'Understanding the role of the business community in the making of UK climate policy between 1997 and 2009'

A dissertation submitted for the degree of Doctor of Philosophy

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Abstract

Business activity is directly responsible for around fifty percent of UK emissions and academics and NGOs have often referred to the influence of corporate actors when trying to explain the UK government's failure to reduce emissions. Yet, surprisingly little academic research has sought to unpack the nature of the business community's role in policymaking or understand the processes and mechanisms by which business actors are able to shape climate policy. Drawing on interviews with 55 business elites, British policymakers and other key stakeholders, this thesis seeks to address these questions by providing a detailed analysis of the business community's role in the making of UK climate policy. In particular, it examines the degree of involvement which the business community has had in the policymaking process, and considers whether, and if so why, corporate actors have enjoyed a privileged position. It uses the concept of strategic selectivity and insights from work on environmental discourse to help make sense of the advantages and constraints faced by companies and business groups.

Case study chapters explore the role of the CBI in climate policymaking, business actors' influence on the development of emissions trading, and Large Electricity Producers' impact on policy to decarbonise generation. While recognising that 'the business community' requires considerable disaggregation when it comes to climate change, and that cleavages between firms and sectors limit corporate influence, this thesis suggests that there is analytical purchase to the concept of a business community. Firstly, business actors have together been constrained by aspects of the prevailing UK context. Most notably, the environmental movement and sections of the media have played a crucial role in shaping the political agenda and delegitimising a reactionary corporate approach to climate change. Cross-party competition has further restricted business actors' room for manoeuvre on the issue. Secondly, companies and business groups have enjoyed similar advantages when it comes to climate policy: corporate interests have together benefitted from several discursive aspects of the strategically selective setting in the UK. In particular, policymakers' preference for market-based policy solutions and their privileging of economic growth. A widespread attachment in British society to high levels of consumption and personal travel has also facilitated corporate interests politically. Business actors have also been advantaged during policymaking because they have generally been rich in material resources - information,

technical expertise and capital – highly valued by government. Policymakers have felt that they rely on business actors for information to make feasible and effective policy. Likewise, in order to achieve its twin objectives of emissions reductions and low carbon growth, the government has looked to companies for their ability to innovate and invest. The political dominance in the UK of a discourse of ecological modernisation has made the capacity to innovate and invest particularly important to government, and has also helped legitimise and safeguard the core objective which corporate actors share – continued business growth. This study has found that business groups and leaders have facilitated their political influence by pushing this positive win-win discourse and by adopting a constructive approach to climate policy.

Acronyms and abbreviations

ACBE – *Advisory Committee on Business and the Environment*

AEP - *Association of Electricity Producers'*

BATA - *British Air Transport Association*

BCA – *British Cement Association*

BERR – *Department for Business, Enterprise and Regulatory Reform*

BRC - *British Retail Consortium*

CBI – *Confederation of British Industry*

CCAs – *Climate Change Agreements, negotiated between government and trade associations, and giving participating sectors an 80% reduction on the CCL.*

CCC - *Committee on Climate Change, the influential independent body tasked with advising the government on emissions targets and monitoring progress on emissions reductions.*

CIA – *Chemical Industry Association*

CERT - *Carbon Emission Reduction Target, an obligation on energy suppliers to met carbon saving targets among their domestic customers.*

CLG – *Corporate Leaders' Group on Climate Change*

CCL – *Climate Change Levy, a tax on energy used by business and the public sector.*

CSR - *Corporate Social Responsibility*

CRC - *CRC Energy Efficiency Scheme, (formerly known as the Carbon Reduction Commitment), an UK-wide emissions trading scheme for less energy intensive sectors such as retail, not covered by the EU ETS.*

DECC – *Department for Energy and Climate Change*

DEFRA – *Department for Environment, Food and Rural Affairs*

DETR – *Department for Environment, Transport and the Regions*

DfT - *Department for Transport*

EAC – *Environmental Audit Committee*

EDM - *Early day motion*

EEF – *Broad business lobbying group representing the interests of manufacturing and engineering sectors*

EIUG – *Energy Intensive Users' Group*

ETG – *Emissions Trading Group*

EU – *European Union*

EU ETS – *EU Emissions Trading Scheme*

FITs – *Feed-In-Tariffs*

IPCC - *Intergovernmental Panel on Climate Change, group of scientists from across the world, nominated by national governments, to evaluate existing peer-reviewed research on climate change.*

IPPR – *Institute for Public Policy Research*

LEPs – *Large Electricity Generators*

MCCG - *Manufacturers' Climate Change Group*

CO_2 – *Carbon dixoide*

CO_2e - *Carbon dixoide equivalent*

NGO – *Non-governmental Organisation*

RES – *Renewable Energy Strategy*

RO – *Renewables Obligation*

SME – *Small and Medium-Sized Enterprises*

SMMT – *Society for Motor Manufacturers and Traders*

SPADs – *Special Advisor*

SRA – *Strategic Relational Approach*

UK ETS – UK *Emissions Trading Scheme*

UKBCSE – *UK Business Council for Sustainable Energy*

ULCV – *Ultra-low carbon vehicle*

UNFCCC - *United Nations Framework on Climate Change Convention*

Chapter 1: Introduction – the challenge of climate change

1.1 Introduction

Climate change represents one of the most significant threats ever faced by human kind. A challenge with such magnitude it has the potential to unleash profound and disruptive change to the world's ecosystem, and with it, existing patterns of political, social and economic life. Global political recognition of the potential danger is longstanding, and in 1992 the United Nations Framework on Climate Change Convention (UNFCCC) was established in order to address the threat. This process led thirty-seven industrialized countries, including the UK, to sign up to the 1997 Kyoto Protocol, which legally obliged signatories to reduce their greenhouse gas emissions during the period 2008-2012, compared to 1990 levels.[1] Following failure at Copenhagen in December 2009, at the time of writing international negotiations remain ongoing over an agreement to succeed Kyoto. For over two decades successive British governments have acknowledged both the scale of the threat and the corresponding need for action. Indeed, as Prime Minister, both Tony Blair and Gordon Brown consistently sought to show international leadership on climate change, pushing forward international and European political consensus and agreements. Alongside international and European commitments, UK governments have also introduced a raft of stretching domestic targets. Most significantly, under the 2008 Climate Change Act, the UK set itself a legally binding target to reduce greenhouse gas emissions by at least 80% by 2050, again set against a 1990 baseline (DECC, 2008b).[2]

This study examines the role of the business community in the making of UK climate policy between 1997 and 2009; a period of continuous Labour government. These years also marked the issue's rapid rise up the political agenda in the UK. This thesis analyses how companies and business groups have engaged politically with climate change and assesses how effective this engagement has been at influencing policy. Drawing on extensive empirical research it argues that while there have been some important cleavages between companies and sectors, there is nonetheless analytical purchase to the concept of a 'business community' when it comes to the making of UK climate policy. A further central argument advanced is that to make sense of the

[1] See Helm (2008) for a critique of the Kyoto Protocol and what it can achieve.

[2] Alongside this, the Labour government set a 2020 emissions reduction target of 34% and a series of 5 year carbon budgets.

business community's role in policymaking, attention must be paid to both the material *and* the discursive, as it must the interplay between the two. Business actors enjoy a unique combination of material resources prized by government and the prevailing discursive context has been distinctly welcoming for corporate leaders and their interests. In fact, this thesis illustrates how a discourse of ecological modernisation has come to dominate UK policymaking; a discourse which safeguards companies' shared core objective of continued growth, while simultaneously providing their material resources with even greater political potency. Moreover, it argues strategic and forward-thinking business leaders have played a crucial role in ecological modernisation's consolidation in the UK. Yet, the magnitude of climate change and the complexities offered up by the prevailing context have been such that even the most powerful companies and business groups have found themselves disappointed by policy. It is also clear that business actors' lobbying positions and strategies have been attuned to and often restricted by this context. Indeed, and somewhat paradoxically, corporate actors have generally maximised their political success through adopting a constructive and pro-active approach to climate change policy.

For the business community, whose activities are responsible for between 40-50% of UK emissions (DEFRA, 2006a: 44; CBI, 2007a: 18), the implications of ambitious targets on climate change are enormous. Climate change is 'not just another environmental problem' (Burke, 2009), which can be remedied through the development of an end-of-pipe technology or a few new pieces of abatement 'kit'. When compared to climate change, earlier environmental challenges such as acid rain and ozone depletion, with their narrower origins, appear relatively straightforward to address, from both a business and political perspective. Described by the 2006 Stern Report and the Labour government as 'the greatest market failure', climate change unsettles business practices and processes across the board. In particular, energy use and the burning of fossil fuels are central to most business activity, yet until climate change appeared on the horizon, their damaging environmental impacts were externalities for companies. Faced with the prospect of catastrophic changes to global weather patterns, the continued existence of such externalities has become politically untenable in the UK. Meanwhile, irrespective of any government policy aimed at reducing emissions, the potential physical consequences of climatic instability threaten to substantially alter the configuration of risks and opportunities faced by businesses as they develop their future strategies and investment plans.

It is against the backdrop of these challenges that this thesis seeks to understand how business actors have engaged politically with climate change in the UK and to evaluate how effective they have been at influencing UK policy to reduce emissions. The thesis takes business to refer to large, privately owned companies which operate in the UK. This definition includes multinational firms which are headquartered elsewhere in the world, but which are active in the UK, such as RWE Npower and Corus,[3] in addition to the business groups and trade associations which represent them (Mitchell, 1997). This study focuses on the political activities and influence of *large* companies and business groups. It defines a large company to be one which has at least 500 employees and is interested in firms of sufficient size that they have staff whose remit is government affairs, and therefore which have the capacity to have a direct relationship with the UK government over climate change, albeit perhaps infrequently or primarily through trade associations. As such, it explores the political activities of major companies such as BP, BT, Tesco, Corus, EDF Energy and Barclays, along with the key business groups of which they are members, for example the Confederation of British Industry, the Corporate Leaders' Group on Climate Change, and prominent sector trade associations such as the Association of Electricity Producers and the British Retail Consortium. Although the focus is distinctly on large companies, this thesis is not suggesting that small and medium sized enterprises (SMEs) are unimportant in this policy space. The decision to concentrate on large firms and business groups was informed by a recognition of the practical constraints (both in terms of time and cost) associated with trying to study *all* aspects of the business community in depth. With this in mind, the study chose to provide a focused analysis of large companies' political engagement with climate change. However, as members of many of the same sector trade associations and business groups as large firms, much of SMEs' primary political engagement is captured in this study, albeit indirectly.[4] Nevertheless, it remains the case that the arguments presented in this thesis are an attempt to explain and understand the political activities and influence of large firms and business groups.

By no means does this thesis assume that the business actors under analysis represent a single, monolithic actor politically. Rather, an objective of this study is to tease out cleavages within the business community and to analyse the political implications of any internal differences. As such,

[3] RWE Npower is a vertically integrated German energy company with interests internationally, including in the UK. Corus, Europe's second largest steel producer, is now a subsidiary of the Indian conglomerate, Tata Steel.

[4] A few groups, notably the Federation of Small Businesses, exist to represent the interests of small firms and the self-employed to policymakers. The activities of such groups are outside the scope of this study.

the terms 'business community', 'corporate leaders' and 'business actors' are preferred over 'business', which implies companies act politically as single entity, and the three former terms will be used interchangeably in this study.

This chapter begins by providing an overview of the scientific consensus on both the scale of the threat posed by climate change and its anthropogenic origins. Having established that this scientific consensus was firmly accepted by the Labour government, section 1.3 reviews existing literature evaluating climate policies in the UK. These analyses highlight a disconnect between the government's strong rhetoric on the need to reduce UK emissions and its actual achievements. It considers how this mismatch has been explained in the literature, and notes how the negative impact of business lobbying has featured amongst the factors identified. The chapter then turns in section 1.4 to how environmental policy has traditionally been made in the UK, flagging the insider status enjoyed by industries. However, it also observes that the business community's privileged position in environmental policymaking, relative to other interests, appears to have declined somewhat over recent years. Arguing that the *mechanisms* through which business actors have influenced climate policy have been under-explored in the UK context, section 1.5 sets outs this study's four principal research question, which each aim to shed light on this important dimension of policymaking. Section 1.6 then explains why a UK focus remains valuable for this international issue and section 1.7 concludes by outlining the structure of the thesis and the content of chapters.

1.2 Climate change: the science

Before the political activities of businesses and the development of climate policy in the UK can be meaningfully analysed, it is first necessary to consider the science. Scientists overwhelmingly agree that for over a century the earth has witnessed a warming which cannot be attributed to naturally occurring variations. Instead, to explain this warming trend, the scientific community points to rising atmospheric concentrations of greenhouse gases, most notably CO_2, followed by methane and nitrous oxide.[5] Prior to the Industrial Revolution, atmospheric concentrations of CO_2 - measured in parts per million (ppm) – were below 290ppm. Since then, however, levels have risen substantially, to 387ppm in 2008, higher than any other period during the last 650,000 years

[5] In 2008 CO_2 accounted for 84.8% of UK greenhouse gas emissions (DECC, 2010a), and UK targets and policy have focused on reducing CO_2 emissions.

(Giddens, 2009). Under usual circumstances heat from the sun is radiated back into space, however, increased concentrations of these gases trap heat in the Earth's atmosphere, giving rise to the so-called 'greenhouse effect'. The result is that average global temperatures have increased by 0.74°C since 1901. Crucially, temperature increases are not uniformly felt. The effects are particularly visible in the Arctic region, for example, where over the last 50 years the ice cap has reduced in size by more than half and average temperatures have risen by around 7°C (Giddens, 2009). Scientists estimate globally average temperatures will rise by a further 3°C by 2100 (UNFCCC, 2007b). By definition, this kind of scientific modelling deals in probabilities; some uncertainty is inevitable, as with any such projections.

Even ostensibly small increases in globally average temperatures can have dramatic effects. Scientists for example predict that a rise in the order of 1–2.5°C will reduce crop yields in tropical areas, make climate sensitive diseases such as malaria and dengue fever more widespread, and put 20–30% of plant and animal species under increased threat of extinction (UNFCCC, 2007b). Alongside rises in temperature, flooding, drought and other extreme weather events such as hurricanes are predicted to become more common. Land - and with it the homes of millions of people – will be lost as sea levels rise and many regions will face increased water stress. Indeed, these negative impacts are already being felt, including in some of the world's poorest countries such as Sudan, Mauritania and the Pacific Island nations. The social, political and economic consequences of these changes are likely to be profound, as populations and countries are forced to migrate and compete for scarce resources, including land and food. The propensity of many of the world's poorest to suffer the worse effects of climate change, coupled with their greater vulnerability, helps explain why NGOs such as Oxfam and Christian Aid have devoted such attention to climate change over recent years.

To assess the threat of climate change and the extent to which *human activity* is responsible for it, in 1988 the United Nations set up the Intergovernmental Panel on Climate Change (IPCC) to evaluate existing peer-reviewed research. The IPCC comprises scientists from across the world, nominated by their national governments. It is a conservative and authoritative body, well respected internationally, including by the British government. Since the publication of its first assessment report in 1990,[6] the language used by the IPCC to describe whether climate change has anthropogenic origins has grown increasingly strong. The IPCC's 3rd Assessment Report completed in 2001 concluded that 'most of the warming observed over the last fifty years is *likely* to be attributable to human activity' (IPCC, 2001, *original emphasis*). Its 4th Assessment Report, published in 2007, went further in attributing blame, concluding 'the observed increase in globally averaged temperatures since the mid-20th century is *very likely* due to the observed increase in anthropogenic greenhouse gas concentrations' (IPCC, 2007: 8, *original emphasis*). In fact, it states that there is a '90% probability' that human activity is responsible for the observed global warming. (By human activity the scientific community refers primarily to the burning of fossil fuels, industrial processes and changes in land use.) To be confident of avoiding the worst effects of climate change, the IPCC states that any global temperature increase should be kept to two degrees. Indeed, the EU has set a target of limiting any rise to two degrees (European Commission, 2007). According to the world's climate scientists, to achieve this, atmospheric greenhouse gas concentrations should not be allowed to rise above 450ppm of CO_2 equivalent.

The Labour government in power throughout the period under analysis, fully accepted the scientific consensus on climate change, arguing that the evidence was overwhelming. In 2004, Sir David King, the government's Chief Scientific Advisor, famously warned that climate change posed a threat more dangerous than terrorism. Meanwhile, in 2004 the then Prime Minister, Tony Blair, insisted that climate change presented the 'most serious issue facing mankind' (Blair, 2004). More generally, the Labour government repeatedly described climate change as 'a top priority… at home and internationally' (DEFRA, 2006a: iii; also see DEFRA, 2007b: 8-9), and stated that the 2006 IPCC Report showed 'unequivocally the role of humans in climate change and the impacts on food production, sea level rises, human health, biodiversity and our economies if we do not take urgent and sustained action' (DEFRA, 2007d).

In 2009 the scientific community was rocked by the so-called 'Climate Gate scandal' - the damaging revelations that a number of prominent climate scientists had suppressed data in order to strengthen their arguments in support of human induced climate change. The episode has

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[6] Anthropogenic climate change first entered the political arena in 1985, following the international conference in Villach. It was here that scientists reached a consensus both on the seriousness of climate change and the need to engage policymakers on the issue (Jager and O'Riordan, 1996).

tarnished the reputation of the scientific community; indeed even the IPCC has not escaped unscathed. However, irrespective of such damage, the scientific case for human-induced climate change has remained compelling and the Labour government made no attempt to distance itself from the scientific consensus in the wake of the controversy.

1.3 The UK government's performance on climate change between 1997 and 2009

1.3.1 Action to match the strong rhetoric?

So far this chapter has laid out the scientific consensus on climate change, illustrating how scientific opinion had become convinced of its anthropogenic basis and the severity of the threat posed. It has also established that the Labour government found the scientific consensus persuasive. The existing academic literature agrees that the Labour government demonstrated considerable international leadership over climate change, consistently calling for concerted global action to reduce emissions. For example, it championed the issue at key political events such as the Gleneagles G8 Summit in 2005, and commissioned the globally influential 2006 Stern Report (Darkin 2006; Jordan *et al*, 2007; Carter, 2008; Lorenzoni *et al*, 2008; Rayner *et al*, 2008). Unlike the majority of Kyoto signatories, the UK also met its agreed target of a 12.5% reduction in greenhouse gases well ahead of the deadline set. Moreover, alongside stretching domestic targets - most notably the 80% 2050 target already referred to - the Labour government introduced a raft of policies geared to reducing UK emissions, including a Climate Change Levy, Climate Change Agreements, a UK ETS, a banding of vehicle excise duty and a Renewables Obligation. (For an overview of UK policy to cut emissions, see chapter 4.2.4).

However, while recognising that moderate progress had been made in some areas, for example including in reducing emissions from industrial sectors (Darkin, 2006), writers have generally been critical of what the government actually *achieved* in terms of domestic emissions reductions during the years under analysis (see for example, Carter, 2008; 2009; Carter and Ockwell, 2007; Harman, 2009; Helm, 2007; Lorenzoni *et al*, 2008; Rayner *et al*, 2008). Rayner *et al* for example describe the Labour government's record on climate change as 'patchy at best' (2008: 374), while Carter decries domestic progress as 'woefully inadequate' (2008: 194). In particular, the domestic and transport sectors have been singled out as areas where progress has been notably absent (Darkin, 2006; Bows and Anderson, 2007; Rayner *et al*, 2008). The UK's performance on renewables generation has also been poor, particularly when compared to many other European countries (Mitchell, 2007). As Harman (2009) points out, in 2008 only around 2% of the UK's total energy needs were met from renewables.

More generally, writers point to the government's 'embarrassing' failure to meet its own 2010 CO_2 reduction target of 20%, a key pillar of Labour's strategy on climate change since 1997 (Jordan and Lorenzoni, 2007). Indeed, Labour ministers have been accused in the literature of complacency when looming targets began to appear unachievable and procrastination when confronted by key policy decisions, for example on energy (Carter, 2008; Jordan and Lorenzoni, 2007). However, to be fair, this failure to convert rhetoric on climate change into an effective policy has not been confined to the UK. Governments elsewhere, for example in Norway and Germany, have also struggled to deliver on aspects of their climate change strategies, including their emissions reduction targets (Giddens, 2009; Michaelowa, 2008).

1.3.2 Explaining the disconnect between rhetoric and policy

The existing literature attributes this disconnect between the Labour government's strong rhetoric on climate change and the emissions reductions achieved in the UK to a wide range of factors. Notably, an absence of both concerted political leadership at domestic level, capable of driving change, and a coordinated and coherent approach across government are widely cited as reasons why national policymaking has not been more effective (Darkin, 2006; Carter, 2008; Lorenzoni *et al* 2008; Rayner *et al*, 2008). The relative weakness of the Department for Environment, Food and Rural Affairs (DEFRA), which until the creation of the Department for Energy and Climate Change (DECC) in 2008, was the sole department for whom the environment was a priority, further exacerbated these problems. Relatedly, the Treasury, widely considered Whitehall's most powerful department, has shown an aversion to regulation, and this has functioned to block policies which could have brought progress (Carter, 2008). The literature also explains Labour's failure to deliver concrete emissions reductions by reference to its timidity when faced by an electorate deeply attached to personal choice and travel (Carter, 2008; Lorenzoni *et al* 2008; Rayner *et al*, 2008; Harman, 2009). Labour politicians - and mainstream politicians more generally - have considered the introduction of policies to curb travel and consumption political suicide, fearing the potential consequences at the ballot box.

Interestingly, given the focus of this study, the detrimental impact of business lobbying has also featured, and often prominently, amongst the general analyses of the inadequacies of UK policy (see for example, Monbiot, 2001; Carter and Ockwell, 2007; Carter, 2008; Compston and Bailey, 2008; Lorenzoni *et al* 2008; Mitchell, 2007; Harman, 2009). The government has been accused by writers of having prioritised the interests of business actors over the imperative of reducing emissions. According to Harman, the political 'interventions' required in the economy if the UK is to deal effectively with environmental challenges are 'almost always' met with opposition by the business community (17: 2009). He adds that corporate actors enjoy considerable influence with government. Similarly, Lorenzoni *et al* argue that a 'persistent and influential business lobby' has inhibited 'innovation and radical interference in markets and investment' (2008: 114). They maintain corporate political activity has resulted in diluted and confused policies on climate change in the UK. Carter (2008) agrees, arguing that the government has stalled and in some instances abandoned policies because of opposition from business interests. By way of specific examples, writers point to lobbying by the construction industry and appliance manufacturers, arguing it has stalled the government's ambitions on zero-carbon homes, as they do the negative influence of concerted business-wide pressure on government in favour of airport expansion (Carter and Ockwell, 2007; Lorenzoni *et al* 2008).

1.4 The role of business actors in environmental policymaking in the UK

The literature reviewed in the previous section suggests that business actors have often been effective at shaping UK climate policy. More broadly, over the years there has been consensus in academic writing that British environmental policymaking, unlike that in the US or Germany, has tended to be flexible and relaxed, involving extensive self-regulation for businesses and only weak enforcement (see for example Vogel, 1983, 1986; Hajar, 1997; Cass, 2007). The preference of British policymakers has been to encourage industries to voluntarily adopt 'decent' pollutions standards, and governments have disliked setting mandatory emissions or technology standards for industry (McCormick, 2002; Jordan *et al* 2003; Cass, 2007). UK policymakers have placed considerable emphasis on persuasion, consultation and cooperation with businesses, rather than conflict, confrontation and imposition (Vogel 1986; Weale, 1997; Weale *et al,* 2000; Jordan *et al* 2003; Cass, 2006). Policymaking has tended to take place behind closed doors, with industry enjoying insider status and far greater access to the policy process than environmental interests (Vogel, 1986). In fact, McCormick (2002) suggests that the appeasement of industrial lobbies has been a key characteristic of British environmental policymaking. Thus, these broader evaluations of the traditional nature of UK environmental policymaking suggest business actors have been well integrated in the making of policy and, concomitantly, often effective at shaping policy.

However, much of the more recent literature argues that environmental policymaking has become open to a broader range of groups and that the influence of industrial interests has decreased, particularly since DEFRA was established (McCormick 2002; Humphrey 2003; Jordan *et al*, 2003). Indeed, Jordan *et al* assert that since the 1980s the style by which environmental policy is made in the UK has gradually undergone 'profound change', becoming more open and formal (2003: 182-3). In an excellent recent appraisal of the political power of business in the UK, Moran contends that the practice of 'cooperative regulation' has changed, with regulation in areas such as the environment becoming more juridified, centralised and enforced. He suggests various issues that were once 'depoliticised' have escaped into the public domain where they have become subject to contestation (2006: 461). Meanwhile, Darkin observes that the business community has been the focus of the government's 'most rigorous package of measures' to bring down emissions, adding that these policies have been accompanied by a significant fall in business emissions (2006: 264). In fact, according to government data, emissions from the business sector fell from 103.4Mt$C0_2$e in 1997, to 89.9 Mt$C0_2$e in 2006, and 85.5Mt$C0_2$e in 2008 (DECC, 2010a).[7] Certainly, a number of the policies introduced, such as the Climate Change Levy and the Carbon Emissions Reduction Target, have brought additional costs or obligations for companies, suggesting that the business community's political influence has been subject to limits.

While there is a body of literature which examines the strategies and power of interest groups on international and European climate policy (see for example Carpenter, 2001; Falkner, 2008; Markussen and Tinggaar Svendsen, 2005), the role of business actors in UK policymaking has been a relatively neglected area of research. Although the impact of the business community is often referred to in general evaluations of UK climate policy (see for example Carter and Ockwell, 2007; Carter, 2008; Lorenzoni *et al* 2008; Harman, 2009), their breadth of focus mean that they rarely unpack *how* business actors influence UK policy in any detail. Yet, an understanding of the various mechanisms by which companies and business groups are able to shape UK policies, along

[7] Provisional figures for 2009 show a further rapid fall to 72.4Mt$C0_2$e, overwhelmingly brought about by a fall in production caused by the recession.

with factors and dynamics that impede corporate influence, are valuable for making sense of the UK's climate change strategy: shedding light on these mechanisms and factors is the central objective of this thesis.

1.5 Research questions

Four principal research questions underpin this study:

1. To what extent has the business community been integrated into the process of climate change policymaking in the UK?

2. What factors have constrained and facilitated the business community's political influence in this policy area?

3. To what extent has the business community been united in this policy space and what have been the implications of this for business influence?

4. How effective has the business community been at shaping UK policy to reduce greenhouse gas emissions?

1.6 Why a UK focus remains valuable

Whilst this study examines the role of business actors in *UK* policymaking, it recognises that this is only one of the arenas in which targets and policies are made. Other actors are clearly very important, as are other levels of policymaking, most notably the EU; indeed other actors and arenas directly impact on, and interact with, the interaction between the business community and UK policymakers. In particular, writers such as Jordan argue that over the past three decades British environmental policymaking has been 'deeply and irreversibly Europeanised', and that the EU has become involved to some extent in the formulation of the majority, if not all, British environmental policy (Jordan, 2002: xv). Humphreys states that 80% of British environmental policy is made in the EU (2003: 304). Certainly the environment is an example of a policy area in which competencies between the Community and individual member states are shared (Lacasta *et al*, 2006: 213). Important policies emanating from Brussels include the Energy Performance of Buildings Directive; A–G energy efficiency labelling; targets for renewable energy generation; and a long-term framework for emissions standards for new cars. Indeed, the UK does not have the power to set mandatory vehicle standards on its own (Darkin, 2006).

However, while climate change is undoubtedly an environmental issue, policies aimed at reducing greenhouse gas emissions span a wide variety of policy domains, from transport and energy to planning and housing, and the role of the EU varies considerably in these different sectors. Most notably, energy policy is integral to any climate change strategy, but the EU has only limited competence in this sector (Lacasta *et al*, 2006). Even where policies and targets are made at EU level, it is generally UK policymakers who decide the details of such measures and how EU targets will be reached (Juniper, 2007; also see Boyd, 2002). Moreover, a number of key UK policies to cut emissions, such as the Climate Change Levy and CRC Energy Efficiency Scheme, are distinctly domestic in origin and scope.

Furthermore, even when targets and policies are made above state level, interest groups, including firms and trade associations, often prefer to channel their influence on issues like climate change through their own national governments (Beisheim, 2005; Tjernshaugen and Lee, 2007; Kolk and Pinkse, 2007). Even British environmental organisations, whose activities have become increasingly transnational over the past three decades, continue to focus a striking proportion of the efforts and campaigns on the UK government and companies operating in the UK (Rootes, 2005). Research which focuses on understanding the political activities and influence of business actors at domestic level thus remains valuable for understanding policy. Indeed, this view was reinforced by interviewees: when asked, although business actors felt Brussels had grown in importance and that they were, to varying degrees, increasingly engaged with policymaking at EU level, this does not appear to have significantly reduced the considerable importance business leaders place on lobbying UK policymakers. For example, a Director of Government Affairs at one multinational company commented: 'There's so much to talk to the UK government about in terms of achieving progress on climate change, you could spend all your life doing that. I don't see Westminster as becoming less important… I think other people are becoming more important'.[8]

[8]Face-to-face interview with author at company headquarters 1st October, 2008.

According to the Director of Regulation at one Large Electricity Producer 'it is hard to devote much time to Europe because there's so much to do in relation to the UK government'.[9] Similarly, an executive at a large manufacturing company stated 'you have to lobby the UK government... it's still important we input things into Brussels through the UK government'.[10] In this policy space UK policymakers have retained their relevance, even for the largest multinational companies.

1.7 The structure of the thesis

This final section will provide an outline of this study's structure and the purpose and thrust of each chapter.

1.7.1 Chapters 2 – 4

Chapters 2 and 3 make explicit the theoretical and methodological lenses through which the empirical analysis in chapters 5-8 was approached. Chapter 2 begins by reviewing the existing theoretical literature on the political power of business. Both the material and discursive nature of the resources enjoyed by business actors are highlighted, along with the importance of business unity and legitimacy for explaining if and when business actors prevail during policymaking. With these insights in mind, the chapter then offers an 'organising perspective' (Gamble, 1990) through which the business community's role in UK climate policymaking can be effectively analysed. The Strategic Relational Approach forms the backbone of the theoretical perspective proposed, with the literature on the importance of discourse in environmental policymaking used to tailor its valuable insights on the dialectic relationship between the ideational and material to the policy area under analysis. Chapter 3 then turns to ontology, epistemology and methods. First, it makes explicit the ontological and epistemological assumptions which underpin this study, before outlining the three qualitative research methods adopted: elite interviewing, documentary analysis and participant observation respectively. It explains why these qualitative methods are complementary and appropriate for the research questions and clearly states how each was approached and carried out.

[9] Face-to-face interview with author at company's headquarters, 12th August 2008, London.
[10] Telephone interview with author 3rd September, 2008.

The organising perspective proposed in chapter 2 argues an appreciation of the prevailing strategically selective context in the UK is vital for making sense of the political preferences, strategies and influence of actors, including those of the companies and business groups under examination. Chapter 4 thus unpacks the political context in the UK between 1997 and 2009, charting the growing salience of climate change in British politics. Concomitantly, the analysis explores how the business community engaged with the climate change over this period and considers how the prevailing context functioned to impose constraints on the political activities and influence of corporate actors. Most notably, the analysis highlights the environmental movement's effectiveness at raising the public profile of climate change and its role in de-legitimising a reactionary corporate approach to the issue. Likewise, the chapter contends that once Cameron became Conservative leader, party competition over climate change constrained the range of viable lobbying positions options open to business actors.

