the European Parliament, the solutions adopted in the climate package of 2008 were strongly criticized, as according to the party, they hit the Polish mining industry and should therefore be renegotiated. The main underlined thesis was that environmental protection cannot be more important than economic development.

Andrzej Duda, the PiS candidate for president (incumbent President of the Republic of Poland), expressed a critical attitude towards the European Union's policy in this area. In his opinion, decarbonisation of the economy is detrimental to Poland, and in particular to the mining sector, which, once the package was signed, was deprived of any support. He also pointed out that the restrictive climate policy of the EU will translate into an increase in production costs, which will reduce the competitiveness of European economies compared to countries ignoring climate issues. Climate and energy policy should be subject to renegotiation. The PiS demands strengthened in the parliamentary elections, where a plan to reject the implementation of the provisions of the Climate and Energy Package 2030 was directly put forward. An argument for abandoning the package was the prospect of an increase in energy prices for households and competitiveness reduction of the Polish economy. Despite political declarations, almost a year after the parliamentary elections and the seizure of power by PiS, the party has not attempted to exit the Package 2030. Quite the contrary – it is looking for tools and ways of its implementation. The obvious goal is to seek how to implement climate policy, favoring the position of coal in the energy sector.

Contrary to PiS, a more moderate approach to climate and energy policy of the EU was reported in the case of left-wing parties. In the elections to the European Parliament, Democratic Left Alliance (SLD) candidates directly indicated that they believed the provisions of 2008 climate policy hurt the European economy, and the EU war with coal was carried out in a rash manner and was contradictory to the current state of scientific research. During the parliamentary elections in 2015, the United Left committee also criticized the reduction targets adopted in the climate and energy policy of the EU. At the same time, however, the support of the coalition to improve energy efficiency was noticeable. The United Left put forward the most moderate demands among the opponents of the package. According to the committee, it should in fact protect the energy sector more and create opportunities for the reduction of CO₂.

Civic Platform (PO) was an advocate of the energy policy, determined both in 2008 and 2015, during the analyzed elections. Its support for the solutions adopted by the EU should be directly linked with the participation of PO governments in concluding the agreements. During the presidential campaign, the importance of the EU's climate and energy policy as one of the keystones of Polish security was stressed again, in particular because of the possibility of a more flexible exchange of raw materials and energy. In this context, the support for the idea of the Energy Union was expressed, which according to Bronisław Komorowski (President of the Republic of Poland, in office until 2015, defeated in the campaign by Andrzej Duda), endorsed by PO, should increase the effectiveness of crisis response mechanisms and allow for a variety of conventional and unconventional energy potentials of the Member States. Komorowski was not consistent in the presented views, as was revealed in the context of decarbonisation of the economy. Although in the pre-election television debates Komorowski dissented from the support for decarbonisation, the earlier statements of his campaign

²⁷ Książkowski K. (2015). *Polska polityka klimatyczno-energetyczna 2014–2015*, Warszawa , s. 254–296.

team, however, were a sign of his support for the EU's demand. Also in the case of the PO parliamentary election campaign, inconsistency in terms of support for the Climate and Energy Package 2030 could be seen. Although the party representatives strongly expressed support for the package adopted by the government of Ewa Kopacz, they conditionally treated the implementation of the EU climate policy. According to the party, the EU reduction targets need to be tailored to the economies catching up on developmental differences, including Poland. Hence, separating EU climate policy from energy policy can be clearly seen, which is contrary to "the cohabitation" process of the policies.

The change of views on climate and energy policy of the EU can be seen in the Polish People's Party's (PSL) approach over the four campaigns. In the election campaign before the elections to the European Parliament, representatives of PSL focused on saying that coal had to be the engine of the Polish economy, and the environment must not be ranked higher than economic development. Therefore, they criticized the 2008 package solutions. In turn, in the parliamentary elections of 2015, PSL presented a stance close to the government coalition group. Like PO, PSL demands were self-contradictory – the adoption of climate and energy package was supported, but also changes in the EU climate policy were demanded.

In the course of analysis of local election campaigns in the local elections in 2014, references to the nationwide discussion on climate and energy policy of the EU were observed. The debate was, however, translated to the local problems that afflict residents the most and was presented rather in the local dimension. Such an example is the discussion in Kraków, where dust concentration in the air, which considerably exceeds standards, is a serious problem. In the case of Kraków, each of the candidates presented their proposals for solutions to the problem. Similar debates, albeit on a smaller scale (mainly due to a completely different scale of the problem), took place in several other Polish cities, e.g., in Bydgoszcz, Katowice, Poland, Piotrków Trybunalski, and Rybnik. In these cases, however, the aspect of general political solutions for security and climate was omitted; the focus was on finding solutions to local problems.

