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# Climate Obstruction in the European Union

## *Business Coalitions and the Technocracy of Delay*

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### **INTRODUCTION: BUSINESS EFFORTS TO PREVENT EUROPEAN CLIMATE PROTECTION POLICIES**

‘This is Europe’s man on the moon moment’.<sup>1</sup> With much fanfare, European Commission President Ursula von der Leyen announced the European Green Deal (EGD) on 11 December 2019. The EGD is a major political project that aims to achieve climate neutrality by 2050. Although the analogy to the moon landing is hyperbolic, the EGD does represent an attempt to significantly upgrade climate and environmental policy within the European Union. These are highly contested policy arenas in the European Union, and the achievement of the goals stipulated in the EGD, such as a 55% reduction in greenhouse gases (GHG) by 2030 compared with 1990, is by no means a foregone conclusion.

The European Union has gained increasing influence in setting climate policy. Its power to determine the general orientation of the integrated body and its weight in multilevel negotiations and decision-making gives the European Union a privileged role in the climate policies of the individual member states—and these processes, too, are contested. Unlike in

the United States or Australia, the opposition to ambitious climate policy in the EU arena does not feature influential climate denial networks openly opposed to any form of climate policy regulation. Rather, the main policy obstructors in the European Union are large companies and business associations with a strong vested interest in the fossil economy and neoliberal or conservative think tanks. As such, climate obstruction efforts in the European Union are shaped mainly by efforts to sow doubt about specific climate policy measures and by strategies to weaken their level of ambition. This is what Ekberg and colleagues refer to as ‘secondary obstruction’, which ‘includes all those calls which do not deny the human-induced nature of the climate crisis (science), but nevertheless delay or forestall meaningful climate action’.<sup>2</sup> We count it as obstruction when actors attempt to delay or otherwise shape climate policy in ways that undermine efforts to keep global warming below 1.5°C. Such efforts include, among other things, shirking responsibility, advocating non-transformative solutions, defending the fossil fuel status quo, and climate policy nihilism.<sup>3</sup>

Interest groups logically pursue their own interests and those of the members they represent. However, groups that are interested in long-term, good-faith relationships with politicians also need to accept defeat if competing interests prevail and be ready to compromise and adjust. Climate obstruction, however, frequently involves bad-faith efforts to push back climate policy goals in favour of other goals, such as profit or otherwise narrow objectives, by claiming adherence to the goals of the Paris Agreement but nevertheless engaging in a range of frequently difficult to recognize efforts to block ambitious policy.

The limited appeal of denialism at the EU level is due mostly to the fact that the European integration process is quite technocratic and elite driven, geared primarily toward the establishment or completion of a single European market and Economic and Monetary Union (EMU). European environmental and climate policy approaches, in turn, have supported regulatory cohesion and are strongly oriented toward the guiding principle of ecological modernization (i.e. a depoliticized approach that puts technological innovation and market-based approaches at its centre<sup>4</sup>), albeit not exclusively. The limited European public sphere also does not lend itself easily to the type of tabloid press style campaigns known best in the Anglosphere, and Brexit (the United Kingdom’s disengagement from the European Union) considerably weakened the political forces in the European Union that do promote climate change denial.

Regardless of the low profile of radical denialism in EU climate politics, climate policy obstruction remains a serious obstacle on the European ‘road to Paris’. The European Union depends on its member

states to secure and police implementation of treaties. While the European Union can put pressure on member states in the case of non-compliance, this process takes time and thus becomes yet another delay mechanism.

## A SHORT HISTORY OF THE EUROPEAN INTEGRATION CONTEXT OF CLIMATE POLICY

The history of European integration was strongly influenced by both the ideas of German economists from the 'ordoliberal' school, such as Walter Eucken, who opposes state interventionism, and by more state planning-oriented perspectives prevalent in France in the 1950s (such as those articulated by Jean Monnet). While economic liberalization steps were pursued rather cautiously in Europe until the 1980s, the economic liberalization agenda gained momentum with the introduction of the European Monetary System (EMS) in 1979. In the 1980s and 1990s, the European community took numerous steps to facilitate a European EMU, culminating in the plan to complete the single market (via the Single European Act of 1986) and the introduction of the euro as a common currency in 1999. Over time, the balance of power between the neoliberal and regulatory-minded forces shifted in favour of the former.<sup>5</sup>

Until today, the aim to complete the single market is a common narrative used to enforce liberalization and market-based policies in the European Union. Within the European multilevel governance system, the distribution of regulatory responsibilities and the geographical scale of action are always contested. While the European Commission (EC) and the majorities in the European Parliament (EP) usually try to shift responsibilities to the European level, the European Council (EURO), composed of the heads of government of the member states and the president of the EC, frequently try to preserve national sovereignty (Box 13.1).

As a result, climate policy in the European Union is characterized by a tension between the scalar dimension (i.e. the question of which responsibilities and obligations are located at which governance level) and the substance of proposals. The level of climate policy ambition and orientation are typically contested within the EP as well as the EURO and EC. Accordingly, lobbying activities are directed at both the European institutions and national governments, the latter of which can exert significant influence through the EURO.<sup>6</sup> This approach was crucial in, for example, the negotiation of the European Green Taxonomy for Sustainable Investments (Green

## Box 13.1 KEY INSTITUTIONS OF THE EUROPEAN UNION

### THE INSTITUTIONS OF THE EUROPEAN UNION

#### The European Commission

is the EU's executive branch, responsible for proposing and implementing EU laws and policies. It holds considerable powers, including the authority to initiate legislation, negotiate international agreements on behalf of the EU, and enforce EU laws.

#### European Parliament

is the EU's directly elected legislative body. It has the ability to pass laws, approve the EU budget, and exercise democratic oversight over other EU institutions. However, it cannot initiate its own legislative proposals.