1.7.2 The Empirical Chapters: chapter 5

Chapter 5 represents a bridge between the theoretical and context chapters and the case studies analysis of chapters 6 to 8. The chapter draws on extensive empirical research, including over 50 interviews with political and business elites, to provide a broad analysis of the role of the business community in UK climate policymaking. It illustrates how key aspects of the strategically selective context in the UK have worked to advantage business actors. In particular, it demonstrates how business interests have been advantaged and legitimised by the discourse of ecological modernisation, and argues that prominent corporate leaders have played an instrumental role in its consolidation among the UK's political and business elite. In addition to their discursive advantages, the chapter also illustrates how business actors are 'resource rich' in material terms, and argues that this has fuelled and facilitated considerable interaction between the business community and government. Finally, the analysis explores the degree to which the business community has been united and the implications of this for business actors' political influence.

1.7.3 Empirical Chapters 6-8: the case studies

Through three case studies, chapters 6 to 8 develop and further illustrate the analysis put forward in chapter 5. The case studies were each selected on the basis of their importance in this policy space and their potential capacity to shed light on the study's key research questions.

The first case study explores the role of the Confederation of British Industry (CBI) in the making of climate policy in the UK, paying particular attention to the period 2006-9. The CBI was chosen on the grounds that it is cross-sectoral and the UK's foremost business group. Indeed, the organisation describes itself as the 'voice of business' and claims its influence with the UK government is 'unmatched' (CBI 2008e). Academics also describe the CBI as a privileged actor and a 'core insider' (Wilson, 2003: 69; Grant, 2004: 411-2), and environmental NGOs regard the business group as having a considerable, and often negative, influence on UK policy (see for example, Friends of the Earth, 2005; Oxfam, 2008). An analysis of the CBI also provides an opportunity to unpack 'business' as a political actor and consider the validity of the notion of a UK business community. As chapter two notes, whether business actors have, and can articulate, a shared set of interests to policymakers are crucial for explaining the political influence of the business community. This is particularly relevant given that the existing literature (see for example, Carter and Ockwell, 2007; Hale, 2007; Carter, 2008; and Harman, 2009) draws attention to cleavages between corporate actors in terms of how they have engaged politically with climate change. The chapter charts and explains the CBI's evolving engagement with climate change during the period and the privileged access the organisation has enjoyed to UK policymakers. It concludes by offering an assessment of how effective the CBI has been at influencing UK climate policy.

The second case study examines the role of the business community in the development of emissions trading in the UK and analyses how successful business leaders have been at shaping this area of policy. The Labour government considered carbon pricing and emissions trading central to its climate change strategy. For example, in 2007 the then Prime Minister, Gordon Brown, asserted emissions trading to be at the 'heart' of the government's approach (Brown, 2007a). More recently, in its 2009 Low Carbon Transition Plan the Labour government described the EU Emissions Trading Scheme (EU ETS) as 'the single most important policy to reduce UK emissions' (HM Government, 2009a: 57). It is because of the importance which the Labour government attached to emissions trading that this policy mechanism was selected as an area for detailed examination. The chapter focuses on the business community's influence on the government's initial decision to establish the UK Emissions Trading Scheme, along with the nature and effectiveness of business lobbying during 2008 over the structure of Phase 3 of the EU ETS.

The final empirical chapter examines the role in UK climate policymaking of a key group of companies: large electricity producers. In the UK, electricity generation accounts for around 37% of CO_2 emissions (CCC, 2008: 173) and, like energy production and use more generally, has been considered by policymakers and analysts alike, central to any effective strategy to combat climate change. Indeed, the creation of the Department of Energy and Climate Change (DECC) in October 2008 bears testimony to how intimately connected the Labour government considered energy and climate change to be. Having analysed the nature of the UK electricity market, the chapter assesses the political activities of large electricity producers and evaluates the degree to which they have been successful at shaping the direction of policy in this area. As with the other case study chapters, it draws on the organising perspective put forward in chapter two to make sense of this influence and its limits.

Of course, the chosen case studies were not the only way the research questions could have been tackled. For example, an alternative approach would have been to explore the role of business actors on specific policy areas, following the model taken in chapter 8. Alongside an analysis of electricity generation, other appropriate case studies could have been policy to reduce emissions in transport, industry and buildings. Such an approach would have allowed for comparisons across business sectors. However, it would not have provided as much opportunity to explore unity and division within business and, correspondingly, the extent to which it is meaningful to conceive of a 'business community' when it comes to the making of climate policy.

The final chapter returns to the study's key research questions and draws together the major themes and findings presented in chapters 5-8. It concludes by considering the changed political context in autumn 2010 and tentatively speculates on what the new coalition government may mean for the role of the business community in UK climate policy. Having provided an overview of the chapters and explained the chosen approach and case studies, it is now time to turn to the theoretical literature on business power, and then drawing on it, to present the organising perspective which will be used to guide the empirical analysis.

Chapter two:
An organising perspective to analyse the business community's role in climate change policy

2.1 Introduction

This thesis is interested in the role of the business community in the making of climate change policy in the UK. Specifically, it examines the extent to which the business community has been integrated in policymaking and explores what factors have constrained and facilitated business actors' political access and political influence in this policy area. With these questions in mind, this chapter has two objectives. The first is to review existing theoretical literature on the political power of business. The second, and flowing directly from the first, is to offer an 'organising perspective' (Gamble, 1990) through which the business community's role in UK climate change policymaking can be analysed. The chapter will thus highlight a series of theoretical ideas and a language to help guide and make sense of the empirical material presented in chapters 5-8. Forming the backbone of this organising perspective is the Strategic Relational Approach (SRA). This broad analytical perspective provides a valuable means of transcending binary arguments that business is either politically omnipotent or ultimately no different to other interests, as it does the dualistic conceptions of structure and agency which are present in much of the literature on business power. Crucially, the SRA also emphasises the dialectic relationship between the ideational and the material and the interplay between these two dimensions of any given context. To build on this crucial insight and develop the SRA with reference to the specific topic at hand, the chapter draws on literature on the importance of discourse in environmental policymaking by writers such as Hajer (1995) and Dryzek (2005). This work faciliates a nuanced analysis and the de-reification of the key discursive features of the prevailing UK context. Following its review of existing literature on business power, the chapter also argues that any viable organising perspective must allow space for understanding how business actors may together be advantaged politically, but simultaneously the room to disaggregate business, exploring any tensions and cleavages between firms and sectors. The analytical perspective of the SRA is conducive to these dual objectives.

The chapter begins by reviewing the existing theoretical literature on business power. It first considers pluralism and neo-pluralism, before the various critiques of these theoretical approaches, including those offered by elitists, Marxists and other key writers in this area such as Lindblom. It concludes by suggesting that courtesy of its material and discursive resources, the business community generally enjoys a political influence disproportionate to other interests. However, section 2.3 notes that business actors also face political challenges and constraints. In particular it highlights the importance of legitimacy and business unity for understanding the political strategies and influence of firms and business groups. This section concludes by establishing the foundations for a viable organising perspective. Sections 2.4 and 2.5 develops this, laying out the SRA and then building on its insights on the importance of the discursive and the concept of discursive selectivity, by drawing on the literature on environmental discourse. Attention then turns in section 2.6 to discuss a discourse which this thesis argues has become popular among political and business elites in the UK: ecological modernisation. Its character, political traction and benefits for business actors are explored, as are its potential limitations from an environmental perspective.

2.2 Theoretical perspectives on business power

2.2.1 The theoretical literature on business power

Although academics such as Kamieniecki (2006) and Wilson (2005) justifiably argue that the political influence and activities of business have been comparatively neglected by political analysts, over the years a substantial amount has been written about the influence of business on governments. It is to this literature - a literature in which business power remains much contested - that the focus will now turn. In essence, the review will be undertaken with the following three questions in mind: what is the nature and basis of the business community's interaction with government? Do business actors enjoy a privileged position during policymaking? Finally, to what extent does the business community present a united and cohesive front during its interaction with policymakers? As many of the key works on the political power of business relate to the US, this literature will be considered along with those which specifically analyse the political position of business in UK policymaking.

2.2.2 Pluralists and neo-pluralists: countervailing interests and the contingency of corporate power

In the 1950s and 1960s, and drawing on the work of Bentley, pluralist writers such as Truman (1951) and Dahl (1961) took a 'relatively benign' view of the power of business in the US (Grant, 1987). While pluralists such as Dahl acknowledged that not all interest groups enjoy the same resources, access or influence, they nevertheless argued that the state is fragmented and power non-cumulative. For pluralists no single power can dominate society and governments are independent of the various interest groups (Truman 1951; Dahl, 1963). From this perspective, not only is business power checked by countervailing groups, but economic actors are in conflict and competition with each other. As such, business *unity* is not the norm. Pluralists also claim that governments factor in the interests of 'unorganised' or 'potential' groups when making policy (Truman, 1951: 448). Jordan and Richardson (1979; 1987) draw on these pluralist ideas in their analysis of British policymaking (also see Finer, 1966). For Jordan and Richardson there are no monopolies of power and policy communities contain countervailing interests. They argue that different groups can gain access to the consultation process with relative ease, and maintain that policies are introduced which even very powerful economic interests oppose. By way of example Jordan and Richardson point to the more stringent pollution controls imposed by government on business. Like other writers from within the pluralist paradigm, Jordan and Richardson privilege agency and personal relationships over structure. As such, they overlook the existence of any underlying mechanisms or institutions which may advantage or impede certain actors and groups as they seek to influence policy (Marsh *et al* 2003; Smith, 2006).

A challenge to such pluralist arguments with particular relevance for the political activities and power of business came from Mancur Olson. In *The Logic of Collective Action* (1971) Olson claims that people generally remain unorganised because from an individual's point of view it makes little sense to mobilise for the common good. The result is that many interests remain unorganised and thus unrepresented in the policymaking process. For Olson, business interests enjoy organisational advantages and political influence largely because the business community is divided into a number of different sectors. As each sector comprises relatively few companies, they generally do not suffer from the 'collective action problem' and are more likely to voluntarily organise into active lobbies than other groups with many potential members (Olson, 1971: 143). As a result, the struggle between different interests to influence government policy does not take place on fair and equal terms, and this is reflected in the decisions reached by governments. However, while Olson argues sectors of business are privileged groups with disproportionate influence in the policy areas that directly affect them, he also suggests the business community *as a whole* is a large, latent group, which has difficulties organising just like other segments of society. He thus states that business as an aggregate is 'not uniquely effective as a pressure group', and does not enjoy disproportionate power (1971: 145-8). Olson's argument suggests that while business as a whole will not exert disproportionate influence on the UK's overall climate change strategy, individual business sectors will be effective in relation to the particular policies which affect their interests.

Stigler's theory of economic regulation also focuses on the incentives to participate in politics, and again suggests business interests fair well in the policy process. Stigler (1971) argues that in a political system typified by infrequent participation by citizens, and where the costs of being well informed are substantial, the focused interests and stakes involved for businesses, and their readiness to participate, means business interests often prevail.[11] Such work touches on the central problem with pluralist analysis: its tendency to regard business as just 'another group', albeit one which is well endowed in resource terms, rather than an interest which enjoys unique advantages and resources (Smith, 1995). These unique advantages will be explored further shortly, but first to neo-pluralist thinking.

Seeking to remedy some of classical pluralism's failings, neo-(or 'critical') pluralists such as McFarland (1991), Wilson (1980) and Vogel (1989) accord business greater power than did the earlier pluralists. McFarland, for example, acknowledges that business is the *most* important power group. However, he adds that it is not the 'dominant power group' and views 'business power as subject to major limits' (1991: 271-3). Neo-pluralists do not treat business power as a given, arguing instead that the influence of business fluctuates (McFarland, 1991; Vogel, 1989; Falkner, 2008). McFarland (1991) for example states that issues go through cycles, alternating between business/producer control periods and reform phases when countervailing power groups and government regulatory agencies have more influence. From this perspective, the power that business actors exert on UK climate policy cannot be read off in advance; empirical research is necessary before any conclusions can be drawn. Along similar lines Vogel (1989) argues a choice between the descriptions of business power offered by the pluralists and their critics is unnecessary as the power of business in the US can, and indeed does, vary. He maintains both perspectives have accurately reflected the power of business in the US at different points in time,

[11] However, Kamieniecki (2008) argues that recent research on interest groups activity in the US Congress shows that citizen groups are active and increasingly politically influential.

and as such business power is best conceived in 'dynamic terms' (1989: 290). Vogel argues that the political influence of business is significantly affected by the American public's long term perceptions of how the economy is performing. He suggests that business enjoys more influence when the US economy is performing badly and less influence when it is performing well. This is because the middles classes take economic prosperity for granted, and believe business can afford to alleviate social and environmental problems. Overall, Vogel concludes 'business is more affected by broad political and economic trends than it is able to affect them' (1989: 293). However, he does acknowledge that during the twentieth century business has been powerful more often than not, although he adds this is not necessarily typical. Like earlier pluralists, he underplays the *enduring* material and discursive advantages enjoyed by business actors during policymaking.

2.2.3 The Elitist and Marxist challenge to pluralism

In contrast to pluralists, many writers have argued that business occupies an enormously privileged position politically. Elite theorists such as Mills (1956) contend business leaders form part of a wider ruling elite. They emphasise the common social origins of corporate and political leaders, their personal connections and shared interests, and how these networks serve to political advantage business elites. For example, in *The Power Elite* (1956) C. Wright Mills argues an interlocking directorate, comprising leading men in the economic, political and military domains, forms a power elite in the US, and each element of this elite is involved in virtually all important decisions. Mills also suggests that there has been a long term trend for business and government to become more 'deeply involved' in the US. Indeed, he goes so far as to state that business and government 'cannot now be seen clearly as two distinct worlds' (1956: 274). For writers such as Mills business associations help create a unity among the corporate elite, in turn converting economic power into industry and class-wide power and spreading the views of big business down into the ranks of smaller businessmen (1956). Similarly, from his study of the political activity of business in Britain and the US, Useem argues that an elite group of managers and directors - an 'inner circle' - act as a cohesive group, exercising a unified voice on behalf of business as a whole (1984: 4).

John Scott, whose position represents a convergence between elitist and Marxist state theory (Evans, 2006), maintains Britain still has a ruling class. According to Scott (1991) a power block exists in Britain and the capitalist business class occupies a dominant position within it. He suggests the economic constraints brought about by a state's need to raise revenue, along with the prevailing cultural consensus among the power elite, work together to ensure government policies are generally geared to encouraging a thriving private sector. Furthermore, members of the capitalist class enjoy an overrepresentation in the power elite which runs the state, which in turn enables these individuals to bring the state 'back into line' should its policies be undermining its 'continued class dominance' (1991: 137, 145). Scott concludes a capitalist class, now based around a core group of finance capitalists, rules Britain, and has its economic dominance maintained by the state. He also suggests business's political influence is strengthened by its lobbying of and contacts with state officials, facilitated by the regular movement of personnel between the state bureaucracy and corporate world, its participation on advisory bodies and the financial support it gives parties.

Scott's arguments share similarities with those advanced by Miliband in his seminal 1969 work *The State in Capitalist Society*. Like all those working from a Marxist perspective, Miliband argues that the business community enjoys a privileged position and has a power unmatched by any other interest. For Marxists, political and economic power are not separate and business actors enjoy *structural* power. Miliband argues that business, and particularly large-scale business, is advantaged *inside* the state system, as a result of the makeup and ideology of the state elite, and has 'massive superiority' *outside* the state system (1969: 131). For Miliband, governments cannot afford to ignore the financial, industrial and commercial resources of business when formulating their policies, not only in the economic sphere, but also in most other policy areas too. He argues that although governments are 'not completely helpless' vis-à-vis business power, the control business has over crucial aspects of the economy makes it very difficult for government to implement policies which business opposes (1969: 132). This goes to the heart of the structural power thesis: in capitalist states governments look to private companies to make the apparent imperative of a strong, growing economy a reality. Miliband also maintains that business interests enjoy a rapport with, and sympathy and respect from, ministers and state officials not shared by other interests. He attributes this affinity to a range of factors, including the common social origins and class of business and state leaders, the government's recruitment processes, the state elite's ideological inclinations and conceptions of the national interest.

While rejecting Miliband's 'instrumentalist' conception of the state, fellow Marxist Poulantzas (1969) nonetheless argues business is uniquely privileged. He places even greater emphasis on the structural dynamics at work. For Poulantzas, the 'capitalist state' takes on the form and roles it does largely irrespective of the intentions of individual political actors or members of the dominant class: the political power of the capitalist class is not predicated on its direct involvement in political rule. According to Poulantzas, the state is relatively autonomous from any interest, including the various factions of monopoly capital. However, the state uses this relative autonomy to unify the different capitalist factions and look after the general *long term* political interests of capitalism, even if this means implementing some policies capitalists do not support.

Block, who describes himself as a post-Marxist (1987), also emphasises the structural advantages enjoyed by business actors during policymaking. For Block, although direct business lobbying and financial contributions to politicians make policymakers less inclined to adopt 'ways of thinking that conflict with the logic of capitalism', they represent subsidiary mechanisms of business influence (1987: 56-7). Rather, the basis of business privilege is structural and lies in the control business leaders exert over investment decisions in capitalist societies. Similarly, a 'bourgeois cultural hegemony' constrains state managers when policymaking. Thus even when leftwing parties are in government, and business is less able to exploit the traditional advantages it enjoys from its personal contacts with political leaders and its staffing of government posts etc, policies still generally favour business interests courtesy of their structurally privileged position. Nonetheless, Block also suggests that state actors do enjoy substantial freedom when formulating policy, and as such the analyst must pay attention to the ways in which business influence and public opinion are percolated through the internal workings of the state.

As Hay points out, given that environmental problems have their roots in the 'capitalist growth imperative', environmentalists require a theory of the *capitalist* state and as such Marxism offers useful insights (2006: 77). The same can also be said of the political researcher seeking to make sense of environmental policymaking and its shortcomings. Crucially, the imperative of economic growth not only provides business actors with enormously valuable material resources, it simultaneously helps furnish corporate actors with vital discursive resources during their interaction with government (see section 2.7 and chapter 5).

2.2.4 Challenging pluralism: Lindblom

The reformed pluralism of Lindblom's hugely influential *Politics and Markets* (1977) represents a convergence between pluralist, elitist and Marxist state theory. Interestingly, despite coming from two very different theoretical traditions, Lindblom and Block offer arguments with notable similarities. In contrast to classical pluralism,[12] in *Politics and Markets* Lindblom argues business is an interest unlike any other and benefits from substantial structural power. Business's central role in public policymaking does not primarily depend on its influence in an interest group sense: business power is much more fundamental and enduring, and largely derives from its perceived importance in the smooth running of capitalist democracies, or 'polyarchy systems' as Lindblom terms them (1977: 174-5). According to Lindblom, business must be 'induced' by government to perform. In any such private enterprise system many decisions are taken by business rather than government, and thus business leaders represent a 'kind of public official' (1977: 172). Thus, government officials do not need to be 'bribed, duped or pressured' by business, policymakers simply understand that there are two groups of leaders – government and business – and that 'to make the system work government leadership must often defer to business leadership... businessmen must be invited in' (1977: 175). He also suggests business often does not even have to exert its influence or use its considerable resources to have its interests and anticipated reaction factored into the policymaking process by governments. This is a crucial point and stands in stark contrast to the analysis offered by pluralists: for Lindblom business leaders *do not need* to lobby government to have their interests reflected in policy. Such a position is predicated on the assumption that the preferences of corporate actors are, at least largely, shared and self-evident to policymakers. As with notions of structural power more generally, the methodological issues associated with positing such 'unobservable' influence are substantial, and go some way to explaining the insurmountable differences between writers on business power. However, as this and the next chapter will argue, despite such methodological difficulties the existence of powerful underlying mechanisms should not be discounted.

Controversially, Lindblom also argues a 'circularity' exists in polyarchies whereby business moulds and constrains the public's volitions on 'grand issues' (1977: 207-13). For Lindblom, business benefits from, and also has a fundamental role in perpetuating, a broad ideology within capitalist states which *appears* to limit the range of strategies and options open to government on grand

[12] This includes Lindblom's own earlier work in which he offers a distinctly pluralist perspective.

issues such as the mode of production. Alternatives that business would oppose are therefore generally marginalised and its privileged position is consolidated. In other words, business plays an important role in setting the boundaries of public and political debate. This is an interesting contribution to the theoretical literature and one which resonates with the valuable recent work on the role of discourse in environmental policymaking, and particularly with the suggestion that certain discourses can become dominant, to the advantage of corporate interests as sections 2.5 and 2.6 and chapter 5 will show (see for example, Hajer, 1995: Dryzek, 2005; Barry 2005).

Despite extensive criticism, Lindblom's arguments have also found support from within the academic community. Marsh and Locksley's (1983) research on Britain led them to agree that business exercises power both directly through interest group activity and structurally through the crucial decisions business leaders make which affect the political and economic context in which governments operate: business is therefore 'not first among equals', but its influence over governments 'is qualitatively as well as quantitatively different' to that exercised by other interests (Marsh and Locksley, 1983: 37). Like Block, Marsh (2002) usefully points to the importance of the context within which policy is made, and argues that the discursive framework in which governments function generally promotes business confidence and thus favours business interests. The result is that business interests are 'inscribed in the institutions and processes of government' (Marsh, 2002: 26).

Mitchell's (1997) book *The Conspicuous Corporation* also examines empirically Lindblom's theoretical arguments and similarly concludes Lindblom's claims have merit. Mitchell contends that the evidence does not topple Lindblom's ideological pillar of business power, offers some support to his structural pillar, and strengthens the interest group representation dimension of business power. He also maintains that business interests are not usually countervailed by opposing interest groups during the policy process. Nor do different companies or sectors of business regularly cancel each other out as their political interests tend to be 'compartmentalised', rather than in direct conflict (1997: 128-31; 153). Lindblom's work undoubtedly has value, highlighting some of the more enduring advantages and discursive resources together enjoyed by members of the business community. However, as this chapter will show, his analysis tends to overplay the cohesion among business actors and oversimplify the complexities and contingency inherent in any political context.

2.2.5 The mutually reinforcing resources enjoyed by business actors

For Mitchell, business's considerable resources, its influence over investment and other economic decisions, its connections to politicians, its general attentiveness to politics and its preferences, all have the effect of 'loading' the political system in business's favour (1997: 3, 78; 169). Accordingly, the various dimensions of business power should be viewed as complementary. He suggests, for example, that the needs of business actors require articulating to governments as they are not self evident, and thus government's desire to maintain business confidence operates in conjunction with the lobbying dimension of business power. While some of the business community's more fundamental and enduring policy preferences may be obvious to government as Lindblom suggests, the positions taken by business actors with regard to specific policies generally are not. These often varied business preferences do need to be voiced to government by companies and sectors. More broadly, the suggestion by Mitchell that the different aspects of corporate power should be viewed as complementary is a valuable insight. The various material and discursive advantages business actors enjoy are best conceptualised as mutually supportive and reinforcing, rather than discrete and distinct.

Likewise, several dimensions of the business community's politically privileged position have common origins. It is useful here to consider the important resources of information and expertise, and particularly the linkages between these resources and the privilege and discursive advantages business actors enjoy. Bernhagen for example suggests that the crucial role which corporate actors play in determining allocation and investment explains both their 'structurally privileged position' and 'informationally privileged position' (2007: 60). Information is vital for the making of effective policy, particularly where environmental policymaking is concerned. Indeed, Coglianese goes as far as to assert that environmental policymaking is a politics of information and 'more often than not... business involvement in regulatory policy making is really about information, not political pressure' (2007: 202). No actor is perfectly informed as to the implications of policies. However, business actors often possess private information of enormous value to government as they seek to formulate effective and viable policies (Grant, 1987). Crucially, in the field of environmental policymaking it is common for companies and trade associations to enjoy informational advantages *over* policymakers (Ekins and Etheridge, 2006; Bernhagen, 2007). Not only are business actors generally better placed to know the scale of their emissions, but also their potential for emissions reductions and the possible associated costs and impacts on business competitiveness of policies. Moreover, unlike most other interests, firms have the capacity to act on the basis of the information they provide - i.e. to direct their investment accordingly. This ability gives their information particular weight and validity in the eyes of government (Bernhagen, 2007; Coen and Grant, 2006). Crucially, the possession of such valuable information and expertise serves to *legitimise* business input into policymaking (Eden, 1999).

The material resources of information and expertise are connected with the discursive dimensions of business power. Indeed, where environmental problems are concerned, the 'special knowledge' needed for green innovation is closely linked to discursive forms of power (Litfin, 1994; Falkner, 2008). Given the key role companies generally play in the development of technological solutions to environmental problems, they are well placed to influence the policy debate. In particular, it enables business actors to play a very active role in establishing a discourse around what policymakers consider to be possible and viable (Falkner, 2008). This usefully illustrates the dialectic relationship between material and discursive resources.

2.3 Towards an organising perspective

Much of the literature reviewed contends that the business community enjoys political influence disproportionate to other interests, albeit for a variety of reasons. To summarise, those working from a rational choice or economic perspective draw attention to factors such as the focused interests of firms or particular business sectors, and their greater incentives, relative to the rest of society, for participating in politics and forming groups to lobby policymakers (Olson, 1971; Stigler, 1971). Other writers point to the advantages the business community enjoys in terms of its direct interest group activity through its extensive material resources and connections, and business leaders' overrepresentation in the state (Mills, 1956; Domhoff 1998; Scott 1991; Mitchell 1997; Coen and Grant 2005). However, many authors go beyond this and persuasively argue that as a result of its perceived importance in the smooth running of the economy and the strong desire by governments to maintain 'business confidence', business benefits from substantial structural power (Miliband, 1969; Lindblom, 1979; Block, 1987; Marsh and Locksley, 1983). Relatedly, the prevailing ideological consensus, that is the attachment to a free-market, private enterprise and economic growth, particularly prevalent among the state elite, also generally leads to policies which favour business interests (Lindblom 1977; Scott 1991; Marsh, 2000). In other words, business actors enjoy *discursive* advantages during policymaking. In the field of environmental policy, business influence also tends to be augmented by the information asymmetries companies and trade associates often enjoy over government and their role in green innovation (Ekins and Etheridge, 2006; Bernhagen, 2007; Falkner, 2008). The interest group, structural and discursive strands of business power are often viewed to be complementary and reinforcing (Block, 1987; Mitchell, 1997; Bernhagen, 2007). This confluence of factors prompts many writers to convincingly argue business power is qualitatively as well as quantitatively different to that possessed by other interests (Marsh and Locksley, 1983).

However, despite such advantages business actors are often unhappy with aspects of government policy. Empirical research on environmental policymaking provides many examples of either business failure or limited policy success (see for example Kamieniecki 2006; Falkner, 2008). As Mitchell puts it, although the business community enjoys a privileged position there are 'interruptions in the flow of favourable policies delivered to business interests' (Mitchell, 1997). Insightfully, he adds that these policy defeats are of great theoretical interest to the researcher. The chapter will now turn to consider two factors which the existing literature suggests are particularly important for explaining the extent to which business interests and actors prevail during policymaking: business unity and legitimacy, and it suggests that these two factors must be incorporated into any viable organising perspective.

2.3.1 The importance of legitimacy

Legitimacy is a fundamental goal and requirement of any state and, concomitantly, of any government (Beetham 1991; Coen and Grant, 2006; Smith, 2009). By playing a crucial role in delivering economic prosperity and growth, private corporate actors can provide governments with an important source of legitimacy, and with it popular approval from the electorate. However, as writers such as Weale (1992) have long pointed out, a state's legitimacy has also come to be predicated on its capacity to respond effectively to environmental challenges. As such, if policymakers are viewed to be 'too close' to business actors who are advocating environmentally unsustainable policies, companies and business groups can have the opposite effect, undermining the government's legitimacy. Along these lines, Mitchell argues that business actors risk defeat in policy struggles when their positions lack - or at least decision makers anticipate they will lack - legitimacy, as the capacity of business to contribute to policymakers' public support is undermined. Moreover, Mitchell (1997) suggests that politicians are likely to prioritise *public* confidence over business confidence, and accords politicians' agency, arguing that they evaluate the policy stances of interests - including business - against the backdrop of their own preferences and public support (also see Block, 1987 and Skocpol, 1979). As such, legitimacy is context dependent and contingent, and a resource which strategic actors continually work to maximise. Indeed, the capacity to effect what is widely considered legitimate is an enormously valuable form of discursive power, as this and following chapters will illustrate.

While it is clear from the discussion so far that the interests of business actors are in many ways *legitimised* by the prevailing discursive context, this does not mean business actors do not need to grapple with issues of legitimacy as they seek to influence policy. What counts as legitimate is continually subject to contestation (Smith, 2009) and Moran argues that business in Britain is currently suffering from a 'legitimation crisis' (2001; 2006). According to Moran, up until the 1970s business's privilege and power was founded on a hegemonic ideology which legitimised business's control of its own affairs and 'organised out' of democratic politics many important issues affecting business interests (2006: 461). However, Moran suggests times have since changed. Privatisation has brought questions of corporate practice and reward into sharper public focus and movements within civil society have increasingly disputed the legitimacy attached to the endless pursuit of profit by corporate actors (Moran, 2001; 2006). Moran suggests that in this changed context the business community has found it difficult to 'create a legitimate foundation for [its] expanded privileges' (2001: 278). Along similar lines to Moran, Mitchell (1997) suggests that an important means by which business's opponents can overcome their disadvantages in resource terms is to highlight to the public the legitimacy problems surrounding the position taken by business. Environmental NGOs and campaigners have sought to do just that with regard to climate change. Evidently legitimacy is complex and multifaceted, and in any given context is perhaps best conceived of as a series of overlapping layers, some of which may be in direct tension. Again, this highlights how any interactions between business and government are embedded within a broader social, economic and political setting. It is impossible to analyse these relationships, and the political influence of business actors, without reference to this wider context.

2.3.2 The importance of disaggregating 'business'

Along with legitimacy, a second crucial factor when analysing the influence of corporate actors relates to business unity. Indeed, the extent to which the business community represents a cohesive political actor, with common interests, is central to any discussion of business power. Writers arguing that 'business' occupies a privileged position in policymaking generally emphasise the unity of business, particularly in relation to other groups such as labour or consumers (Mills 1951; Miliband 1969; Lindblom 1977; Useem, 1984). Lindblom, for instance, argues the cohesion of business is vital to its ability to constrain governments. However, the business community is not a monolithic actor. Firms and sectors have diverging interests and policies have varied affects on companies depending on factors such as their size, sector, position in the supply chain and the extent to which their goods and/or services are for export (Andrain: 1984; Grant 1987; Falkner 2008). Moreover, businesses in general are in competition with one another for sales and profits. As a result, firms and sectors often differ in their political objectives and strategies. In the US even companies in the same business sector, for instance oil or the utilities, have adopted contrasting positions in relations to climate change (Layzer, 2007). Pluralists and neo-pluralists place considerable emphasise on such cleavages and their political implications. For Vogel (1989), 'business' does not possess a homogenous set of interests and the unity of business, like its political influence, varies over time. He suggests that for the most part business has acted as a 'community' in name only (1989: 12). Indeed, the extent of cooperation among businesses at any point in time is one of the factors, along with the health of the economy and the changing nature of the American political system, which impacts on the fluctuating political power of business in the US (Vogel, 1989: 290-1). Fellow neo-pluralist Falkner (2008), argues from his case studies on the role of business in the creation of international regimes to address ozone depletion, climate change and agricultural biotechnology, that corporate political activity has been marked by division and conflict. In fact, he concludes business disunity has limited the political influence of business at global level.