Modern (Nowoczesna), which participated in the parliamentary elections in 2015 as a new party, evaluates the package 2030 quite favorably. It avoids, however, a clear statement of its support for climate policy while highlighting the need to modernize the economy and to introduce changes in the energy sector.

From the viewpoint of the climate policy future, its public perception is also important. A tool for the diagnosis of perception of energy policy by Poles is the index of energy policy – a monthly study conducted by the Institute for Security, Energy and Climate Studies on a nationwide sample of N = 1,200 people, selected by means of CAWI. Between October 2015 and July 2016, the index of energy policy changed in the fluctuation band 47,63 and 52,20 (maximum 100). In the analyzed period, the index was fairly stable, indicating the limited social pressures for changes in energy policy. At the same time, referring to energy security increases public acceptance of government policy²⁸.

To sum up, we are observing in Poland a different perception of energy security, climate and energy policy, and climate protection than in the "old EU". This is evident both in the study of political discourse and in the attitudes of the society. The limited impact of the 2008 crisis on the economic development of Poland has led to a situation in which climate policy is not seen as a tool for economic development, but just as an expense. At the same time the increasing segmentation of European policy with the strongest countries pushing the idea of Nord Stream 2 makes political elites in Poland more eagerly believe that climate policy is not only about climate protection. Such belief is com-

²⁸ Research Report – Energy Policy Index 10.2015-6.2016 – ISECS 2016.

pounded by the weakness of European institutions, such as the European Commission and the European Parliament, which have difficulty in balancing particularistic interests among the strongest states. Society sets its relationship to climate and energy policy through measurable, present costs. Some actions reducing CO₂ emissions, however, do find social support, e.g., energy efficiency and improving air quality are included in the manifestos of political parties.

5 Portugal and the European Crisis. Climate Policy in Times of Austerity

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Europe is in crisis. This crisis is multivariate: an economic crisis, with differential rates of growth across the Union, a social crisis, with rise in youth unemployment and a sharp increase in some countries of poverty rates, and a financial crisis, with both governmental budgets and banking institutions under severe strain. All of these lead to a governance crisis and to what has been labelled an “existential crisis” for Europe by none other than the current President of the European Council.

The crisis has common threads across Europe, but perhaps its most salient fact is its differentiated effect on different populations across Europe and the inability by the European polity to forge a common understanding across borders. When reflecting on the Portuguese experience, it is therefore important to understand that Portugal, while sharing many of the common challenges of deficit-prone countries in the southern part of the continent, has its own history, which is significantly different from even that of Spain, let alone Greece or Ireland. Knowledge of the specificity of each country’s situation is key to understanding in which way Europe could find avenues out of the crisis. It is doubtful that the complexity of these multiple crises may be met with a simple set of solutions.

Portugal: when did it all go wrong?

By the turn of the century, Portugal and the Portuguese could be proud of their achievements. Portugal went through wrenching change in the 1970s, when the longest-ever dictatorial regime in Europe was replaced over a turbulent period by a liberal democracy that managed, twelve years later, to join the European Union. Over those same years, beyond solidifying a democracy, Portugal managed to decolonise the remains of its possessions in Africa, taking in the process of two years more than 10% of Portuguese and African “retornados”, most of them with little assets, and successfully integrating them into the Portuguese society (by comparison, the corresponding figure in Germany today would be about 10 million). Socially, the milestones achieved by Portugal in the 25 years from 1974 to 1999 were even more impressive: achieving at last universal education, instituting compulsory 12-year education, achieving universal literacy, and growing economically at far greater average rates than the rest of Europe. This period was not without its crises. In fact, Portugal had to ask twice for support from the IMF, in 1976 and 1982, but since then and until 1999, the rigorous pursuit of a “crawling peg” devaluation policy led to maintaining an internationally competitive position in its main export industries. While not an Irish Celtic tiger, Portugal was surely catching up with the rest of Western Europe. Socially and psychologically, this catching-up process is important. With the loss of the Empire, the new regime made a conscious choice for Europe (in 1976, one of the main posters illustrated the strength of this choice with one logo (the Socialist Party) and a single sentence: “a Europa conosco”, or “Europe with us”).



Serious intellectual discussion in the late 1970s pitted a “European” middle ground of liberal democratic parties (the Socialists, the Social Democrats and the Christian Democrats) against others on the left who would have preferred that Portugal head a pro-third world movement of non-aligned countries. As with what would have happened two decades later in Eastern Europe, the European Economic Community was then assumed to be Portugal’s “natural home” even though Portugal would remain peripheral within Western Europe. By 1999, therefore, and after 13 years of European integration, Portugal was well on its way to achieve many of the development milestones that it had aspired to: a social safety network in health and pension systems, educational attainment on a par with others in Europe, and income levels not too far from those experienced in Western Europe.

