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Statkraft-LSE Program

Credibility – Can we trust countries to fulfil their climate policies?

Presenter: Maria Carvalho.

Co-authors: Samuela Bassi & Alina Averchenkova

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Centre for Climate Change Economics and Policy

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University of Leeds

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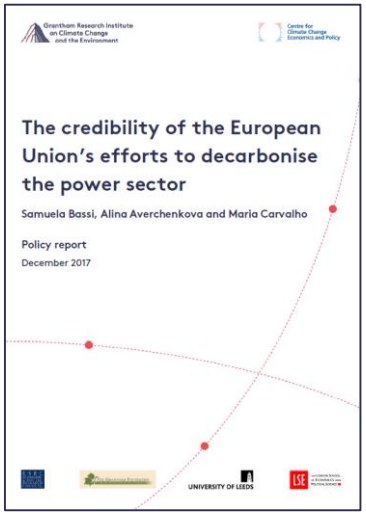
Presentation overview

- Approach to assessing credibility
- Results of EU member states' credibility on decarbonising the power sector
- Future research: robust conceptual definition of policy change vs reversal
- Annex:
  - Policy recommendations from study
  - How other indicators were scored
  - More results

G20 report (2016) link



EU report (2017) link

Approach to defining and measuring credibility

Scope: Assessing credibility of countries' efforts to decarbonise the power sector

Steps:

1. Define credibility: ***'the likelihood that policymakers will keep their promises to implement the pledges or policies they announce'*** (from literature review)
2. Identify **determinants** that increase credibility of decarbonisation efforts (based on theoretical and empirical studies)
3. Identify **simplified set of indicators and underlying data** for evaluation of the determinants
4. **Define scoring rules for each determinant:** 0-4 scale
5. **Apply the framework to EU + selected member states:**

   CZ, DK, FR, DE, IT, PL, ES, UK

The key elements & determinants of credibility

Rules & procedures

Players & organisations

Norms & public opinion

Past performance

1. **Legislation and policy:** Coherent and comprehensive legislative and policy basis
2. **Public bodies:** Dedicated public bodies supported by a consultative mechanisms
3. **Past policy reversal:** No history of policy abolition
4. **Past performance:** Track record of delivering on past climate change commitments
5. **Decision-making process:** Transparent, inclusive and effective decision-making process with sufficient political constraints to limit policy reversal
6. **Private bodies:** Supportive private bodies
7. **Public opinion:** Climate-aware public opinion

Indicators, data and scoring: example

1. Legislation and policy: Coherent and comprehensive legislative and policy basis

Determinant

High-level vision

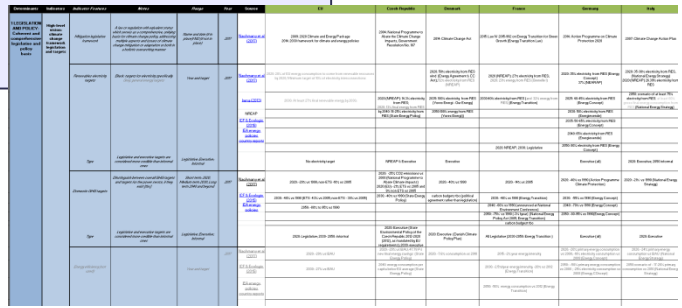
- ❑ Framework legislation
- ❑ GHG targets
- ❑ RES-e targets

Low-carbon policies

- ❑ Carbon pricing
- ❑ Fossil fuel subsidies
- ❑ Low-carbon subsidies: size, variance
- ❑ WACC RES

Indicators

Data



Scoring matrix

		RES-Electricity target			
		Short term (up to 2020)	Medium term (up to 2030)	Long term (up to 2050) low ambition (<80% RES) or informal	Long term (up to 2050) high ambition (>80% RES)
GHG target	Short term (up to 2020)	*Not supportive*	*Slightly supportive*	*Slightly supportive*	*Moderately supportive*
	Medium term (up to 2030)	*Slightly supportive*	*Moderately supportive*	*Moderately supportive*	*Largely supportive*
	Long term (up to 2050) low ambition (<80% decrease) or informal	*Slightly supportive*	*Moderately supportive*	*Moderately supportive*	*Fully supportive*
	Long term (up to 2050) high ambition (>80% decrease)	*Moderately supportive*	*Largely supportive*	*Fully supportive*	*Fully supportive*

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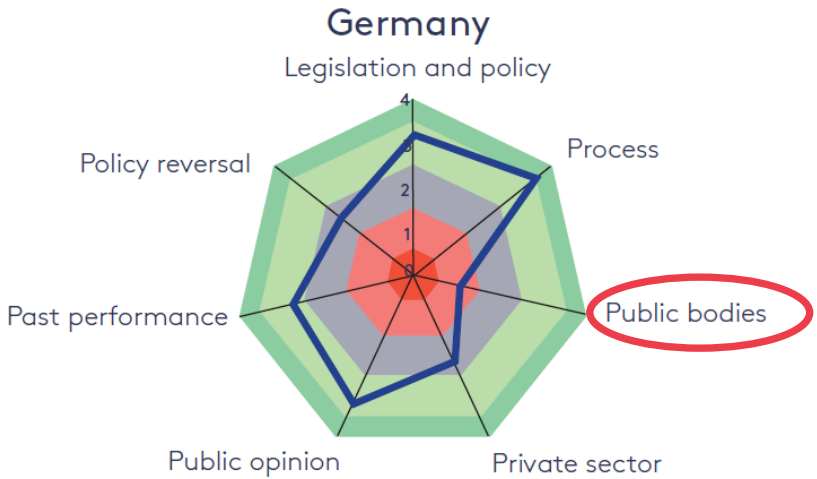
Summary: MS credibility of decarbonisation policies for power