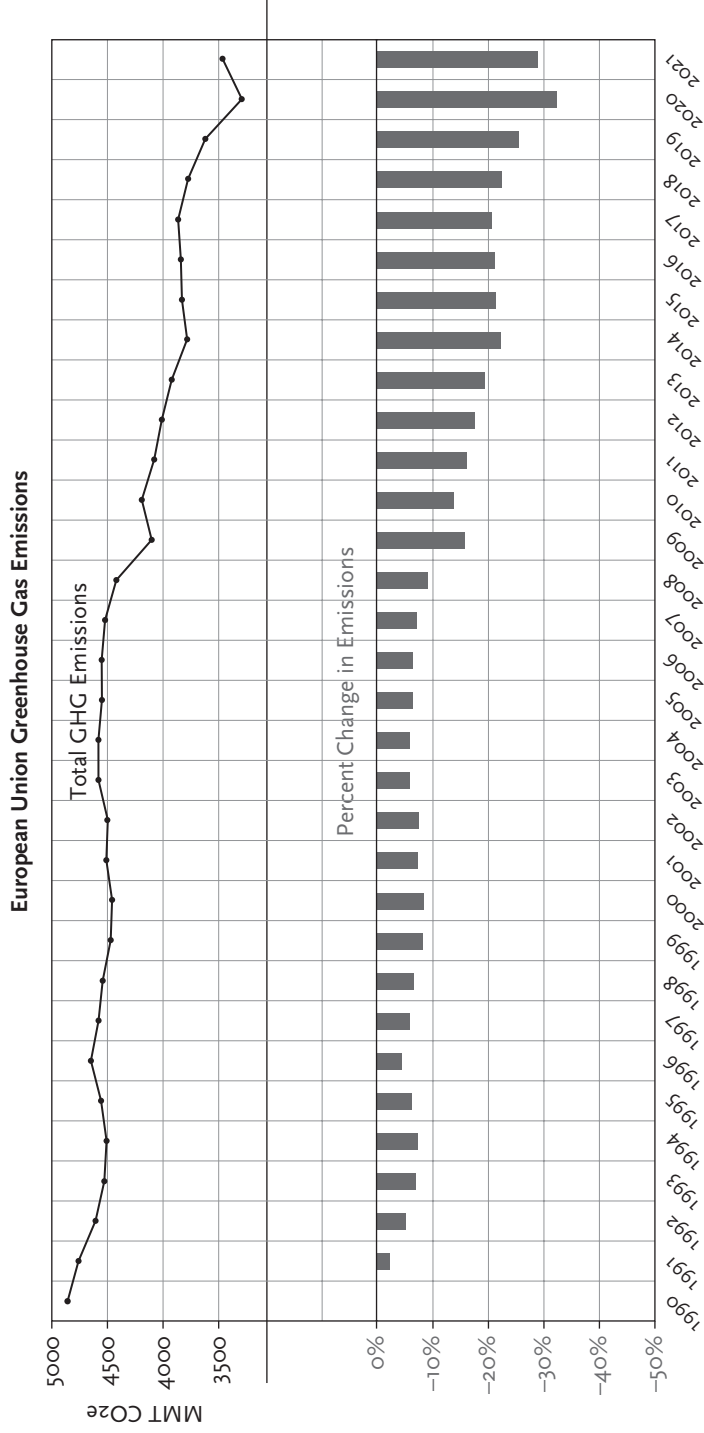
#### The Council of the European Union

represents the Member States' governments. It shares legislative power with the European Parliament, with the ability to adopt EU laws, coordinate policies, and make important decisions on various EU matters, including foreign policy and economic coordination.

Taxonomy, discussed later) and in resolving disputes over the ban on internal combustion engines after 2035, which the German government refused to accept in 2023.

To create the least distorted competition possible in the single European market, the idea goes, European competition law needs to be developed in such a way that market interventions on a national level may only be made in case of an overriding European interest. An example of such an interest could be meeting binding targets in the fields of energy and climate policy. Nevertheless, climate policy approaches within the EU member states constantly exist in a state of tension with the single market, the EMU, and the corresponding competition and state aid law, which governs the provision of governmental financial support by member states to individual companies or industry sectors.<sup>7</sup>

In the meantime, however, we argue that environmental and climate policies have become central to the legitimacy of the European integration project. While the total GHG emissions within the European Union decreased overall between 1990 and 2020 (Figure 13.1), EU policies to deal with CO<sub>2</sub> emissions have risen in both number and substance. For example, environmental policy was advanced with the Amsterdam Treaty of 1997 (effective 1999), which established a duty to integrate environmental protection into all EU sectoral policies to help promote sustainable development.<sup>8</sup> The European Union has since established the precautionary



**Figure 13.1.** Total greenhouse gas (GHG) emissions (in MMT CO<sub>2e</sub>) and percentage change in emissions in the European Union between 1990 and 2021, inclusive.

Source: Total GHG emissions based on data provided by Gütschow and Pflüger (2023) for Kyoto Six Greenhouse Gas Totals.

principle (now Article 191 of the Treaty on the Functioning of the European Union [TFEU]) and required the EC to engage in preventative action to achieve a high level of environmental protection. The precautionary principle requires policymakers to delay innovations with a potential for causing harm if there is not yet sufficient scientific evidence available on its safety. Preventative action also requires the integration of environmental considerations into all European policies.

The Amsterdam Treaty also stipulated majority voting in the EC and co-decision of the EP. This so-called community method of European law-making thereby eliminates the veto power of any single EU member state, which had been a major obstacle to ambitious policymaking. Despite persistent limitations, various environmental regulations have thereby been the result of EU environmental policymaking since the late 1990s.<sup>9</sup> Over time, green parties, environmental think tanks, and social movements also became more integrated into European policymaking. Today the Commission consults nongovernmental organizations (NGOs) on a regular basis, and Green MEPs are leading members of European Parliament Committees and working groups.