Around 1999, the process of “real convergence” stopped. With hindsight, it is now clear that the main reason for this stop was the establishment of the common currency. Throughout the growth period, Portugal had progressively and gradually opened up its economy (still a closed economy by many standards), but the capital-poor country needed to receive inflows of capital from abroad. For many years, these inflows of capital (mainly remittances from emigrants and EC development funds) put pressure on the external balance of Portugal and on internal demand, which was managed through devaluing the “escudo”. To this day, there are questions as to whether this economic model could be sustained in the longer-term. What it implies now is that moving into the Eurozone and losing both the exchange rate and the monetary policy levers would result in a fundamental change in the conditions for economic policy. The effect of the euro was more or less immediate, with interest rates now set by the common European banking system. Credit conditions were seriously eased for the Portuguese population and a mini-boom in credit ensued, consumption escalated, and so did external imbalances. As long as the foreign credit would prop up demand, the Portuguese population would not feel the pinch. However, what had been good for credit conditions, was not inherently good for the economic capacity of the tradable goods sectors in Portugal. With its goods now valued at euros, Portuguese industry slowly but surely lost competitiveness to its European competitors. As wage costs escalated and buoyed consumption, Portugal began having issues of loss of export markets, lower generation of employment, and greater external imbalances. Inevitably, GDP growth rates started coming down.

From stagnation to depression: crisis struck

Finally, in 2011, the fiction that supported the Portuguese economy ended abruptly. External credit, which had previously been dismissive of the many warning signs throughout the “lost decade” of 2000-2010, suddenly woke up to the significant fact that Portuguese public and private debt were escalating which could have an impact on the solvability of the economy and of the government. Fur-

thermore, the working assumption for many in the bond markets that government balances were jointly guaranteed across Europe was clearly challenged by those countries that did not have fiscal imbalances (and which had gained in fact the most from the existing alignment of costs across Europe, in terms of their competitive position). It is important to note that in taking such a hard position, such governments felt morally justified by the wrenching pill some of them had taken in terms of labour market and other types of reforms. Southerners caught in the position of potential debtors were seen as not having done the adequate structural reforms in the fat years of easy credit. The prevailing view seemed to be that these countries should purge themselves of these imbalances. An example of the tone used that stuck in many Portuguese minds was Angela Merkel's speech in her federal German election campaign in which she attributed the Portuguese situation to longer vacations and a bloated pension system (due to early retirement). In actual fact, at the time Portugal already had one of the longest working hours in Western Europe and average paid leave provisions. What it also had was one of the lowest labour productivity records, due to chronic shortage in capital, including human capital. It was, after all, a relatively underdeveloped country in the European context. This morality play was particularly forceful in the first few years of the Euro crisis and tinges to this date both Portuguese self-perceptions and perceptions of the others in Europe.