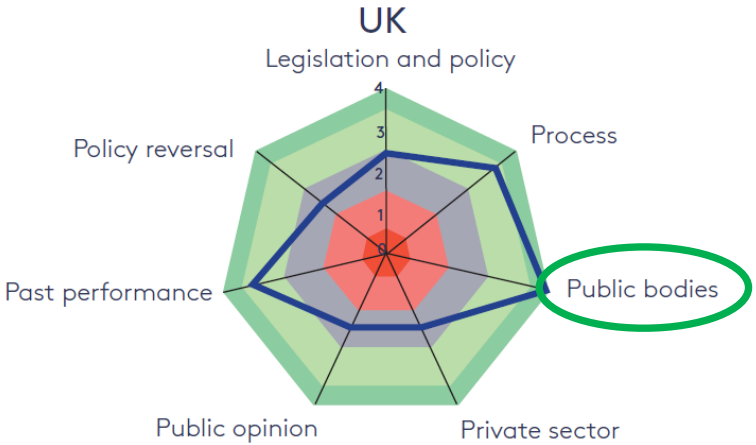
	EU	zech Republi	Denmark	France	Germany	Italy	Poland	Spain	UK
Legislation and Policy	Moderately supportive	Moderately supportive	Largely supportive	Largely supportive	Largely supportive	Moderately supportive	Slightly supportive	Moderately supportive	Largely supportive
Process	Largely supportive	Largely supportive	Fully supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive
Public bodies	Fully supportive	Moderately supportive	Fully supportive	Moderately supportive	Slightly supportive	Moderately supportive	Slightly supportive	Moderately supportive	Fully supportive
Private sector	Moderately supportive	Moderately supportive	Largely supportive	Largely supportive	Moderately supportive	Moderately supportive	Slightly supportive	Moderately supportive	Moderately supportive
Public Opinion	Moderately supportive	Not supportive	Fully supportive	Largely supportive	Largely supportive	Moderately supportive	Not supportive	Moderately supportive	Moderately supportive
Past performace	Fully supportive	Fully supportive	Fully supportive	Moderately supportive	Largely supportive	Largely supportive	Moderately supportive	Moderately supportive	Largely supportive
Policy reversal	Fully supportive	Slightly supportive	Fully supportive	Largely supportive	Moderately supportive	Moderately supportive	Fully supportive	Slightly supportive	Moderately supportive

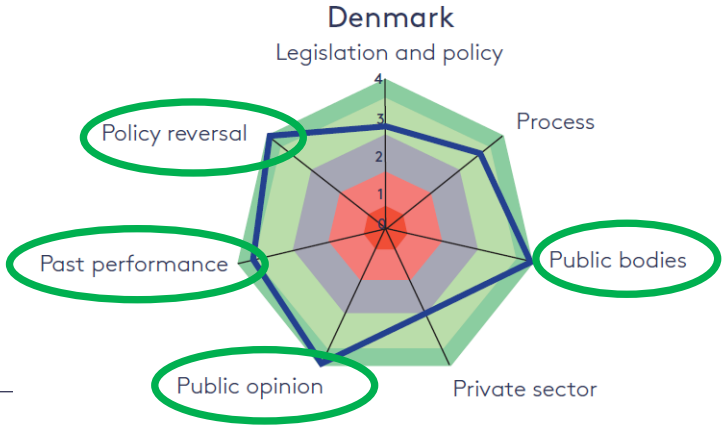
Qualitative indicators: key determinants and sub-indicators