Academics identify cleavages within the British business community; although they do disagree on both the position of such fault lines and their depth. For example, Wilson (2003) comments an enduring feature of business in Britain is the split between finance, with its international outlook, and manufacturing. However, others suggest that although business interests are not always politically united, the division between finance and industry in Britain is often exaggerated (Grant, 1987; Scott 1991). Indeed, Scott argues that the suggestion of a fracture between finance and industrial elements of capital is 'far from the truth' (1991: 151), adding the important structural split is actually between 'big business', and small and medium sized enterprises. More generally, Grant (1987) argues each firm has its own distinct set of interests. For Grant, British business has generally failed to articulate a coherent position to government and this inability to act collectively has contributed to the business community's failure to convert its enormous economic power into political power. More recently, Moran (2006) has argued that since the mid 1970s the 'institutional solidarity' of business in Britain has fallen sharply. With it there has been a notable rise in the extent companies, and particularly the larger firms, act alone to further their own specific interests (Moran, 2006). For Moran, the individualisation of business representation is a reflection of the weakened capability business has for collective action. In fact, he argues that this lack of solidarity has contributed to the 'legitimation crisis' currently experienced by business in Britain (see previous section).

There is clearly merit in the argument that the sprawling and diverse business community in the UK is not a single homogenous actor politically. Any organising perspective - and with it any empirical analysis - must be alert to these differences and their political implications. Indeed, it must actively look for areas difference as well as commonality. Unlike many Marxists, Block (1987) argues that there are significant divisions and rivalries within the business community, both between individual firms and the different business sectors. He usefully makes the point that 'consensus business positions' are a compromise, and will differ considerably from the stance taken by many individual companies and business leaders (1987: 11). Likewise, Block notes the *strategic* nature of such comprised positions, stating that business actors do not reach their positions on an issue in a political vacuum. Each business actor considers and factors into the aggregation process what policies are *realistic* in a particular political climate. This is a crucial point. Following Block, there must be recognition of the strategic nature of the positions put forward both by business groups and individual firms more generally.

However, despite cleavages within the business community, large corporate actors may often draw on many of the same advantages and resources, both ideational and material. They also share core political objectives. Most notably, they together seek a stable policy framework conducive to continued economic growth. To this extent, Lindblom's contention that on 'grand issues' corporate actors are often at one remains persuasive. In fact, this argument has particular relevance with regard to climate change. Arguably this presents an environmental challenge on such scale that structural and systemic changes will be required; changes which could threaten the legitimacy of continuous and unlimited economic growth.

An organising perspective is required which can transcend the binary arguments offered by many authors that business is either a) ultimately no different to other actors or b) unrelentingly powerful politically. Cognisant of the insights offered by writers such as Mitchell, Block and Marsh, any analysis must seek to contextualise business power and account for defeats suffered by business actors, while maintaining that the business community may generally enjoy advantages and disproportionate power relative to other interests. Any organising perspective must be capable of capturing both the material *and* discursive dimensions of business influence and privilege, and the interplay between them. As it must the complexities, contradictions, continuity and contingency inherent in any given political context. It must allow space for understanding how business actors are together facilitated and uniquely advantaged politically, but simultaneously the room to explore the tensions between firms and sectors, and the varied ways in which the political influence of business actors is constrained. The Strategic Relational Approach (SRA) put forward by Jessop (1990; 2001; 2005) and Hay (1995; 2002; 2009) provides for such a contextualised and nuanced analysis of corporate activity and influence on climate change. This broad approach offers a means to overcome the dualistic conceptions of structure and agency, present in so much of the literature on business power. Moreover, as the following discussion will show, the SRA provides a welcoming framework for analysing the discursive dimensions of business power, as it does divisions *within* the business community. It is to the SRA, and in particular, the valuable concepts *strategic* and *discursive selectivity* that the chapter will now turn.

2.4 The Strategic Relational Approach

2.4.1 Introducing the SRA

The dialectic and dynamic Strategic Relational Approach privileges neither structure nor agency. Instead, it situates *strategic* and reflexive agents within a *strategically selective* context (Jessop, 2005; also see Hay, 2002). Structure and agency are mutually constituted and thus both can only be understand in relation to the other. Individuals and organisations are considered strategic in the sense that they are knowledgeable and take the course of action which they perceive as most appropriate given their interpretations of their setting (Hay, 2002). While some actions are overtly strategic and deliberate, others are more intuitive and customary (Hay, 2002). Nevertheless, even the more habitual and unreflexive actions 'contain a significant strategic component' in the sense that they are 'orientated towards the context in which they occur' (Hay, 2002: 132). Although the actor might not be conscious of the strategic nature of their conduct at the time, it is possible to make explicit the otherwise unconsidered and unarticulated assumptions which underpin it. That actors are strategic and orientate their actions towards their environment seems a somewhat obvious point once stated. It is, nonetheless, an important point, and one which focuses attention on the crucial importance of context and actors' interpretations of what is possible in any given context.

A context is conceived of as 'strategically selective' in the sense that at any point in time it privileges particular actions and actors over others. The political, economic and social terrain is 'densely structured and highly contoured' (Hay, 2002: 209). In any given setting, some courses of strategic action are both more likely and more likely to be successful. Indeed, only certain strategies will be open to individuals and organisations. For example, a strategically selective setting will tend to offer actors rich in valued resources more opportunities and fewer obstacles than those who are not. As a result there is a bias towards particular actors securing their preferred outcomes, however deliberate their actions. This effectively captures how the various material and discursive properties of any context, favour some strategic actors, actions and outcomes over others. From this perspective, although a context is tilted towards certain outcomes and actors, it is *not* deterministic.

Similarly, not all ideas and discursive constructions have equal resonance or traction with an actor's experiences and context, nor do they all carry equal weight with decision makers. As Hay points out, 'the discursive or ideational is only ever relatively autonomous of the material', and context 'imposes a discursive selectivity, selecting for, and selecting against, particular ideas, narratives and constructions' (Hay 2002: 212). In other words, 'real' processes and material features of the current political, economic and environmental context limit the range of potential discourses or interpretations considered plausible by actors, including political and business elites. Relatedly, the value placed on material resources during policymaking is context dependent and in part discursive.

The SRA allows space to disaggregate the business community, while simultaneously recognising that resources-rich business actors may together be facilitated by aspects of the strategically selective setting. During the policymaking process business actors may come up against other companies and business sectors with diverging interests, objectives and priorities. The strategies of individual firms or trade associations can constrain or facilitate other business actors as they pursue their own political objectives. Indeed, the strategic actions of firms and business groups form an integral part of the strategically selective context in which other business actors operate.

A further important point to note here is the way in which strategically selective settings have a propensity to stability. Jessop thus asserts that as agents orientate their actions to their strategically selective settings, and these generally reward 'actions compatible with the recursive reproduction of the structure(s) in question', contexts show a tendency for *relative* stability or 'structured coherence' (Jessop, 2001: 1225, 1229; 2005: 51). From this perspective, the business community may benefit from aspects of the strategically selective setting which are relatively enduring. However, despite this privileging of the status quo, the strategically selective context is by no means static. The strategic actions of agents bring about both intended and unintended effects, and as a consequence the context is continually evolving, albeit often only to a small degree (Hay, 2002; 2009). In fact, the ubiquitous *unintended* consequences of conduct are as significant for explaining the changing nature of the strategically selective context as are those outcomes which are deliberately sought by actors (Hay, 2009).

A partially altered context is not the only upshot of strategic action. As actors are reflexive and reflective, they typically evaluate the results of their actions and as a result *strategic learning* takes place (Hay, 2002). This feedback is crucial: individuals and organisations draw lessons regarding the efficacy of their actions, and have the potential to develop a greater understanding of the opportunities and challenges presented by the structures that they face, or at least faced. Actors assess how they might better realise their future intentions in light of their perceptions and interpretations of the continually evolving context in which they operate. Given the recursive nature of interaction between business actors and policymakers, strategic learning is a valuable concept. The notion of strategic learning suggests that continued abuse by business actors of any advantages they may enjoy during their interaction with policymakers may undermine their future political influence.

The SRA also usefully highlights the importance of knowledge. When formulating strategies, actors draw on their knowledge of their context, including their projections and expectations of how others will act (Hay, 1995). Individuals and organisations vary in the extent to which they are informed, however, no actor is ever perfectly informed. The information which policymakers and business actors use to interpret their context is frequently inadequate and can even be completely inaccurate. This is particularly the case when it comes to an issue as complex and unique as climate change, where many policies are new and untried and such a wide range of stakeholders are involved. No actor, however well resourced, can understand all aspects of their setting. Agents thus operate in conditions of considerable uncertainty. For any actor, even those rich in resources, including corporate and political elites, failure is thus always a distinct possibility. From the perspective of this approach, while a business actor may enjoy considerable political advantages, both material and discursive, it is by no means assumed that they will achieve all of their policy goals.

2.4.2 A note on the nature of preferences

At this stage it is useful to consider the nature of preference formation. An actor's preferences are neither pre-given nor fixed. Rather, preferences, like identities, are multiple, complex and contingent (Jessop, 2005). They are, in part, constituted through the interactions, networks, institutions and contexts in which actors are situated. This is even true for economic actors. Although business leaders conceive of their interests in largely economic terms, a firm or business group's interests and political objectives are neither constant nor entirely self-evident (Falkner, 2008: 35-7). Even what business leaders view to be an appropriate level of profit is affected by, and constructed in, particular social and political circumstances (Block, 1987; Prakash, 2000). 'Discursive struggles' even take place *within* companies over environmental policies (Prakash, 2000: 132). Given the contingent and socially constructed dimension to actors' preferences and identities, 'reflection' on the part of agents can lead them to re-evaluate, and within limits alter, their interests and even aspects of their identities (Jessop, 2001; 2005; Hay, 2002). Pulver, for example, argues the contrasting and evolving interests and strategies of Shell, BP and ExxonMobil in relation to climate change are best understood by reference to the 'social embeddedness' of business elites in specific political and scientific networks, rather than through 'fixed interest' explanations (2007: 57; 60; 73). Similarly, Bailey and Rupp (2005), in their comparison of New Environmental Policy Instruments in the UK and Germany, note the importance of national policy styles and the institutional and cultural contexts. They argue that characterising companies as 'rational' economic actors fails to capture the subtle inter-dependencies between regulators and regulated (Bailey and Rupp, 2005: 399). This again illustrates the analytical purchase to the notion of strategic selectivity. The political preferences and strategies of companies and business groups are influenced by and attuned to their context: indeed, this is the very essence of *strategic action*. The SRA offers the backbones of an organising perspective through which the political actions and influence of the business community can be understood. However, this is a broad theoretical framework. The literature on discourse in environmental policymakers compliments this approach and allows the development of the SRA in relation to this study's focus: the business community's role in the making of climate policy.

2.5 The power and role of discourse in environmental politics

The previous section describes how any strategically selective setting has both material and discursive dimensions. Indeed, a key insight offered by the SRA is the importance of the discursive: the ideational aspects of a context are not merely drafted onto its material features, rather 'reality' is in part socially and discursively constructed. With this in mind, the literature on the role and importance of discourse in environmental politics is enormously valuable for developing the SRA and helping unpack the prevailing context's discursive dimensions (for example, Litfin 1994; Hajer 1995; Dryzek, 1997; 2005; Oels, 2005; Feindt and Oels, 2005; Hajer and Versteeg, 2005).

While this study will not carry out discourse analysis, it does draw on many of the critical insights offered by these writers. It is first useful to state explicitly what is meant by discourse. A discourse denotes a shared way of understanding the world. It is rooted in language and comprises ideas, beliefs, concepts and categories, and draws on a set of common assumptions (Hajer, 1995: 264 and Dryzek, 2005: 9). However, it is not static. Rather, a discourse is a set of practices and ongoing processes. Crucially, it provides signposts, helping actors filter and make sense of their complex setting, and any policy problems they face. However, the fact that actors broadly subscribe to a common, overarching discourse does not mean that they interpret political, social, economic and environmental phenomena identically, nor that they always 'understand' each other. Considerable discursive complexity persists (Hajer and Versteeg, 2005). Nevertheless, given the crucial role that discourse and discursive simplifications have in how an individual interprets and filters their experiences and context, the ability to participate in the construction or maintenance of a widely accepted or dominant discourse can be a very powerful resource (Hay, 2002). This is particularly true when it comes to an actor's capacity to influence policymaking.

It must be emphasised that this thesis does *not* suggest environmental problems are entirely discursive. In line with authors such as Dryzek (2005) and Feindt and Oels (2005) it argues that challenges such as climate change are 'real'; they have a material and scientific basis and governments face 'material political realities' when policymaking (Dryzek, 2005: 9, also see Feindt and Oels, 2005). However, like all those writing on discourse and environmental politics, it contends that environmental problems do not present themselves to society and policymakers as pre-defined objective facts (Dryzek, 2005; Feindt and Oels, 2005; Hajer, 1995). Even what constitutes a nation's or organisation's greenhouse gas emissions is neither self-evident nor clear cut. The 2% figure put forward by the British government (DEFRA, 2006a: iii) to represent the UK's share of global emissions is disputed. Christian Aid, for example, asserts that the 2% figure fails to include emissions produced from the City's investments overseas, from which the UK clearly derives considerable benefit (Christian Aid, 2007: 6). Meanwhile, Juniper (2007: 37) points out that the 2% figure does not include emissions from the production of goods and foods overseas for consumers in the UK. Helm *et al* similarly argue that to appreciate the UK's real carbon footprint, emissions should be calculated on a consumption rather than production basis. If this alternative definition is adopted, rather than having fallen by 15% (as UNFCCC and UK government official figures would suggest), between 1990 and 2003 UK greenhouse gas emissions actually rose by 19% (Helm *et al,* 2007: 23). This illustrates the political implications of 'definition' and the way in which any methodology for measuring emissions reflects the relative power and objectives of the states and groups involved.[13]

Relatedly, and crucially from the perspective of this study, environmental challenges, such as climate change, have neither single nor obvious policy solutions. Rather, from the perspective of these authors, and this thesis, how they are conceptualised and the form this conceptualisation

[13] Many experts in southern countries such as India are suspicious of how global environmental assessments like the IPCC are framed. In particular, they have been critical of the IPCC's failure to differentiate between 'luxury' greenhouse gas emissions, such as those from air conditioning and cars, which rich western states are disproportionately responsible for, and 'survival' emissions such as those resulting from farming (Biermann, 2006: 94-8).

takes is socially constructed and subject to contestation (Dryzek, 2005; Hajer, 1995; Feindt and Oels, 2005).[14] Hajer's (1995) case study on the politics of acid rain in the UK in the 1980s highlights the importance and implications of problem definition. He argues arbitrary limits were placed around the issue and the political discussion of potential solutions was limited to the (retro-)fitting of Flue Gas Desulphurisation technology to power stations, in what he describes as the 'classic example of a technological fix... which does not upset the social equilibrium' (1995: 173). Hajer suggests that the narrow conceptualisation served to prevent a radical break from the prevailing approach to environmental policymaking.

Discourses have a key role in establishing what knowledge is viewed to be important and 'common sense', and they help set the boundaries of what is considered legitimate and possible (Dryzek, 2005: 9). As such they are intrinsically linked to power. This resonates with Lindblom's contention that the business community plays an important role in setting the terms and boundaries of public debate, much to its own benefit (see section 2.3.4). Discourses help condition the manner in which environmental problems are interpreted and, crucially from the perspective of this thesis, tackled (Dryzek, 2005). They facilitate certain policy options and actors, whilst simultaneously constraining others (Feindt and Oels, 2005). In other words, at any point in time, discourses form a crucial dimension of any strategically selective setting.

Multiple discourses exist in relation to environmental problems and how best to tackle them.[15] Dryzek usefully identifies four broad types of environmental discourses; environmental problem solving, survivalism, sustainability and green radicalism respectively (2005: 15-6)[16]. He suggests these differ in the basic entities they recognise or construct;[17] their assumptions about natural relationships (e.g. whether there is competition, cooperation, hierarchy, equality, conflict, partnership etc); their assumptions about actors, the nature of their motivations and who has

[14] It should be noted that while some of these authors e.g. Dryzek (2005) have a critical realist ontology alongside an hermeneutic epistemology, others such as Hajer (1995), state that they are explicitly 'anti-realist'.

[15] The way in which actors relate climate change to other social, political, economic and environmental problems and policy objectives is also neither neutral nor clear-cut. In fact, discourses around needing to tackle climate change jockey for influence alongside those relating to, or prioritising, other important issues such as personal travel (Rayner *et al*, 2008), competitiveness, economic growth, fuel poverty and energy security.

[16] Dryzek breaks these broad categories down further. For example, he suggests 'environmental problem' solving comprises administrative rationalism, democratic pragmatism and economic rationalism.

[17] These vary widely from entities such as elites, citizens, experts, liberal capitalism, the capitalist economy, markets, governments, the state, global limits, nature, finite stocks of resources.

agency; and the metaphors and linguistic devices they draw on (Dryzek, 2005). Dryzek posits two dimensions to this useful categorisation. He suggests a discourse can be a) either reformist or radical and b) either prosaic or imaginative in the extent to which it departs from the key tenets of industrialism. By way of illustration it is worth briefly considering two of these four broad discourses: survivalism and green radicalism. Dryzek classifies survivalism as radical but prosaic. Fundamental to survivalism is the notion that the earth has a limited carrying capacity that renders perpetual economic and population growth unsustainable. This sits in stark opposition to the 'Promethean discourse', with its fervent belief in the human ability to develop technological solutions to any emerging environmental problems (Dryzek 2005: 51-71). Survivalism is radical in the sense that it calls for a move away from continuous economic growth and argues for an extensive redistribution of power, but prosaic in that it only conceives of remedies within the terms set by industrialism (Dryzek 2005: 15; 38-50). Now to green radicalism: in contrast to survivalism, this broad discourse is radical and imaginative (Dryzek 2005: 16; 181-227). For subscribers, the existing structures of industrial society and capitalism are unsustainable and require a root and branch overhaul. Green radicalism seeks the development of an alternative form society, although adherents differ in their ideas of what this could and should look like.

Dryzek's work is useful as it draws attention to the breadth of contrasting and competing ways in which environmental problems such as climate change could be, and are, understood. Importantly, and like the other literature on discourse in environmental politics, this helps prevent the reification of any single environmental discourse, no matter how dominant or 'natural' it may have become. Relatedly, it encourages the researcher to problematise why certain ideas and discourses gain the currency and dominance they do (Dryzek 2005; Feindt and Oels, 2005) In so doing, it alerts attention to the *agency* of actors in the consolidation of such discourses. The chapter will now turn to examine the discourse of 'ecological modernisation'. According to Dryzek's typology, ecological modernisation falls within 'sustainability', and as such represents a reformist and imaginative discourse. This is a discourse which has become enormously popular. Indeed, chapter 5 will argue it has become dominate in the UK and now forms a crucial dimension of the strategically selective setting, with political implications for business actors during the making of climate change policy.

2.6 Ecological modernisation

2.6.1 The key tenets of ecological modernisation

While some authors consider ecological modernisation to be a theory, this thesis follows writers such as Dryzek (2005) and Hajer (1995) and conceives of it as a discourse. First coined in the 1980s by German academics such as Huber (1982) and Jänicke (1985; 1991), ecological modernisation refers to a set of ideas and beliefs that seek to marry environmental protection with a growing economy. Ecological modernisation refers to a broad and evolving discourse and encompasses a number of different strains and understandings. However, before considering its variations and critiques, it is first necessary to identify the discourse's key ideas. As Barry and Paterson observe, ecological modernisation reflects an 'attempt to operationalise the more nebulous concept of 'sustainable development'' (2004: 768). Those subscribing to the discourse take on board the structural nature of environmental challenges, but contend that environmental problems can be tackled *without* a fundamental overhaul of the existing institutional framework. In the words of Hajer: 'existing political, economic, and social institutions can internalise care for the environment' (Hajer 1995: 25). Simply put, environmental damage is not an inevitable consequence of growth. Environmental protection and economic growth can be rendered compatible: economic growth can be *decoupled* from energy consumption, resource depletion and environmental damage. This position can be contrasted with conventional thinking in the 1970s, when environmental policymaking was conceived of as a 'zero-sum game', with a stark trade off between protecting either the environment or the economy (Weale, 1992; Young, 2000; Barry and Paterson, 2004). Accordingly, only a 'steady-state' or zero growth economy was assumed to be environmentally sustainable. Conversely, from the perspective of ecological modernisation, addressing environmental concerns is seen as a 'positive sum game' (see for example, Hajer 1995: Weale, 1992; Dryzek, 2005; Barry, 2005; Barry and Paterson, 2003; Revell, 2005). In other words, pollution prevention can pay.

Within ecological modernisation, technological innovation takes centre-stage. Indeed, fundamental to this discourse is the notion that the development and implementation of new technologies can simultaneously bring both environmental and economic rewards (Milanez and Bührs, 2007.) Crucially, the way to tackle environmental problems is not through a rejection of the 'modernisation project', nor the high levels of consumption which have accompanied it. Rather, the answer is more modernisation and further industrial development, albeit in an improved form

(Revell, 2007; Curran, 2009). Hajer thus argues this a technocratic approach, underpinned by problem solving and a belief in progress, and one which places considerable emphasis on *preventative* innovations in products, processes and services (Hajer, 1995; also see Milanez and Bührs, 2007). Importantly, this goes beyond the remedial, 'end of pipe' technologies and solutions which had previously dominated environmental policymaking and the discourse which surrounded it.

In the absence of encouragement and direction from policymakers, it is not expected that all the necessary green innovative and improved efficiency will occur spontaneously. Instead, the state is seen as having an important and influential role as 'an enabler', facilitating technological innovation by private actors and a more efficient use of resources and energy (Barry, 2005; Jänicke, 2008). In place of more traditional command and control regulation, market-based instruments are generally preferred in order to 'steer' businesses towards improved environmental performance and innovation. Such policies typically include environmental taxes or voluntary agreements (Revell, 2005).

Often implicit in this discussion of ecological modernisation so far but nonetheless ever-present, has been the centrality of the business community. While policymakers have an important role in establishing a conducive policy framework, ultimately they rely on private corporate actors to make real the innovations and efficiencies which are at ecological modernisation's core. In its more common and weaker forms, this is a discourse which speaks directly to business. Not only is ecological modernisation expressed in language familiar to corporate actors, i.e. environmental problems are seen as resulting from inefficiencies, but it is expected that by combating such problems new markets and growth opportunities will be created for businesses (Hajer, 1995; Dryzek, 2005). Relatedly, innovation and advances in environmental performance are expected to provide competitive advantage for companies and the countries in which they operate.

Occupying a prominent place in the discourse are notions of cooperation and consensus between policymakers and stakeholders, including scientists, moderate environmentalists and the business community (Dryzek, 2005). Policymakers place particular discursive emphasis on the need for partnership and constructive engagement with corporate actors (Revell, 2005; Curran, 2009). Indeed, it is this cooperative characteristic which leads Dryzek to argue that English-speaking countries are less conducive to ecological modernisation than the more corporatist and consensual political-economic systems in states such as Japan and Norway. He suggests the latter provide a more hospitable context for the discourse and its associated policies to develop (also see Curran, 2009).

The now extensive literature identifies a number of variants of ecological modernisation, which differ in their emphasis, strength and capacity to address environmental challenges (for example see Hajar, 1995; Christoff, 1996; Seipple 2000; Oels, 2005; Barry and Doran 2006; Milanez and Bührs, 2007). Most notably, a distinction is made between 'weak' and 'strong' forms of the discourse (Christoff, 1996). Broadly speaking, the former is economistic, technological and narrow is nature, whereas the latter is institutional, systemic and broad (Christoff, 1996; Barry and Paterson, 2004; Dryzek, 2005; Milanez and Bührs, 2007; Curran, 2009). Similarly, Hajer (1995) distinguishes between a more limited form which is 'techno-corporatist' and the *possibility* of a more far-reaching and democratic strain, which he terms 'reflexive' modernisation. These stronger strains emphasise the need for broader, structural changes and represent a more 'open-ended' discourse. Meanwhile, the weaker or techno-corporatist forms of ecological modernisation are generally used to *describe* the discourse of policymakers and the policies they introduce. Conversely, for the most part, the stronger, reflexive variants are *prescriptive* in nature and offered by scholars as critiques of existing political discourse and policy. Indeed, in practice, the discourse of policymakers and business actors has overwhelmingly represented weaker strains of ecological modernisation.

2.6.2 Policy elites and the appeal of ecological modernisation

From both a political and economical perspective, ecological modernisation represents a compelling narrative and has found support and traction among policy elites in many countries, albeit to varying degrees. Ecological modernisation largely originated in the discourse of European policy elites, particularly in Germany, the Netherlands, Scandinavia and at EU level (Weale, 1992; Barry and Paterson, 2003; Curran, 2009). Indeed, in his influential 1995 work, Hajer contends that from the 1980s the discourse of 'ecological modernisation' gradually began to take root as the *dominant* and *most legitimate* way of conceptualising environmental challenges for policymakers in Western countries (1995: 30; 100-1). However, UK policymakers were far slower to adopt the language, ideas and policies of ecological modernisation than many of their north European counterparts. Hajer, in his UK case study, argues that whilst several aspects of ecological modernisation did begin to leave their imprint on institutional practices and the politics of acid rain in the 1980s, overall the impact of the discourse was limited in the UK (1995: 162-3; 167; 174). Along similar lines, Weale (1992) suggests British politics and policymaking during the 1980s were less conducive to the development of ecological modernisation than Germany. The idea that policymakers should actively seek to foster new green technologies - a key tenet of ecological modernisation - was heretical to the government of the day. The potential benefits to UK competitiveness of such action were lost on Conservative elites. Instead, British policymakers remained convinced that there was an inherent tension between economic development and protecting the environment (Weale, 1992). However as chapter five will show, more latterly mainstream political discourse in the UK has internalised ecological modernisation's key ideas (Barry and Paterson, 2004; Revell, 2005; Rayner *et al*, 2008; Lorenzoni *et al*, 2008). Indeed, a weak version of the discourse has come to pervade British political discussion and policymaking. In particular, it has come to be the 'common sense' interpretation of how to approach the challenge of climate change. More broadly, over the past few years ecological modernisation has begun to find traction among some policymakers in other English-speaking countries, notably in Australia (Curran, 2009) and the United States, albeit it a revised and weaker form (Schlosberg and Rinfret, 2008).

2.6.3 Ecological modernisation: its limits and political implications

It is easy to see the political appeal to governments of this win-win discourse which frames economic and environmental interests as mutually compatible and reinforcing. Ostensibly this is a discourse which suits everyone: there are few political risks associated with it for policymakers as they seek to navigate through policy challenges and competing interests. In fact, as long ago as 1992, Weale usefully conceptualised ecological modernisation as a legitimating ideology for policymakers; the political attachment to continuous economic growth can seemingly remain viable and legitimate. Meanwhile, electorally dangerous demand-side policies, which focus on reducing consumption, can generally be avoided (Barry, 2005). Relatedly, its currency among policymakers stems from the discourse's potential to reduce tension with business actors during policymaking (Egan and Levy, 2003).

Where dominant, the political ascendency of weak ecological modernisation brings with it considerable discursive advantages for corporate actors. As chapter 5 will argue, from the perspective of business interests the discourse forms an enormously valuable dimension of a strategically selective setting. As Barry usefully puts it, ecological modernisation functions as 'a boundary setting organisational phenomenon', which 'organises in' some ideas, assumptions, processes and actors, whilst simultaneously 'organising out' others (Barry, 2005: 305-6; also see Barry and Paterson, 2003: 241). The crucial point here is that the discourse tends to organise in ideas and assumptions which favour business interests. Most importantly, it legitimises continued business growth - the fundamental aim of companies – despite the scale of the environmental challenge faced. Simultaneously it organises out more radical ideas and policies. Recognising its lack of structural ambition and the potential business opportunities associated with it, corporate leaders have increasing adopted the language of weak ecological modernisation. In fact, prominent business elites are now playing a very active role the discourse's continued consolidation and evolution (see chapters 5 and 6 for an illustration of this in the UK context).

Despite its discursive popularity among political actors, ecological modernisation is not without its critics, particularly in its dominant weak form (Barry and Paterson, 2004; Revell 2007; Schlosberg and Rinfret, 2008). For many critics on the left, it reflects an unsatisfactory attempt to 'green' and legitimise the continuation of the existing capitalist model, thus forestalling the more radical changes which are required (Revell 2005; Barry, 2005; Schaiberg *et al*, 2002.) As already noted, such shortcomings have prompted the theoretical development of more ambitious strains of the discourse.[18] For critics, the major limitations of weak ecological modernisation stem from its over-reliance on technological solutions and, concomitantly, from the palpable absence of any notion that consumption must be reined in (Barry and Paterson, 2004; Barry and Doran, 2006; Revell, 2007; Schlosberg and Rinfret, 2008). In fact, consumer sovereignty is deeply embedded within the discourse (Revell, 2007). However, this discursive inability to countenance whether *unlimited* economic growth *may* be environmentally unsustainable and the related refusal to tackle the current insatiable nature of consumer demand, leaves policies predicated on weaker forms of ecological modernisation vulnerable to the 'rebound effect'. As such, the environmental benefits

[18] Other criticisms levelled at ecological modernisation include its national focus and failure to pay sufficient attention to equity and issues of global justice (see for example, Revell 2007; Barry and Paterson, 2004). In fact, these are important differences between ecological modernisation and its sister discourse, sustainable development.

gained through improved efficiency are often outpaced by increasing economic growth and consumption. Jänicke thus observes 'ecological modernisation is - despite its impressive potential - not sufficient to ensure a long-term stabilisation of the environment... [it] suffers from the ... race between incremental environmental relief and economic growth' (2008: 563). Accordingly, more ambitious and far-reaching structural changes are required (Jänicke 2008). If environmental sustainability is to be achieved, it seems unlikely consumption can retain its status as the 'elephant in the room'. Given the scale of emissions reductions - and hence decoupling - demanded by the science, these criticisms of weak ecological modernisation have particular salience with regard to climate change. Nonetheless, and somewhat unsurprisingly, ecological modernisation gained ascendancy among UK policy and business elites, as chapter 5 will illustrate.

2.7 Conclusion

This chapter began by reviewing the theoretical work on business power. Overwhelmingly this existing literature contends that the business community enjoys political influence disproportionate to other interests. The most persuasive authors argue that businesses benefit from material *and* discursive advantages during policymaking, and that many of these privileges are relatively enduring and mutually reinforcing. However, from this review it is also clear that business interests do not always win during policymaking: the prevailing context imposes constraints as well as advantages. Legitimacy and business unity stand out from the existing literature as two particularly important factors for understanding the nuances of business actors' influence on policy. Despite their considerable material and discursive resources, the existence of cleavages among businesses and the adoption of a position widely regarded as illegitimate, serve to undermine business influence.