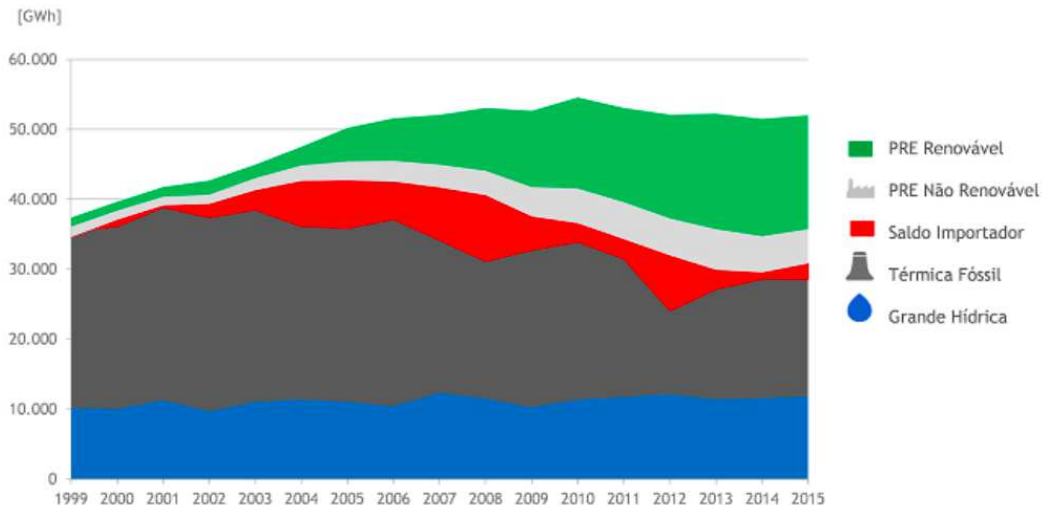
The troika cometh

More importantly, this perception infused the policy prescriptions of the “troika” programme of economic and financial assistance. At the height of the crisis, the Portuguese financial situation was dire – interest rates on Portuguese debt were accelerating and the country was finding it impossible to access credit markets. Eventually, it had to resort to international assistance, provided by a trio of institutions: the ECB, the European Commission and the IMF. While the prescription was standard, amounting to calls for further liberalisation of product and services markets in Portugal and reforms in social security and social programmes, what was not standard was the detailed enunciation of the required reforms, extending way beyond the normal field of action of such institutions. And while there was much to be lauded in the concreteness of the tasks assigned to the Portuguese side – they read in fact like a government programme- it is questionable whether these institutions had the required time and expertise to conduct such a thorough assessment of the Portuguese political and economic shortcomings. The detailed document ventured into fields such as energy policy with prescriptions that amounted to a new government programme. In the case of energy, these mostly included granting more independence to the energy regulator and curtailing so-called “excessive rents” brought about by overly generous feed-in tariffs. As the analysis of the Portuguese situation was in some respects flawed or one-sided, it is no wonder that the assessment of the “troika” programme has been mixed. Most importantly for the focus of this paper, what became apparent with the “troika” approach was the immediate subordination of energy and climate policy to near-term financial sustainability goals, without consideration for the impact on global climate change, on European climate energy policy, or on a Portuguese strategy for climate and energy policy.

Portuguese climate and energy policy: a progressive country in the South, or the “little country that could”

Throughout the lost decade of 2000-2010, one aspect of the Portuguese economy literally stands out: the massive investment in solar and especially wind energy that took place in those years and which is reflected in the landscape as you roam the somewhat deserted highways North of Lisbon. In the mid-2000's, Portugal, a small country, was placed third in the level of investment in wind energy.

If nothing else, that investment has paid off in terms of electricity generation. For the last three years, Portugal has more than 50% of its generation coming from either wind, solar (in green in the chart below), or hydro (in blue). In March this year, Portugal managed to go four days without use of any of its fossil fuel generation.



This build-up of wind and solar capacity could be portrayed either in a negative light, as many who supported the “troika” prescriptions chose to do, as a gold-plated policy ill-suited to the financial situation of the country, or in a more positive light as a way to build know-how, technological capacity, and R&D, including export capacity and change the economic profile of the country from an international supplier of low-tech products to a more diversified and resilient economy.

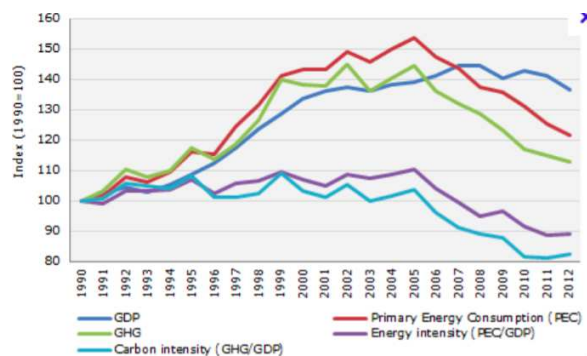
The focus of the governments throughout the 2000s was essentially on building that capacity. In the process, government funding was heavily involved in providing incentives through the feed-in tariff system to independent producers. However, in a capital- and technology-short country, this led to developers having to resort to assistance from the financial sector. In turn, the financial sector, always wary of lending to new activities, extracted their price. As credit conditions were buoyant, it would take assurances of high profitability to move the financial sector to support such ventures. It is no wonder therefore that the early projects were indeed financed at relatively high, premium feed-in tariffs. Over the coming years, governments would change the structure of the FIT, adjusting it to better reflect capital costs and, more importantly, reserve a significant amount of feed-in capacity to a cluster of companies so as to build a home-grown manufacturing and export capacity in wind power.

So the most direct impact the crisis has had on Portuguese climate and energy policy is to rein in the ambitions of those that would want to go much further in the deployment of renewable energy. While Portugal did not commit the excesses of Spain (which suspended altogether payments and FIT contracts to both new and old ventures), there has clearly been a freezing of new activity. This reflects essentially both the macroeconomic uncertainty and specifically the freeze on new on-grid contracts. While this was not mandated, it was a consequence from the fiscal retrenching required for meeting the budgetary goals. At the same time, the troika programme, with all its flaws, has led to soul-searching and efficiency improvements in the industry which probably would not have been sought otherwise. But the narrative that was construed to support the troika – that of excessive payments, of fortunes made in renewable energy, of hidden costs and commitments made to such producers (with little regard for some obvious subsidies to fossil fuel producers) – is likely to stick in the public mind for years.