Lenschow and Sprungk have argued that the goal and ‘myth of a Green Europe’ has recently been important in driving the European integration process as such. In the academic literature, the European Union is often classified as a leader in global environmental and climate policy. Indeed, in the field of climate policy, numerous goals have been defined and instruments have been developed since 1990<sup>10</sup> (Table 13.1). For example, under the Kyoto Protocol of 1997, the European Union committed itself to reducing its emissions by 8% over the period 2008–2012 compared with 1990 levels, and, as part of this goal, the EU Emission Trading System (ETS) was introduced in 2005. By 2007, the European Union had already adopted three major climate and energy policy targets: By 2020, (1) GHG emissions were to be reduced by 20%, (2) the share of renewable energy in total energy consumption was to increase to 20%, and (3) energy efficiency was to be increased by 20%. Then, in 2014, the (preliminary) climate and energy policy framework for 2030 was adopted: by then, emissions were to fall by 40%, renewables were to be expanded to 27%, and energy efficiency was to increase to 27%.

At the time, this target horizon was already being criticized by environmentalists as extremely unambitious; indeed, it was also not backed up by nationally or sectorally binding targets. The situation changed with the incoming Commission headed by von der Leyen, a German Christian Democrat, in 2019. The Commission president is elected by the EP. Due to the weakening of the conservative faction in the EP following Brexit and

**Table 13.1** EU CLIMATE TARGETS BY YEAR AND STATUS

Year adopted (and related UN climate development)	GHG emission reduction target (base year 1990)	Status
1990 (1992 UNFCCC)	Stabilization by 2000 (CO <sub>2</sub> only)	Achieved
1997–1998 (1997 Kyoto Protocol)	8% by 2008-2012	Achieved
2007 (2009 Copenhagen COP 15)	20% by 2020	32% in 2020
2009 (2009 Copenhagen COP 15)	80–95% by 2050	With the European Green Deal (EGD), by 2050 climate neutrality is the new target
2014 (2015 Paris Agreement)	40% by 2030	With the EGD and the Fit-for 55package, the target was tightened
2019 (2021 Glasgow COP 26)	Climate neutrality by 2050	Achievement very uncertain
2020 (2021 Glasgow COP 26)	55% by 2030	Achievement very uncertain

Source: Based on von Homeyer et al. 2021, p. 961, reprinted by permission of the publisher (Taylor & Francis Ltd, <http://www.tandfonline.com>).

the split of the conservative parliamentary group, von der Leyen had to woo greens and liberals to support her candidacy.<sup>11</sup> The strategy of the far right-wing groups in the EP to end centrist cooperation between conservatives and social democrats ultimately achieved the opposite: the EC moved to the left, which allowed for more ambitious European climate policy. (The upcoming European elections are expected to strengthen the right and far right instead, which might lead to a reversal of ambitious European climate policy.)

Accordingly, much more ambitious targets were formulated as part of the EGD in 2019, namely, reaching an emissions reduction goal of between 50% and 55% by 2030 for the European Union as a whole and achieving climate neutrality by 2050.<sup>12</sup> Torres and Bongard have argued that the EGD substantially enhanced the sustainability dimension within EU economic governance: ‘the EGD may thus be regarded as a third building block in the making of the European economic model, alongside the single market and EMU, and that any crisis would therefore need to be addressed through its framework’.<sup>13</sup> In the meantime, agreement was reached on a firm CO<sub>2</sub> emissions reduction target of 55% by 2030. In July 2021, the EC then presented the ‘Fit for 55’ package, which was adopted in October 2022.<sup>14</sup> This policy package includes a variety of initiatives, directives, and reforms. Among other things, it called for the establishment of the additional EU

ETS for buildings, road transport, and fuels; the sharpening of reduction targets within the framework of fleet limits for car manufacturers; the introduction of a carbon border adjustment mechanism (CBAM) to protect European producers of energy-intensive materials (such as concrete, aluminium, steel, and fertilizers) from imports that are not subject to carbon pricing; and more ambitious regulations in the areas of energy efficiency, the circular economy, and carbon dioxide removal, all of which are necessary for achieving climate neutrality. The individual member states are also required to make a greater contribution to climate protection.

But the climate policy push has also been controversial. Opposition to many of the Fit for 55 package measures was strong among the conservative political parties and almost unanimous in the far-right parties. Jacob also reported strong support for the inclusion of nuclear energy and fossil gas in the Green Taxonomy (which classifies economic activities according to their alignment with the net zero strategy to direct investments) from several governments, a position that runs counter to the scientific recommendations of the expert group installed to develop the taxonomy.<sup>15</sup>

Based on these insights, obstruction to ambitious climate policy can thus be located in the centre-right wing of the political party spectrum on the one hand and, on the other, in specific countries dependent on fossil and nuclear paths. To characterize the opposition to ambitious climate policy more completely, we next turn the spotlight on private sector lobbies and their allies.

## CLIMATE OBSTRUCTION ACTORS IN THE EUROPEAN UNION

With each expansion of supranational negotiating and decision-making powers in Brussels, the lobbyist landscape has grown, seeking to expand the policy influence capacities of actors previously focused on relevant national jurisdictions. Scholars speak about the co-evolution of the EU political system, ‘private interest governments’,<sup>16</sup> and a new type of network governance in Europe.<sup>17</sup> And, indeed, by 2021, more than 13,300 organizations had been recorded in the European Transparency Register, an official database of organizations that try to influence the policy process of EU institutions.<sup>18</sup> Of these groups, 7,000 are business organizations and professional service firms, compared with about 1,000 trade union organizations, about 3,500 NGOs, and nearly 1,000 think tanks and academic institutions.<sup>19</sup> Observers and watchdog organizations estimate the number of lobbyists in Brussels to be around 25,000 people, working with a total budget of about €1.5 billion.<sup>20</sup> Contrary to efforts to

characterize the European Union as a bureaucratic monster, corporate and other lobbyists target only about 32,000 staff members<sup>21</sup> of the commission, the 705 EP members, and their staffs. Due to the very high number of lobbyists, Brussels has become known as the second lobbying capital of the world after Washington, DC.<sup>22</sup> Although the European political system is considered somewhat more balanced than the United States's, the business-favouring asymmetries are formidable, and counterforces from labour and environmental organizations constitute a limited counterweight even as the number of NGOs registered in Brussels continues to grow.<sup>23</sup> Besides lobbying struggles that involve competing business forces, attention also needs to be paid to competing business–civil society alliances.<sup>24</sup> In the energy field, for example, renewable energy coalitions include solar and wind energy firms and green NGOs, which confront traditional energy firms and their allies in regions that stand to lose jobs.