	EU	zech Republi	Denmark	France	Germany	Italy	Poland	Spain	UK
1 LEGISLATION AND POLICY: Coherent and comprehensive legislative	Moderately supportive	Moderately supportive	Largely supportive	Largely supportive	Largely supportive	Moderately supportive	Slightly supportive	Moderately supportive	Largely supportive
High-level vision: climate change framework legislation and targets	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Fully supportive	Largely supportive	Slightly supportive	Moderately supportive	Largely supportive
Policies supporting low carbon generation: carbon pricing and energy subsidies	Moderately supportive	Slightly supportive	Largely supportive	Largely supportive	Moderately supportive	Slightly supportive	Slightly supportive	Moderately supportive	Moderately supportive
2. PROCESS: Transparent, inclusive and effective decision making pr	Largely supportive	Largely supportive	Fully supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive
Mechanism for building buy-in from stakeholders	Largely supportive	Largely supportive	Fully supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive	Largely supportive
Stable, consistent and not easily reversible law and policy-making process	Largely supportive	Largely supportive	Largely supportive	Moderately supportive	Largely supportive	Moderately supportive	Largely supportive	Moderately supportive	Largely supportive
Transparent, consistent and effective administrative and enforcement mechanisms	Largely supportive	Largely supportive	Fully supportive	Largely supportive	Fully supportive	Largely supportive	Largely supportive	Largely supportive	Fully supportive
3. PUBLIC BODIES: Dedicated climate change public bodies	Fully supportive	Moderately supportive	Fully supportive	Moderately supportive	Slightly supportive	Moderately supportive	Slightly supportive	Moderately supportive	Fully supportive
Climate change bodies	Fully supportive	Moderately supportive	Fully supportive	Moderately supportive	Slightly supportive	Moderately supportive	Slightly supportive	Moderately supportive	Fully supportive
4. PRIVATE SECTOR: Supportive private bodies	Moderately supportive	Moderately supportive	Largely supportive	Largely supportive	Moderately supportive	Moderately supportive	Slightly supportive	Moderately supportive	Moderately supportive
Private sector	Moderately supportive	Moderately supportive	Largely supportive	Largely supportive	Moderately supportive	Moderately supportive	Slightly supportive	Moderately supportive	Moderately supportive
5. PUBLIC OPINION: citizens support for climate action	Moderately supportive	Not supportive	Fully supportive	Largely supportive	Largely supportive	Moderately supportive	Not supportive	Moderately supportive	Moderately supportive
Public opinion	Moderately supportive	Not supportive	Fully supportive	Largely supportive	Largely supportive	Moderately supportive	Not supportive	Moderately supportive	Moderately supportive
6. PAST PERFORMANCE: Track record of delivering on commitments	Fully supportive	Fully supportive	Fully supportive	Moderately supportive	Largely supportive	Largely supportive	Moderately supportive	Moderately supportive	Largely supportive
Performance towards RE targets for power sector	Largely supportive	Largely supportive	Largely supportive	Not supportive	Fully supportive	Fully supportive	Fully supportive	Slightly supportive	Fully supportive
Performance towards interconnection	n/a	Fully supportive	Fully supportive	Largely supportive	Moderately supportive	Moderately supportive	Slightly supportive	Moderately supportive	Moderately supportive
Performance in EU ETS	Fully supportive	Fully supportive	Fully supportive	Fully supportive	Moderately supportive	Fully supportive	Not supportive	Fully supportive	Fully supportive
7. POLICY REVERSAL: No history of policy abolition/reversal	Fully supportive	Slightly supportive	Fully supportive	Largely supportive	Moderately supportive	Moderately supportive	Fully supportive	Slightly supportive	Moderately supportive
Abolishment of climate change legislation for power sector	Fully supportive	Slightly supportive	Fully supportive	Largely supportive	Moderately supportive	Moderately supportive	Fully supportive	Slightly supportive	Moderately supportive

Top performers







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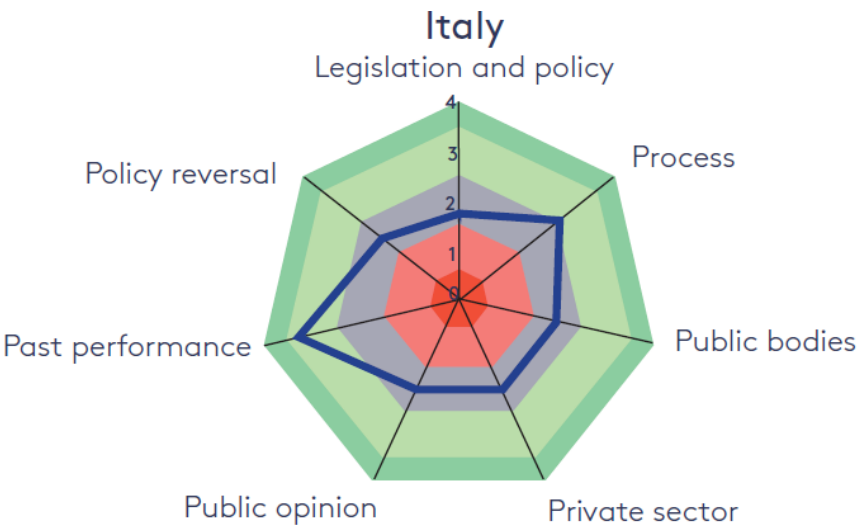
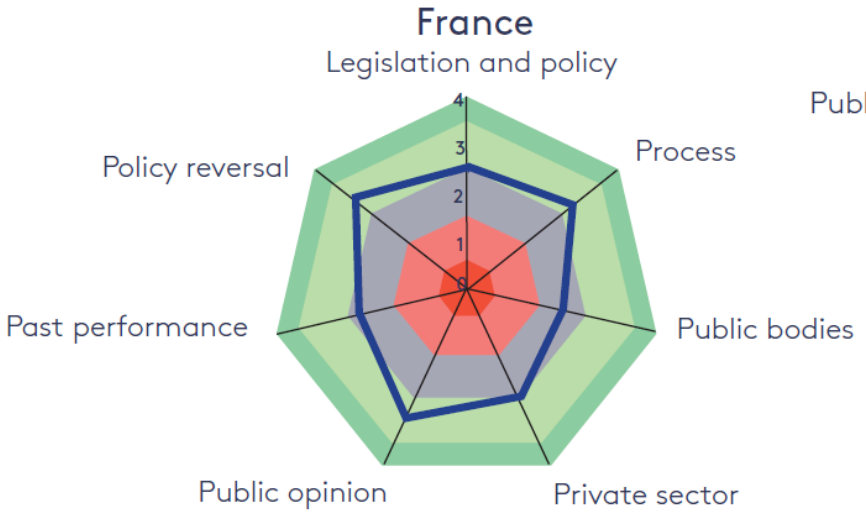
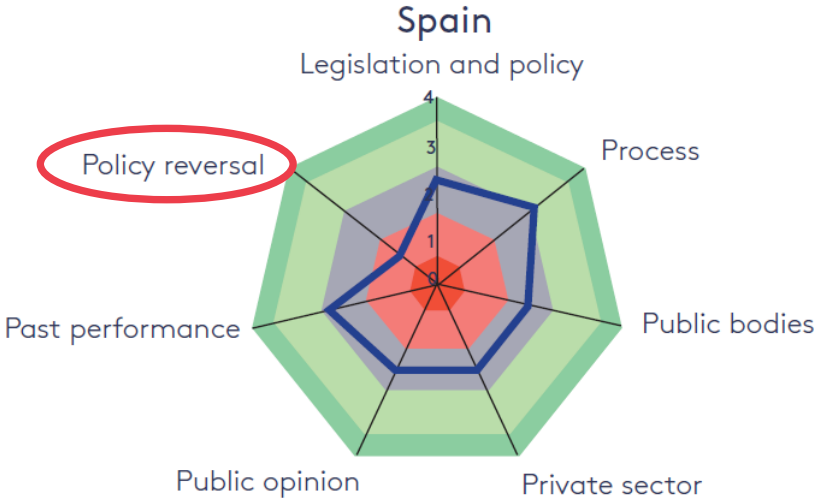
Medium performers