Climate and energy policy – an opportunity for Europe

Today, Portugal is no longer naïve about Europe. The very high ratings of Europe in Portuguese eyes have come down with the crisis. While not Eurosceptic, and in fact feeling more than ever Euro-dependent, if not Europe-dependent, most Portuguese see the relationship with European institutions and governments in a much more transactional way. Tied as Portugal is to the fate of the euro, there is a raging discussion about the viability of Portugal staying within the strict dictum of German-oriented policy inside the Eurozone. Regardless of what one thinks about the desirable outcome of the situation of the Eurozone, what is startling is the very national nature of the debate. The Portuguese debate is no longer about the effects on Europe from Portugal leaving the euro, or on the overall viability of the European project vis-à-vis all of the challenges that Europe is facing – this perfect storm of refugees, Syrian war, terrorism, and financial collapse. Instead, the dire situation in Portugal focuses minds right now on the actuarial cost-benefit calculation of such decision from the viewpoint of Portugal alone. While understandable, and in fact, the mirror image of debates elsewhere in Europe, especially in creditor countries, this “nationalised” debate is fairly sterile and will achieve nothing in terms of longer-term viability of Portugal, Germany, and Europe. What would be needed in this context is a way to think collectively across the continent and fight the misconceptions and prejudices that abound – those of Portuguese laziness, of German righteousness and heavy-handedness, and of Greece delinquency.

Portugal's contribution to European climate policy is to an extent greater than its geographical position and size would imply. Portugal has been, since 2004-2005, a proponent of fairly aggressive climate policy goals, aligning itself with the more progressive positions, for example on reform of the EU ETS, and being a founding member of the Green Growth Group. Internally, Portugal demonstrates through its track record the ability to cope with substantial policy and governance challenges and yet achieve significant results in emission reductions and energy transition.



Rendering Europe viable again in the eyes of the European citizen would require making plain the commonality of purpose across Europe. In that regard, climate remains, despite the crisis, a key common thread of progressive thinking about Europe. In climate and energy policy, the complementarity of resources, expertise, and knowledge across Europe, from Portuguese wind and solar to Polish biomass to Nordic hydro, should make the case for a push in energy infrastructure and true market reform -one of the pillars of a renewed European impetus. While climate and energy do not by themselves address the core issues at the root of the European crisis, deeper understanding of each country's specific circumstances and potential contributions would surely go a long way to overcoming the crisis.

6 The UK Referendum

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What does the UK referendum result mean for climate change policy in Europe? There are two ways of looking at this question: a straightforward analysis of the direct policy implications, and a more far-reaching attempt to divine some of the patterns in the UK electorate's choice, and what it means for how decisions are taken in European polities.

Because the UK is, and remains, clearly a European country, and a European polity. One of the leaders of the "Leave" side of the referendum campaign, Boris Johnson, now the UK's Foreign Secretary, stressed this in a newspaper article on the day after the result²⁹. And I am writing this on my way back from a holiday in the US, an experience which always reminds every British citizen how much more they have in common, culturally, with the other 27 members of the European Union than with the US. Every European country has its own specific political system and discourse, but variations of the same currents run through all of them. The reactions and prejudices – distrust of policy-making elites, distrust of people "telling us what to do", and a willingness to ignore the advice of "experts" - which appear to underpin the UK "Leave" majority are relevant across the rest of the EU, and may be increasingly relevant over the years ahead. They look likely to create more problems for climate mitigation efforts across the EU than the direct, technocratic, policy challenges a UK departure creates.

But let us start, first, with the direct implications. These remain difficult to identify with precision, since we still do not know how, or when, the UK will leave the EU, or what its future relationship will be³⁰. But broadly, the UK's choices for its future relationship are to accept the bulk of European legislation on the environment and the single market, and retain access to the European market into which UK businesses are tightly bound; or to "take back control", in the words of the Leave campaign, at the expense of a significant economic rupture. The impacts of these options are both technical – in terms of the mechanics of how EU climate legislation operates – and political, both in terms of the balance of attitudes within the remaining EU-27, and the approach adopted by the UK in future.

The technical challenges are significant. The simplest, but by no means straightforward, will be to determine the respective shares of the EU's Paris Agreement Nationally-Determined Contribution of a 40% reduction in GHG emissions (compared to 1990 levels) by 2030. The UK's share of that target, based on its share of Emissions Trading System allowances and auction revenues, and on its proposed target under the new Effort Sharing Regulation, would have been a steeper reduction than 40%; however, the default assumption should be that the UNFCCC commitments of the EU and its Member States are for a 40% reduction, so the UK and the remaining EU-27 will both have a 40% reduction target.