Equipped with these valuable insights, the chapter has offered an organising perspective through which the business community's engagement with, and influence on, UK climate policy can be effectively analysed. It has suggested that the Strategic Relational Approach (SRA) should underpin such an organising perspective. When coupled with the more focused literature on the power of discourse in environmental politics, this broad analytical approach offers a valuable lens through which to understand and disaggregate the business community and its political activities. This organising perspective provides the concepts and language to unpack the many material and discursive advantages and constraints faced by business actors during the making of policy, including those which are relatively 'sticky'. In so doing, it facilitates a nuanced analysis of the role of business actors in the making of climate policy, and one which actively seeks to avoid the reification of any discursive features of the prevailing context.

Chapter 3: Methodology

3. 1 Introduction

To analyse the role of the business community in the making of climate policy between 1997 and 2009 this study has drawn on a range of qualitative research methods: elite interviewing, documentary analysis and participant observation. Of these, elite interviewing was the principal method used. This chapter will illustrate why these qualitative methods are complementary, appropriate and valuable for the research questions at hand. It also makes explicit the ontological and epistemological positions on which these methodological decisions are based. In addition to their strengths, the limitations of these methods will be discussed, as will the inherent difficulties associated with attributing political influence to actors. The chapter will clearly state how each of these methods was approached and carried out. Likewise, it will show how the information gathered was triangulated, both between and within data types. This thesis makes no claim to present the only way of interpreting the evidence; indeed, it holds that such a definitive and unassailable account is unobtainable. Nevertheless, it believes the analysis to be a persuasive and rich interpretation, and one which is based on extensive qualitative research.

The chapter begins by making plain the ontological and epistemological positions of the author. Each of the three research methods used in this study are then discussed in turn, beginning with documentary analysis, and followed by elite interviewing and then participant observation. Before concluding, the chapter notes the nature of the challenges associated with any attempt to analyse the political influence of actors.

3.2 Making explicit ontology and epistemology

Before discussing the methods used, it is first necessary to make explicit the ontological and epistemological positions which underpin this study as these have direct methodological implications (Hay, 2002). This thesis is underpinned by a foundationalist ontology: in other words, the social and political world exists beyond our knowledge of it. However, this study rejects a positivist approach to enquiry, an approach which privileges direct observation and claims that objectivity is possible.[19] All political research and analysis is partial and value-laden. The epistemological position taken is best described as that of critical realist. As such, the contention is

[19] The term positivism is used with some reluctance as the label is frequently used inaccurately, and has essentially become a term of abuse for some within the discipline (Wight, 2002)

that causal explanations of political activity and policy can be developed. However, and more importantly from the critical realist perspective, appearances can often be at odds with 'reality'. Deep, unobservable mechanisms and structures are at work in society, and these constrain and facilitate actors (see for example Marsh and Smith, 2001: 529-30; Marsh and Furlong, 2002: 30-2). Crucially, from a methodological point of view, these underlying dynamics can only be inferred indirectly, and as a result a behaviouralist methodology is inadequate.

While social and political phenomena effectively exist independently of our interpretation of them, an individual's interpretation does affect outcomes. An understanding is therefore required of 'both the external 'reality' and the social construction of that reality' (Marsh and Furlong, 2002: 31). Ideas matter: as individuals act according to their beliefs and perceptions of a given situation, ideas and discursive constructions have real, material effects on institutions and political outcomes (Marsh and Furlong, 2002; Hay, 2002; Jessop, 2002). However, the material features of any context restrict the range of potentially plausible interpretations open to individuals and impose limits on number of interpretations considered *credible* by political analysts. In this way, observations derived through empirical research have to provide support for theoretical assumptions.

These ontological and epistemological positions are important and should be made explicit as they guide the choice of questions and the methodology adopted. This study does not seek to produce parsimonious generalisations about the nature of the business actors' role in UK policymaking. Instead, the aim is to explore the perceptions of the elites involved. It is to understand the material and discursive features of the prevailing strategically selective setting which constrain and facilitate business actors and their interests during the making of policy to reduce emissions. These research aims do not lend themselves to quantitative methods such as surveys, nor to the statistical analysis which flows from these. Likewise, structured interviews lack sufficient scope to explore and probe how elites understand their relationships and the constraints and opportunities afforded by their context. In search of contextual understanding and deep insight, this study deploys a range of qualitative research methods. These are elite interviewing, documentary analysis and participant observation, and this chapter will now discuss each of these in turn.

3.3 Documentary analysis

3.3.1 The documents

This study has made use of the plethora of valuable documentary sources which are available for analysis. These can be loosely categorised as a) official government and parliamentary sources; b) other official reports; c) documentation from companies and business groups; and d) reports and literature by other stakeholders, most notably, environmental NGOs. This section will introduce and consider each of these in turn.

Official government documents encompass a wide range of different sources. In particular, there are official government reports relating to the various strategies and aspects of policy to reduce emissions and transcripts of speeches and statements made on aspects of climate change policy by members of the government, including the Prime Minister. Given the research aims, both of these sources are useful and have been drawn upon extensively. The websites of government departments have also been enormously valuable, providing more detailed information on the government's policies and positions, useful reports, relevant official statistics, and the government's official consultation documents.

A range of other official documents have also been utilised. For example, Select Committees have produced a number of reports on the government's policy and approach to climate change.[20] The minutes of evidence which accompany these publications are also illuminating and include transcripts of evidence given by high profile witnesses, including ministers and business leaders, which have come before the Committees, and memoranda submitted by other stakeholders. Other useful official reports include those by the Carbon Trust and the Committee on Climate Change.[21] The Committee on Climate Change's reports are particularly rich in information and provide valuable statistical data. The documentation relating to the 2008 Information Tribunal Decision, following Friends of the Earth's complaint against BERR, is also particularly revealing of interaction between key business actors and policymakers. Other key documents include reports

[20] Of these, the Environmental Audit Committee's 2008 Report 'Reducing Carbon Emissions from UK Business: The role of the climate change levy and agreements' was particularly relevant.

[21] *The Carbon Trust* is a not-for-profit company established by the UK Government. It aims to accelerate the transition to a low carbon economy, and gives support to business and the public sector to help cut the carbon emissions. *The Committee on Climate Change* is an independent body set up following the Climate Change Act to advise policymakers on carbon budgets and assess the UK's progress towards its emissions reduction goals

commissioned by the government, most notably the 1998 Marshall Report[22] and the enormously influential 2006 Stern Report. A further tranche of documentary sources come from the main opposition parties during the period, the Liberal Democrats and the Conservatives. Prominent among these are speeches by members of the shadow cabinet and party spokesmen, and the press releases by these parties. In addition to the documents discussed above, news articles and reports from reputable sources such as *The BBC*, *The Guardian* and *The Times*, were also beneficial for this research, highlighting the latest developments in this fast-moving policy area.

On the business side there is also a wealth of documentary material which is publicly available. Climate change strategy features heavily in firms' annual Corporate Social Responsibility Reports and some companies have more detailed reports which focus solely on climate change. These reports also contain useful company data, such as the amount invested in renewable forms of electricity generation. Likewise, trade associations and business groups have produced publications on their approach to climate change. Each of these can be accessed through the websites of the respective company or business group, and business elites often provided hard copies of these documents when they were interviewed. Further to these, both individual firms and business groups, such as the Corporate Leaders' Group on Climate Change, regularly put out press releases and statements on their actions and government policy. Again these are available on the organisations' websites, as are many public speeches made on climate change by business leaders. The formal responses by individual companies and business groups to official government consultations also provide detailed information on the positions of business actors, and these can be accessed directly through the websites of government departments.

Finally, this study has made use of reports and press releases by NGOs. These documents provide not only valuable information and a critical perspective on the government's evolving policy, but they also assess corporate practice on climate change and business actors' political influence in this area. Of particular relevance and value for this study are Friends of the Earth's 2005 report, 'Hidden Voices: the CBI, corporate lobbying and sustainability', and WWF's series of reports on the power sector's engagement with climate change. Having established the extensive nature of documentary sources available to the researcher, and in so doing provided a flavour of those used,

[22] This Report examined what role economic instruments could play in the UK's climate change strategy.

the chapter will now consider the strengths and limitations of this research method and make plain how these documents were approached.

3.3.2 The value and limits of documents

Documents have much to offer the researcher interested in the nature of interaction between business and government. As the previous section has illustrated, the documents available are both rich in information and readily accessible. It is also relatively easy to establish the authenticity of the official public documents described above. In addition, as they have not been produced *for* research, documents have the advantage that they are 'non-reactive' (Bryman, 2004: 381.) However, a negative corollary of this is that documentary analysis does not provide the opportunity to explore actors' perceptions or the meanings they attach to their actions. A further major problem stems from the fact that a great deal of what is of relevance to this study is not recorded, or at least is not within the public domain, particularly where private companies are concerned. Documentary sources tend to reflect what has been decided, rather than the processes and interactions on which these decisions are based. Yet an understanding of these dynamics and relationships are central to this study.

No document is entirely objective, transparent or disinterested. Although authentic, official documents produced by government do not represent a neutral reflection of policies and practices. As well as providing information, these official documents are in part produced with the aim of justifying policies and emphasising the government's achievements while downplaying its failures. Likewise, business literature on climate change has a variety of functions for the organisations in question as they seek to further their political and economic interests. Corporate material is constructed so as to present the firm in a favourable light to shareholders, policymakers, customers and other stakeholders. Ascertaining whether *publicly available* documents are *representative* of written sources not in the public domain is an intractable problem for researchers involved in documentary analysis. Meanwhile, NGOs are campaigning organisations, striving to influence public opinion and policy through their reports and press releases. As such, the documents they produce are also far from dispassionate. Indeed, many of the documents drawn upon in this study are deliberate attempts at political persuasion (May, 2004). Thus, any meaningful analysis of public documents requires an examination and understanding of the document's intended purpose, audience and the context of its production (Burnham el at, 2004: 187-188). With this in mind, attention must be paid to what is omitted as well as what is said.

It must also be recognised that any reader, including the author of this thesis, brings to a document his or her own views, experiences, prejudices and ideologies. As Atkinson and Coffey assert 'reading is an activity. Not the passive receipt of information' (1997: 60). Documents are frequently not read as the author(s) intended and are open to different interpretations (Bryman, 2004). However, this should be viewed as a product of the nature of society and interpretation generally, rather than a weakness of documents as a method. Approached in a critical and reflexive manner, and not regarded as objective and definitive accounts, documents are valuable for this study, complimenting elite interviewing. Indeed, they helped inform the questions asked of elites, and provided a useful means by which to triangulate information obtained from interviewees (see next section).

3.4 Elite interviews

3.4.1 The value of elite interviewing

Elite interviewing was the principal research method used in this study. For the purposes of this research, elites are defined as individuals 'with close proximity to power or policymaking' (Lilleker 2003: 207), those with senior or middle management positions in large companies (Welch *et al*, 2002: 613), business lobbyists and other individuals or stakeholders with an interest or involvement in climate change policymaking.

This study seeks to provide a detailed and deep analysis of the role of the business community in the making of climate policy in the UK. It is interested in the subjective interpretations and insights of the many individuals directly involved. Elite interviews are ideally suited to these aims. This method provides the researcher with a window into how individuals perceive and construct their context and the common assumptions which help shape it (Burnham *et al*, 2004). Interviews are also valuable because they provide information otherwise undocumented, or at least publicly unavailable (Richards, 1996; Seldon, 1996; Lilleker, 2003). Given that much of the interaction between government and members of the business community takes place 'behind closed doors', elite interviews are vital for shedding light on the nature of these relationships and the mechanisms and dynamics which underpin them. Lilleker, for example, notes that this research method provides a spotlight into 'the inner workings of the political process, the machinations between influential actors and how a sequence of events was viewed and responded to within the political machine' (2003: 208). Relatedly, speaking directly to policymakers and business actors facilitates the clarification and contextualisation of existing documentary evidence such as government reports and company press releases, CSR reports and consultation responses. Interviews with key elites also provide the opportunity to probe and better understand the meanings and implications of these written documents (Richards, 1996).

The value of the interview method for this research area was reinforced by interviewees. It was apparent, for example, that firms and business groups generally do not consider the formal written consultation process to be a particularly important way of influencing policy. Interviewees reported that *before* the government publishes its formal consultation documents on aspects of its climate change policy, they have generally already had considerable behind the scenes contact with policymakers. In fact, one business actor commented that in some instances his organisation had been so successful at shaping the initial consultation document that they had had few changes to suggest in their official response to government.[23] It is not just leading companies which have an input at this early stage. An Environmental Manager at one of the smaller manufacturing sector trade associations for example observed: When things are coming to a head and we put a formal position together, that's either when you've already agreed a position with government, or when you've agreed to differ. We would have discussed that already with officials.[24] As such, in terms of assessing the positions of companies and business groups and their respective political influence, there is only limited value in analysing the formal written responses submitted to official government consultations which are publically available.[25] It is thus vital to speak directly to the actors in question.

However, despite the many benefits of elite interviews for this study, this method is not without its problems and limitations. The first major issue faced by the researcher concerns being granted access (Richards, 1996; Burnham el al, 2004). The elites in question generally have very busy

[23] Author's face-to-face interview, 20th August 2008, London.
[24] Author's face-to-face interview, 22nd July 2008, Yorkshire.
[25] Interviews even drew my attention to some the institutional mechanisms, e.g. the Business Energy Forum, facilitating interaction between policymakers and members of the business community, which had not been apparent from documentary research.

schedules and many face numerous interview requests by researchers. As Thomas points out, should they want to, corporate elites are generally effective at 'insulating themselves from unwanted disturbance' (1993: 81), and the same is true of policymakers. To maximise the 'hit rate' care was taken in request letters to emphasise that one of the research aims was to examine whether business actors feel *their* concerns are taken into account by policymakers. Likewise, some of the prominent individuals and organisations already interviewed were highlighted to give the project credibility, and the offer of conducting the interview by phone was also made.

Nonetheless, some access problems were encountered during this study. Forty-eight of the individuals approached for interview either declined to participate on the grounds that they were too busy or did not respond to the original letter or follow-up email. A common justification for non-participation, for example by George Monbiot, Michael Meacher and business leaders from the companies such as HSBC, was the number of similar requests they receive. In some cases, interviews could only be scheduled several months in advance. For example, a senior DECC official working on emissions trading was finally interviewed eight months after the original request letter. A few individuals, most notably Lord Adair Turner, former Director-General of the CBI, and currently Chair of both the Committee on Climate Change and the Financial Services Authority, agreed to be interviewed but subsequently cancelled on several occasions due to their punishing work schedules. In fact, at the height of the credit crisis, Lord Turner telephoned personally on the way to a meeting with the Chancellor to apologise for again cancelling the interview. Officials within the Treasury and companies in the transport sector were particularly unforthcoming with access. Of those approached for interview, lobbyists were generally the most willing to be interviewed. This is perhaps because these elites regard representing and justifying the positions of their members integral to their role. Slightly over half of those approached for interview agreed to participate, and among these were a wide range of senior elites. While it would have been useful to speak to serving ministers, treasury officials and more companies from the transport sector, a sufficiently broad range of individuals and organisation were accessed to develop a detailed understanding of the complex nature of interactions and the context within which these take place. (See appendix 1 for a full and confidential list of interviewees, their position and organisation).[26]

[26] This appendix is confidential so will only be included in copies for my examiners.

A second issue when elite interviewing concerns the power dynamics and asymmetries involved with speaking to political and corporate elites, particularly in their own workplace or 'territory'. Politicians and business leaders are experienced in fielding questions and, given their status, many are accustomed to dominating conversations (Welch *et al* 2002). The existing literature on elite interviewing notes the dangers of 'hostage syndrome', whereby researchers temporarily relinquish their judgement when confronted by an interviewee's 'display of power' (Welch *et al* 2002; 615; 626). To minimise these problems thorough preparation was carried out for each interview (Richards, 1996). Demonstrating to elites a strong command of the subject, an understanding of their role and organization (or department), and an appreciation of the issues involved generally encouraged a constructive and open dialogue, as did the offer of anonymity (see next section). While a few interviewees were defensive and elusive in their answers, most of the policymakers and business elites interviewed were approachable and surprisingly frank. Despite the considerable demands on their time, the majority were happy to give more than the 45 minutes originally allocated to continue the discussion. For several business actors, the interview appeared somewhat cathartic, providing the opportunity to recount the issues and difficulties they had experienced in their interactions with policymakers. However, any sweeping generalisations are difficult to sustain for this heterogeneous group. A few political and business elites interviewed proved impatient and did seek to dominate the focus of the discussion. In one case, a prominent Special Adviser volunteered his opinion on the 'analytical value' of this thesis, asserting that a more 'theoretically interesting' line of enquiry would have been to examine the role of NGOs in climate change policy, rather than business actors. However, given the research questions, such comments and the adoption of a defensive, unforthcoming or domineering approach, were in themselves revealing.

3.4.2 The interviews

In total, 51 semi-structured interviews were carried out with some 55 elites between April 2008 and October 2009. Of these, 37 were carried out face-to-face, at the workplace of the interviewee, and the remaining 14 were conducted by telephone (again see appendix.) Thirty-three individuals were interviewed from the business community. Seventeen of these elites were from individual companies, for example Barclays, Tesco and Corus, and interviewees occupied positions such as Directors of Government Affairs or Environmental Strategy. Meanwhile, nine interviewees were from business groups such as the CBI, EEF and the Corporate Leaders' Group on Climate

Change, and a further seven were from sector trade associations, for instance the British Retail Consortium (BRC) and the British Air Transport Association (BATA). Twelve officials, politicians and political advisors were interviewed. These policymakers ranged in seniority from Special Advisers, Directors and a former Secretary of State, to middle ranking officials. Four further interviewees had previously occupied roles as officials or government advisors. Given the broad nature of the topic at hand, there was no shortage of elites with whom to request an interview, particularly from within the business community. Every effort was made to speak to as wide a range of 'voices' as possible. For example, individuals were approached from across different business sectors, from manufacturing and energy, to retail and finance. Department organisational charts were used to identify relevant officials. Several of the later interviewees were selected on the suggestion of earlier interviewees. In this way, a degree of snowball sampling took place. Elites were also targeted on the basis of their knowledge of the three case study areas. To give an indication of this, for the chapter analysing the role of Large Electricity Producers (LEPs) in climate change policymaking, each of 'the big six' power companies were approached, along the Association of Electricity Producers, the Renewable Energy Association, the British Wind Energy Association, the Business Council for Sustainable Energy, officials working on energy policy, the Minister for Energy, Malcolm Wicks, and a number of smaller electricity generators. From these requests, 9 interviewees are granted, including with four of the big six LEPs.[27]

A key contention of this thesis is that to understand the political strategies of business actors and their role in policymaking, an understanding of the strategically selective context is vital. To effectively unpack the nature of this context, it is necessary to speak to other key stakeholders, such as the Carbon Trust and environmental NGOs. Indeed, each of the major NGOs active in this area were approached for interviews, as were other prominent environmentalists such as Jonathan Porritt. Interviews subsequently were carried out with individuals such as Tony Juniper (then Director of Friends of the Earth), Dax Lovegrove (Head of Business Relations at WWF), Craig Bennett (previously Head of Corporate Accountability Campaigns at Friends of the Earth, and now facilitator of the Corporate Leaders' Group on Climate Change) and the prominent environmental campaigner and then Conservative Party candidate, Zac Goldsmith. Interview

[27] Interviews were carried out with E.On, Scottish Power, RWE npower, EDF Energy, the Association of Electricity Producers, the Business Council for Sustainable Energy and officials from BERR's Energy Markets Unit and Renewable Energy and Innovation Unit. It would have been useful if more of the policymakers approached had agreed to interviews.

questions focused primarily on these individuals' perceptions of the role of the business community in policymaking and the broader context in which policymaking takes place, rather than on the political access and influence they enjoy as environmental groups or campaigners.

Interviews ranged in length from 45 minutes to two and half hours and took a semi-structured format. A schedule was prepared for each interview. These contained several standardised questions, thus allowing responses to be compared and contrasted, and a number of more general themes. This provided the flexibility and space to identify and explore the issues elites considered important and relevant. It also provided the opportunity later on in the interviewing process to draw on, and further explore, issues raised by other interviewees.

With the permission of interviewees, the majority of interviews were recorded and subsequently transcribed in full (see appendix b for examples of four transcripts).[28] For telephone interviews and elites who did not want to be recorded, detailed notes were written (again see appendix b for an example of my notes). All interviewees were asked if they would like to see and comment on the transcript or notes. The majority took this opportunity and added useful extra comments and clarification. Interestingly, several interviewees removed some of their more controversial and specific comments. Along with an annotated transcript, three interviewees also provided (in confidence) further useful documentary evidence, including some of their personal correspondence to illustrate points they had raised.

To encourage an open conversation, all interviewees were given the option that their comments were non-attributable. As a majority of business actors took up this offer, the decision was taken that no information or quotes would be attributed directly to named business leaders, companies or business groups. However, the interviewees' position and business sector are provided as they are useful for the reader. All officials were happy for their department and level of seniority to be given. A number of the other actors interviewed, such as Sir John Gummer, former Environment Secretary, and Tony Juniper, then Director of Friends of the Earth, were happy for all their comments to go on record and as such quotes have been attributed directly to these individuals.

[28] Again these transcripts are confidential so are only included in copies for my examiners.

3.4.3 Analysing the interview data

Once interviewees had provided their comments, the data was analysed. Firstly, all transcribed material and interview notes were read through and a number of key themes and issues identified. Such themes and issues included barriers to business actors' access and political influence; key material and discursive resources enjoyed by the business community; the value attached by firms to their trade associations; and any intra-business tensions. The transcripts and notes were then read through a second time and a new document was created into which relevant comments were transferred under each of the issue headings and sub-heading. It was then possible to directly compare the observations of interviewees. Although this two stage process was time-consuming,[29] it was thorough and provided plenty of scope to identify recurring issues and also tensions between interviewees' interpretations of events and relationships. In this way it facilitated the triangulation of interview data.

It is important at this stage to consider the reliability or 'trustworthiness' of the information gathered by elite interviewing, and how it was ensured that the information used was as reliable as possible. An intractable problem for the researcher is that interviewees may be reluctant to reveal their 'true' preferences and political strategies. This may be for commercial, political or personal reasons. However, differing accounts by elites of policymaking, and their role within it, are not an indication that some, or all, interviewees have given unreliable or dishonest information. Rather, the existence of varied perceptions and interpretations of events, organizations, relationships and influence, is to be expected given the different vantage points, experiences and beliefs of actors. Nonetheless, facts were cross-referenced, as interviewees may have been mistaken in their recollections or deliberately sought to mislead (Richards, 1996; Lilleker, 2003). More generally, accounts were compared as systematically as possible against those of other interviewees, bearing in mind each individual's role and vantage point. Where significant, the existence of conflicting interpretations was also made explicit in the analysis. Following Davies, a strategy of 'multi-method triangulation' was adopted, whereby information was 'cross-reference[d] both between and within data types' (2001: 78-9; Also see Burnham *et al* 2004: 206). In other words, documentary sources, where they exist and are publically available, and the accounts of other interviewees were used to assess the reliability of the information and interpretations offered by elites. Likewise, the testimonies of interviewees were cross-referenced against those of other elites

[29] This was no small task as this material amounted to over 400 pages of single-spaced text.

interviewed. However, often such assessments are ultimately subjective, and theoretically informed, judgement calls. When the analysis presented in the following chapters relies on the testimonies of interviewees, and more than one interviewee made comments to support the argument made, this has been made clear in the footnote to strengthen the point. Through these steps, it is hoped the reader will be well-placed to assess the strength of the empirical material on which the arguments are based.

3.5 Participant observation

3.5.1 The value and appropriateness of participant observation

A further supplementary and complementary method used in the study is participant observation. As Gerson and Horowitz point out, interviewing and observation shared core and epistemological assumptions that render the two methods 'mutually supportive' (2002: 200). Participant observation has been rarely used by researchers in the discipline of politics (Burnham el al, 2004), despite the method's ability to provide insight and depth for many research questions. This lack of use perhaps reflects practical issues, such as the time required or difficulties around securing access, rather than a lack of faith in the method's value. A major strength of participant observation is that it allows the researcher to develop a deeper understanding of individuals' beliefs, objectives and actions than that achieved through other methods, including elite interviewing (Burnham *et al*, 2004).

Despite the advantages of participant observation, like any method, it is not without its problems. In addition to the access, cost and time issues already alluded to, a major challenge is to maintain a sufficient degree of detachment from the group being studied. If the researcher is 'captured' by the individuals or organisation being studied, their ability to *critically* analyse what they observe is obviously jeopardised (Burnham *et al*, 2004). Ethical questions, both in terms of what to disclose and how to use the information and insights gained, are also ever present challenges with the use of this method.

3.5.2 The participant observation: the Confederation of British Industry

Early in the third year of this study, and as part of a wider ESRC placement scheme, the opportunity arose to undertake an internship in the Climate Change Team at the Confederation of British Industry (CBI). Given that the CBI is one of this study's three case study areas, this represented a rare opportunity to enrich my understanding of the organisation and its work on climate change. Having gone through a formal application and interview process, I was chosen by the CBI for the role, and in March 2009 began a 15 week (full time) internship based in the organisation's London offices.

According to Gold's commonly used typology, the variant of participant observation I undertook is best classified as 'participant observer', as unlike 'complete participant' observation, I was open about my research and its aims (Gold 1969; May, 2001). My role at the CBI focused entirely on a campaign to engage consumers with climate change and in this capacity I worked with a number of the CBI's prominent members and other stakeholders in the area, including the WWF and Energy Saving Trust. Given my role, I did not carry out any lobbying on the CBI's behalf. However, I was made to feel well-integrated in the Climate Change Team, for example, participating in group meetings and brainstorming sessions, and granted full access to all files on the team's shared computer drive. I was also given the opportunity to attend the Climate Change Board's quarterly meeting, and that of the Climate Change Working Group, which sits directly below the Board. The Climate Change Board comprises senior figures from each of the 13 companies which make up the group. These individuals include Sir John Rose (Chief Executive of Rolls-Royce), James Smith (Chair of Shell UK Ltd), Willie Walsh (Chief Executive of British Airways), Andrew Duff (Chief Executive of RWE npower) and the CBI's Director-General, Richard Lambert.[30] In other words, the Board is made up of many of the UK's foremost business leaders. The experience of watching these corporate elites discuss their climate change strategies and how best to influence and engage with government on the issue, was invaluable. I also attended a number of events on the CBI's behalf and the organisation's 'Low Carbon Breakfast Series'. Delegates to these included CBI members, policymakers and other stakeholders. These public meetings and events developed not only my understanding of the CBI's engagement with climate change, but also that of the wider business community. During my time at the CBI I kept a notebook of ideas and issues to further investigate.

[30] These companies fund the CBI's work on climate change (see chapter 6). The other members of the Climate Change Board are Kirby Adams, Chief Executive of Corus; Andreas Goss, Chief Executive of Siemens UK; Joe Greenwell, Chairman of Ford of Britain; Gavin Patterson, Chief Executive of BT retail; Ben Verwaayen, Chief Executive of Alcatel Lucent Ltd; Marcus Agius, Chairman of Barclays plc; Iain Conn, Group Managing Director of BP plc; Tom Crotty Chairman of Ineos Chlrolnyls; Kim Jones, President & Managing Director UK & Ireland, Sun Microsystems Ltd; David North, Community and Government Director of Tesco plc; John Ainley, Group Human Resources Director of Aviva; and Peter Redfern, Chief Executive of Taylor Wimpey.

As already stated this thesis takes the view that a search for objective, value-free research is both misguided and futile. Nonetheless, it does recognise the problems associated with 'going native' during a period of participant observation. The experience of spending time in the Climate Change Team certainly challenged a number of preconceptions I had held towards the organisation. However, throughout the time spent at the CBI I made a conscious effort to keep as much distance as possible between myself and the organisation, and sought to remain reflexive, questioning and critical of what I observed. To this end, on completion of the internship I deliberately revisited interview transcripts and documents which had been critical of the CBI's influence on climate change policymaking.

It was agreed with the CBI's Climate Change Team that I would not use any information from my time there which I could not have found through alternative means. Although not always black and white, this fairly straight forward principle helped me overcome ethical issues. On a number of occasions I was told explicitly that information was in confidence and I have respected such requests throughout the thesis. Clearly, these restrictions are considerable. Nonetheless, the experience was undoubtedly of value, informing my analysis and deepening my understanding of the issues. In addition, it made me aware of other available sources and facilitated further interviews with CBI staff. These additional interviews, carried out after completing the internship, allowed me to explore a number of the themes and issues which had become apparent during my time at the CBI. Importantly, my time at the CBI also provided a further useful means of triangulating interview data and documentary analysis.

3.6 The inherent difficulties associated with attributing influence

The aim of this thesis is to understand the business community's role in, and influence on, UK climate policymaking. As with power, a concept with which it is so closely related, assessing and attributing political influence is inherently problematic. While access to policymakers may often accompany the exercise of power, and certainly reflects an aspect of political privilege, access to government is not synonymous with political influence. In any case, the *relative quality* of access is not easy to determine. At any given time many pressures are simultaneously brought to bear on policymakers. As a result, regardless of the quantity and quality of the empirical research undertaken, identifying the precise impact of any single actor or factor is often impossible. In this case, the task is further complicated by the fact that the business community is not a single monolithic actor, with a uniform set of interests on climate change. By no means do business actors always speak to government with one voice.

Moreover, as stated in section 3.2, deep, *unobservable* mechanisms facilitate and constrain actors and their interests during policymaking, including over climate change. Notable among these are dominant ideas and discourses. At any given point, the strategically selective context favours certain interests, *irrespective* of any direct representation they may make to government. Yet, these important dynamics can only be inferred indirectly. Therefore, to a large extent, any assessment of political influence and the dynamics and mechanisms which facilitate it, relies on the subjective and often competing interpretations of the numerous individuals involved in, or with proximity to, policymaking. However, the difficulties associated with analysing and attributing political influence to actors do not render the task any less valuable, even if they do make the outcomes of such attempts more contested.

3.7 Conclusion

This chapter began by making explicit the foundationalist ontology and critical realist epistemology which underpin this study, and suggested that these have direct methodological implications. The discussion then considered the strengths and limitations of the three qualitative methods on which this study is based - documentary analysis, participant observation and elite interviewing, and clearly stated how each of these methods were approached and undertaken. As the principal research method, particular attention was given to elite interviewing. The chapter also outlined how a strategy of multi-method triangulation was adopted in order to assess and maximise the reliability of the information gathered. Finally, the chapter highlighted the complexities and difficulties associated with any assessment of political influence. By providing a clear exposition of how the empirical research was carried out, and by making plain the ontological and epistemological positions which underpin it, it is hoped the reader will be well-placed to evaluate the basis and persuasiveness of the arguments presented in the following chapters.

Chapter 4: The prevailing UK context

4.1 Introduction

Chapter two argued an analysis of the strategically selective setting in the UK is crucial for understanding business actors' preferences and political strategies. With this in mind, this chapter unpacks the prevailing political context in the UK between 1997 and 2009. In particular, it charts the salience of climate change in British politics from when it was first identified as a political issue two decades ago until December 2009, paying particular attention the period 2006-2009 when the issue gained a high political and media profile. Correspondingly, the analysis examines how companies and business groups' engagement with climate change evolved during this period. This is not to suggest that business actors have merely responded to the political environment in which they have found themselves; rather the actions of members of the business community have also help shape that context, and thus the setting within which government and other interests, including other business actors, have operated. However, firms and business groups have not determined their context. Like all actors, they are constrained by the setting within which they are situated. While the next chapter highlights keys ways in which the strategically selective setting has generally favoured and facilitated the business community, including in this policy area, this chapter focuses more specifically on the prevailing political context around climate change. It suggests this context has imposed some important constraints on corporate actors. In particular, the analysis draws attention to the environmental movement's success at raising the public profile of climate change and its general effectiveness at highlighting and de-legitimising a reactionary stance by business actors to environmental problems. Moreover, the chapter argues that political consensus on climate change and party competition over the issue once Cameron became Conservative leader in December 2005, narrowed the range of viable lobbying positions open to business actors.