While the European Union claims climate leadership, individual EU countries continue to emit a high share of global GHGs. This situation is due to strong social forces committed to defending the fossil fuel status quo and to slow down the transition to carbon neutrality. To portray the power asymmetries between supporting and opposing forces in the field of European climate policy, Tobias Haas has suggested distinguishing between 'green' and 'grey' energy coalitions (see Chapter 6).<sup>25</sup> Firms and their business associations invested in fossil industries as producers or (large) energy consumers comprise the grey energy faction, as opposed to the green energy coalition, which comprises supporters of renewables and their allies and represents industry groups and social forces advocating an energy transition. In the first group, we find not only the major European (and non-European) oil, gas, and coal companies as well as utilities and related services but also car manufacturers and providers of the infrastructure services on which they rely. In the fields of agriculture and food production, there are also many corporate interests aligned with traditional energy production and the European subsidy regime associated with it. In the second group, the green coalition extends to firms strongly involved in public transport and in the ecological and social transition to a sustainable ecological and social economy.

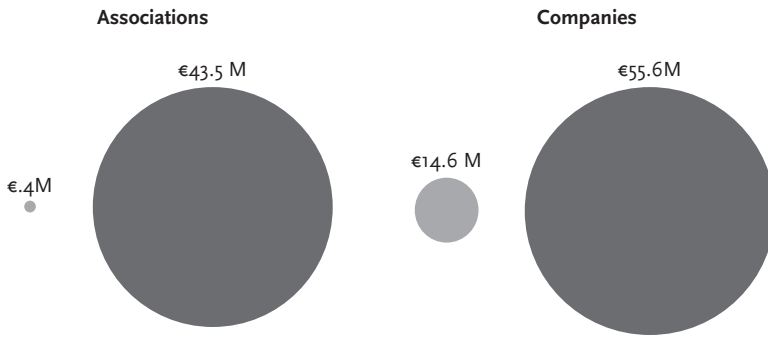
This grey–green division represents two poles. Firms that belong to the grey coalition can, of course, move in the direction of the green coalition if they decide to divest from fossil energy sources; similarly, fossil firms can also invest strategically in renewable energy, in part to co-opt the opposition, as has happened with gas companies investing in the renewables sector.<sup>26</sup> Haas has also reported on significant differences between manufacturing firms (the end consumers of energy) and utilities regarding

support for specific policy instruments.<sup>27</sup> For example, utilities have come out in support of emissions trading because they can pass higher prices on to consumers, whereas industrial-sector firms remain more sceptical toward carbon pricing. While utilities score better in terms of alignment with Paris goals due to their support for the EU ETS, they have also defended the centralized system of energy production and distribution along with fossil path dependencies in Germany, for example (see Chapter 6).

The think tank InfluenceMap has examined how corporations and industry associations in Europe engage in climate policy debates and classifies them from A (supporting the Paris Agreement) to F (not supporting the Paris Agreement). Their analysis of advocacy at the European level showed that there is a strong preponderance of organizations that do not fully support the objectives of the Paris Agreement. Only four business associations (12.1%), including WindEurope and SolarPower Europe, were classified as fully supporting the Paris climate goals, versus twenty-nine associations (87.9%) classified as C or D, which do not support many of the policies that aim to achieve the Paris goals. Among them are powerful business associations such as BusinessEurope (the umbrella organization of European industry), the European Steel Association (Eurofer), and Germany's VDA.<sup>28</sup>

In terms of corporations that engage in EU climate policy processes, the picture looks only slightly more optimistic, according to InfluenceMap. Only one company (Vestas Wind Systems) falls into its A category, and twenty-three companies rank under the B category. These firms face 60 companies (71.4%) that are not fully in support of the Paris Agreement (rated C or D). This latter group consists of corporations such as Uniper, Volkswagen, and Airbus. In fact, all companies from the automotive and mining and metal sector fall into this category, as do the bulk of energy companies. The Russian oil and gas companies Rosneft and Gazprom bring up the rear with ratings of E and F, respectively.

Adding together the lobbying staff and financial resources available (according to the incomplete information provided in the EU Transparency Register), the corporations and associations not fully aligned with the Paris goals outnumber and outspend the green coalition by far. We obtained lobbying expenditure data for most of these companies (seventy-seven out of eighty-three) and for all the associations in the green and grey coalitions. Due to data availability, we used the year 2019 as a reference point for our comparison.<sup>29</sup> We found that when it comes to climate policies at the EU level, the small number of Paris-aligned associations spent a total of €2.4 million to lobby EU institutions. This figure contrasts with the €43.5 million spent by twenty-nine associations that favour weaker



**Figure 13.2** Comparison of total lobby expenditures in 2019 for the ‘green’ and ‘grey’ alliances.

Source: Data retrieved from lobbyfacts.eu, which archives information from the EU Transparency Register. Authors’ own calculation and presentation.

EU climate protection measures (Figure 13.2). The latter associations also spent three times more, on average, for lobbying at the EU level compared with the twenty-four Paris-aligned associations.