²⁹ "Britain is part of Europe – and always will be"; article in the Sunday Telegraph, 26 June 2016. The self-evident inconsistencies in the article were one of the reasons Johnson's campaign to become Conservative leader never got off the ground, although did not prevent his subsequent appointment as Foreign Secretary.

³⁰ My temptation throughout this essay will be to rail against the extraordinary absence both of any Leave campaign plan for the UK's future, and of any UK government contingency plan for the event of Leave vote. I will try to resist both that temptation, and the temptation to pretend that, somehow, sanity can still prevail, and the self-evidently suboptimal hooliganism of a UK departure can be avoided.

There has always been a strong justification for the EU, as an integrated economy and market, having the flexibility to deliver its collective climate change commitments collectively. While there was considerable distrust of the so-called “EU bubble” during the negotiations that led to the Kyoto Protocol (why, as other economies asked, should Portugal, for example, be able to increase its emissions significantly, by relying on mitigation efforts in other EU countries, when other OECD economies are required to reduce their emissions?), but has become an accepted part of the Paris Agreement. The existence of the EU’s Emissions Trading Scheme as a genuinely European system covering the major polluting installations across the EU makes it difficult to envisage how individual country commitments would now be implemented.

One consequence of collective delivery, however, is that additional mitigation effort by individual countries and even individual communities and households can be effectively lost in what some observers have called a “waterbed effect” – if emissions are reduced more than expected in one area of the economy, it simply creates more room for greater emissions than expected elsewhere. This is an under-publicised aspect of EU mechanisms for climate mitigation, but potentially vulnerable to significant public disenchantment, and needs to be addressed.

EU ETS impacts

The implications for the Emissions Trading System itself are more complicated. Since the disappearance of National Allocation Plans in Phase III of the ETS, the system for the allocation of allowances and distribution of revenues from their sale has been, effectively, a European one, with limited vestiges of Member State control. Extracting the installations, emissions, and allowances of a single Member State from a market where allowances do not distinguish between countries, or years, is not administratively simple, or even necessarily possible. While it is likely that the UK (historically an enthusiastic proponent of the carbon market) will wish to continue to be part of the wider European carbon market, there will clearly be some important hurdles to overcome. Either the UK will participate in the ETS along the lines of Norway’s current engagement – accepting the EU legislation without being able to influence it, which would be difficult to equate with the “taking back control” that leaving the EU was supposed to deliver; or it would (on the model of Switzerland, or other linked trading systems) it would need to set up an entirely new UK trading system to link to the ETS. From the point of view of the EU-27, it will be important to maintain the stringency of the EU ETS – ultimately, given the fungibility of allowances, it may be necessary simply to top-slice the carbon value of outstanding allowances, and reduce future ETS caps, by a percentage that reflects the share of UK installations in the total emissions of the system.

Climate mitigation politics

So much for the mechanics – which are, potentially, complicated enough to keep officials busy for rather longer than the 2 years of an article 50 negotiation. What of the implications for climate mitigation politics?

As with the implications for environmental legislation more widely, my assumptions are gloomy. One of the triumphs of EU policymaking has been the demonstration that it is possible for countries to act together to deliver levels of environmental ambition which – although they prove to be popular with electorates – are more difficult for countries acting on their own to achieve. That higher level of ambition is made possible because the immediate risks to each country’s relative competitiveness are reduced if all countries aim for the same standards at the same time, or, at least, move in the same direction at the same time. To the extent that the UK is able to adopt different levels of environmental

protection, it will be at risk of deregulatory voices in the Conservative Party and to its right in the UK Independence Party insisting that it should reduce “regulatory burdens” (or environmental ambition) in order to reduce costs for business and improve competitiveness. While UK environment ministers have been keen to stress that environmental ambition will not be reduced, we have not seen that commitment tested by the likely economic downturn that is expected to follow a sharp drop in investment and new construction projects in 2017; and “environmental ambition” is in any case not the same as a commitment to environmental delivery. The EU provides an imperfect but effective framework of enforcement, ensuring that Member States, over time, live up to the legislation they have agreed. No similar mechanism will apply to the UK, unless, as seems increasingly unlikely, it becomes part of the European Economic Area. Domestic mechanisms for ensuring delivery exist in climate policy, but they are in practice untested; and similar mechanisms do not exist in other areas, beyond the option of recourse to the domestic courts. However, the UK political system provides considerable latitude to governments with a parliamentary majority simply to adopt new, and more convenient, legislation in the event of defeat in the courts.