The chapter begins by explaining why climate change rose up the political agenda in the UK, focusing on the role of environmental NGOs and the media. It suggests that an official elite consensus emerged around climate change's severity and anthropogenic basis, and distinguishes this elite consensus from broader public opinion where significant scepticism has remained. Section 4.2 concludes by providing an overview of UK policy to reduce emissions between 1997 and 2009. Developing the arguments made in the previous section, section 4.3 proceeds to analyse the cross-party consensus on climate change, unpacking the origins of increased party competition on the environment. It also explores the implications of this competition for the strategies and influence of the business community. Attention then turns in section 4.4 to mainstream public opinion on climate change, and the disjuncture between this and the elite consensus is highlighted. Finally, section 4.5 focuses on the business community itself, examining how and why business actors have engaged with climate change. In so doing, it sets up the detailed empirical analysis of the business community's role in policymaking which will follow in the next four chapters.

4.2 Climate change and UK politics

4.2.1 Early political engagement with climate change

Despite the UK being one of the first countries to implement environmental regulation, over the years the environment has generally not ranked high on the political agenda in the UK. As Carter points out, 'the party politicisation of the environment has been limited' (Carter 2006: 759). Successive British governments have not considered the environment a policy priority (see for example, Lowe and Ward, 1998; McCormick, 2002; Carter, 2006). Indeed, during the 1980s its approach to environmental policy, earned the UK the reputation as the 'Dirty Man of Europe' (Weale, 1992, 69; Humphrey, 2003: 304). Nevertheless, as early as 1988 Thatcher raised the greenhouse effect and global warming, albeit in a qualified manner, in a speech to the Royal Society, stating the rise in greenhouse gases 'has led some to fear that we are creating a global heat trap which could lead to climatic instability' (Thatcher, 1988). In a speech in August 1990 she went further, asserting, with striking similarity to the 2006 Stern Report, that 'the cost of doing nothing, of a policy of wait and see, would be much higher than those of taking preventive action now to stop the damage getting worse' (Thatcher, 1990). The Hadley Centre was duly established by Thatcher in 1990 to increase understanding of the issue. The British government was also active in the international political debate on climate change at this early stage. Notably, in 1989 Britain's permanent representative to the UN, Sir Crispin Tickell, raised the topic of climate change in the UN General Assembly, advocating the commencement of international negotiations (Cass, 2007). In fact, Thatcher assumed an early global leadership role vis-à-vis climate change, and, according to Cass, 'aggressively sought to control the issue's evolution' (2007: 70).

The Conservatives' 1992 election manifesto described the threat of global warming as 'one of the most important issues facing all countries' (Conservative Party, 1992), and a number of domestic measures were introduced by the Conservative government around this time to reduce emissions.

Increasing fuel efficiency was a stated policy objective and the Energy Saving Trust was established in 1992. To support nuclear and renewable forms of generation, in 1990 the government introduced the Non-Fossil Fuel Obligation[31] (Lorenzoni el al, 2008; Mitchell, 2008). Likewise, in 1993 the government put in place the fuel price escalator, which saw annual, above inflation, increases in the cost of petrol. As such, combating climate change provided the Major government with the opportunity for much needed tax rises to reduce the budget deficit (O'Riordan and Jordan 1996; Cass, 2007).[32] Moreover, 1994 saw the publication of the government's first climate change programme, which put forward policies designed to return greenhouse gas emissions to 1990 levels by 2000 (Lovell *et al*, 2009). However, domestic measures to address climate change were modest under both the Thatcher and Major governments. The Energy Saving Trust, for example, suffered from under funding and little progress was made in reducing fuel inefficiency (O'Riordan and Rowbotham, 1996). More generally, climate change was not a salient issue for any of the three main parties during the first half of the 1990s (O'Riordan and Rowbotham, 1996). Throughout the decade, both the Conservative and Blair governments were fortunate in that UK emissions fell largely as a by-product of other policies and trends, rather than their deliberate actions. Notably, the fall resulted from the shift in electricity generation away from coal to gas following the liberalisation of the UK's electricity market (see chapter 8) and a decline in the UK's manufacturing base (Helm, 2007). Arguably, these helpful trends encouraged a degree of complacency among policymakers who were reluctant to pursue policies generally unpopular with the electorate and business community.

4.2.2 The increasing political salience of climate change

Prompted by the increasing scientific certainty described in chapter 1, and effective campaigning by Environmental NGOs and activists, between 2006 and 2009 the political salience of climate change increased significantly in the UK. In the run-up to the 2005 General Election, climate change and environmental concerns more generally had received relatively little attention (Carter 2006; Conservative Party, 2007: 401). During their respective election campaigns, neither the government nor the Conservative Party gave a speech or held a press conference on the environment (Carter, 2006). However, during 2006 and 2007 climate change shot up the political

[31] While supporting renewable generation, the Non-Fossil Fuel Obligation was set up primarily with the objective of subsidising nuclear power (Mitchell, 2008).
[32] Levy (1997) also argues the Thatcher government used the problem of climate change to justify the mass closures of collieries.

agenda. The rise was such that the Environment Secretary Hilary Benn stated in July 2007 that 'climate change has moved to the heart of the political debate' (DEFRA, 2007c: 6). Likewise, David Cameron observed in 2007 that 'the past year has seen the development of a remarkable consensus and transformed environmentalism from being a niche concern to a mainstream part of our political debate' (Cameron, 2007a: 10). The UK's environmental movement, one of the largest in the world (Rootes, 2003), was instrumental in this process. Numerous interviewees from the business community commented that the 'environmental lobby' has been very active and visible in the UK.[33] Environmental NGOs lack the discursive advantages and many of the key material resources enjoyed by corporate actors and the extensive access to key policymakers these bring (see chapter 5). As a result, they generally lack the capacity to maintain focus on specific measures and struggle to influence the details of policy.[34] However, NGOs' campaigns have been effective at directing political and media attention to climate change. For example, Stephen Hale (2008), a former DEFRA Special Adviser, credits the environmental movement with having played a major role in increasing the profile of climate change in the UK. In fact, senior officials and Policy Advisors remarked when interviewed that green NGOs have been more successful at setting the agenda on climate change than business.[35] Environmental NGOs have been particularly effective in this regard because they generally enjoy a degree of public trust which the business community lacks (Moran, 2006; Giddens, 2009). Green groups have been able to draw on increasing certainty regarding the origins and possible impacts of climate change among the scientific community, a group widely trusted by the British public;[36] at least until November 2009 when it damagingly emerged that prominent scientists had suppressed some findings undermining their arguments (see chapter 1). In contrast, like politicians, business leaders are consistently among the professions least trusted in Britain (see for example, Ipsos Mori, 2009). Environmental groups have also been facilitated in their efforts to raise the profile of climate change by the willingness of sections of the media, in particular *The Independent, The Guardian* and the BBC, to feature their campaigns and activities. Direct action by environmental campaigners, for example at E.ON's Kings North power station during 2009, received considerable attention in the media.

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[33] Various interviews with author, including on 20th May 2008, trade association offices, London; 9th September, 2009 (telephone).
[34] Author's face-to-face interview 23rd June 2008, London
[35] Various face-to-face interviews with author including on the senior DEFRA official, 17th June, 2008 London; Government Special Advisor, 3rd December 2008, London.
[36] In 2008, 72% of those questioned by Ipsos Mori reported that they generally trust scientists to tell the truth, whereas only 30% generally trusted business leaders.

More widely, there was an increase in the general level of coverage given in the British media to the science of climate change and international climate negotiations. Boykoff for example found that between 2003-6 coverage of the issue quadrupled in broadsheet newspapers (2007: 3).[37] The major news broadcasters, the BBC and Sky News, also continued to feature climate change prominently, as their extensive coverage in the build up and during the Copenhagen Summit in December 2009 illustrated. By no means has this been a policy area in which decisions are taken quietly, away from public view, media scrutiny and criticism. In fact, interviewees from the business community contrasted the high public visibility of climate change in the UK with the issue's lower profile elsewhere in Europe. A lobbyist from the transport sector for example commented that even in European countries which are considered 'green', 'climate change strategy is made by civil servants, behind-the-scenes; other countries have nothing like the public debate we have here.'[38] Crucially, companies and business groups were aware that corporate lobbying against policies aimed at reducing emissions attracts NGO and media attention. Indeed, a few interviewees from the business community commented that they have tempered their *public* support for some of the more controversial policy choices, such as expansion at Heathrow, in order to avoid such high profile criticism.[39]

Reflecting the increased scientific certainty, towards the end of the period under analysis, there became a consensus within much of the media that anthropogenic climate change was real (Ereaut and Segnit, 2007). This is not to say that all dissenting voices disappeared, in particular in the comment columns of the right-wing tabloids and *The Daily Telegraph* they remained in evidence. However, the existence of man-made climate change became, at least within public discourse, 'the commonsensical position' (Ereaut and Segnit, 2007: 10). This was indicative of the emergence of an elite consensus on the existence and anthropogenic origins of climate change, comprising the scientific community and, as this and the next chapter will illustrate, politicians and the majority of business leaders.

[37] This study examined coverage in *The Times, The Sunday Times, The Guardian, The Observer, The Independent* and *The Independent on Sunday*.
[38] Author's face-to-face interview 20th May 2008, trade association offices, London.
[39] Various interviews with the author including on 28th August 2008 (London); 18th June 2009 (London).

4.2.3 Climate change and the Labour government

As the introduction showed, the Labour government wholeheartedly accepted the arguments of its chief scientific advisors and the scientific consensus on climate change. Indeed, the language used by the Labour government to describe the severity of the threats posed by climate change could not have been starker, nor could it have been more emphatic. In its 2006 Climate Change Programme, the government described the issue as the 'greatest long-term challenge facing the world today' (DEFRA, 2006a: 3). More recently, in a speech in November 2007, Gordon Brown went as far as to compare the 'climate change crisis' to the challenge of rebuilding 'broken economies and fractured societies' in the aftermaths of World War II (Brown, 2007a). Like their Conservative predecessors, Blair and Brown also adopted strong language internationally on the threat posed by climate change. On a cynical reading, successive Conservative and Labour governments have used climate change as a low cost means of gaining credibility politically, both at home and abroad. After all, despite the Labour government's rhetoric and international grandstanding, only with the onset of recession did the UK's CO_2 emissions significantly fall; between 1997 and 2006 they had not even been on a downward trajectory, (DECC, 2010a). However, in the context of such stark and certain language by the government domestically and internationally, there increasingly became little room for the corporate elite in the UK to challenge the need for some kind of action to reduce emissions (see section 4.5). Instead, as this and the following chapter will illustrate, rather than challenging the political consensus, forward-looking business leaders became a key driver behind a broader elite consensus.

Having established that the Blair and Brown governments considered climate change a serious concern, it is useful at this stage to provide an overview of policy to reduce UK emissions between 1997 and 2009. This is not an exhaustive survey of every policy; rather the intention is to introduce the government's principal policy mechanisms, focusing in particular on measures which have affected the business community.

4.2.4 UK policy to cut emissions between 1997 and 2009

The Labour government introduced a wide range of targets and policies to tackle climate change. In its 1997 election manifesto, the Labour Party committed to reduce the UK's CO_2 emissions by 20% by 2010, against a 1990 baseline. The 2003 Energy White Paper then saw the government introduce the longer term target of a 60% reduction by 2050. Under the EU's burden sharing arrangement for the Kyoto Protocol, the UK agreed to cut its greenhouse gas emissions by 12.5% by 2012 (again compared to 1990). However, as noted in the introduction, while on track to meet its international obligations, the Labour government acknowledged it would fail to fulfil its own, more ambitious, 2010 target. This illustrates how strong rhetoric and ambitious targets are alone insufficient. As interviewees pointed out, this disconnect reflects a more general malaise in respect of setting targets and delivery, and is not a problem unique to UK policymakers.[40] The passage of the 2008 Climate Change Act saw policymakers strengthen the UK's earlier domestic 2050 commitment, making it the government's duty to ensure that UK CO_2 emissions are at least 80% lower in 2050 than they were in 1990. The Climate Change Act also set five-yearly carbon budgets for the UK economy up until 2022, and established an independent Committee to monitor progress and advise policymakers.

A number of climate change strategies were produced by the Labour government. In 2000 it published its first Climate Change Programme, presenting policies estimated to save 17.1MtC by 2010. Almost half of these savings (8.6 MtC) were to come from the business sector. The government produced a revised Programme in March 2006. Taking into account the additional measures outlined, the new Programme projected a reduction in UK CO_2 emissions of between 15 to 18% by 2010. Notably this figure was below the government's own 20% target and demonstrated a distinct lack of ambition by policymakers. In fact, like its Conservative predecessors, for its first 12 years in office, the Labour government was without a clear and comprehensive plan to address climate change (Hale, 2007). This is illustrated by the fact that UK CO_2 emissions were just 2% lower in 2007 than had been in 1997, and as recently as 2004 were actually higher than when Labour came to power (Hansard, 2009a).[41] Since 2007, CO_2 emissions have fallen – in fact by 9.8% in 2009 (DECC, 2010a). However, as DECC notes, the estimated decrease, from 533 $MtCO_2$ in 2008 to 481 $MtCO_2$ in 2009, has mainly been a product of the recession and the significant fall in energy consumption as the economy contracted (The Guardian, 2010a).[42] The summer of 2009 witnessed a proliferation of carbon reduction strategies by government department. Under the direction of the enthusiastic Ed Miliband, DECC

[40] Various face-to-face interviews with the author including on 19th May 2008, Trade Association, London; 11th June 2008, London; 16th September, company headquarters, London.
[41] Net CO_2 emissions (emissions minus removals) stood at 551.6$MtCO_2$ in 1997, 555.9 $MtCO_2$ in 2004, and 542.6 $MtCO_2$ in 2007 respectively.
[42] According to DECC, a switch away from coal to nuclear energy generation also helps explain this fall. In 2009 the six greenhouse gases together fell by 8.6% (The Guardian, 2010a).

published a Low Carbon Transition Plan. The Plan charted how the UK would achieve a 34% cut in emissions by 2020, and was accompanied by a Renewables Strategy, a Low Carbon Industrial Strategy and a Low Carbon Transport Strategy (see chapters 5-8). Finally it appeared the government was beginning to adopt a more cohesive approach.

Reflecting the many activities and processes which produce greenhouse gases, a wide range of specific policies were introduced to reduce UK emissions between 1997 and 2009. In transport, a sector which accounted for 21% of total UK domestic emissions in 2009, measures included the banding of vehicle excise duty to encourage drivers to buy more fuel-efficient cars, an increase in air passenger duty and the reinstatement of the fuel duty escalator (HM Government, 2009a: 5). Meanwhile, at EU level, following the failure of voluntary agreements with car manufacturers, the government agreed with other EU Member States a long-term framework for emissions standards for new cars.[43] To reduce emissions from the domestic sector, in 2006 the Labour government announced that all new homes would be 'zero carbon' by 2016. Moreover, since October 2008, all properties have required an Energy Performance Certificate before they could be built, sold or rented. Also with the aim of reducing household emissions, in 2002 the government launched the Energy Efficiency Commitment (now CERTS), which places an obligation on electricity and gas suppliers to promote energy efficiency among their domestic customers. Moreover, to incentivise the generation of renewable electricity, the Renewables Obligation (RO) has been in place since 2002 (for detailed analysis of the RO see chapter 8).

The EU Emissions Trading Scheme, introduced in 2005, is also intended to encourage the development of low carbon energy generation and technologies, and improve energy efficiency among energy producers and carbon intensive industries (see chapter 7). A further key plank of the government's strategy was the Climate Change Levy (CCL), a tax on energy used by business and the public sector (see chapter 6). The CCL, which came into effect in April 2001, again had the objective of increasing energy efficiency.[44] With the stated aim of protecting energy intensive sectors facing international competition, Climate Change Agreements (CCAs) were negotiated between government and trade associations, giving participating sectors an 80% reduction on the

[43]Under this framework targets of 130gCO_2/km from 2012 have been agreed, with full compliance by 2015, and 95gCO_2/ km by 2020 (HM Government, 2009a: 38).
[44] Government reduced employers' national insurance contribution by 0.3 percentage point when the levy was introduced, resulting in a net fall in the taxes business pays (DETR, 2000a: 72-3; DEFRA, 2006a: 47).

CCL, providing they commit to energy efficiency goals (DEFRA, 2006a: 48). In an effort to alter business attitudes towards climate change and improve their energy efficiency, the government also established the Carbon Trust when it brought in the CCL (DETR, 2000). Moreover, in April 2010, shortly before leaving office, the government introduced the CRC Energy Efficiency Scheme, an UK-wide emissions trading scheme for less energy intensive sectors such as retail, not covered by the EU ETS. As illustrated by this brief overview, the policy architecture in this area is dense, particularly for business actors (Darkin, 2006).[45] Perhaps inevitably given the cross-cutting nature of climate change, some measures overlap. In fact, such overlap prompted the Environmental Audit Committee to assert that the business community faced 'a complex tangle of different climate change policies' (HC 534, 2008: 3). A final point to note is the rapidly evolving nature of this policy area during the timeframe in question. New measures and initiatives were introduced on a monthly basis and existing policies, such as the CCAs, RO and CERTS, were subject to various reviews and reforms. For example, prior to its introduction, three consultations took place on the shape of the CRC Energy Efficiency Scheme. As frequently noted by interviewees, government departments have consulted stakeholders extensively before introducing new policies and reforms. As the principal stakeholders for many policies, and as the bearers of key resources, there was an intense dialogue between business actors and policymakers (see chapters 5). Having outlined the Labour government's policies to reduce emissions, the chapter will now return to the politics of climate change in the UK.

4.3 Cross-party consensus and its political implications for the business community

Strong rhetoric and ambition on climate change was not confined to the Labour Party: a political consensus was established in the UK between 2005 and 2009 on climate change. Moreover, following Cameron's election as leader of the Conservative Party in December 2005, the three main parties were at pains to emphasise their green credentials and actively competed on climate change. This section will argue that this competition and the internal dynamics within the Conservative Party which helped give rise to it, had significant political implications for the business community. Indeed, party competition over climate change formed an important aspect of the prevailing political context, restricting the range of viable lobbying positions available to corporate actors and limiting the business community's influence on policymaking.

[45] According to DECC, business sector emissions stood at 193 million tonnes CO_2 in 2004, 192 in 2005, 195 in 2006 and 191 in 2007 respectively (DECC, 2008a).

4.3.1 Political consensus

During the latter years of Labour's term in office, a strong agreement developed among politicians on the severity of the threat posed by climate change and the urgent need for action to reduce emissions (Lorenzoni *et al*, 2008). Indeed, this formed a crucial dimension of the broader elite consensus already noted. Business actors and policymakers frequently flagged this consensus during interviews. An influential government adviser for example noted: 'Climate change has been around in the public sphere for a long time in the UK. There's a cross-party consensus, and there is a lot of support in the media for that cross party consensus, so it has become self-reinforcing... people have gradually come on board.'[46] Similarly, an interviewee from a transport sector trade association observed: 'Political parties are sensitive to climate change far more than you get in other European countries. Elsewhere in Europe there is not the same level of political acceptance for a very strong strategy towards climate change.'[47]

This cross-party support for action was demonstrated by the fact 412 MPs from across the House of Commons signed an Early Day Motion tabled in May 2005 by Michael Meacher calling for a climate change bill (EDM 176, 2005). The fact that this EDM was based on an earlier Private Members' Bill produced by Friends of the Earth further illustrates the important role which prominent environmental NGOs have played in setting the agenda on climate change. However, it was not simply that a political consensus existed on climate change: as this chapter will now argue, 2006-9 witnessed considerable competition between government and the main opposition parties over the issue.

4.3.2 Climate change & the rebranding of the Conservative Party under Cameron

A commitment to the environment and environmental problems formed a key strand of David Cameron's efforts to 'detoxify' and refashion the Conservatives as a compassionate and progressive Party when he became leader (Kerr, 2007; Jordan and Lorenzoni, 2007; McClean, 2008; Carter, 2008; 2009; Hayton and Heppell, 2010). As observed by Stephen Hale (a former Special Adviser for the environment under Labour), Cameron was 'the first leader of a major British political party to make the environment a central theme of his leadership from the outset' (2007: 2). During Cameron's early months in charge there were numerous manifestations of this

[46] Author's face-to-face interview 9th February, 2009, London.
[47] Author's face-to-face interview 20th May 2008, trade association offices, London.

increased engagement with the environment. For example, the issue featured prominently in a number of Cameron's early speeches, the party's logo became a green oak tree and the new leader made a high profile visit to the Norwegian glaciers to observe first-hand the impact of climate change. Meanwhile, Sir John Gummer, a former Environment Secretary widely praised by NGOs for his progressive approach, and Zac Goldsmith (then editor of *The Ecologist*) were appointed Chairs of the Party's Quality of Life Policy Group. The Group's 2007 Report, 'Blueprint for a Green Economy', advocated some ambitious policies to reduce emissions, including the introduction of Feed-in Tariffs for small-scale renewable generation, a purchase tax on cars according to their CO_2 output and a moratorium on airport expansion. Prominent NGOs such as Friends of the Earth 'wholeheartedly supported' the Report and urged the Conservative leadership to make its proposals Party policy (Friends of the Earth, 2007b). However, by the summer of 2007, the Party's focus on climate change had waned, and when an election looked likely in autumn 2007 the leadership distanced itself from some of the Quality of Life Report's recommendations. The following quote by an interviewee from the manufacturing sector captures both the early ambition when Cameron took over and how it ebbed when a General Election appeared likely in autumn 2007:

> We saw a lot of fanciful thinking in the Quality of Life Group report... I'm pleased to say quite a large proportion of that report got dumped when it looked like there would be an election. That's grounds for optimism, and I don't mean that the green agenda should be dumped, but that it should be thought about in a rational and realistic way.[48]

A new concern for the environment had also not swept through the party. A number of Conservative MPs such Peter Lilley and John Redwood, and sections of the wider Party membership, remained suspicious of the climate change agenda (Hale, 2007), some believing it a left-wing conspiracy to increase regulation and the role of the state. Nevertheless, while dissenting voices have been heard among Conservative MPs - for example in the wake of the 'climate-gate affair' in late 2009 - the party leadership has generally been effective at keeping the party in line (The Independent, 2009b). Irrespective of disquiet among some of the Conservative rank-and-file, under Cameron's leadership the Conservative party has undoubtedly played an important role in heightening the salience of climate change in UK politics (Carter, 2009). In fact, prominent

[48] Author's face-to-face interview, 23rd June 2008, London, trade association offices.

Conservative politicians were quick to highlight their achievements in this respect. Cameron in 2007 for example stated:

> When I became leader of the Conservative Party just over a year ago, I wanted to take that opportunity to push the protection of our environment right to the top of the political agenda…I am proud of the Conservative Party's role in making the green agenda a central part of our political discourse. (Cameron, 2007a: 9-10).

By the end of 2009, despite some peaks and troughs, the Conservatives' increased enthusiasm for environmental issues had not evaporated. The Party remained committed to 'rebalance' the tax system away from income and investment towards emissions and pollution and, as the next section will illustrate, between 2006-2009 proposed a number of targets and policies which put pressure on the Labour government to adopt a more ambitious approach. In fact, in typical partisan fashion, the Conservatives were quick to assert that new policies introduced by the Labour government were 'borrowed' from earlier opposition party proposals (see for example, The Guardian, 2009f).

4.3.3 Labour on the defensive

In addition to softening the Conservatives' reputation, Party strategists also identified the environment, and in particular climate change, as an area in which they could gain considerable political capital over the government (Carter, 2009). Given the government's poor record on reducing UK emissions, it was not difficult for the Conservatives to criticise the Labour government for having failed to deliver on its rhetoric and ambitious emissions reduction targets. Crucially from the perspective of business strategy and influence, this heightened party competition pushed the government on climate change, encouraging it to focus on the issue and strengthen its emissions reductions policies. Having rarely mentioned climate change prior to Cameron's election, the Conservatives' new focus on the environment since 2006 was a factor encouraging Brown to engage more fully with the issue after he became Prime Minister. In May 2006 Brown made David Miliband Environment Secretary, giving the Department new impetus. Charles Secrett, a former Director of Friends of the Earth and advisor to Ken Livingstone, has thus argued:

> Cameron managed something that no previous opposition leader (or party) has succeeded in doing in decades – he has thrown the government continuously on the defensive about

its environmental record and elevated climate change to mainstream parliamentary politics...Cameron has forced the Cabinet to play catch-up (2007: 30).

The Conservatives' new emphasis on the environment also had an impact on the Liberal Democrats, galvanising the party's engagement with climate change. From the early 1990s, the Liberal Democrats have consistently advocated the greenest policies of all the three main parties (Secrett, 2007; Carter, 2006; 2008). For example, as early as 1992 General Election, the party had laid down the ambitious target of reducing the UK's CO_2 emissions by 30% by 2005 (Liberal Democrats, 1992). Eager to avoid losing ground to the Conservatives on the environment (Jordan and Lorenzoni, 2007), the Liberal Democrats devoted increasing attention to the issue, for example, in 2007 outlining far-reaching plans for 'a zero-carbon Britain' by 2050 (The Guardian, 2007a). According to Chris Huhne, the party's environment spokesman, 'while the other parties may talk green, we mean green' (Huhne, 2007b).[49]

From the Climate Change Bill, to air travel and power generation, the positions advocated by the Conservatives and Liberal Democrats were more radical than many of those implemented by the government. For example, like environmental campaigners, both opposition parties called for the inclusion of annual CO_2 emission targets in the Climate Change Bill (BBC News, 2007b). Indeed, along with NGOs, they were a consistent source of pressure on government during the parliamentary debate on the Bill and successfully argued for the introduction of an independent body to review progress. The Conservatives and Liberal Democrats also opposed expansion at Heathrow and decried the government's decision to increase air passenger duty as inadequate (McClean, 2008). Moreover, in June 2008 the Conservatives advocated a tougher stance on coal generation than that then adopted by the government, proposing an emissions performance standard for power stations (see chapter 8.6), a proposal widely derided by business actors. For example, a lobbyist representing the manufacturing sector observed:

> Their [the Conservatives'] announcement on coal-fired power stations...suggests a Conservative government would be prepared to see the lights go out rather than allow coal-fired power stations to be built. Whether that is actually how they would behave in government, we'll see.[50]

[49] Plans included removing petrol and diesel cars by 2040 and committing Britain to zero carbon power generation by 2050, along with the rejection of any new nuclear power stations.
[50] Author's face-to-face interview, 23rd June 2008, London, trade association offices.

Such comments from interviewees illustrate how business actors were acutely aware of the cross-party competition on climate change and the more ambitious policies frequently advocated by opposition parties. Reflecting the Conservative's revival as an electoral force, business interviewees noted that since 2008 they had paid more attention to Conservative policy proposals and had increased their engagement with the party, for example, meeting and lobbying party officials and MPs and sponsoring events at the Conservative Party Annual Conference.[51] Party competition over climate change formed an important aspect of corporate actors' strategically selective context, constraining the range of potentially successfully lobbying positions open to companies and business groups. Crucially, under these conditions, business actors were unable to gain political leverage by playing the government off against opposition parties. Bryner's analysis of clean air policy in the US highlights the implications for business actors of cross-party competition on the environment. From his case study Bryner concluded that 'environmental initiatives have been strongest, and industry influence weakest' when both parties are competing over green issues (2007: 145). However, a caveat is required here. As the lobbyist's quote on the previous page illustrates, business actors are under no illusion that parties adopt in government policies identical to those which they proposed in opposition. Interviewees from companies and NGOs suspected the Conservatives might weaken their positions once in power and faced with pressure from various interests and the practical constraints of governing. In the words of one interviewee, 'the best ideas come from the opposition parties which are not being lobbied so heavily, they have the freedom to think', and he added 'that's why as much policy as possible needs binding in before a general election.'[52] However, regardless of business actors' suspicions (and hopes) that the Conservatives may water down some of their policies if in government, the cross-party consensus and competition over climate change shaped the political preferences and strategies of companies and business groups. The following empirical chapters will argue that by putting pressure on the current government, both the Conservatives and Liberal Democrats constrained business actors' room for manoeuvre and encouraged constructive business engagement with climate change. The Conservatives and Liberal Democrats' strong rhetoric and ambitious policy proposals on climate change also helped bolster the arguments and legitimacy of NGOs, particularly as in a number of important cases they advocated similar policies to the main opposition parties, for example on the Feed-In Tariff.

[51] Various interviews with the author including on 1st August 2008 (Surrey).
[52] Author's face-to-face interview, 11th June 2008, London.

A final point to note is that despite the economic downturn, climate change has retained traction with political elites. Indeed, rather than forcing climate change off the political agenda at Westminster, the recession helped consolidate the issue's political salience as all the main parties identified linkages between renewed economic growth and tackling climate change (see chapter 5, section 5.3.1).

4.4 Public attitudes towards climate change

The previous section argued that there has been a political consensus on climate change in the UK and that this has formed a key element of a broader elite consensus on the issue. However, it is crucial to distinguish between *official elite* opinion on climate change and the attitudes of the wider British public. Before considering the survey data and making some observations about public opinion in the UK, it must first be noted that the British public is an amorphous group; public attitudes vary starkly. As such, any attempt to generalise has limitations and inevitably requires caveats. Now to the data: on one level survey data for the period tends to indicate that people in the UK generally considered climate change a serious issue. In fact, in a global survey in 2009, the UK came fourth top (out of 22 countries) when asked how high a priority government *should* place on addressing climate change, and 77% stated that they wanted more action from government (The Guardian, 2009g). Likewise, in research carried out for DfT in 2006 and 2007, 80% of adults reported feeling very or fairly concerned about climate change (DfT, 2008: 1).[53] Eurobarometer data from 2009 corroborates this finding, as 82% of those polled in the UK considered climate change a serious or very serious problem (Eurobarometer, 2009: 17). Although interestingly, at 51%, the proportion of UK respondents reporting that the issue was 'very significant' was lower than in the majority of other EU member states (Eurobarometer, 2009: 17). For example, this figure stood at 84% in Greece, 72% in Spain and France and 66% in Germany. Opinion poll data paints a complex and somewhat contradictory picture. Most notably from the perspective of this thesis, it suggests that there is a cleavage between the official elite consensus on climate change and broader public opinion. Despite the overwhelming scientific consensus on the issue, and various government initiatives such as Act on CO_2, in surveys a significant proportion of UK respondents doubt that human activity is a major factor behind climate change. For example,

[53] Similarly, a 2008 Ipsos Mori survey found 77% of respondents were very or fairly concerned, while a significant minority (23%) said they did not feel concerned (Ipsos Mori 2008: 1).

mistakenly, 60% of respondents in a 2008 Ipsos Mori poll took the view that many scientific experts continue to question whether humans are contributing to climate change (Ipsos Mori, 2008: 1). Likewise, 40% of UK respondents to a 2009 Eurobarometer survey agreed with the statement that CO_2 emissions have only a marginal impact on climate change, the fourth highest of any EU country (Eurobarometer, 2009: 38). This is a far cry from the position now taken by the scientific community and the vast majority of political and business elites. In the words of the former chairman of the environment agency, Sir John Harman:

> As seen from Westminster, the picture is one of conclusive science, emerging international pressures, a growing problem which has to be dealt with. But the public perception, even of human induced climate change, is far less coherent... To put it simply, the Government Chief Scientists may have the ear of the decision makers, but Jeremy Clarkson has the ear of the electorate (Harman, 2009: 20-21).