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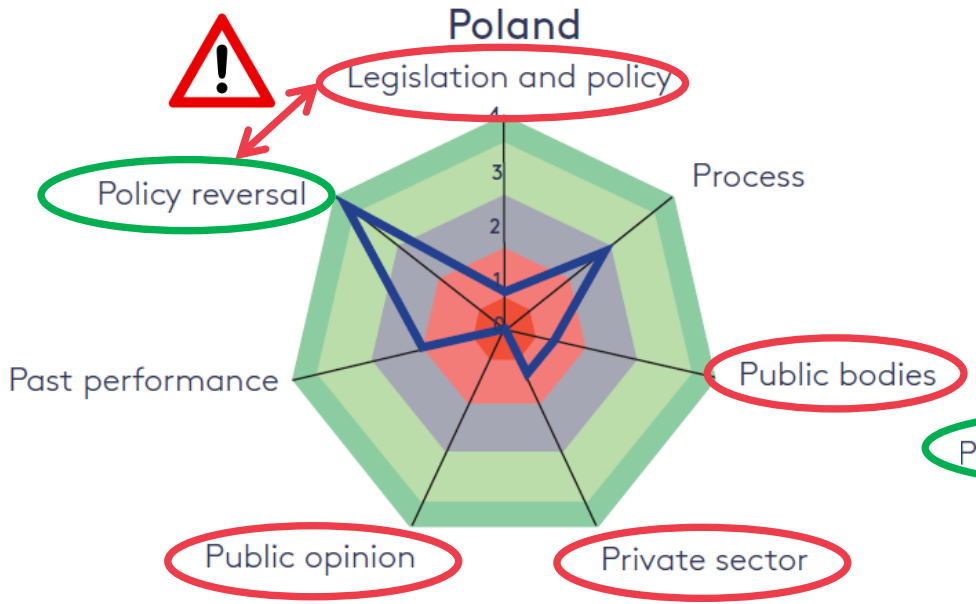
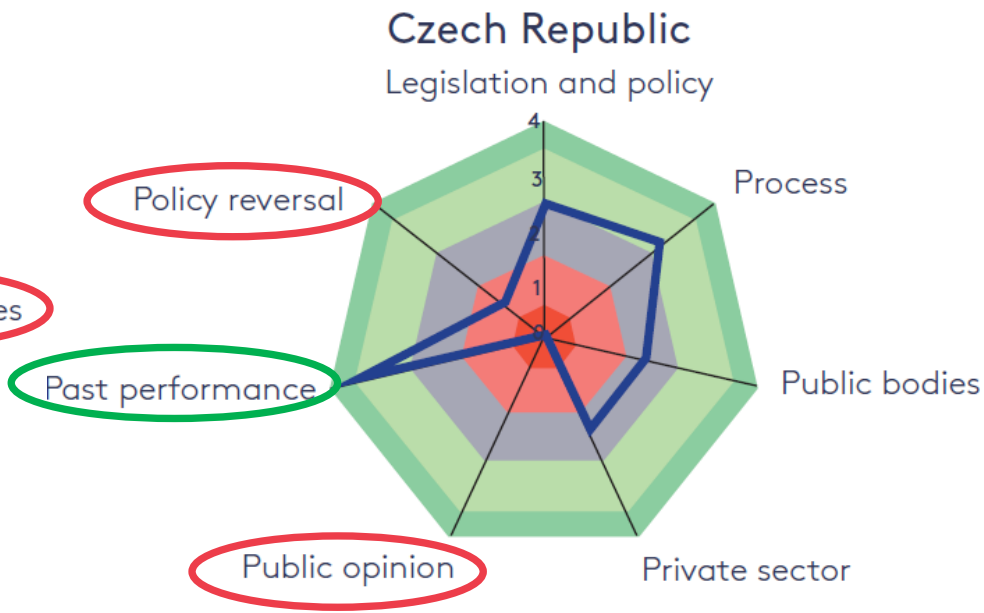
Bottom performers





Scale: 0–0.5: not supportive of credibility; 0.5–1.5: slightly supportive; 1.5–2.5: moderately supportive; 2.5–3.5: largely supportive; 3.5–4: fully supportive

General policy recommendations

- **Clear policy and firm legislation** are key areas in which policy makers can make immediate gains in terms of credibility**.**
- Policy makers can further strengthen credibility by **improving joined-up thinking and scrutiny of decision-making bodies**.
- **Commitment devices** may be required to ensure policy consistency over time to avoid frequent reversals.
- **Dialogue and consultations, together with tailored policy design,** should be pursued to generate policy buy-in from the private sector and the general public.