Regarding companies, the group of less-supportive corporations spent almost four times as much on lobbying in 2019 (€55.6 million) as the more supportive firms (€14.6 million). Again, these companies also spent more on average compared with the groups in the A or B category of Paris alignment. By and large, the group of economic actors who favour a less-ambitious EU climate policy also possess substantially greater financial resources. This additional financial power translates into a superior ability to organize policy events, commission policy briefs, lobby MEPs or the commission directly, participate in public consultations, and hire contract lobbying service firms. During the Fit for 55 negotiations, for example, Mohammed Chahim, member of the EP and in charge of drafting the EP’s positions, remarked in an interview, ‘I’m spending a lot of my time countering the information from the lobby, . . . That’s what’s happened the last weeks—every element in the deal was attacked, and in my group meetings and individual meetings, I needed to counter old arguments’.<sup>30</sup>

Superior financial resources allow companies and associations to cultivate specialists to lobby on specific issues, whereas green coalition lobbyists are forced to work as generalists, covering many different topics. These resources also allow the grey coalition to pursue simultaneous advocacy across multiple channels and venues, while the green coalition must concentrate on select venues. Multinational corporations, for example, can and do pursue many different strategies to get attention for their

policy priorities: they operate public affairs departments at headquarters in their home country and at subsidiaries in other countries<sup>31</sup>; they also belong to sectoral and cross-sectoral national business associations and their federations at the European level. They have founded separate, large-company lobby groups and specialized lobbies for specific objectives such as ‘green growth’ and business-friendly sustainability perspectives. They invest in think tanks and hire consulting and law firms to conceive and run campaigns.

And they dominate the work in many of the European expert groups,<sup>32</sup> as in the case of the EU Energy Platform Industry Advisory Group. They organize events at specific venues to observe the positions and perspectives of the many actors in the climate arena and, to some extent, coordinate public affairs in various policy fields. The European Roundtable on Climate Change and Sustainable Transition, for example, was founded in 2016 to provide this function in the climate policy field. While NGOs also participate in lobbying and frequently become visible actors in the European Union, most of the time their power is limited to scandalizing the negative results of European policies, in contrast with industry’s capacity to set, advocate, and shape agendas to their advantage.<sup>33</sup> Altogether, the EU lobbying scene is far from a level playing field.<sup>34</sup>

The data compiled by InfluenceMap cover only the very large emitters and their most important associations. These include the automotive industry, which is leading the fight against higher emission standards for cars and trucks and slowing the transportation transition in general<sup>35</sup>; the airline companies and aircraft manufacturers and their trade associations, which are fighting against the taxation of kerosine<sup>36</sup>; and the gas industry and its manufacturing allies, which are leading the fight for the perpetuation of gas in the name of energy security and to serve as a transition technology until so-called green hydrogen is ready to replace fossil gas. The strategy of the oil and gas majors and many smaller groups in the sector succeeded in locking in gas dependency for a long time and thus threatens to undermine the Paris goals.

Here, the industry cleverly concentrated on infrastructure investment and was able to successfully tap into European public programmes. The European Energy Union of 2015 (an effort to further the integration of the EU energy markets), the Trans-European Networks for Energy (a policy to link EU energy infrastructures), the legislation Save Gas for a Safe Winter (passed in July 2022), and the Third Energy Package (a bundle of laws to open up national gas and electricity markets) all were designed to secure the supply and commercial viability of the fossil gas sector in Europe. The Trans-European Networks are earmarked for funding from the European regional

and structural fund, the European Union's second-largest budget after agriculture. In a major success for the European Network of Transmission System Operators for Gas (ENTSO-G), there were no less than seventy-seven gas projects included in the Trans-European Networks.<sup>37</sup>

Notably, a report by Corporate Europe Observatory published in 2017 documented the limits of the Transparency Register, finding that most of the companies involved in Trans-European Gas projects were not even registered.<sup>38</sup> In addition to their work across the gas production and supply chain and direct lobbying by energy corporations and their business associations, the industry relied heavily on PR firms FTI Consulting, Fleishman-Hillard, Weber Shandwick, Gazprom's PR firm Gplus, and others to promote their position and public image.

To more closely observe some of the lobbying strategies employed in the effort to weaken, delay, and otherwise shape European climate policy according to business priorities, we briefly examine two key pieces of climate policy legislation more closely: the European ETS and the Green Taxonomy.

## STRATEGIES OF DELAY AND TO MODERATE AMBITION

### EU ETS and CBAM

The EU ETS was introduced in 2005. The emissions-trading system employs market mechanisms<sup>39</sup> to enable the reduction of GHG emissions where this is most feasible in terms of cost efficiency. Advocates for carbon pricing via emission trading hold it to be superior to carbon taxes set directly by public authorities. However, the concept has been widely criticized for being oriented primarily toward narrow economic calculations, representing a process of commodification,<sup>40</sup> and for becoming very complex to implement as it requires detailed regulations which, in turn, require specific expert knowledge to track and enforce. The EU ETS, which was anchored via agreements under the Kyoto Protocol, was preceded in the 1990s by an attempt to introduce a CO<sub>2</sub> tax. However, the attempt failed due to the resistance of the European industrial lobby,<sup>41</sup> which initially also opposed the EU ETS, claiming industry self-regulation was a superior mechanism.