As far as climate change is concerned, I expect this pattern of weaker enforcement to be repeated. The current Government has, encouragingly, maintained the climate targets implied by the UK’s Climate Change Act, despite the high numbers of climate sceptics (or – an important sub-category – mitigation sceptics³¹) in Conservative Party ranks, particularly among those who campaigned for a Leave vote. However, the likelihood of real action being taken to enable those targets to be met seems to me to be significantly smaller. The UK had already gutted much of its once ambitious arsenal of instruments to encourage decarbonisation and incentivise investment in renewable energy (including through the Orwellian decision to impose the Climate Change Levy on renewable energy); and many observers³² consider it unlikely that any replacements will generate the incentives necessary to drive early investment in low-carbon technology, at a rate consistent with a least-cost trajectory for meeting the long-term climate change targets.

And, as the UK reduces its practical commitment to delivery of decarbonisation, so there is a risk that the EU-27 will themselves be less ambitious. The UK has been a consistent voice for more overall climate ambition, both in European Council discussions on EU targets, in detailed discussions on cap-setting and allowance allocation in the Emissions Trading System, and in its approach to inclusion of land use change in the 2030 targets. Removing a large, pro-mitigation Member State from the EU’s process increases the relative weight of those Member States, like the Visegrad group, which insist on retaining carbon sources of energy, argue against ambitious targets and caps, and stress the cost implications for businesses and consumers; and it becomes more likely that blocking minorities can be formed against ambition, and that European Council discussions will become even more fraught.

However, there are more optimistic possibilities. While the UK has been a voice for ambition, it has not always been willing to agree to the European policies and constraints which could make mitigation achievable, and has over the years fought against many important supporting elements of climate mitigation policy, with greater or lesser success. Brexit thus could spell new hope, then, for more effective mechanisms beneath the EU mitigation targets that the UK would not have accepted,

³¹ in other words, those who have reluctantly come to accept the reality of anthropogenic climate change, but argue that the costs of mitigation outweigh the costs of allowing climate change to happen and adapting to the consequences

³² See, for a summary, the House of Commons Energy and Climate Change Committee’s report “The energy revolution and future challenges for UK energy and climate change policy”, Third report of session 2016-17, available at <http://www.publications.parliament.uk/pa/cm201617/cmselect/cmenergy/705/705.pdf>

including (a vitally important driver) binding Member State targets for a trajectory of investment in renewable energy; the potential for fiscal instruments, including carbon taxes, to reinforce or even replace the ETS price signal; more demanding requirements on energy efficiency; and so on. These are opportunities which the climate movement in the EU27 should seize.

The lessons from Referendum campaign politics

Finally, what does the nature of the campaign fought in the UK, and of similar campaigns like the recent Dutch referendum on the Ukraine association agreement, tell us about the nature of European politics today? Before starting on this subject, I should confess that I am probably still too angry, and still too much in denial, about the referendum result to be objective. But the implications for climate politics of what has been called a “post-truth politics”; of the treatment of expert opinion; and of the generational disparity in voting patterns, seem serious to me.

A cynic might argue that we have always lived in a world of “Post-Truth Politics”. The nature of an adversarial political system is that candidates construct a version of reality which fits their own political approach. And those who, like me, find themselves on the losing side of a hard-fought political campaign are naturally pre-disposed to think that the truth was smothered in a blanket of misinformation. We all suffer from cognitive biases. However, while both sides in the campaign were guilty of exaggeration, only one side was willing to repeat outright untruths on their election posters and leaflets³³; and it was telling that the “Leave” campaign groups did not bother with a fact-checking operation to test the accuracy of what the “Remain” campaign was saying. Some “Leave” campaign politicians may have willed themselves to believe what they were saying; others clearly did not regard truth and accuracy as relevant considerations.

Each country has its own political culture, but similar influences are at work in all democracies. It is demonstrable that more voters have access to a wider range of opinion, and a wider range of information presented as factual, than in previous decades; and electorates are unlikely to respond to this by allocating more of their time diligently sifting the information available to them and weighing the arguments and evidence. Instead, there appears to be evidence that social media users, whether intentionally or not, are exposed mainly to information which is pre-sorted into like-minded sources. The same pattern is, arguably, playing out in the print media, as papers and their online presences try to secure loyalty from their core markets. And formerly trusted arbitrators of public discourse, such as public sector broadcasters like the BBC, find themselves increasingly nervous about entering into the fray by identifying untruths, and instead limit themselves to reporting the two extremes of the debate. While there are divergent voices, there are growing concerns about the impact of social media on polarisation of political discourse.