The EU has an opportunity to scrutinise and advise on future policies when MS submit their '*Integrated national energy and climate plans*' in 2018

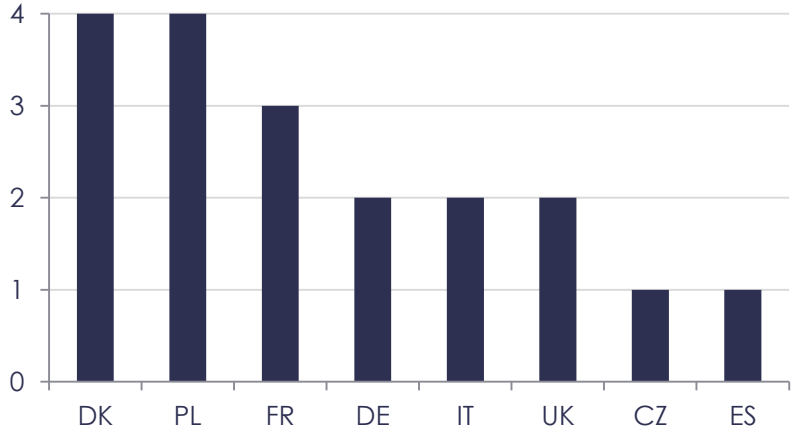
Policy reversal: arbitrary scoring to legal definitions of reversals

Scoring matrix

		Type of policy reversal		
		Framework change?		
		Yes	No	
			At least one (permanent) abolition	Only retrospective or temporary abolition
Number of Low-carbon technologies/sectors affected	2 or more	*Not supportive*	*Slightly supportive*	*Moderately supportive*
	1	*Not supportive*	*Moderately supportive*	*Largely supportive*
	0	*Not supportive*	*Fully supportive*	*Fully supportive*

Avoiding Policy Reversal Score

(4 = Fully supportive; 1= Slightly supportive)



Considered reversal when:

1. Feature changed before end date of policy
2. No prior warning that feature change/new feature would occur

Policy features changed: Time period change; Change level of support scheme; Apply one-off fixed charge; apply new tax/fee

Further research: Policy change vs. policy reversal

1. **Academic contribution:**
    1. Conceptually define the difference between change and reversal
    2. Integrate insights from: law, governance, economics, technological change

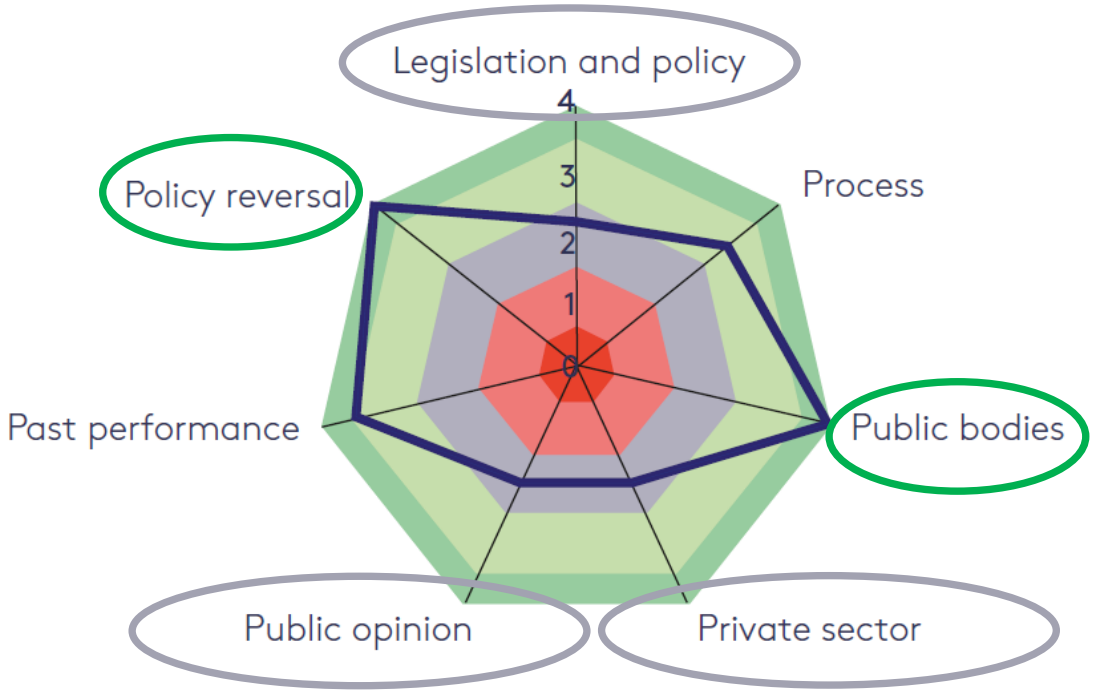
2. **Methodological and empirical contribution:**
    1. Operationalise definitions to measure from CCLW database
    2. Measure number of policy changes against reversal
    3. Connection to litigation cases, and governance implications

3. **Policy relevance:**
    1. Consideration of identifying future uncertainties and risks (incl framework for technological change)
    2. Design of policies to balance flexibility with long-run predictability
    3. Minimise litigation and enhance credibility

Thank you!