While the defensive action of European industry did not suffice to block the new policy instrument altogether, the design of the EU ETS remained under massive pressure from large parts of industry, which explains its long gestation period. Until 2021, the price for CO<sub>2</sub> was so low that it did not have any significant environmental incentive effect before the

fourth phase of ETS development (since 2021). In the first two phases (2005–2012), the allocation of allowances took place in their respective national contexts. The flexible mechanisms of the Kyoto Protocol, such as the Clean Development Mechanism (a carbon offset scheme which allows countries to finance projects that reduce GHG emissions in the Global South), combined with a substantial over-allocation of allowances, led to CO<sub>2</sub> prices falling and remaining in the single digits for years. This result was related to the fact that the Alliance of Energy Intensive Industries (AEII), which includes about fifteen associations including CEFIC (the European Chemical Industry), CEMBUREAU (the European Cement Association), EUROFER (the European Steel Industry), and Fertilizers Europe had developed and successfully invoked the concept of ‘carbon leakage’ at every phase of the negotiations.<sup>42</sup> According to Ehrenstein and Neyland, the concept refers to the risk that ‘in a globalised world, climate policy in Europe might lead to domestic producers losing market share to foreign competitors and imports from regions where emissions are not regulated’.<sup>43</sup>

In addition, the EU ETS almost exclusively covered large industrial plants, and the majority of allowances have been distributed free of charge to date. Due to the free allocation, various industrial sectors have been able to benefit from the certificate trade, generating windfall profits (i.e. non-performing income), which they would not have achieved without the EU ETS.<sup>44</sup>

Notwithstanding the industry-friendly reality of the ETS, the danger of carbon leakage has been summoned in each new round of negotiations. In some cases, studies have substantiated carbon leakage claims. In the run-up to the negotiation of the third round of the EU ETS in 2008, the cement industry commissioned the Boston Consulting Group to prepare a report, which claimed,

Based on the expected cost of production in the EU assuming the carbon cost of CO<sub>2</sub> versus the cost of producing in non-ETS countries, clinker and cement production in the EU is not competitive without free allowances allocation. As a result, the ‘wise businessman’ will prefer to relocate production to more competitive countries, this leading to production offshoring. At CO<sub>2</sub> prices above €35/t (expected for the 2013–2020 period 3) the current proposal of the Directive will lead to the complete offshoring of the cement industry. At CO<sub>2</sub> price of €25/t, more than 80% of EU clinker production will be at risk of offshoring by 2020.<sup>45</sup>

Based on such alarmist reports, the ‘carbon leakage’ myth<sup>46</sup> has been constantly renewed. Although it is difficult to prove success of individual

business studies and lobbying strategies, the CO<sub>2</sub> price only cracked the €30 mark for the first time in December 2020 (€30 was targeted when the EU ETS was introduced in 2005). Overall, it is obvious that the EU ETS so far has served mainly to protect the competitiveness of European industry. As a result, the climate policy record of the flagship of European climate policy is unimpressive: ‘Climate policy appears condemned to suffer from having the precautionary principle applied for the benefit of the economy instead of the environment’.<sup>47</sup>

Only toward the end of the third phase of the EU ETS in 2020 did prices pick up somewhat due to the introduction of the Market Stability Reserve (MSR). And with the new ambition level in the wake of the EGD (a reduction of carbon emissions by 55% by 2030 compared with 1990), the linear reduction factor (LRF) has also been increased, meaning that up to 4.2% fewer allowances will be issued each year until 2030. In addition to the increase in the LRF, the introduction of the CBAM in 2022 (scheduled to take full effect in 2026) was a second key reform project of the ETS. Addressing carbon leakage concerns, the CBAM represents a levy on imported goods produced under less stringent climate regulations outside the European Union. This levy would remove the basis for the free allocation of emission allowances.

However, large parts of European industry and neoliberal think tanks such as the Freiburg-based Centre for European Policy (CEP) see this situation differently. An alliance of thirteen associations from energy-intensive industries warned in May 2021: ‘The carbon leakage risk is more pressing than ever given the recent evolution of the carbon price reaching unprecedented values in spite of the economic impact of the COVID-19 pandemic, and considering the further increase expected in the fourth trading period’.<sup>48</sup> BusinessEurope, the umbrella organization of European industry, took the following position in November 2021:

The Carbon Border Adjustment Mechanism (CBAM) could prove to be a tool to fight carbon leakage and level the playing field. Ensuring WTO compatibility and avoiding retaliation from trading partners is key not only for CBAM sectors, but also for the EU industry as a whole. The CBAM *should not be considered as an alternative to free allowances*, but should complement them, until the mechanism has proven its ability to effectively prevent carbon leakage and level the playing field.<sup>49</sup>

The CEP also criticized the plan to abolish free allowances through the introduction of a CBAM. Referring to the concept of carbon leakage, the CEP warned: ‘The provisions on reduction of free allowances are misguided because they increase the risk to EU industry of production and emissions

being relocated to third countries (carbon leakage).<sup>50</sup> In addition, the think tank raised the issue of the growing international trade controversies: 'In view of current geopolitical tensions, the EU should base its climate policy on global cooperation instead of conflict-prone unilateral initiatives like the CBAM'.<sup>51</sup> This position resonates with one feature of discourses of delay, namely redirecting responsibility.<sup>52</sup>

In this respect, the negotiations of the EU ETS and the introduction of the CBAM reveal a long-standing pattern: conjuring up the danger of carbon leakage to maintain existing business models as profitably as possible for as long as possible and thus prevent effective climate protection. Lamb and colleagues have described this as the delay strategy of pursuing non-transformative solutions.<sup>53</sup> Various lobbying forces are jointly working on advancing this strategy in policy disputes and thus help the major CO<sub>2</sub> emitters to continue to operate in large and diversified business coalitions.<sup>54</sup>

### The EU's Green Taxonomy for sustainable activities

A wide range of corporate actors and think tanks has also attempted to influence the Green Taxonomy. To meet the European Union's 2030 climate goals of reducing CO<sub>2</sub> emissions by 55% compared with 1990 levels, the Brussels-based think tank Bruegel estimated an annual investment gap of €300 billion.<sup>55</sup> The Green Taxonomy was created to steer additional private investments into sustainable assets in addition to the €1.8 trillion earmarked in the EGD.