This may be linked to, but is in any case happening alongside, a growing sense that electorates increasingly distrust both their governments, and the networks of policymakers around them³⁴. One of the more startling events of the campaign was the statement by a leading pro-Leave Conservative politician (and subsequent candidate for the Conservative party leadership) Michael Gove, respond-

³³ The most notorious of which was the statement that the UK’s EU contribution (inflated by ignoring the UK’s rebate) would be available for spending on the National Health Service; although the claim that Turkey was imminently to join the EU and that the UK had no veto on the matter was also highly effective.

³⁴ To declare an obvious interest here, these are networks of which former civil servants (as I was) and thinktank policy analysts (as I now am) clearly form part.

ing to the consensus view among economists of the negative impact on growth of a Leave outcome, that “people in this country have had enough of experts”³⁵.

Finally, while differences in voting by age category are nothing new, they have been growing sharper in UK general elections, and were even more stark in the referendum results. While voters aged over 65 are estimated to have voted by 60% to leave, the 18-24 age group voted by an extraordinary 73% to remain in the EU. Given that younger voters have a much greater stake in the future impacts of the different scenarios, and particularly in the impact on a sustainable economy, the emergence of a result that ignores their preferences creates new tensions.

All three of these issues – a polarisation of political views; distrust of governments and “experts”; and sharp generational divides in terms of opinions and interests – are problematic for climate action, and we need urgently to identify ways of responding to them. Climate policy involves a long time-lag between mitigation action now and the benefits in terms of reduced climate impacts in future decades. It means – and we tend not to say this too loudly – that the crude cost-benefit calculation for current voters, and particularly for those of retirement age in current generations, are much less compelling than for the young and for future generations. The economics of the groundbreaking Stern review rested on a moral choice about valuing the interests of future generations.

We are also heavily dependent on people believing experts. This is, to some extent, true for the relatively straightforward proof of a link between carbon emissions and warming – a case which, sadly, should become easier and easier to make as the data and the extreme weather events mount. But more importantly, it is needed for us to work our way through the hugely complex societal choices that deep and rapid decarbonisation requires. To explain to land managers that yes, they really do need to take action, even action which has short-term costs for them, and no, we can’t rely on “heavy industry” and “government” to make the cuts. To gain agreement to the radical changes in how we fuel our transport that will be needed. And to gain acceptance for the carbon costs that will need to be added to the carbon-intensity of our consumption.

And we need trust in governments, too. Ultimately, meeting our mitigation targets cannot be achieved through bottom-up initiatives from businesses, citizens and communities alone, but requires significant elements of top-down control, through carbon price mechanisms like cap and trade systems and carbon taxes, and through stringent targets for decarbonisation of our energy supply. Indeed, it is this very dependence on government action to tackle the problem of climate change that means that many on the right of politics – particularly in the US, but also in governing parties in the UK and other EU countries – are tempted to downplay the urgency of action, or to cast doubt on the science³⁶.

This probably hasn’t been a cheerful read – although, please trust me, I was much more gloomy and depressed on June 24. There aren’t any simple answers to these problems. They will continue to be challenging for governments with a responsible approach to mitigation; and they will continue to be a temptation for demagogues, and to some sincere but wrong-headed politicians. So action at European level has to continue to build on the insight that collective action on environmental issues enables us to overcome short-term concerns over competitiveness to make the sustainable long-term choices which are not just economically rational, but are in line with what societies say that they

³⁵ “Britain has had enough of experts, says Gove”, Financial Times, 3 June 2016.

³⁶ We all, as I say, have our cognitive biases, and I know that I find it easier to accept the right answers on climate policy because I am predisposed to find collective societal responses to shared problems an exciting, rather than a threatening phenomenon. The fact that I am right on this doesn’t mean that I am not also biased.

want. And we need to redouble our efforts to encourage citizen participation in decision-making on climate change, to secure a greater sense of ownership and agency.

Maybe we also need to make climate action an act of rebellion at least as much as an act of compliance. The existence of the top-down mechanisms we need, like the ETS and the effort sharing decision, can mean that individual or local community action on climate change doesn't have as measurable an impact on solving the problem as it should. Reducing electricity consumption simply means that someone else can use the carbon emissions under the ETS cap at a lower price – it doesn't reduce the cap. Cutting back on car use may simply make it easier for a Member State to meet its targets – but not deliver a reduction in those targets. Maybe, as part of a deep dialogue with communities about the challenges and choices involved in decarbonisation, governments should offer a deal: where communities or individuals can demonstrate that they are making additional mitigation efforts which go further, and faster, than the rest of society, they can be given the carbon they save, in tradeable form. Then they either choose to sell those allowances, to finance local investment. Or they can choose to cancel them, taking them off the market permanently, and delivering a permanent, additional, reduction in GHGs. As we look for mechanisms to increase the ambition in Europe's targets as part of the Paris Agreement process, maybe we should make room for one that creates agency and control for individuals and local communities.