Annex

Credibility scores for the EU as a whole



Key: Degree of support to credibility

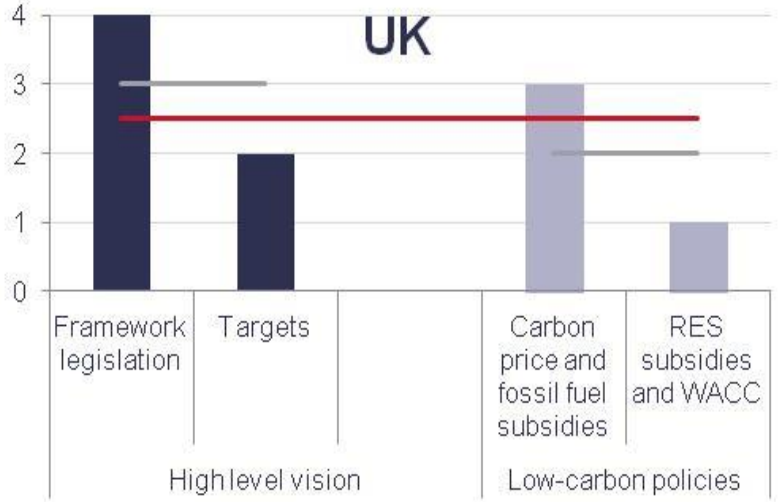
- 3.5–4: fully supportive
- 2.5–3.5: largely supportive
- 1.5–2.5: moderately supportive
- 0.5–1.5: slightly supportive
- 0–0.5: not supportive
- EU average score

Scoring matrix: Policy & legislation, low carbon policies

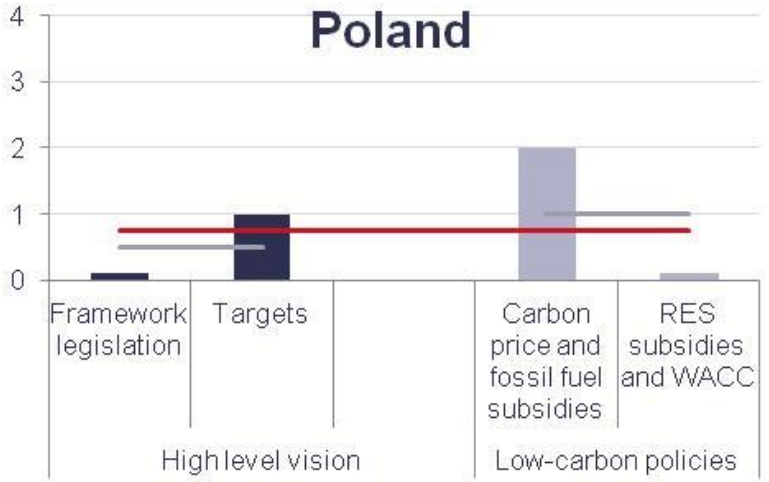
			Barrier: Fossil fuel subsidies	
			Above EU average (>0.14%GDP)	Below or equal to EU average (<= 0.14%GDP)
Carbon pricing	EU ETS only		*Not supportive*	*Slightly supportive*
	Carbon tax	Low (<€10/t CO2)	*Slightly supportive*	*Moderately supportive*
		Medium (€10-€20/tCO2	*Moderately supportive*	*Largely supportive*
		High (>€20/tCO2)	*Largely supportive*	*Fully supportive*
			WACC	
			> EU average (8.4%)	< = EU average (8.4%)
Low carbon subsidies	Share < = EU average	Variance > EU average (70)	*Not supportive*	*Slightly supportive*
		Variance <= EU average (70)*	*Slightly supportive*	*Moderately supportive*
	Share > EU average	Variance >EU average (70)	*Moderately supportive*	*Largely supportive*
		Variance <= EU average (70)*	*Largely supportive*	*Fully supportive*

Results by determinant: 1. Legislation and policy

(4 = Fully supportive; 1= Slightly supportive)