Six objectives are central to this effort: (1) climate change mitigation, (2) climate change adaptation, (3) promoting a circular economy (an economic system minimizing waste and promoting recycling), (4) fighting pollution, (5) protecting water, and (6) protecting biodiversity. From the outset, the question of what types of investments can be classified as sustainable was contested. A technical expert group consisting of thirty-five members from civil society, academia, business, and the finance sector<sup>56</sup> was established in 2018 to assist in the development of the Green Taxonomy. The expert group was committed to a science-based approach, which led it to propose the exclusion of fossil gas and nuclear energy from the scope of the Green Taxonomy.<sup>57</sup>

Contrary to the recommendations derived from the science-based findings of the technical expert group, small hydropower projects have been included in the taxonomy due to Scandinavian lobbying efforts. Bioenergy groups also succeeded in removing the requirement to limit bioenergy to

advanced feedstocks, and various agricultural lobby groups managed to remove declining GHG emission standards.<sup>58</sup> However, the biggest success was secured by fossil and nuclear interests, which managed to obtain the inclusion of gas and atomic projects in the Green Taxonomy under certain conditions. Nuclear energy had been omitted by the technical expert group because it violates the precautionary principle because of the unresolved issue of securing long-term storage of nuclear waste. Gas does not meet the requirement in principle, either, but has been included for projects that keep CO<sub>2</sub> emission low due to plant efficiency and/or the additional deployment of carbon capture and storage (CCS) technologies, among other exceptions. Yet in contrast to such relatively stringent conditions, fossil gas-powered projects already permitted until 2030 and designed to switch to hydrogen by 2035 can still be funded despite their higher GHG emissions.<sup>59</sup>

Based on the entries in the Transparency Register, a study by Reclaim Finance identified no fewer than 189 nuclear and gas lobby actors employing 825 lobbyists. The groups were found to spend between €71.4 million and €86.6 million a year to influence European policymaking. The study found a very high frequency of meetings between the lobby groups and the EC, totalling 310 such meetings between 2018 and 2020. The fossil gas lobby accounted for the bulk of the lobbying force involved in the effort.<sup>60</sup> The effort to maintain fossil gas dependency in the European Union thus involved many lobby groups working in coalition, including gas companies, the oil majors, turbine producers such as Rolls Royce, and associations of large energy customers such as the European chemical industry.<sup>61</sup> Earlier work from InfluenceMap also found that the shadow banking industry had lobbied for less rigid classification criteria for green investments and for soft methods to assess the sustainability of funded projects.<sup>62</sup>

In addition to the industry lobby groups, think tank allies objected to the Green Taxonomy. For example, the EPICENTER think tank network circulated a policy brief by Carlo Stagnaro and Stefano Verde, the network's energy policy experts, 'Only a Sith deals in absolutes: how to nudge the Taxonomy towards the Light Side'. Stagnaro and Verde, who have close relationships with the Italian gas industry, accuse the Commission of

actively picking technological winners among the existing clean(er) technologies, to the detriment of other technologies that may well be as clean and even more so to the detriment of technologies that are not yet available. The Taxonomy deals in absolutes: it is founded upon the claim that a bureaucratic document can draw a line between Good and Bad, by attaching a label of Absolute Good

to technologies that have the capability to create an environmental Eden in an imperfect, dirty world.<sup>63</sup>

The authors thus attempted to include fossil gas in the list of clean industries, arguing that fossil gas is bridging technology—an argument the Commission ultimately adopted.

The CEP, mentioned earlier, also attacked the Green Taxonomy in six policy papers published between 2018 and 2020.<sup>64</sup> The CEP objected to a single view of sustainability (thus rejecting the science-based precautionary approach of the technical expert group), suggesting that the Green Taxonomy stands in contrast to the ‘risk-based’ approach of financial market regulation and declaring the whole effort useless: ‘Detailed measures on how corporate actors should consider sustainability aspects and long-termism are unnecessary. They risk being inefficient and may run counter to the interests of owners, customers and other stakeholders’.<sup>65</sup>

Think tanks generalize the arguments of lobby groups, which in turn are used to legitimate demands submitted by firms and business associations in the Commission’s policy consultation processes. Regarding the Green Taxonomy, diverse business associations such as BusinessEurope, the European cement association Cembureau, and the European Steel Association Eurofer have insisted on the inadequacy of binding sustainability criteria and demanded a more comprehensive assessment of products such as steel beyond their CO<sub>2</sub> emissions records. Meanwhile, Germany’s BDI—the voice of German Industry—demanded Europe wait for a science-based method of life-cycle analysis.<sup>66</sup> Until such a unified method can be applied, they argued, only direct emissions should be considered in calculations of sustainability. When it comes to delaying ambitious efforts to achieve climate policy objectives, much creativity in the defence of fossil interests can be observed in the lobbying against the Green Taxonomy, ranging from insistence upon technology neutrality (remaining unbiased toward which specific technologies are to be used) and promoting the need for multiple perspectives on sustainability to demanding new and allegedly superior methods of assessing products and advocating the continued use of fossil sources until better technology is available.

## KEY FRAMES OF EU CLIMATE POLICY OBSTRUCTION

The two examples just discussed illustrate that discursive framings are important tools in climate policy disputes. Climate obstructionists typically advance numerous arguments against ambitious climate policy.

Since European integration and its climate policy are strongly shaped by the logic of competitiveness and the concept of ecological modernization, respectively, the frames utilized in EU arguments need to resonate with these two points of reference. Three main narratives can be found in the obstructionist's toolbox: first, that market-based instruments are preferable to regulatory 'command and control' mechanisms (such as bans and binding commitments) and allow companies maximum flexibility. Second, that climate policy approaches should be technology neutral. Third, that policy instruments should always be designed in such a way that the competitiveness of European companies does not suffer.