Moreover, public scepticism intensified in late 2009, following the damaging revelations that several prominent scientists had deliberately suppressed data to strengthen their arguments on climate change (see chapter 1).

Surveys highlight a second, and related, feature of public opinion: among the British public there has been a notable degree of cynicism and considerable distrust of the government's motives when it comes to policy to reduce emissions. For example, in 2009 40% of UK people questioned by Eurobarometer felt the seriousness of climate change had been exaggerated, this compares to an EU average of just 27% (Eurobarometer, 2008: 41). Ipsos Mori data from 2008 supports this finding: 42% of those questioned agreed with the statement 'I sometimes think climate change might not be as bad as people say' (Ipsos Mori, 2008: 1). Moreover, a majority - 59% - agreed with the statement that 'climate change is used by government as an excuse to raise taxes' (Ipsos Mori, 2008: 3). This scepticism in part reflects a wider distrust of politicians and a disenchantment with the political process in the UK (Stoker, 2006; Hay, 2007). Perhaps this popular cynicism was also fuelled by naked self-interest as people anticipate that policies aimed at reducing emissions would have an adverse effect on their freedom and wallets. For instance, 41% of people polled by Ipsos Mori in 2008 reported feeling worried that in taking action the government will 'restrict the things I want to do' (Ipsos Mori, 2008: 3).

While this section has suggested that mainstream public opinion was often behind official elite opinion in the sense that many people remained sceptical of the human contribution to climate change, it must also be recognised that a significant minority are not only fully convinced by the science, but passionate about addressing climate change. This section of the British public supports far-reaching, structural changes to reduce emissions: 13% of those surveyed in 2008 agreed it is reasonable to expect people to make 'significant and radical changes' to how they live, for example in terms of the products they purchase and how much they fly (Ipsos Mori, 2008: 6). Meanwhile, in December 2009 in excess of 50,000 people took to the streets of London to demand more urgent and effective action on climate change. Thus, while scepticism and apathy characterise the attitudes of many people towards climate change, there is also a relatively small but by no means insignificant section of the public who are well ahead of the position taken by government and the most enlightened business leaders.

Although there remains a reluctance among much of the public to act on a personal level, at least with regard to the more significant measures, interviewees from the business community suggested people have high expectations of companies. Indeed, 70% of UK respondents felt business is not doing enough on climate change (Eurobarometer, 2008: 41). It seems public expectations of business are high. A lobbyist from the retail sector observed: 'The British are very good at knocking anyone that's successful, so, if you have a certain profile in terms of success, you have to bend over backwards to demonstrate that you are a responsible corporate body.'[54]

Firms with recognisable brands and consumer-facing companies are particularly vulnerable to negative coverage in the media and the campaigns of NGOs (Schultz and Williamson, 2007; Layzer, 2007). Recognising this, environmental NGOs have tended to target the practices and emissions of certain sectors and firms, such as the oil and gas industries (Uzzell, 2005). Given the issue's media profile, agreement among politicians and NGOs' attentiveness to business (mal-)practices, it became dangerous for any business leaders to stray from the elite consensus on climate change, despite the high level of cynicism which persisted among sections of the UK public.

[54] Author's face-to-face interview, 19th May 2008, trade association offices, London

4.5 Climate change and the business community

Having examined the wider political salience of climate change, this chapter now turns to the UK business community's engagement with the issue. It argues that climate change has risen rapidly up the business agenda over the past decade and explains why this has been the case. The purpose of this section is not to provide a detailed examination of how companies and business sectors have innovated, nor to analyse how they have developed internally in response to climate change: the extent of the corporate response is such that this would in itself amount to several PhDs.[55] Rather, the intention here is to illustrate the extensive nature of business engagement in the UK with climate change and to provide a flavour of the strategies developed and steps taken by companies. It is to show, moreover, that by the late-2000s, business leaders were not disputing its anthropogenic origins and had become an important part of elite consensus on climate change, at least in public. However, the section also highlights the variation in companies' responses and the limits to voluntary corporate action to bring about emissions reductions.

4.5.1 1990-2004: early business engagement

While climate change has shot up the business agenda over the last five years of Labour's term in office, for many companies, particularly those within the energy sector, it was not a 'new' issue.[56] It was in the early 1990s, around the time of the Rio Earth Summit, that business groups and firms began to pay attention to climate change (Torrence, 2006; Kolk and Pinske, 2007). In fact, Falkner comments that the 1992 Rio Earth Summit 'sparked considerable interest' among business actors (2008: 7). Opposition generally characterised the position and political activity of those elements of the business community which engaged with the issue at this time (Kolk and Pinske, 2007; Falkner, 2008). For example, in the early 1990s European industrialists fought against the introduction of an EU-wide carbon tax (Ikwue and Skea, 1994), and BP and Shell were members of the Global Climate Coalition, a US-based group which lobbied fiercely against policy to reduce emissions. However, in 1997 BP withdrew from this reactionary group, and later that year the multinational's CEO, John Browne, very publically broke ranks with the rest of the oil industry. Browne stated that 'the time to consider the policy dimensions of climate change is not when the link between greenhouse gases and climate changes is conclusively proven, but when the

[55] For a further analysis of business strategies on climate change and what underpins these see for example, Tang and Yeoh 2007.
[56] Author's face-to-face interview, 16th May 2008, trade association offices, London

possibility cannot be discounted and is taken seriously by the society of which we are part' (quoted in Levy and Egan, 2003: 820), and that his company would no longer oppose international regulation to cut emissions (Lowe and Harris, 1998). Browne also announced BP had developed a strategy for reducing its own emissions. This marked a significant and very public acceptance of the precautionary principle by a leading international company. Until then business actors had broadly rejected precautionary action vis-à-vis environmental issues, including climate change, advocating instead a cautious approach and calling for further scientific research. Shortly after BP's volte-face, fellow oil giant Shell similarly altered its stance. It is worth noting that the adoption by companies of a more constructive approach took place as Corporate Social Responsibility (CSR) was becoming increasingly important for many members of the business community, particularly in the UK (Vogel, 2005 Falkner, 2008). In fact, in 1998 Shell became the first major corporation to produce a CSR report (Vogel, 2005).

More generally, interviewees from manufacturing sectors reported having had a focus on climate change since the late 1990s, although several also noted energy efficiency had been an issue for far longer.[57] The Public Affairs Manager of one manufacturing multinational for example stated in 2008: 'In the legislative sense climate change has been an important issue for about 8-10 years, but we have been aware of it for a lot longer... We were already working on R&D long before climate change became fashionable.'[58]

For energy intensive sectors reducing energy costs provided a major impetus for action.[59] However, while a few manufacturing interviewees argued that they already had 'all the economic drivers', and did not need additional incentives such as the Climate Change Levy and the EU ETS to reduce their emissions,[60] it is clear from a number of interviewees that policy developments, and the prospect of new policies, helped focus corporate minds. Interviewees from manufacturing sectors suggested that the 1998 Marshall Report prompted increasing business engagement with climate change (see chapter 7).[61] Commissioned by the Treasury, Lord Marshall, Chairman of

[57] Various interviews with author, including on 19th May 2008 (London); 1st August 2008 (Surrey); 14th August 2008 (telephone); 3rd September 2008 (telephone); and 25th September 2008 (Yorkshire).
[58] Author's face-to-face interview on 25th September 2008, Yorkshire.
[59] Various interviews with author, including 20th of May 2008 (London); 14th August, 2008 (telephone); and 10th November, 2008 (London).
[60] Author's face-to-face interview on 25th September 2008, Yorkshire.
[61] Various interviews with author, including on 22nd July 2008 (Yorkshire) and 1st August 2008 (Surrey)

British Airways and a former president of the CBI, examined whether and if so how economic instruments could be used to address climate change. Industry was extensively consulted by Marshall and his team (Robinson *et al*, 2007), and the Report's findings helped paved the way for the 2001 Climate Change Levy and the Climate Change Agreements (CCAs). The negotiations around the CCAs between 1998 and 2001 were particularly important for stimulating engagement,[62] even though the Agreements were generally undemanding of industries (Ekins and Etheridge, 2006).

4.5.2 2005-2009: wider and deeper business engagement

Nonetheless, although on the business radar, climate change remained a peripheral issue until around 2005 for most companies, particularly for those outside the energy intensive sectors. Between 2005 and 2009, however, the issue rose dramatically up the business agenda. In fact, by 2009 rarely a week passed without a business conference on climate change purporting to show companies how to manage the risks and capitalise on the opportunities. A 2007 survey of 73 corporate leaders found over 70% viewed climate change to be a 'fairly important' or 'very important' issue for business (KPMG UK, 2007). A number of converging factors explain this rapid increase in engagement at this time. In particular, the comprehensive 2006 Stern Report was enormously influential, putting climate change in economic language business actors readily understood. Stern argued that the long term costs of inaction far outweigh the costs of early, assertive measures to cut CO_2 emissions. Indeed, the report suggested that with prompt action, the cost of tackling climate change could be as low as 1% of GDP. From this perspective mitigation represents an investment; failure to act will impair economic growth in the long run and 'tackling climate change is the pro-growth strategy for the longer term' (Stern, 2006: ii). The report claimed, moreover, that with the appropriate policies in place, developing and developed economies could grow *and* decarbonise (2006: xi). Numerous interviewees, including those from the business community, described the Stern Report as having made a major contribution to the debate.[63]

[62]Various interviews with author, including on 1st August 2008 (Surrey); 12th August 2008 (London); 20th August 2008 (London) and 3rd September 2008 (telephone).
[63]Various interviews with author, including on 19th May 2008 (Surrey) and 1st October 2008 (London).

Pressure from some institutional investors, for example the Institutional Investors Group on Climate Change, has also motivated corporate engagement and the disclosure of information on company emissions and practices (Pfeifer and Sullivan, 2008). Likewise, increased awareness among consumers encouraged firms to act.[64] Proactive and forward-looking companies, for example within the retail, communication and food manufacturing sectors, began to see climate change as a story of opportunity. Engaging with the issue not only highlighted potentially substantial cost savings from reduced energy bills, but could also help attract and retain customers.[65] An interviewee from the retail sector thus observed: 'I think at the moment it's mainly a business opportunity. There are clearly costs involved, but, in as far as it allows retailers to control some of their input and output costs, it's highlighted a bit of a market failure'.[66]

Another interview from the sector noted: 'if we put up renewable energy technology that has both a financial payback and also a customer payback in terms of customer loyalty, so we want to do more.'[67] For such customer-facing companies, climate change became a crucial dimension of a broader CSR agenda. The decision by government to include a performance league table in the CRC Energy Efficiency Scheme illustrates how maintaining a positive image on sustainability issues has become an important driver for most companies in the sectors (i.e. retail and finance) targeted by the policy. As one lobbyist from the retail sector put it, 'the actual financial incentives [of the CRC], in terms of the recycling of funds and how much you get back, are trivial in comparison to the potential reputational costs'.[68] The league table also illustrates the competitive dynamics at work within the business community. Companies, for example within the finance sector, have viewed developing a positive strategy on climate change as a way to differentiate their firm from competitors.[69]

A number of corporate elites, for example Stuart Rose at Marks and Spencer and Ben Verwaayen, formerly of BT, appear to have been genuinely committed to tackling climate change. This

[64] Various interviews with author, including on 19th May 2008 (Surrey); 20th August 2008 (London); and 1st October 2008 (London); and 3rd November 2008 (telephone).
[65] Various interviews with author, including on 14th August 2008 (telephone) and 10th November 2008 (London)
[66] Author's face-to-face interview 19 May 2008, trade association offices, London.
[67] Author's face-to-face interview 1 October 2008 company headquarters, London.
[68] Author's face-to-face interview 19 May 2008, trade association offices, London.
[69] Author's face-to-face interview 23rd June 2008, company headquarters, London.

personal commitment has helped drive the positive strategies of their respective companies.[70] The high profile rhetoric, commitments and strategies by prominent companies like these and groups such as the Corporate Leaders' Group on Climate Change have altered the corporate and political terrain in which other businesses operate (see chapter 6). They have produced a ripple affect among the wider business community, increasing the issue's profile and prompting other companies to take action, or at least appear as if they were taking climate change seriously.

To summarise, multiple factors drove increased business engagement with climate change. The prevailing political context and the emergence of an overwhelming scientific consensus were crucial. Indeed, some business leaders appear to have been genuinely convinced of the need for action to address climate change. Media coverage and intense NGO campaigning, particularly around corporate practices, gave extra potency to the scientific and political developments for business actors, delegitimizing a reactionary corporate stance. By making a persuasive economic case for action, the Stern Report also had a significant impact on business thinking. Moreover, companies increasingly recognised the cost savings from energy efficiency and the business opportunities presented by addressing climate change. Relatedly, public-facing companies identified rewards in terms of customer loyalty and PR from adopting a positive strategy. High profile action by companies also prompted action from other businesses. However, government policy was also a crucial driver of corporate engagement, raising awareness and making 'business as usual' more expensive. Nonetheless, the precise combination of factors motivating corporate strategy and action on climate change has varied considerably between companies. Quantifying the role of individual factors is inherently problematic, not least as have they shifted over time and it is often far from clear that even business leaders themselves are aware of the 'exact factor-mix' which has driven their strategies on climate change (Okereke, 2007).

According to business interviewees, for many companies climate change has moved beyond CSR, and between 2005 and 2009 acquired long term strategic importance. As an interviewee from the oil industry put it, 'climate change is no longer an environmental issue; it has become a business issue.'[71] Publically UK business leaders began to question neither the science of climate change nor

[70] Author's face-to-face interview 19th May 2008, trade association offices, London; Author's face-to-face interview 16th September 2008, company headquarters, London.
[71] Author's face-to-face interview 16th September 2008, company headquarters, London.

that it represented a major threat. As already noted, many interviewees from the business community appeared genuinely convinced by the science. As a Director from a multinational food manufacturer unequivocally put it, 'the science is overwhelming'.[72] Another interviewee observed: 'In the eight years or so I've been involved with the group, I've never encountered any movement from the large industrial users here to belittle climate change as an issue or suggest we shouldn't be doing our bit.'[73]

However, the admission in 2009 by RWE npower's CEO (Andrew Duff) that just four years earlier he had taken someone from the Sustainable Development Commission with him to convince his Board of the man-made nature of climate change suggests some business leaders have only recently been persuaded by the scientific consensus. Behind boardroom doors it is likely some corporate elites continued to dispute the anthropogenic causes of climate change throughout the period under analysis. However, in all the interviews carried out for this research between April 2008 and November 2009, many of which were off-the-record, and in the numerous business conferences attended by the author, not a single business actor has ever questioned the scientific consensus on climate change, nor its seriousness. The debate in the UK among the business community had moved beyond that. Concerns and discussions among corporate actors instead related to the threats to business competitiveness posed by policy to reduce emissions and the need to minimise costs and maximise opportunities. Interestingly, this put mainstream business opinion ahead of large sections of the UK public, and again reflects the elite nature of the prevailing consensus on climate change and the vulnerability of business actors' reputations. However, as the next section will illustrate, despite forming part of the official elite consensus on climate change, there undoubtedly remained shades of engagement and shades of sincerity within the business community.

4.5.3 Business action on climate change

Companies from across the business community have appointed climate change managers and developed climate change strategies, many of which include ambitious carbon reductions targets. For instance, under its five-year 'eco-plan', launched in January 2007, Marks and Spencer aims to be carbon neutral by 2012 (Marks and Spencer, 2007). HSBC, Barclays and BSkyB are further

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[72] Telephone interview with author, 3rd November 2008.
[73] Author's face-to-face interview, 23rd June 2008, London, trade association offices.

examples of firms with carbon neutral commitments. There has been considerable corporate activity at group level and a variety of initiatives and goals have been established in sectors from retail to cement and aviation. Meanwhile, wider business groupings, such as The Climate Group and Corporate Leaders' Group on Climate Change (chapter 6) have formed to influence government policy and wider business practice. Moreover, since 2007 the CBI has developed an active and high profile programme of work on the issue and has adopted a much more positive stance (for a detailed analysis of this again see chapter 6). Interviewees from companies on the CBI's Climate Change Board observed that the momentum within the business community on climate change has been such that the CBI's shift to a more constructive and engaged approach did not meet with opposition among the wider CBI membership.[74]

At firm-level there has been an extensive range of concrete measures and achievements. Manufacturing companies within the steel, cement and glass sectors have for example developed products to improve the energy efficiency of buildings and vehicles. 'Encouraged' by policy such as the CCAs, these energy intensive companies also reduced the carbon intensity of their own processes. Across the business community there are many examples of companies which have substantially reduced their carbon footprint. BT, a company which engaged relatively early with climate change, cut its carbon footprint in the UK by 58% between 1996 and 2008, and the firm has committed to go further, aiming for an 80% reduction by 2016 (BT, 2009). By 2009 BT obtained 98% of its energy from renewable sources, and by encouraging flexible home-working had substantially reduced its energy and transport emissions and costs. Tesco's engagement with climate change during the last few years of the 2000s has also been impressive. In December 2009, the retail giant opened its first zero carbon store in Ramsey, Cambridgeshire (Tesco, 2009a; Tesco, 2009b). With a LED lit car-park, this timber-framed store produces all its energy on-site from renewable fuel. Tesco has also set the goal of halving the average carbon footprint of its new stores by 2020 (against 2006 levels). A number of prominent consumer-facing companies have also played an important role in engaging and educating the public, improving carbon numeracy and general awareness of climate change. Notably, Pepsi-co UK has worked with Carbon Trust to calculate the lifecycle carbon footprint of several of its brands, including Walkers crisps and Quaker Oats. In addition to providing information for consumers, this has allowed Pepsi-co UK

[74] Author's face-to-face interviews 1st October 2008 (London); 16th September 2008 (London).

to identify and then target the parts of its supply chain and production process which are most energy intensive (Marketing, 2009).[75]

NGOs have rightly remained suspicious that much corporate rhetoric on climate change is cynical green-wash. However, interviewees from the NGO sector did praise companies such as BT and Cadbury Schweppes for their progressive approaches,[76] and policymakers also noted the positive impact of the leadership shown by companies such as M&S and Tesco.[77] In fact, several interviewees, including some from NGOs, suggested that business thinking on climate change among many FTSE companies was *ahead* of government.[78] By no means has it simply been the case that all firms were merely pre-occupied with 'compliance'. Once companies have engaged and focused their efforts, they often appear better able to pull the levers required for delivery than government. Such are the genuine achievements of some companies, in November 2009 the Conservative Shadow Chancellor George Osborne recruited the assistance of BT, B&Q and Tesco to help his party meet its goal of reducing central government's emissions by 10% within a year, should they win office. This indicates the extent to which politicians value the private sector's input and expertise.

4.5.4 Disaggregating the business community

Having reviewed existing literature on business power, chapter 2 argued that any viable organising perspective must be compatible with the disaggregation of business: the business community is not homogenous. Engagement with climate change continued to differ widely between firms and sectors throughout the period 1997-2009. In fact, only 14% of the FTSE 350 senior executives surveyed in 2007 reported that their company had a clear climate change strategy in place (KPMG UK, 2007: 2). Like environmental campaigners, a number of policymakers and advisors interviewed remained sceptical of the commitment shown by many companies to climate change. A key government advisor for example observed:

> I'm not sure how important climate change is to much of business. You look at what business has done in terms of energy management and the answer is not a lot. That reflects

75 Between 2007 and 2009, the carbon footprint of Walkers' has been reduced by 7%.
76 Author's face-to-face interviews 11th June 2008, (London) and 19th May 2008, (Surrey).
77 Author's face-to-face interview with senior DEFRA official 19th June 2008, London
78 Author's face-to-face interview 25th July 2008, Cambridge.

> the fact that within the corporate hierarchy, energy efficiency and energy management is not up there.[79]

The adoption of bold language and carbon reduction targets certainly does not mean a firm has genuinely engaged with climate change. For many prominent multinational companies a clear disconnect has remained between some of their rhetoric and the reality of their business operations. As one business interviewee from the financial sector put it, 'many of the companies taking a leadership position still have parts of their business which are at odds with their overall strategic direction.'[80] A dissonance between rhetoric and action is particularly evident within the oil industry. Despite various initiatives and pronouncements on climate change, multinationals such as BP and Shell have sold off many of their renewables investments. Moreover, in December 2007, BP announced plans to extract oil from Canadian tar sands, a process almost three times as carbon intensive as traditional oil extraction, and one in which Shell is already involved. Meanwhile, in the financial sector, companies such as Barclays continued to invest heavily in the fossil fuels industry, despite their rhetoric and initiatives on climate change. While noting that there 'are good business and reputational reasons to be carbon neutral as a company', interviewees from the financial sector also noted that their 'fiduciary duty' to clients remains.[81] In fact, in September 2009 RBS was targeted by environmental campaigners for its investments in tar sands (The Telegraph, 2009b). Similar examples are evident across the business community. For example, despite their involvement in groups calling for concerted government action, companies such as BA and BAA (the owner of Heathrow) lobbied fiercely - and successfully - for a third runway at Heathrow, a move entirely at odds with bringing down UK emissions.

The tensions and trade-offs between business action to reduce emissions and continued profitability vary considerably between sectors, and any analysis of interaction between government and business must be cognisant of these differences. For some companies and sectors, such as aviation and most energy intensives industries, tackling climate change represents a serious threat. The primary impacts for such firms are increased costs and a fall in competitiveness, particularly compared to companies which operate outside the EU where regulation is generally less stringent. In contrast, for others sectors, for example, large electricity

[79] Author's face-to-face interview 9th February 2009 London.
[80] Telephone interview with author, 18th September 2008.
[81] Author's face-to-face interview 16th September 2008, company headquarters, London.

generators, oil companies or car manufacturers, climate change is a challenge. However, with some restructuring and new investments - for example into carbon capture and storage (CCS), ultra low carbon vehicles or third generation biofuels (should they prove sustainable) – moving to a low carbon economy is not incompatible with continued business success. Under the current framing, these powerful sectors retain their structural importance even in a carbon constrained economy (see chapters 5 and 8). Even for some of the more energy intensive sectors such as the glass industry, climate change and policy to reduce emissions brings opportunities in addition to threats. An interviewee from the glass sector for example commented: 'There are great opportunities for products; it's really regulation that has developed the market for those energy-efficient products.'[82] In fact, he went on to add that his firm had been 'keeping the pressure on the government' over their target of making new homes zero carbon, in contrast to some actors from the construction industry. For other firms, such as those within the telecommunications sector, or companies with an interest in nuclear and other low carbon industries and technologies, addressing climate change represents a distinct business opportunity. Indeed, the identification of such opportunities has been an important driver of the increased business engagement with climate change.

For some companies, for example in the retail and telecommunications sectors, there has been reasonable 'fit' between some genuine action to reduce emissions and continued profitability. As this section has illustrated, some companies have been ahead of government. However, as the above paragraph also shows, for other sectors and firms there has been far greater tension: ultimately, profitability and business growth underpin corporate decision-making, not climate change. The scale of investment required in some sectors is such that it cannot be rationalised to shareholders as a low cost reputation building activity, even if corporate leaders are genuinely convinced by the urgent need for action. As business actors frequently pointed out, a firm's primary obligation is to its shareholders. As such, government policy is vital to drive the necessary investments. As Tony Juniper, then Director of Friends of the Earth put it:

> These companies are geared to maximising profitability for a group of institutional shareholders, who in turn have got law on their side in terms of what Company Directors should do. So if measures to cut emissions are not directly profitable, companies won't do them, which is why you need to have a regulatory framework.[83]

[82] Telephone interview with author, 14th August 2008.
[83] Author's face-to-face interview 23rd June 2008, London.

The following quote from an interviewee at a multinational energy company captured the limits to voluntary corporate action in a sector like his.

> Some companies with small carbon footprints have gone carbon neutral or set very aggressive emission reduction targets on a unilateral basis... But for a company like [ours] to take aggressive action would be competitively very difficult. We have done low cost things – even up to about a $100m investment in a CCS project with little economic pay back. But to commit for example to unilaterally invest in a large CCS project when our competitors do not is just too big an ask – probably $1bn. We can't justify that scale of investment on a philanthropic basis to shareholders... at the end of the day we're a business...we have to see a return.[84]

Thus, despite a recognition among business leaders that climate change is real and largely anthropogenic in basis, in the absence of regulation, or other forms of government policy, companies will only go so far, and for some sectors, that distance will not be very far at all.

4.6 Conclusion

This chapter has sought to identify key features of the prevailing UK context and has suggested that these have constrained and shaped business actors' strategies and political influence. In particular, it has argued that between 2006-2009 climate change enjoyed a high degree of salience in British politics, and has suggested that the environmental movement and sections of the media played a crucial role in pushing climate change up the political agenda and delegitimizing a reactionary stance by business actors. The analysis has also argued that a consensus developed among the leadership of all three main parties on the severity of the threat posed by climate change and the corresponding need for action. Moreover, once Cameron became Conservative leader there was considerable political competition on the issue. Through their pressure on the government, the Conservatives and Liberal Democrats limited business actors' room for manoeuvre and encouraged constructive business engagement with climate change.

Having examined the prevailing political context, the chapter then provided an analysis of the business community's increasing engagement with climate change and highlighted some of the numerous and varied factors which prompted the issue's rise up the corporate agenda. While business actors' strategies on climate change have undoubtedly reflected and been influenced by

[84] Author's face-to-face interviews 16th September 2008 company headquarters, London

their broader political context, the analysis has noted that corporate leaders have not simply responded to political pressures. Prominent business leaders have played a role in establishing an elite consensus, and a number of high profile companies have shown leadership. Indeed, through their targets, actions and advertising, progressive companies have shaped the political and corporate terrain for other business actors in the UK.

The chapter has illustrated some of the many positive actions taken by companies and drawn attention to the seemingly empty rhetoric offered by others. It has argued that a key factor explaining such variation has been that some companies and sectors find it easier to marry continued profitability with a genuine strategy on climate change. However, for variety of reasons, some firms have simply been more committed to the climate change agenda and have been more effective at taking an innovative and long term approach to sustainability than have others. Nonetheless, fundamentally, profitability and shareholder value have remained paramount, and as a result there are limits to the steps that companies will take voluntarily. Government policy is thus crucial if all companies are to play their part. The following four empirical chapters will examine the business community's role in the making of climate policy. The first, and the more general of these, builds on this chapter by further unpacking crucial dimensions of the strategically selective setting in the UK and the implications of these for companies. While this chapter has examined aspects of the prevailing political context which relate specifically to climate change, and has suggested that these have generally acted as constraints on business actors, the next chapter unpacks a number of more general, and enduring, discursive features. These are a general preference for market-based policies, a widespread addiction to high and ever-increasing levels of consumption, and the privileging of economic growth. It will suggest that between 1997 and 2009 these overarching aspects of the strategically selective setting facilitated business actors and interests during the making of policy to tackle climate change.

Chapter 5 - The role of the business community in the making of UK climate policy: an overview

5.1 Introduction

The previous chapter charted the rapid rise of climate change up the political and business agenda, arguing that by 2006 it had become an issue firmly in the public domain. It suggested that the environmental movement and sections of media played a crucial role in this process and helped delegitimize a reactionary political approach to climate change by corporate actors. The chapter also argued that cross-party competition over climate change furthered restricted business actors' room for manoeuvre politically. However, for all the constraints imposed by the prevailing context and the need to appear legitimate, the business community has not been without influence in this policy area. Rather, business leaders have been privileged actors in the policymaking process. Crucially, in addition to providing constraints, several enduring features of the prevailing context in the UK have provided companies and business groups with considerable political traction and opportunities. It is on these dimensions of the strategically selective setting that this chapter will focus. In particular, it argues several discursive features of the prevailing context have provided the business community with valuable ideational resources and political leverage. Notably, the privileging of economic growth, the widespread attachment to high levels of consumption and personal travel, and the tendency among policymakers towards market mechanisms, have all advantaged firms and business groups. Strategic and forward-thinking business actors have capitalised on and reinforced this favourable political context and the discourse of ecological modernisation, which has gained a hegemonic status among political and business elites. According to this win-win discourse, the challenge of reducing emissions presents economic opportunities for many businesses and attending to climate change ***is*** compatible with continued economic growth. As such, the core objective of business actors is left intact and unchallenged during policymaking.

The chapter will also argue that companies and business groups have been advantaged because they are rich in material resources valued by policymakers. In particular, business actors tend to have in common crucial information, technological expertise and the ability to invest substantial capital. Moreover, the chapter suggests the ascendency of ecological modernisation has further predisposed policymakers to value the unique combination of resources enjoyed by business actors, particularly their ability to innovate and provide the investment needed for the transition to a low carbon economy. The chapter illustrates how these common resources and the dominance of ecological modernisation have together facilitated and helped legitimise extensive interaction between policymakers and business actors. Indeed, key business actors have been heavily integrated in climate change policymaking in the UK. Along with the following three empirical chapters, it argues that although there have been frustrations between business actors and the various arms of government, this shared discourse and extensive interaction have provided business leaders with the opportunity to shape and steer aspects of policy.

However, despite these shared advantages, business is not homogenous. Policymaking has been infused with a number of conflicting messages and claims from different companies and business groups, with varied interests in relation to aspects of policy. Indeed, this has been a sprawling and evolving policy space, crowded with business actors and policymakers. Nonetheless, for all the differences between companies and sectors, and the caveats required for any argument concerning business influence, this thesis argues that in this policy area there is analytical purchase to the concept of a 'business community'.

The chapter begins by unpacking how key aspects of the strategically selective context in the UK have favoured business actors and their interests. Section 5.3 turns to the discourse of ecological modernisation, arguing business interests have benefited from, and been legitimised by, this now dominant discourse. It also suggests that over recent years business leaders have been active agents in the consolidation of ecological modernisation. Section 5.4 moves on to argue business actors have been rich in resources considered crucial by policymakers and shows how these resources have helped facilitate extensive interaction between the business community and government. Indeed, together with the favourable dimensions of the strategically selective setting identified, it argues these resources have led business actors to enjoy a privileged position in the policymaking process. Section 5.5 proceeds to disaggregate business and government. For all the cleavages and caveats, it argues that business actors are sufficiently united, and together affected and facilitated by the strategically selective setting, that it is valuable to speak of a business community in this policy space.

5.2 A favourable context for business interests

As was argued in chapter two, any context is necessarily strategically selective in that it tends to privilege some actors, actions, and interests over others. The contention of this chapter is that in several important respects the prevailing discursive context in the UK has favoured, and been shaped by, business actors. In particular, a general preference for market-based policies, a widespread addiction to high and ever-increasing levels of consumption, and the privileging of economic growth have all served to advantage business actors and their interests during the making of policy to address climate change. Before unpacking each of these it is worth reiterating two points made in chapter two. Firstly, to say that aspects of a strategically selective setting favour certain actors does not mean that those actors always get what they want. They do not. Rather, it conveys the idea that because the terrain is both materially and discursively uneven, actors are not all equally likely to secure their policy preferences, despite their best strategic efforts. Secondly, although aspects of any strategically selective context may be relatively enduring or 'sticky', they are not static. They evolve as a result of the individual strategic actions of agents, and are affected by bigger shocks, such as the recent financial crisis.