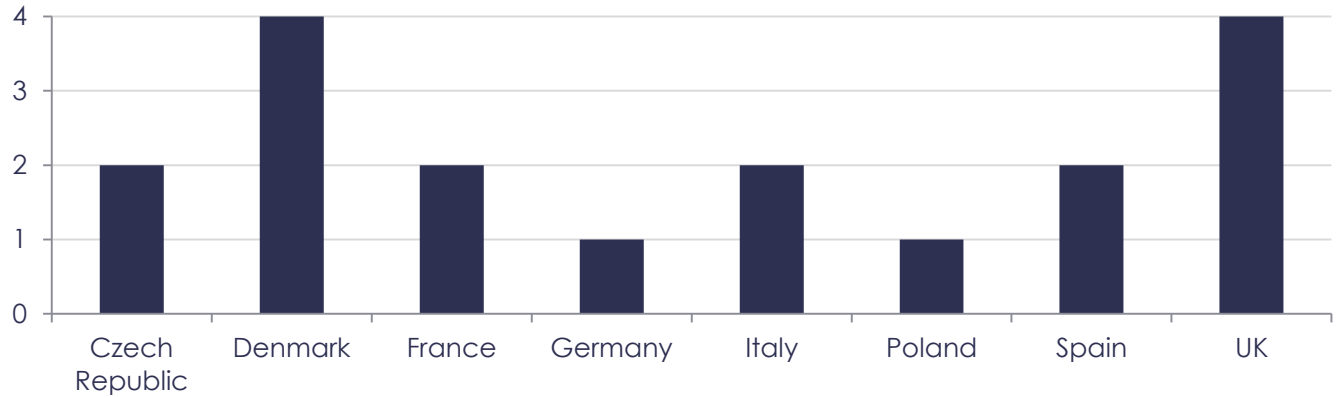
Top performer



Bottom performer

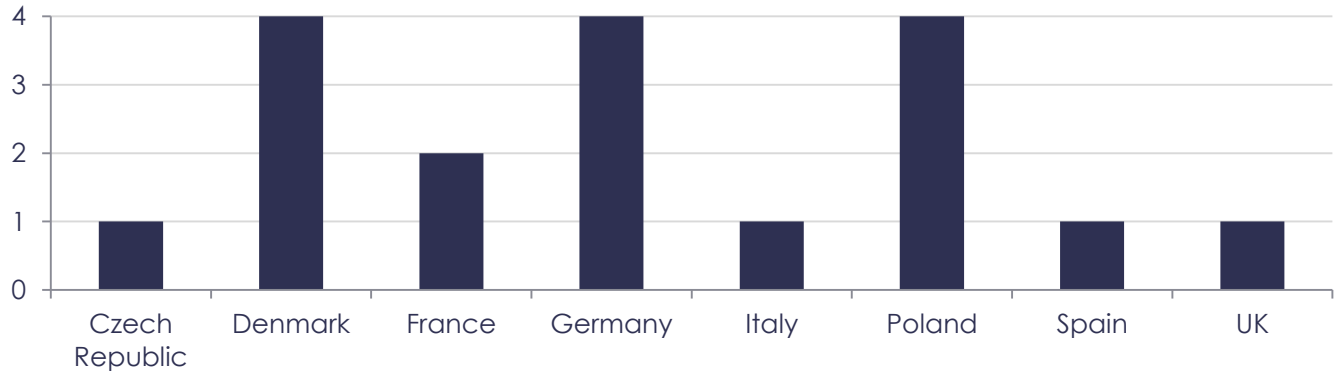
Results by determinant: 2. Public bodies

(4 = Fully supportive; 1= Slightly supportive)



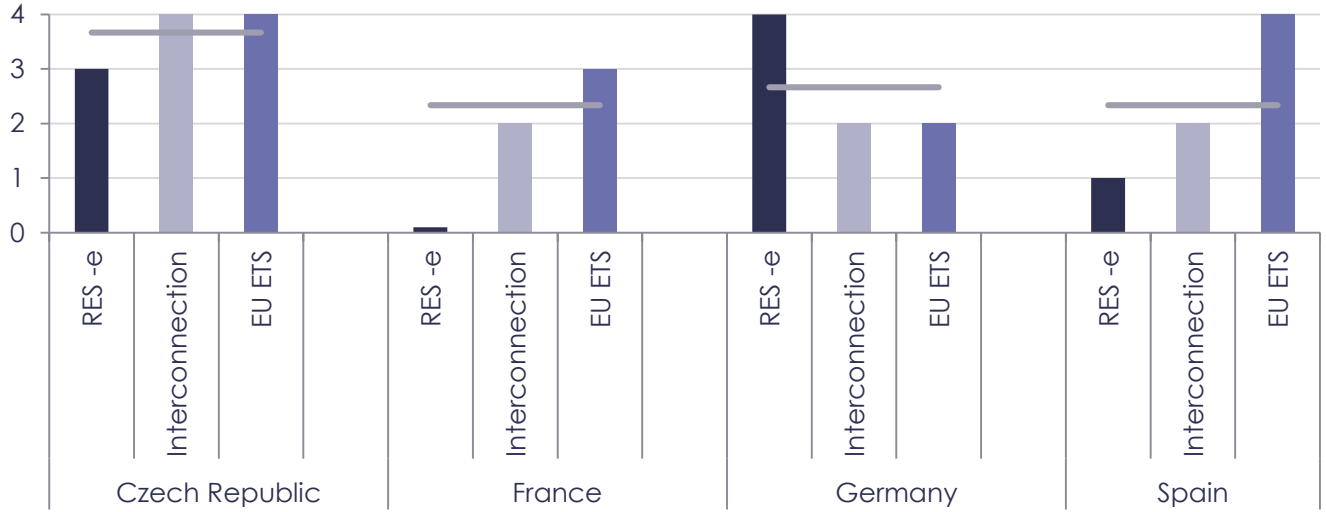
Results by determinant: 3. Past policy reversal

(4 = Fully supportive; 1= Slightly supportive)



Results by determinant: 4. Past performance (examples)