In terms of promoting market-based solutions, the CEP claimed as early as 2008 that 'fixed quota systems for reducing greenhouse gas emissions are inferior to emissions trading on the grounds of efficiency'.<sup>67</sup> Similar narratives can be identified in the CEP's evaluation of the commission's recent offshore renewable energy strategy, which aims to significantly increase the capacity for offshore wind production by 2030. On the one hand, the legal think tank stated that 'the Commission is right to pursue the goal of bringing offshore renewable energy into competition and exposing it to market risks'.<sup>68</sup> On the other hand, the CEP opposed plans for concrete sector targets. The organization declared that these targets 'should be rejected as a dirigiste presumption of knowledge'.<sup>69</sup> By associating the commission proposal with a planned economy measure in this way, they tarred it with a socialist stigma. When, in the 2000s, some EU member states, including Germany and Spain, triggered a boom in renewable energy via guaranteed feed-in tariffs, the grey spectrum of actors criticized these instruments as incompatible with the European single market. With the reform of state aid guidelines in 2014, the renewable expansion system based on feed-in tariff mechanisms was largely undermined.<sup>70</sup>

Regarding the second narrative, the call for a technology-neutral approach appears in many current efforts to obstruct a stronger EU climate policy. One example is the stance of the umbrella organization of European car manufacturers, ACEA. In January 2020, the association issued a position paper on EGD, with ten recommendations for action. In the first point, the demand for technology neutrality is intertwined with an appeal for undistorted competition. ACEA stated,

- *Technological neutrality* must be maintained in order to reflect the diverse requirements of different vehicle segments and the many use cases of customers.

- The Commission should *refrain from (directly or implicitly) mandating certain technologies* for specific vehicle segments.
- It should also maintain the integrity of the European single market by *discouraging national and local bans on specific technologies which can deliver further CO<sub>2</sub> improvements*.<sup>71</sup>

In a similar vein, FuelsEurope has repeatedly called for a technologically neutral approach to achieve the EU climate goals in the transportation sector. In so doing, the industry association argued against a ban on combustion engines.<sup>72</sup> In addition, after German Minister of Transportation Volker Wissing managed to extend the time frame for an EU-wide ban on combustion engines that would run only on CO<sub>2</sub>-neutral fuels, he also stated that this move would ‘ensure the element of technology neutrality’.<sup>73</sup> The concept of technology neutrality, or openness, also plays a central role in the arguments advanced by climate obstruction actors such as Shell,<sup>74</sup> as well as by the electricity industry.<sup>75</sup>

These examples illustrate the way in which industry representatives have repeatedly used the narrative of technology neutrality to enable the preservation of climate damaging technologies. Coupled with technological optimism and empirically unsubstantiated and misleading references to the innovative power of humanity in general, the advancement of renewable energy sources and other effective climate solutions can thereby be slowed.<sup>76</sup>

Turning to the third narrative, climate policy approaches in the European Union are subsumed under the primacy of competitiveness. For example, BusinessEurope’s March 2023 Reform Barometer was titled ‘The EU’s global competitiveness under threat’.<sup>77</sup> In this report, the organization concluded, among other things, that stricter climate protection measures are counterproductive because they could lead to a migration of industry to countries with much lower levels of climate protection. This carbon leakage narrative is particularly popular at the EU level because promoting the European Union’s competitiveness has been a key political project of the European Union. As noted earlier, the concept of carbon leakage was particularly prominent in the construction of the EU ETS. However, as shown by the creation, in 2023, of the European Union’s Net Zero Industry Act (in response to the US’s Inflation Reduction Act), climate policies are closely intertwined with global competitiveness in grey as well as in green industries.

Apart from these three strands of discourse, which are central to climate obstruction in the European Union, other narratives also delay ambitious climate policies. For example, the belief in new breakthrough technologies

is reflected in the EGD itself, without any certainty that such technological optimism will ever be realized. Such optimistic forecasts regarding the eventual availability of hydrogen, e-fuels, or carbon dioxide removal systems are often deployed to delegitimize regulatory measures that could contribute immediately to emissions reductions and thus also serve as excuses to shirk responsibility for more appropriate climate action. At the same time, industrial sectors know very well how to position themselves as part of the solution to the climate problem (Tilsted and colleagues have elaborated upon this strategy in for the petrochemical industry).<sup>78</sup> In this respect, discourses of delay in the European Union are based on structuring the discursive field in such a way that existing business models can be continued for as long as possible and remain protected from attack.

## CONCLUSION

The European Union's climate policy is best understood as a contested field. At the European level, denialism is relatively uncommon; secondary obstruction is the dominant form of blocking ambitious climate policy. The grey spectrum of actors relies on different strands of discourse to implement their obstructive goals, emphasizing the European single market, the primacy of competitiveness for European business, and the technocratic concept of ecological modernization. Despite the material superiority of grey companies, their associations, and related think tanks, far-reaching climate policy mandates including the precautionary principle and ambitious CO<sub>2</sub> reduction goals, such as the EGD, have been set. Nevertheless, the disputes over the EU ETS and the Green Taxonomy show that the achievement of ambitious goals is highly uncertain. Strong forces of delay are at work promulgating discourses and lobbying practices in both the European arena and, via the EUCO, the nation-state arenas. Consequently, the European climate policy picture remains unclear, oscillating between the justifiable claims of global environmental leadership and strong impediments, resulting in a general orientation toward global competitiveness and hardened power relations that continue to protect fossil interests.

Although academic research on European lobbying has clarified the relevance of lobby coalitions in impeding climate action,<sup>79</sup> more work needs to be done on the ways in which green and grey alliances form and fare in key climate policy conflicts across the European Union. Beyond an assessment of lobbying success and failure with regard to specific legislation, a key research priority will be to learn more about if and how climate proposals

(e.g. a revival of public transportation or a modification of state aid to support policy instruments like the feed-in tariff, etc.) have been blocked from entering the European Union's policy debate in the first place. All the work thus far supporting the pluralist perspective of lobby balance—which holds that asymmetry in lobby power relations is not a problem—fails to address the 'second face of power', or 'non-decision', namely agenda-setting ability.<sup>80</sup> Finally, it will be critical to examine the history and mobilization of the 'innovation principle' that industry lobbyists and neoliberal think tanks invoke in an effort to counter the impact of the precautionary principle.<sup>81</sup>

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