As the previous chapter showed and the following three chapters will further illustrate, the prevailing context in the UK has imposed constraints on business actors. Given the emergence of a scientific consensus on climate change and the issue's high public profile, in order to avoid damaging criticism, particularly by environmental NGOs, business actors have had to appear responsible: to do otherwise would have lacked legitimacy and limited their impact on policymaking. However, this thesis argues that the strategically selective context has also facilitated and favoured business interests, and it is on these crucial aspects of the prevailing context in the UK that this chapter will now focus.

5.2.1 The privileging of market mechanisms and the Labour government's aversion to business criticism

Over the past few decades there has been a tendency among British policymakers to favour market-orientated solutions. This proclivity has been reinforced and perpetuated by business leaders who have generally preferred such policies for their flexibility and reduced compliance costs. Indeed, it is only with the recent near collapse of the banking system that the Labour government began to publically question the effectiveness of markets and light-touch regulation, and in turn considered a more interventionist approach to industrial policy. Thatcherism and neo-liberalism firmly left their imprint on policymaking in the UK and, between 1997 and 2009, were further embedded under 'New' Labour (Hay, 1999; Jessop, 2007; Wurzel, 2008). As one backbench Labour MP critically observed, following the Party's fourth consecutive electoral defeat in 1992, in a search to gain credibility on the economy and with The City, 'Labour probably embraced market values with more enthusiasm than the pre-existing Thatcherites in the Tory Party'.[85] As such, throughout the period under analysis there was a discursive privileging in government of market mechanisms to solve policy problems, and this has been evident in the UK's approach towards climate change. Indeed, in his first major speech on the environment after becoming Prime Minister, Brown unequivocally asserted that regulation was an outdated approach, and that 'harnessing the power of the market' to reduce emissions represented 'the modern way' (Brown, 2007). Numerous interviewees, particularly those from NGOs, referred to this tendency in the UK towards market based solutions and what they described as a 'neo-liberal consensus'.[86] Tony Juniper, then Director of Friends of the Earth, critically stated for example that there has been: 'an ideological blockage in the form of the market which has blinded policymakers... anything deemed a challenge that society needs to respond to, first and foremost has come as a market response by government'.[87]

Colin Challen MP, a member of the Environmental Audit Committee and the All Party Parliamentary Group on Climate Change, agreed, commenting that: 'the government has relied enormously on the market to provide solutions... it seems to have been trapped, imprisoned, by its own market dominated philosophy'.[88] Similarly, the former Environment Secretary John Gummer observed, albeit from a somewhat biased standpoint given he was in the Thatcher and Major governments: 'people realised it's the only way to do it. Whatever else might be true of the last 20 years, we have learnt that market mechanisms are more effective than control and centre down policies from government'.[89]

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[85] Author's face-to-face interview with Colin Challen MP, 29th May, 2008, Leeds.
[86] Author's face-to-face interview on 19th May, 21st May and 23rd of June, 2008, all London.
[87] Author's face-to-face interview, 23rd of June 2008, Friends of the Earth offices, London.
[88] Author's face-to-face interview with Colin Challen MP, 29th May, 2008, Leeds. founding member of the All Party Parliamentary Group on Climate Change,
[89] Author's interview, 6th of October, 2008, Westminster Office, London.

As companies and business groups generally prefer market-based policies,[90] policymaking has thus been tilted towards business actors securing their policy preferences. Indeed, prominent business actors have reinforced this predilection for market mechanisms during their interaction with government over climate change, particularly in relation to emissions trading (Chapter 7) and the Renewables Obligation (Chapter 8). However, this is not to say that *all* UK policy towards climate change has taken the form of market mechanisms, as key policies such as the Climate Change Levy illustrate, or that all business actors *always* prefer market policies.

Given the scale and urgency of the challenge, both government and some key business actors have recognised that other forms of policy, notably regulation such as product standards, also have a role to play (CBI, 2007a). In fact, along with the banking crisis, the challenge of climate change itself began to undermine the Labour government's attachment to market mechanism during its last year in power. In the words of Ed Miliband, Secretary of State for Energy and Climate Change, 'the economic crisis and the climate crisis have a lot in common ... they have a common cause: markets without proper regulation... And a common solution: strong and active government' (Miliband, 2009). More generally, other prominent influencers in the UK have begun to caution against an *overreliance* on market mechanisms. For instance, Lord Adair Turner, at the time Chairman of the Committee on Climate Change and the Financial Services Authority, told delegates at an international conference on climate change in June 2009: 'we must not iconize markets' (Turner, 2009). Nonetheless, it is fair to say that between 1997 and 2009 the Labour government championed emissions trading as a way to drive emissions reductions in the energy intensive and power generation sectors, both domestically and at European level. Likewise, the CRC Energy Efficiency Scheme takes the form of a market mechanism. This Scheme, which came into effect in April 2010, is an emissions trading scheme for non-energy intensive sectors such as retail, not covered by the EU ETS. The UK government also primarily relied on an expensive market mechanism, the Renewables Obligation (RO), to incentivise renewable generation. In contrast, as numerous interviewees pointed out, many European countries have long had Feed-In Tariffs, guaranteeing a certain price for energy produced from renewable sources. In its 2009 Renewable Energy Strategy, the government announced its intention to introduce Feed-In Tariffs to encourage the small scale generation of renewable electricity and heat, in 2010 and 2011 respectively, (RES, 2009), but its flagship RO, favoured by large electricity

[90] Various interviews with author April 2008 - January 2009.

generators, would continue alongside these (see chapter 8). Chapters seven and eight explore in more detail this tendency towards market solutions in relation to emissions trading and the RO respectively and illustrate how this has benefitted major business actors.

The Labour government's support for market mechanisms is one manifestation of its reinvention from the mid-1980s as a party friendly to big business (Moran, 2006). Unlike parties on the right whose credentials as a party for business are generally secure, Labour's status has been less assured. Several interviewees commented that as a result, Labour ministers often lacked the confidence to assert themselves with corporate leaders, and consequently generally sought a green light from business leaders for their policies (see chapter 6).[91] Sir John Gummer MP for example stated in 2008: This government is constantly terrified anyone should think it's anti-business, so it's allowed the worst bits of business to hold it back on climate change when the companies that really are at the forefront would much prefer to have very clear and tough guidelines.[92]

Whilst this was an over-simplification by a senior opposition MP, it does capture a real issue faced by the Labour government between 1997 and 2009, and a way in which the prevailing political context has facilitated business leaders. As a prominent environmental campaigner put it when interviewed, 'the government has not shown any real leadership on climate change: it's been terrified of being called anti-business, of being attacked by business'.[93] Eager to retain the political support of key companies and business groups, and avoid their high profile criticism, the Labour government sought to placate corporate business interests whenever possible.

5.2.2 The discursive privileging of economic growth and the widespread attachment to increasing levels of consumption

Crucial for understanding the position of the business community in policymaking has been the discursive privileging of economic growth. Successive British governments have taken the desirability of continued economic growth for granted, and party and government programmes have remained underpinned by it (see, for example, Hamilton, 2004; Carter, 2006; Douglas, 2007; Rayner *et al*, 2008). Douglas for instance argues mainstream politics has been united and guided by

[91]Various face-to-face interviews with author, including on 21st May 2008 (London); 29th May 2008 (Leeds); 23rd June 2008 (London); 6th October 2008 (London).
[92] Author's face-to-face interview with John Gummer MP, 6th October 2008, London.
[93] Author's face-to-face interview, 11th June 2008, (London).

the philosophy of 'growthism', according to which, growth will continue indefinitely; is by definition 'good'; and is an imperative for policymakers (Douglas, 2007: 550). Indeed, such has been the widespread attachment to, and discursive dominance of, economic growth, politicians have considered it electoral suicide to countenance anything else. In fact, economic growth has often been the benchmark against which the government and its policies are judged (Newell and Paterson, 1998), not just by other mainstream parties, but by business leaders and the media too. Indeed, the desirability of continuous economic growth has rarely been questioned by the media. As Dryzek (2005) points out, there is an assumption in the reporting of economic news that growth is always desirable and positive. It is notable, for example, that when growth in the aviation sector has been covered by the media, the focus has been on jobs, profitability and shareholder value, while the environmental impacts are generally neglected. This has even been the case when the preceding news story has focused on the scale of the threat posed by climate change (for example, BBC News, 01-10-2009). Government has taken the view that any strategies for tackling climate change must remain compatible with a growing economy. As such, and as will be discussed in the next section, the most fundamental interests of companies and their shareholders – sales and continuous business growth – have gone unchallenged during the making of policy.

Related to this has been the apparent convergence between the business objective of growth and the widespread attachment in the UK to high, and increasing, levels of consumption and personal travel. The preference for personal travel has been encouraged by the mushrooming of out-of-town shopping centres and the mass construction of 'dispersed low-density' homes (Rayner *et al*, 2008: 383.) Importantly, in the area of climate change policy, 'consumers' have often shared the priorities and preferences of companies. This general convergence of interests and values has been an additional aspect of the strategically selective setting which has tended to further business interests and lobbying. Government has feared the electoral consequences of policies aimed at *encouraging* voters to buy or travel less. In particular, Labour has been eager to retain the political support of 'Mondeo man' (Paterson and Barry, 2004). Thus, in the words of one senior DEFRA official, 'you'll find there is a great wariness in government for leaping about saying 'we need to consume less".[94] Along similar lines, a former senior civil servant, now Director of Business Environment at a prominent sector trade association, made reference to the political challenges

[94] Author's face-to-face interview with senior DEFRA official, 12h August 2008, London.

associated with encouraging this kind of behaviour change, particularly for a government struggling with popularity:

> Despite initiatives like Act on CO_2 policymakers are quite passive still in terms of engaging the public on actually doing stuff. I think that's partly because there are some difficult and unpalatable messages to communicate, and this perhaps is not the right moment in the government's lifespan to be coming up with unwelcome news.[95]

More generally, ministers have feared the impact of demand-side policies on the economy and economic growth. As such, to the benefit of business interests, policymakers have generally shied away from measures which would place greater emphasis on more fundamental lifestyle changes, for example those which would involve people consuming, flying and driving less (Carter, 2008; Rayner *et al*, 2008). As a result, the government's approach has focused overwhelmingly on improving resource efficiency, i.e. in production processes, rather than changing attitudes and behaviour towards consumption. McClenaghan for example argues that the government's climate change strategy pays 'only lip service to the issue of sustainable consumption' (2008: 810). Crucially, while this supply-side emphasis has placed much responsibility on business actors, it has simultaneously safeguarded their core interests and increased the value policymakers attach to their resources and capabilities. It should be noted that in addition to reflecting a key aspect of business actors' advantage, the fact that much of the public *shares* the business community's core preference for high levels of consumption and personal travel, serves to complicate any assessment of business influence on policy.

Irrespective of these shared public and business preferences, as various interviewees pointed out, consumption at the UK's current rate is far from unproblematic: if every person in the world consumed on this scale, three planets would be required to support the world's population (WWF, 2006a). There is a fundamental tension between the form of consumer capitalism evident in the UK and reducing emissions to the extent deemed necessary by climate science. An interviewee at one environmental NGO thus commented, 'it's the high disconnected consumption which we think makes us happy that drives the problem'.[96] Similarly, the prominent economist Dieter Helm (2009) argues that the UK's consumption base is far too high and must be squeezed if climate

[95] Author's face-to-face interview, 19th May 2008, trade association offices, London
[96] Author's face-to-face interview, 19th May, 2008, Surrey.

change is to be effectively addressed. However, as interviewees noted, there are enormous difficulties involved in moving away from the environmentally damaging materialist, consumer model on which the economy is largely based.[97] For all its talk of sustainable consumption, the Labour government remained committed to a high consumption model, in no small part because it believed to do otherwise would be electorally dangerous. Indeed, during the recession of 2009, the government actively sought to further encourage consumption as a means of reinvigorating economic growth (Jackson, 2009). Most notably, its fiscal stimulus package included a reduction in VAT and a car scrappage scheme to incentive the purchase of new cars.[98] Although the Labour government did acknowledged that behavioural change would be required to reduce emissions in the area of transport (DfT, Low Carbon Transport Strategy: 2009), its policies to promote low carbon transport choices were distinctly limited. Meanwhile, in 2009 policymakers gave the go-ahead to widening two sections of the M25 (at a cost of £6.2 billion) and a third runway at Heathrow; both disastrous transport policies from the perspective of cutting emissions. As with consumption, fearing the potential electoral consequences and the impact on growth, the government shied away from policies which would fundamentally restrict personal travel. Encouraged by corporate advertising, the public (over)demand for cars, flights, and other forms of consumption generally continued undiminished throughout the period under analysis.

In summary, although this thesis argues that business actors have been constrained by the prevailing context, discursive aspects of the strategically selective setting have also favoured companies and business groups. Notably, market-based policy solutions have been highly regarded by policymakers and the Labour government has been eager to maintain its reputation as a business-friendly party. Crucially, moreover, the government has privileged economic growth and, like the electorate, has remained attached to high levels of consumption and personal travel. Together these have created a discursive context favourable to business actors, one in which the fundamental interests of the business community – business growth and continued expansion – have rarely been challenged; a context ripe for the discourse of ecological modernisation to flourish.

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[97] Author's face-to-face interview with Colin Challen MP, 29th May, 2008, Leeds.

[98] This scheme gave car buyers £2,000 off a new vehicle providing they allowed the dealer scrap their old car. It is noteworthy that the incentive was *not* restricted to the most fuel efficient cars. However, reflecting the improved fuel efficiency of new models, cars purchased under the scheme emitted on average 26.8% less CO2 than the vehicles being scrapped (ENDs Report 422, 2010: 12).

5.3 A shared discourse: ecological modernisation

5.3.1 Policymakers adopt the ideas of ecological modernisation

Against the backdrop of increasing scientific evidence and campaigning by NGOs, UK policymakers became persuaded of the threat posed by climate change. As chapter 4 illustrated, throughout its term in office, the Labour government accepted the scientific consensus and, concomitantly, the need for action to reduce emissions. Yet, the government increasingly conceptualised the enormous challenge faced in a positive light, adopting the language and ideas of ecological modernisation. Tackling climate change need not come at the expense of prosperity and continued growth; the existing economic model could be rendered sustainable. In 2000 Blair unequivocally asserted that the aim should not be 'to reduce people's aspirations, but rather find innovative ways of satisfying those aspirations… We can be richer by being greener; and by being greener we will enrich the quality of our lives' (Blair, 2000). Likewise, in classic 'ecologically modern discourse', John Prescott, then Deputy Prime Minister, told the Fabian Society in 2003 'an efficient, clean economy will mean more, not less economic growth and prosperity . . . Treating the environment with respect will not impede economic progress, it will help identify areas of inefficiency and waste and so unleash whole new forces of innovation' (Prescott, 2003). Indeed, left of centre think tanks such as the Fabian Society and IPPR provided an important stimulus for such a positive framing by Labour politicians (Jordan *et al*, 2003). Prominent in the government's discourse were the business opportunities associated with emissions reductions. In 2004 Blair for instance asserted:

> There are immense business opportunities in sustainable growth and moving to a low carbon economy… But business itself must seize the opportunities: it is those hi-tech, entrepreneurial businesses with the foresight and capability to tap into the UK's excellent science base that will succeed (Blair, 2004).

Again in fitting with ecological modernisation, while Prime Minister Gordon Brown also placed much emphasis on the potential economic gains for Britain of moving to a low carbon economy, suggesting for example that over a million jobs could be created over the next twenty years in environmental industries and thousands of new companies set up (DEFRA, 2007d).

This positive, win-win narrative resonated with (New) Labour's Third Way approach and its wider social and economic agenda (Barry and Paterson, 2003; Revell, 2005; Barry and Doran, 2006).

Barry and Paterson for example assert that ecological modernisation's 'economistic' character was compatible with 'Gordon Brown's neoclassical, growth orientated approach to the prudent management of the national economy within a competitive global market' (Barry and Paterson, 2003: 242). In this way, broader Labour thinking, coupled with the key discursive features highlighted in the previous section, *selected for* ideas and narratives which were in fitting the ecological modernisation. This did not make it inevitable that the Labour government would adopt the discourse of ecological modernisation. However, the discursive context did make it likely, and thus favoured business interests.

Such win-win rhetoric was not confined to the Government: both the Liberal Democrats and the Conservatives also emphasised the economic opportunities and the compatibility of economic growth and tackling climate change. For example, George Osborne, Shadow Chancellor, stated:

> Protecting the environment doesn't have to come at the expense of profits and economic growth. Environmental policies can help to boost the economy and create new jobs and new revenue streams.... But in this country we're falling behind our competitors. We're failing to make the most of this fast growing market (Osborne, 2008).

Elsewhere he argued 'rather than green politics stifling economic growth, it is clear that the converse is true: a strong economy can go hand-in-hand with environmentalism' (Osborne, 2007). The Liberal Democrats agreed. According to Chris Huhne for example: 'there are real business opportunities here... The agenda now has to be green growth, and I deny absolutely that we have to make a choice between any growth at all and sustainability. The link between growth and energy consumption is breaking down' (Huhne, 2007a). The key ideas of ecological modernisation had thus permeated the discourse of the political elite in the UK.

5.3.2 *Ecological modernisation: increasing traction among business leaders*

By 2005 a number of forward-looking and strategic business leaders sought a way into the policy debate on climate change. Business actors aim to shape the policy agenda; they do not want to be on the back foot. Companies and trade associations also prefer not to be seen as reactionary forces when it comes to environmental issues and policies, not least as it tends to attract reputation-damaging criticism from NGOs and the media (see chapters 4, 6 and 8). Given the political context in the UK, a reactionary stance by business actors to climate change had begun to lack legitimacy. Meanwhile, the win-win discourse of politicians resonated with the corporate elite, particularly following the publication of the hugely influential 2006 Stern Report, which persuasively made the economic case for action and fundamentally drew on the 'logic' of ecological modernisation (Curran, 2008; for a discussion of this Report see chapter 4). Recognising its advantages, major companies and business groups began to grasp hold of key aspects of the discourse. The Chairman of Shell UK, James Smith, thus asserted in 2006: 'For business, tackling climate change is both a necessity and a huge opportunity. This creates a huge new opportunity for British business nationally and internationally. We have to step up to the challenge' (Smith, 2006). By 2008, this had become the common wisdom among the corporate elite, at least in public discourse, and beyond a few 'difficult' sectors such as aviation, which could not easily accommodate its core ideas.

This is *not* to suggest that business leaders were merely passive recipients of the framing adopted by politicians. While the Stern Report undoubtedly influenced business thinking, interviewees noted prominent business actors had had an input into the report itself.[99] Through their interaction with Stern and his team, key corporate leaders helped shape the report's conclusions and thus the prevailing political context in the UK (see chapter 6 for further illustration of this).[100] Thus, although the discourse largely *originated* among the political elite, it was not purely a one-way process. Indeed, during the years 2006-2009, key business leaders played a major role in perpetuating the dominance of this discourse in the UK, and such backing from key business leaders gave political elites greater confidence in the win-win ideas at the heart of ecological modernisation (see chapter 6).

From the perspective of business actors, ecological modernisation has been enormously valuable. Not only has it legitimised extensive interaction between government and business - and considerable business input into policymaking, it has also legitimised the fundamental aim of companies; continuous business growth. In the UK, the shared discourse of ecological modernisation has had the following four tenets at its core: firstly, and fundamentally, economic growth *is* considered to be compatible with decarbonising the economy. Secondly, the costs of

[99] Various interviews with author, including on 25th July 2008 (Cambridge); 20th August 2008 (London); 16th September 2008 (London) and 18th September 2008 (telephone).
[100] Various interviews with author including on 30th April 2008 (telephone); 20th May 2008 (London); 25th July 2008 (Cambridge); 1st October 2008 (London).

inaction are expected to far outweigh the costs of action. Thirdly, further energy efficiency gains are to be had, many of which are ultimately cost saving. Finally, the transition to a low carbon economy presents opportunities and new markets for UK plc, for example, in the development of electric cars and the various forms of low carbon generation such as Carbon Capture and Storage (CCS) and tidal power. (See for example Blair 2000; 2004; CLG, 2006; Stern, 2006: Brown, 2007; CBI, 2007; Osborne, 2008). This presents a win-win scenario, albeit not for all firms or all sectors of the economy. This is a discourse which appears to benefit almost everyone - consumers, politicians and businesses - *and* the environment. With no reference or attempt to democratise policymaking or contemplation of structural change, the dominant discourse in the UK represents a distinctly 'weak' or 'techno-corporatist' form of ecological modernisation (Christoff, 1996: Hajer, 1995; see chapter 2.7.1). Far reaching changes to the structure of industry and the behaviour (and consumption) of individuals which could undermine existing business interests (Jancike, 2008) have not been part of this dominant discourse. The discussion of ecological modernisation throughout this and the following empirical chapters refers to this weaker strain of the discourse.

Interaction between business leaders and the UK government has become underpinned and facilitated by a common understanding of how and why climate change should be addressed. Indeed, for policymakers one of the appeals of ecological modernisation has been its capacity to smooth away potential tensions with the business community. In this shared narrative, it will be businesses which provide the innovation and investment to drive the transition to a low carbon economy. As a result companies are seen as central to the solution, rather than part of the problem. Despite some frustrations and differences during their interaction, this positive framing has generally made for a collaborative relationship between policymakers and the business community. As much of the delivery will be down to private actors, it has rendered a 'constructive' and extensive dialogue between companies and business groups vital for developing effective policy. As such, the discourse has helped confer legitimacy on business actors' intensive interactions with policymakers.

5.3.3 The recession: further embedding ecological modernisation

Despite the economic downturn, the Labour government continued to stress the economic opportunities for UK plc associated with tackling climate change. Ed Miliband, Secretary of State for DECC, for instance stated that the transition to a low carbon economy would give the UK:

'The chance to lead the clean industries of the future. In demonstrating the technology to capture carbon dioxide and lock it away... we gain the engineering knowledge to win contracts installing it in other countries' (Miliband, 2009b).

In fact, in the context of the 2009 recession, the business and growth opportunities became even more prominent in the discourse of business leaders and politicians from all three of the main parties. The move to a low carbon economy was presented as the key driver of growth for the future and a source of new jobs. In 2009 the UK government suggested that low carbon and environmental goods and services would be one of the few sectors where growth was expected to continue in the near term. In fact, it predicted annual growth of over 4% up to 2014/15, and for the sector to employ over 1 million people by 2015 (HM Government, 2009b:16). Business leaders also pointed to the growth potential. For instance, in September 2009 the CBI's Deputy Director-General stated: 'the scope for business growth in this [the low carbon] sector is becoming clearer. Already, the market for low-carbon and environmental goods and services in the UK is estimated to be £106bn a year, and is expected to grow rapidly' (Cridland, 2009). The recession thus gave ecological modernisation even greater traction with policymakers and leading business actors.

5.3.4 Rendering continued growth legitimate

For business leaders and policymakers subscribing to the discourse of ecological modernisation, economic growth can be rendered environmentally sustainable. As such, growth can continue to be regarded as a *legitimate* objective. A speech by Blair in 2004 typified this position when discussing the challenge of climate change:

> The potential for innovation, for scientific discovery and hence, of course for business investment and growth, is enormous. With the right framework for action, the very act of solving it can unleash a new and benign commercial force...providing jobs, technology spin-offs and new business opportunities as well as protecting the world we live in... The UK has already shown that it can have a strongly growing economy while addressing environmental issues. Between 1990 and 2002 the UK economy grew by 36%, while greenhouse gas emissions fell by around 15% (Blair, 2004).

Likewise, the Chief Executive of Tesco, Sir Terry Leahy, encapsulated this viewpoint at a high level conference on the politics of climate change in June 2009:

> Every major challenge in the modern world...has been achieved by growing successful market economies: by encouraging and helping people to do new things rather than by stopping people from doing things. My principle here is that you can be green and grow. Choosing between green and growth is absurd – especially at the moment (Leahy, 2009a).

Elsewhere he has argued:

> You are only going to grow your way to it. To do it any other way runs counter to how economies work...Too much of this debate is about how much growth should we give up to be green. This is the wrong approach because the risk you run in the West as a result is low growth or no growth (Leahy, 2009b).

Like policymakers, Leahy has strategically presented ecological modernisation as the *only* option to the challenge of climate change. Although he suggested that there has been too much emphasis on foregoing growth, in reality there has been a distinct lack of political discussion over whether growth should be reined in for the sake of tackling climate change. *Absolute* emissions reductions are needed, not merely reductions *relative to growth*. Yet, policymakers have failed to publicly discuss or effectively address through policy, the implications of the 'rebound effect' (see chapter 2), and the relentless increase in consumption which precipitates it.

5.3.5 De-reifying ecological modernization

Despite ecological modernization's currency among policymakers and business leaders, and the way in which discursive aspects of the strategically selective setting – notably the privileging of economic growth – favoured the development of a discourse along these lines, it is not a given that climate change is understood and conceptualised in this way. As was argued in chapter 2, environmental problems such as climate change do not appear to policymakers and wider society as pre-defined objective 'facts', nor do they have single, obvious policy solutions, waiting to be 'found' (Dryzek, 2005; Feindt and Oels, 2005; Hajer, 1995). Despite their material characteristics and scientific basis, how environmental problems are conceptualised, and the form this conceptualisation takes, is in part socially constructed. Thus, whether tackling climate change is compatible with continual economic growth, and the high levels of consumption this currently presupposes, is by no means self-evident, despite the dominance of a political discourse which suggests it is.[101] Nor has the apparent compatibility of economic growth and reducing emissions gone uncontested. In contrast to policymakers and the business community, a range of individuals, including some scientists, political ecologists and environmental campaigners, have continued to refute or question whether continuous and unlimited economic growth would be possible given the earth's finite resources and carrying capacity (see for example Meadows *et al*; 2005; Daly, 1991, 2008; Douthwaite, 1999: Dryzek 2005; Hamilton, 2004; Jackson, 2009; Murray, 2009). Unlike policymakers and business leaders, such individuals have not take for granted that emissions and resource use could be decoupled in ***absolute*** terms from economic growth.[102] The Economics Commissioner for the Sustainable Development Commission, Professor Tim Jackson, for example has argued that, as yet, a credible, fair and environmentally sustainable vision for perpetual global growth does not exist. According to Jackson:

> Simplistic assumptions that capitalism's propensity for efficiency will allow us to stabilise the climate and protect against resource scarcity are nothing short of delusional. Those who promote decoupling as an escape route from the dilemma of growth need to take a closer look at the historical evidence – and at the basic arithmetic of growth (Jackson, 2009: 57).

This thesis does not argue economic growth is ***necessarily*** incompatible with a successful strategy for addressing climate change (Ekins, 2000: 318-26). It does, however, suggest continuous and unlimited economic growth is ***unlikely*** to be compatible with the level of emissions reductions demanded by current science, at least without a much more fundamental restructuring of the economy than that proposed by policymakers. For example, it would require a much greater shift to the provision of services rather than goods, and a new sustainable mobility system. Rather than to unequivocally argue continuous economic growth is by definition environmentally unsustainable, the intention here is to highlight the fact that policymakers, like business leaders, do not question whether economic growth and tackling climate change are compatible policy goals for a developed country such as the UK. Nor do they suggest, or even consider, whether growth may only be sustainable within limits, i.e. at a lower rate than that witnessed over the past sixty

[101] Jackson notes that 'the modern refusal to countenance anything but growth at all costs' is peculiar, particularly given that early economists such as John Stuart Mill and Keynes expected the time would come when there would have to be an end to growth (2009:10).

[102] Decoupling refers to the separation of economic growth from an increase in the use of resources e.g. raw materials and energy. Absolute decoupling refers to growth without *any* corresponding increase in resource use. In contrast, with relative decoupling, although resource impacts fall relative to increases in GDP, the overall result is still an increase in resource use, albeit at a slower pace than the growth in GDP.

years. This is not to deny that growth can be a very useful driver of innovation to bring about emissions reductions. However, considerable uncertainty surrounds what can be achieved through technological innovation. Despite this, the government takes for granted that advances in technology, increased energy efficiency and some modest behavioural changes will compensate for the environmental impacts of growth, or, in other words, decouple in absolute terms growth from emissions. As already argued, this is by no means self evident and uncontested. Business actors have not been passive actors in the development of this belief among policymakers. Companies and business groups have reinforced this view through their public statements, interactions with government and their advertising. On this crucial issue of this compatibility, business actors are at one. In this respect it is very meaningful to speak of a business community.

Dominant discourses are politically powerful. This common understanding has helped set the boundaries of the debate on climate change in the UK. Like all discourses, ecological modernisation is not neutral. It has 'organised in' some ideas, priorities and policies, whilst at the same time preventing other more radical options from being considered (see for example, Barry, 2005; Lorenzoni *et al* 2008). The crucial point here is that business actors have been clear beneficiaries of this prevailing wisdom as it has left intact their core interest: business growth. Awkward questions and radical policies which could challenge their objective of continuous business growth have not appeared on the policymaking table.[103]

5.4 The bearers of crucial and unique resources

It is not only aspects of the prevailing discursive context which have tended to facilitate business interests and actors during the making of climate policy. Companies to varying degrees have also been rich in resources valued by policymakers, principally information, technological expertise and the ability to invest substantial capital. Fundamentally, policymakers have felt that they depend on business actors for information to make what they describe as *feasible* and *reasonable* policy, and then on the business community for technical expertise and investment to help deliver their policy objectives of emissions reductions and low carbon growth. Policymakers have believed they could achieve few of their objectives in this policy area without substantial involvement and cooperation

[103] Along these lines Lorenzoni et al (2008) argue that the British Government's steadfast attachment to ecological modernisation has negatively impacted on UK policy, 'undermining the political will for radical thinking and action' (2008: 113-14).

from the business community. Given that the problem of climate change has been conceptualised through the discourse of ecological modernisation, to a large extent the government *has been* dependent on business actors. The extent to which policymakers value the resources of actors is heavily context dependent (Marsh, 1983; Daugbjerg, 1983). Indeed, it is the dominance of ecological modernisation that has rendered companies and some of their resources *so* crucial to policymakers. Notably, technological expertise and the ability to invest have been viewed as such important resources as policymakers, like business leaders, have predominantly framed addressing climate change in terms of moving to a low carbon, but still growing, economy. If the government's approach had placed more emphasis on behaviour change, for example encouraging the public to consume less and make far greater use of public transport, technological expertise and the ability to invest, although still important, would not have been *as* crucial. Thus, the prevailing *discursive* framework and dominance of ecological modernisation have furthered predisposed policymakers to value the *material* resources enjoyed by business actors.

Before unpacking the crucial resources enjoyed by business actors, it must be emphasised that this thesis is not arguing that all firms and business groups have been equally well resourced, nor that business actors have been the only actors with resources valued by policymakers. Policymakers have recognised that the academic community and environmental NGOs also have important information to bring to policymaking. For example, in the words of one senior DEFRA official, 'environmental NGOs have knowledge and experience that is important too'.[104] However, both because of the extent to which business activity contributes to climate change and the prevailing discursive context around how to respond to the issue, key business actors have generally been the stakeholders with the resources *most* valued by policymakers. This section will illustrate in turn the importance of information, innovation and investment, and the political traction and leverage they have facilitated for companies and business groups.