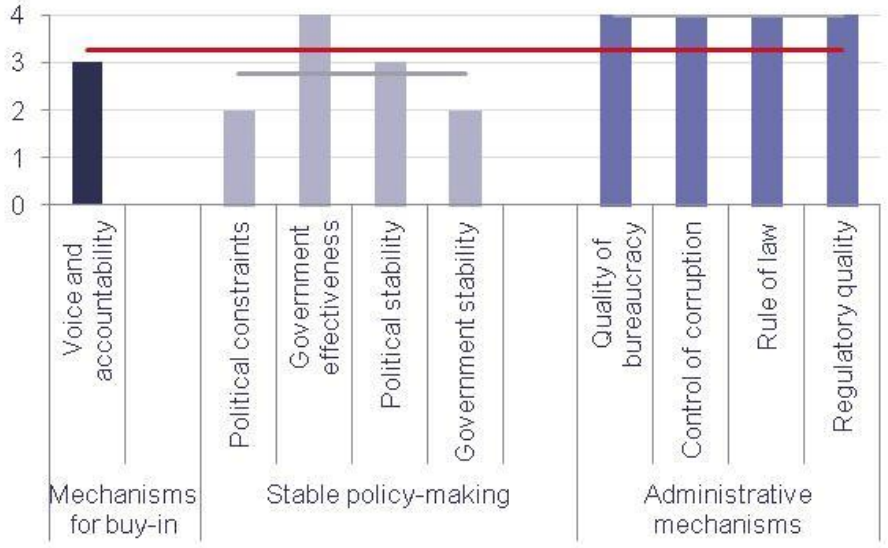
(4 = Fully supportive; 1= Slightly supportive)



Results by determinant: 5. Decision-making process (example)

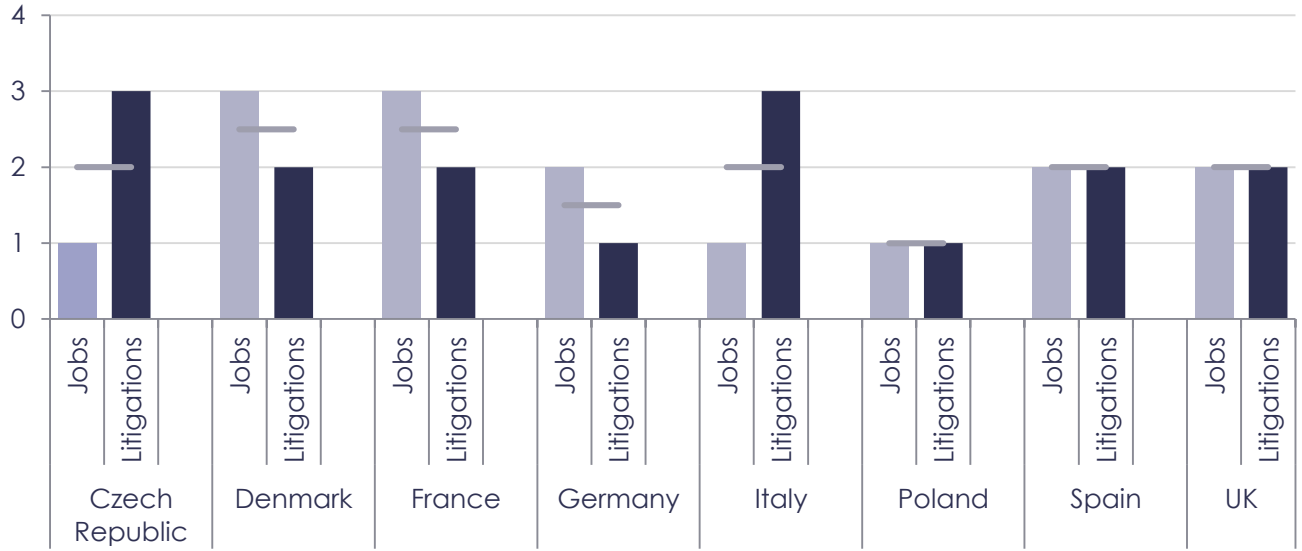
(4 = Fully supportive; 1= Slightly supportive)

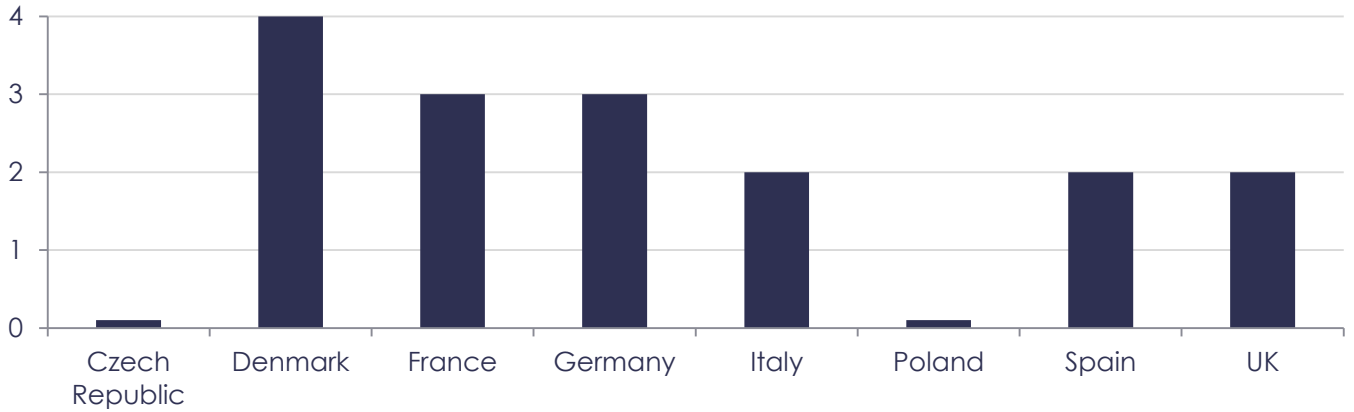
Denmark



Results by determinant: 6. Private bodies

(4 = Fully supportive; 1= Slightly supportive)



Results by determinant: 7. Public opinion

(4 = Fully supportive; 1= Slightly supportive)