5.4.1 The importance of information: facilitating access

The Labour government regarded companies and business groups as key stakeholders when it came to climate change policy. To some extent it was inevitable the government considered a constructive dialogue with companies a prerequisite for *effective* policy (Falkner, 2008), after all business activity is responsible for between 40-50% of UK emissions, depending on how

[104] Author's interview with senior DEFRA official, 19th June 2008, London.

‘business’ is defined (DEFRA, 2006a: 44; CBI, 2007: 18). As companies produce such a large proportion of UK emissions many of the government’s key policies to tackle climate change, such as the Climate Change Levy, Climate Change Agreements (CCAs), the EU ETS and CRC Energy Efficiency Scheme have related directly to business sectors and their emissions. For this reason, irrespective of the prevailing discursive framework, business actors would have been important stakeholders in this policy area. As companies and trade associations were keen to point out, business actors know far more about their respective industries, their scope for emissions reductions and technological innovation, and the potential costs and impacts of such cuts, than policymakers. As a result policymaking has taken place in a context in which business actors have often enjoyed considerable informational advantages over policymakers. In the words of a senior DEFRA official, ‘they know their emissions and sectors better than we do’.[105] However, government has needed to know how such sectors operate and how much they emit in order to formulate policy. Thus, as companies have been the focus of many policies to cut emissions, policymakers have valued their knowledge and input and this has rendered business actors crucial stakeholders. The government has obviously wanted to make effective policy and has had an interest, both economically and politically, in not producing policies which could damage the competitiveness of companies operating in the UK or lead to UK job losses. Information from business actors has been vital for both ends. As a former senior civil servant put it, ‘there are lots of unintended consequences that are quite hard to model for. There are cases where you think had we known how business would react we would not have designed policy in quite that way. So you do want to get that conversation going’.[106] Similarly, a serving senior DEFRA official stated: ‘the lesson that I learned from working on the CCAs is that for any proposed changes it’s best to get them [trade associations and companies] in a room and talk about it. To ask them how can we make it work best for everyone’.[107]

The business actors and policymakers interviewed highlighted a dense web of contact between the two sets of actors, fuelled and facilitated by the need to exchange information and the information asymmetries business actors have often enjoyed over policymakers. Indeed, on a monthly basis there have been hundreds of individual interactions. Key companies and trade associations

[105] Author’s face-to-face interview with senior DEFRA official, 12th August 2008, London.
[106] Author’s face-to-face interview with former senior official at DETR, 20th May, 2008, London.
[107] Author’s face-to-face interview with senior DEFRA official, 12th August 2008, London.

reported often having weekly contact on the issue with government, including with senior officials and ministers.[108] This ongoing dialogue has been with policymakers in a range of departments, most notably in DEFRA, BERR,[109] DECC,[110] CLG and The Treasury. Companies and trade associations have also been in contact with DfT, Number 10 and even, for some of the largest companies, the Foreign Office. In addition, business actors have engaged with the Committee on Climate Change, the independent body established under the Climate Change Act to advise the UK Government on climate change policy and its emissions reductions targets. For leading business actors, engagement with policymakers has concurrently involved interaction with multiple politicians and officials, both directly as individual firms and through their respective trade associations and wider business groups, most notably the CBI. For example, a middle ranking BERR official noted companies and trade associations 'put pressure on officials..., but simultaneously they also put pressure on politicians, writing to and meeting with ministers and local MPs'.[111]

This extensive contact has taken place in plethora of formal, regular group settings such as the high-level UK Business Council for Sustainable Energy, the Emissions Trading Group[112] and the Business Climate Change and Energy Group,[113] and more ad hoc groupings, for example when the Manufacturers' Climate Change Group[114] has met with policymakers. In addition to this there has been, at various levels of seniority, considerable bilateral contact between policymakers and business actors - including individual companies, sector trade associations and the various other wider business groups. As a result of their extensive interaction with government, key companies and business groups have been informed of the latest policy developments: in this way information has begot information.

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108 Various face to face interviews with the author, including on the 19th May (London), 22nd July (Yorkshire) and 25th September (Yorkshire), all 2008.
109 Following government restructuring in June 2009, BERR (the Department for business enterprise and regulatory reform) merged with the Department for Innovation, Universities and Skills to create the Department for Business, Innovation and Skills (BIS).
110 Since most of the interviews were carried out the structure of government has altered with the creation of the Department for Energy and Climate Change which has taken responsibility for climate change from DEFRA and energy policy from what was BERR.
111 Author's interview with two middle ranking BERR (one of whom is now DECC) officials, 18th June 2008, London.
112 Chapters 6 and 7 will discuss these two groups in more detail.
113 Meetings are held every few months to discuss high-level, crosscutting issues.
114 Chaired by EEF's Head of Climate & Environment Policy, the Group came about because manufacturing sectors recognised that their interests, as energy users, differ from those of the electricity generators (see chapter 7). The group meets with senior government officials on a regular basis.

5.4.2 The importance of information: facilitating influence

Now to return to the crucial resource of information: the importance of information and informational imbalances has been lost on neither set of actors. Indeed, as one senior official in BERR commented, 'some companies would rather officials lacked the information and knowledge' on the grounds that they think it strengthens their position during policymaking and the negotiation of targets.[115] Information asymmetry between government and business actors was a particular issue for policymakers in the early days of climate change policymaking as the government had little existing data on company and sector emissions. Information was important for example during interaction over the Climate Change Agreements (CCAs). Many sectors and firms had previously not kept comprehensive records of their emissions and this lack of reliable data made it particularly difficult for policymakers to verify or challenge the assertions of companies and sectors. For example, a senior civil servant, responsible for negotiating CCAs with several industrial sectors in 2001, stated: 'Quite clearly targets weren't tough enough.... We did the best we could with the data available. Information asymmetry was a classic problem for us'.[116] Information has clearly allowed business actors to have considerable input over what has been considered feasible and practical in policy terms, and in what timeframes.

The informational advantages enjoyed by business actors have not meant companies and business groups have determined policy. Although policymakers have depended heavily on business actors for information when it comes to the making of climate policy, they have not naïvely accept the information they have received from the business community. They have recognised that when uncertainty surrounds the consequences of environmental policy, business actors have naturally been inclined to overestimate the potential costs of complying with targets and regulation, and as such have expected that companies and trade associations have erred on the side of caution in terms of what they say they could achieve. As one senior DEFRA official put it in relation to the CCAs and sectors over achieving their targets: 'We are constantly playing catch up on tightening the targets. Again they're [business actors] saying they can't do any more but I'm pretty sure that they will... our job is to push them beyond their comfort zone'.[117]

[115] Author's face-to-face interview with senior BERR official, 10th November 2008, London.
[116] Author's face-to-face interview with Director of Policy at the Carbon Trust, previously a senior official at DETR, 20th May, 2008, London.
[117] Author's interview with senior DEFRA official, 12th August 2008, London.

However, while such information asymmetries have undoubtedly conferred on business actors political advantage, interaction is an iterative process and interviewees identified future dangers for companies if business actors abused the informational advantages they often have over policymakers. Officials have devised strategies for limiting their information disadvantages and have learned from their previous encounters with business actors over information. Target review points have for example been included during the lifespan of policies and officials have employed independent consultants to carry out research. Nevertheless, ultimately such consultants have often relied on business actors for information. Thus, companies and business groups have continued to enjoy, albeit to a reduced extent, informational advantages over government.

To summarise, information has been an enormously powerful resource and has represented an important way in which the strategically selective context has tended to favour business actors. It is vital for understanding the political role of business in this evolving policy area. Information has facilitated extensive contact between the two sets of actors. Indeed, it is a key reason, although by no means the only reason, why business actors have generally enjoyed far more frequent contact with policymakers than other stakeholders, particularly NGOs. It has allowed business actors to influence the detail of policies: the targets or allocations agreed have often been far from stretching, phased in over longer timeframes, and exemptions have been made for particular 'vulnerable' sectors. This information, and the extensive interaction which has resulted from it, has also meant firms and business groups have remained well informed of ongoing policy developments. In turn, this access has provided business actors with the opportunity to develop and reinforce common understandings of issues with policymakers. Moreover, information should be viewed as complementary to another crucial resource enjoyed by business actors: the ability to innovate. As innovators, business actors have generally been better placed than policymakers to know what emissions reductions are *possible.*

5.4.3 Investment and innovation

Business actors have also been seen by government as such crucial stakeholders because of their ability to innovate and invest. The transition to a low carbon economy will require considerable innovation and investment and the government has relied on the private sector to provide much of this. Echoing the sentiment expressed by the policymakers interviewed, the former Prime Minister, Tony Blair, stated in June 2009, 'it is going to be business that comes up with the solutions if policymakers get the framework right' (Blair, 2009). As has already been argued, the ability to innovate and invest have been considered such crucial attributes because of the assumptions and conceptualisations within the dominant discourse of ecological modernisation. In fitting with ecological modernisation, the government's win-win approach placed innovation and the development of new technologies or fixes centre stage (Rayner *et al*, 2008). This has had numerous manifestations. In electricity generation for example both government and the business community have had high hopes for Carbon Capture and Storage (see chapter 8). Similarly, in air and road transport policy, rather than focusing on demand management, considerable emphasis has been placed on encouraging greater fuel efficiency in cars and planes through technical advances and the development of ultra low carbon vehicles. In fact, in January 2009, despite its ambitious climate change targets, policymakers approved a third runway at Heathrow. Meanwhile, in its 2009 Low Carbon Transition Plan, the government announced its intention to introduce a target to keep aviation emissions below 2005 levels by 2050, despite predicting a growth in passenger demand. It stated this target was likely to be achieved 'through more efficient engines and other new technologies, and *supported* by government policies such as changes to airport passenger duty' (HM Government, 2009a: 15) (author's emphasis). Likewise, in its 2009 Low Carbon Industrial Strategy (LCIS) the government flagged the role of aerospace in the development of low carbon technologies and stated its financial support for such innovation through offering the sector tax credits (HM Government, 2009b: 43-45). The emphasis has thus been on innovation, with behaviour change induced by other policies playing only a minor, supporting role. Energy and transport are by no means exhaustive of the areas where innovation by the private sector has been considered crucial by government and thus encouraged. For example, the government also noted in its LCIS the innovation required by industry to deliver on its commitment to make buildings 'zero carbon', and the important role and potential opportunities for the UK's chemicals sector in the transition to a low carbon economy (HM Government, 2009b: 45-6).

The Labour government also invested, or at least planned to before losing office, sizeable sums to encourage innovation. To incentivise the development of new low carbon technologies, the government's support included £405 million to help foster technologies where the UK was demonstrating potential (HM Government, 2009a: 13). Through various programs, initiatives and incentives, it planned to inject public money into ultra low carbon vehicles (ULCVs), such as plug-in hybrid electric and all-electric cars (HM Government, 2009b). From 2011 the government planned for example to provide between £2000 and £5000 to drivers purchasing ULCVs in order to reduce their cost and stimulate demand. However, despite such public money, considerable investment also continued to be required from the private sector. In fact, the state of public finances rendered the government particularly dependent on the private sector for investment during Labour's last few years in power. Ultimately, it would be private companies, such as car manufacturers, that would develop and roll out new technologies. As the government itself noted in its 2009 Low Carbon Transport Strategy, 'crucial to the success of the strategy [would be] the innovators responsible for developing new technology' (HM Government, 2009c: 13). The government has been particularly dependent on the private sector for technological innovation and investment in the area of electricity generation. Electricity generation will require almost complete decarbonisation by 2030 if the UK is to meet its 2050 target of an 80% reduction in emissions (CCC, 2008a: 173). The scale of investment required for such a transformation is enormous. Ernst & Young has for example estimated that the sector will require £234bn worth of investment (Ernst & Young: 2009). Chapter 8 examines in detail the role of large electricity companies in policymaking, illustrating the extent to which the government has depended on these major corporate actors to deliver on its climate change (and energy security) objectives. To a large extent the government has relied on the business community for delivery. In the words of one interviewee, the former Environment Secretary John Gummer: 'business is going to have to deliver this in all its detail ... we're not going to win this battle against climate change without business'.[118]

As with information, a reliance by government on the private sector for investment and innovation has helped facilitate extensive interaction between the two sets of actors. Individual investment decisions by major companies matter, and the importance of such decisions have provided business leaders with political traction and access to the heart of government. This has encouraged considerable high level contact between government and business, both bilaterally and at larger, set piece events such as investor dinners with ministers to discuss investment in areas such as energy generation and infrastructure (see chapter 8). In the words of a senior BERR official, 'these are crucial decisions; you need an intense conversation with business at the highest

[118] Author's interview with John Gummer MP, 6th October 2008, London.

level'.[119] Another senior official commented 'major companies will always get to see a Cabinet minister if they want to, and from time to time companies will be worth the Prime Minister's time too'.[120] In particular, oil multinationals, major manufacturers, large electricity generators and engineering companies such as Rolls-Royce have enjoyed excellent access to the heart of government, for the most part, as and when they want it.[121] As a Director from an oil multinational put it, 'we couldn't have better access to policymakers realistically'.[122] Multinational capital is a highly mobile, and the open and international nature of the UK economy has left the UK particularly vulnerable to the vagaries of decision-making by business leaders based elsewhere.[123] This dynamic has provided major companies not only with extensive access to government, but also considerable political leverage. After all, as one middle ranking BERR official put it, 'we want to keep as many of these advantages within the country as we can - both in terms of jobs and GDP; we want companies to invest here'.[124] As such policymakers have been eager to do all they could to ensure multinational companies made their investments in low carbon technologies and energy here in the UK (see chapter 8).

This is not to suggest that their information and crucial role in innovation and investment have been the only reasons major companies have enjoyed privileged access to government. In particular, interviewees pointed out that the fact such firms are mass employers has also been very important for explaining the close relationship they enjoy to key policymakers.[125] Nonetheless, this thesis suggests that in this policy area, firms' information, capital and ability to innovate have been particularly significant for understanding the role of business in policymaking.

Leading business actors have not been the *only* actors with access to government. It is clear from interviewees that other stakeholders, notably environmental NGOs, prominent academics and key think tanks such as the Green Alliance, have also enjoyed some high-level contact with policymakers. Like business actors, this contact has sometimes taken place in advance of formal

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[119] Author's face-to-face interview with senior BERR official, 10th November, 2008, London.
[120] Author's face-to-face interview with senior DEFRA official, 19th June, 2008, London.
[121] Author's face-to-face interview with middle ranking BERR official 31st July 2008, London.
[122] Author's face-to-face interview 16th September, 2008, company headquarters, London
[123] Author's face-to-face interview 25th September, 2008, company headquarters, Yorkshire; telephone interviews with author on the 15th August 2008, and 21st August, 2008
[124] Author's face-to-face interview with middle ranking BERR official, 31st of July 2008, London.
[125] various face-to-face interviews with author, including on 19th June, 2008, DEFRA, London; 22nd July 2008, Sheffield; and 25th of September 2008, Yorkshire

consultations. For example, environmental NGOs had meetings at Number 10 on at least three occasions in the run-up to the publication of the government's Renewable Energy Strategy Consultation document in June 2008, and have had quarterly meetings with senior officials in BERR in relation to renewable energy.[126] In fact, several of the business actors interviewed complained about the extent of access environmental NGOs have had to policymakers. One interviewee frustratingly commented:

> The degree of ministerial access granted to people who have actively campaigned to shut down power stations and who interrupted Blair's speech by abseiling off the roof of the CBI... is astonishing. If business behaved in that kind of way, we'd be carpeted for it. Yet that seems to be not just tolerated but indulged, by the government and the opposition too.[127]

Like the academic community, environmental NGOs have useful information and can help bring legitimacy to policy. However, policymakers' interaction with firms and business groups over climate change policy has been considerably denser and far more regular than with other stakeholders, including NGOs. An interviewee formerly at Friends of the Earth, and now working for the Corporate Leaders' Group on Climate Change, commented that from his experience the business community enjoys far better access to policymakers than environmental groups.[128][129] Other stakeholders - including environmental NGOs and academics – have lacked the crucial *combination* of resources enjoyed by key business actors; resources rendered particularly potent by the privileging of economic growth and discursive dominance of ecological modernisation. As a result, business leaders have enjoyed a role in policymaking qualitatively and quantitatively different to that of other stakeholders.

5.5 An important caveat: disaggregating business

So far this chapter has highlighted the commonalities among the business community and the political advantages which companies tend to share. However, 'business' is by no means a

[126] Author's face-to-face interview with middle ranking BERR official, 31st of July 2008, London.
[127] Author's face-to-face interview 23rd June, 2008, London .
[128] Author's face-to-face interview, 25th July, 2008, Cambridge.
[129] Extensive direct contact with policymakers is of course not synonymous with political influence. Nor is extensive interaction the only means by which actors can influence policy. Indeed, as policymakers pointed out when interviewed, for environmental NGOs the route to influencing the policy agenda is often less about direct contact with policymakers and far more about increasing the media and public profile of environmental issues. Indeed, the previous chapter argued environmental NGOs have been very effective at increasing the profile of climate change.

monolithic actor. In their interaction, neither the business community, nor government confronts the other as a single unified block. Indeed, before unpacking business, attention should be drawn to the notable differences *within* government in terms of how policymakers have engaged with the business community. Interviewees observed that not even a single department has been monolithic in terms of how it has interacted with companies and business groups. For example, when asked whether policymakers saw their relationship with business as a partnership, a senior BERR official stated: 'It varies between policymakers and departments. Everyone in BERR is pro-business, but there is a spectrum. Some officials in DEFRA start off more confrontational'.[130]

Interviewees reported differences in the extent to which the various departments have engaged with firms and business groups over climate change policy. Many interviewees from companies and business groups complained that the Treasury has been remote and aloof, unlike departments such as BERR, DECC, DEFRA and the DfT, which they have generally found to be approachable. For example, one interviewee commented that the Treasury: 'has been a bit of an enigma as far as we're concerned. It very much does its own thing... and is hard to access. There seems to be a culture in the Treasury that things happen behind closed doors'.[131] Similarly, the Managing Director of a large manufacturing company stated with frustration: 'It's impossible to get the Treasury to engage with climate change. They turn up occasionally to meetings but when they do they don't say anything... and they have the last word'.[132]

Even within sectors, such as electricity generation, companies disagree about the approach taken by different departments to business actors, again illustrating the qualifications and caveats often required when making generalisations about the nature of interaction. Several interviewees commented, as might be expected given that BERRs see itself as the 'Voice for Business in Government',[133] that they have generally received a more sympathetic hearing from BERR than DEFRA.[134] In fact, a few in the aviation and electricity generation sectors went further, stating that parts of DEFRA have been 'hostile' in their approach to business, refusing to meet with individual

[130] Author's interview with senior BERR official, 10th November, 2008, London.
[131] Face-to-face interview with author 17th July, 2008, London; Face-to-face interview with author 22nd July, 2008, Trade Association Headquarters.
[132] Telephone interview with author 21st August, 2008.
[133] Author's interview with senior BERR official, 10th November, 2008, London.
[134] Face-to-face interview with author, 16th May, 2008, London.

companies, and when they have, DEFRA officials have ignored the issues raised.[135] In contrast, other interviewees, for example in the retail and manufacturing sectors, observed that the two departments have been 'almost interchangeable',[136] and a few commented that DEFRA can be the most approachable.[137] Such contrasting views bear testimony to the often differentiated nature of government and the business community and to the wide variety of policies over which there is interaction in this area. They highlight the different ways in which actors interpret their interactions and relationships, and perhaps also allude to the personal dynamics at work.

In addition to differences in approach, a number of interviewees pointed with frustration to a lack of joined up policy, asserting that initiatives and policies coming from government can contradict each other from a climate change point of view. Interviewees in the retail sector for example stated that confusing messages have come from government in relation to fiscal measures such as business rates and how these will be affected by installing renewable energy on premises.[138] Similarly, an interviewee at one manufacturing trade association asserted in 2008 (when DEFRA had responsibility for climate policy): 'The people involved in emissions trading don't necessarily know what is going on in other parts of DEFRA with regard to the sustainable production and consumption agenda. There is a disconnect within DEFRA between the policy arms.'[139]

More generally, several interviewees were critical of the lack of adequate communication between departments such as DEFRA, BERR, DfT and the Treasury. Business actors have also confronted splits within government over major policies, such as the decision to give the go ahead to a third runway at Heathrow. Notably, Hilary Benn, then Secretary of State for the DEFRA, publically voiced his doubts and opposition to the controversial plan on environmental grounds, and he was reported to have received support in Cabinet from other prominent figures such as Ed Miliband (Secretary of State for the Energy and Climate Change) and Harriet Harman (Leader of the House of Commons). In contrast, the Secretaries of State for Transport (Geoff Hoon) and Business Enterprise and Regulatory Reform (Lord Mandelson) were firmly behind the expansion, which ultimately became policy in January 2009 (The Sunday Times, 2008a). This illustrates the

[135] Telephone interview with author, 30th July, 2008.
[136] Face-to-face interview with author, 28th August, 2008, London.
[137] Telephone interview on 14th August and face-to-face interview, 29th August 2008, London.
[138] Face-to-face interview with author, 19th May, 2008, London.
[139] Face-to-face interview with author 1st August 2008, trade association offices.

differences in priority which departments have attached to the climate change agenda; differences which have been apparent to business actors.

As illustrated in the previous chapter, there have also been numerous differences and tensions between business actors when it comes to climate change. In the words of a Director of Government Affairs from a major food manufacturer, 'business is an amorphous group'.[140] Certainly the concept of a UK business community is a high-level aggregation, which often fails to capture important differences and tensions between firms and sectors, and the subtleties and complexities of the multiple overlapping interactions which take place between business actors and the various arms of government.

Major companies are political actors in their own right. Indeed, in the UK there is a tradition of political representation at individual firm level and this has intensified since the mid-1970s (Moran, 2006). Interviewees revealed companies have differences in approach for representing their political interests. There is, for example, some variation between companies and sectors in the extent to which they engage directly with policymakers and how much they rely on their respective sector trade associations and wider business groups to represent their interests on climate policy. A middle ranking civil servant in BERR for example observed that 'the chemicals sector is generally a bit quieter and more accepting of its position' than other industrial sectors such as steel, aluminium and cement. However, she added that the chemicals sector was 'getting more energetic in its lobbying'.[141] In part the contrasting approaches adopted can be attributed to company tradition and size. In addition, variation stems from differing perceptions by companies of how effective their respective sector trade associations are at representing their interests to policymakers. For many of the largest companies, for example oil multinationals, sector trade associations (e.g. the UK Petroleum Industry Association) are primarily viewed as providing some functionality in terms of analysing legislation at a detailed level, rather than as a strategic way of interfacing with government, as illustrated in diagrams 1-4. For example, a director at one multinational remarked that they 'allow' their sector trade association to represent the company,

[140] Telephone interview with author 3rd November, 2008.

[141] Author's interview with two middle ranking BERR officials, one of whom is now in DECC, 18th June 2008, London.

adding that 'they provide some additional leverage but not that much... if we have a clear and strong position we speak directly to policymakers'.[142]

It was evident from interviewees that within individual business sectors, such as cement, glass or retail, there has been a large degree of consensus and unity in relation to most aspects of climate change policy. Sectors have generally agreed for example on the preferred methodology for allocating permits for the EU ETS (chapter 7) or on the problems with the existing planning policy in relation to installing renewables generation.[143] Nevertheless, some important cleavages and tensions have existed, even within sectors. Policies have had different impacts on companies within sectors depending on a range of factors, including their business model, operating portfolio, their stage in the investment cycle and energy intensity.[144] Tension has been particularly apparent within the aviation industry. Stelios Haji-Ioannou, the CEO of easyGroup, has claimed for example that lobbying by British Airways was instrumental in convincing the Labour government to retain aviation taxation on a passenger, rather than plane, basis (Haji-Ioannou, 2009). EasyGroup and other budget airlines have argued this policy has adverse effects from a climate change point of view. Moreover, they have claimed it penalises companies with their low cost business model which fly full planes, unlike airlines such as British Airways, which, they argued, send out empty planes to safeguard their slots. Perhaps a reflection of the contrasting positions within the sector, neither easyJet nor Ryanair are members of the British Air Transport Association (BATA), which counts among its numbers companies such as British Airways, bmi and Virgin Atlantic (BATA, 2009). The following three chapters will highlight numerous other tensions and cleavages within the business community and individual sectors. These intra-business differences have had concrete impacts on policymaking and business influence. They complicate policymaking and the job of business groups, attempting to articulate common interests to government. The thesis will argue that in some instances these cleavages have diluted the lobbying stances of trade associations and wider business groups (chapter 6 and 8). Competing claims from business actors have also led policymakers to question or treat with more scepticism the rhetoric and lobbying of some companies and sectors (chapter 7). In so doing, these cleavages have

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[142] Face-to-face interview with author, company headquarters, 16th September 2008, London.
[143] Author's interviews, 22nd July 2008 (Sheffield); 1st August 2008 (Surrey); 12th August 2008 (London), 14th August 2008 (Telephone), 2nd September (telephone) and 3rd September, 2008) telephone).
[144] Various interviews with author including on the 1st August, 2008 (Surrey); 9th September, 2009 (telephone).

tempered the influence of the business community, or at least certain sectors and actors and within it.

As discussed in the previous chapter, climate change presents varied opportunities, challenges and threats depending on factors such as a company's sector and public profile. However, these differences have not been so great that they have rendered 'business' politically impotent as an actor. In fact, despite their diverging strategies on climate change and political interests, and the tensions these have given rise to, a key contention of this thesis is that the business community has *not* been so divided that it has been an atomised political actor in this policy area. Fundamentally, business interests have together sought a policy framework on climate change compatible with continued business growth. There have been shared interests, particularly within sectors and on the key policy questions. For example, business actors have wanted policy certainty wherever possible, and have generally been very supportive of new nuclear power and emissions trading as a policy mechanism to bring about emissions reductions. In fact, while sectors may see themselves as having 'special concerns' relative to other industries over aspects of policy, policymakers commented that in reality different business sectors have often raised the same issues and worries. For example, a senior DEFRA official working on the Climate Change Agreements commented:

> Generally [different industrial sectors] are coming from the same place; certainly for heavy industry, it's the same message anyway. They all think that they're unique, that their problems are different from everyone else's, when in fact they're not. You get the same sorts of issues across-the-board.[145]

There has also been an influential business-wide lobbying organisation - the Confederation of British Industry - to convey such common preferences to policymakers (Chapter 6). Crucially, moreover, the business community is a useful concept as key business actors have in common resources valued by policymakers and have together benefitted from a discursive context which, in several important respects, has favoured the interests of business actors in general.

[145] Author's interview with senior DEFRA official, 12th August, 2008, London.

5.6 Conclusion

While recognising that the business community has been constrained in its interaction by the need to appear legitimate and responsible, this chapter has focused on how the prevailing context has privileged business interests when it comes to policy to address climate change. In particular, it has highlighted the preference among UK policymakers for market-based policy solutions; policy mechanisms which have generally been preferred by business actors for their flexibility and lower compliance costs. Moreover, the chapter has argued that the government and wider society's privileging of economic growth and addiction to high (and unsustainable) levels of consumption have favoured business interests. It has suggested that this strategically selective setting favoured the development of a discourse along the lines of ecological modernisation, a discourse which has become dominant among political and business elites. Cognisant of the advantages of such a framing, business leaders have been far from passive actors in this process. Indeed, over the past five years they have been active in the discourse's consolidation (chapter 6 will further illustrate this). The chapter has argued that from the perspective of business actors, ecological modernisation has been useful and empowering, legitimising their extensive interaction with government and input into policymaking. After all, according to this framing, companies are not 'the problem'; rather they are integral to the solution. Crucially, moreover, ecological modernisation has legitimised continuous economic – and hence business - growth. As such, it has left intact and unquestioned during policymaking the core objective *shared* by business actors.

The chapter has also shown that business actors have tended to be rich in resources considered vital by government - information, technological expertise and capital. Given the extent to which business activity is responsible for UK emissions and the prevailing discursive context around how to respond to the issue, leading business actors have generally been the stakeholders with the resources *most* valued by government. In fact, policymakers have felt they rely on business actors for information to make feasible and effective policy, and on companies for the technical expertise and investment to help deliver on their objectives of emissions reductions and low carbon growth. The chapter has suggested that the dominance of ecological modernisation has rendered the capacity to innovate and invest particularly paramount. If the government were to have placed greater emphasis on changing behaviour, technological expertise and capital, although still important, would not have been *as* crucial.

The chapter has argued that this potent combination of resources has helped facilitate extensive contact between business actors and policymakers. Information and the ability to innovate and invest have provided business leaders with considerable political access and leverage. Fundamentally, when it comes to the transition to a low carbon economy, business leaders make decisions that matter; they enjoy a special role in policymaking, one based on unique material and discursive foundations.

However, the chapter has also argued that the business community requires disaggregation. Not only has there been variation in terms of how business actors have interacted with government, but companies and sectors, as illustrated in the previous chapter, have had diverging interests in relation to aspects of climate change policy. Such cleavages have had real impacts. As the following three chapters will show, at times they have diluted the lobbying stances of business groups and caused policymakers to receive conflicting messages from different business actors. Nonetheless, business actors have together affected and been facilitated by the strategically selective context in the UK and have had in common (albeit to varying degrees) resources sought and valued by policymakers. Given their shared material and discursive advantages, the concept of a business community has analytical value in this policy space. The arguments presented will be further developed and illustrated in chapters 6-8. These examine, in turn, the role of the CBI in climate change policymaking; the influence of the business community in the development of emissions trading; and, finally, the role of Large Electricity Producers in the making of policy to reduce emissions.

Chapter 6:

The Confederation of British Industry, the UK government and the making of climate policy

6.1 Introduction

The previous chapter provided an analytical overview of the role of the business community in the making of UK climate policy between 1997 and 2009. The chapter argued that although there have been cleavages and tensions between business actors, there is analytical purchase to the concept of a business community. The strategically selective context in the UK has provided business actors with valuable *ideational* resources and political traction, and forward-looking business leaders have capitalised on these discursive opportunities. Business actors have also been advantaged during the making of policy to reduce emissions because they are rich in *material* resources - information, technological expertise and capital – which have been highly valued by government. By analysing the UK's foremost business group - the Confederation of British Industry (CBI), an organisation very active in this policy space, this chapter will further develop and demonstrate these arguments. The chapter examines the CBI's evolving positions on climate change and its role in policymaking under Labour, paying particular attention to the period 2006-9.

This chapter illustrates how the CBI has responded to the challenges and opportunities presented by the evolving political and scientific context in the UK, including the emergence of the Corporate Leaders' Group on Climate Change. While recognising that the CBI's positions and influence on climate change have been tempered by the need to manage differences within its broad business membership, the chapter argues that the organisation has been effective at articulating a wide range of common business interests to government. In fact, it is suggested that this peak business organisation has been an important means by which the business community has identified shared objectives and concerns in this policy area. Moreover, through its extensive interaction with government, the CBI has helped provide traction for other business actors, reminding policymakers of the importance of the private sector and its resources.

The chapter argues that the CBI enjoyed a close dialogue with government between 1997 and 2009. As 'the voice of business', the organisation benefited, in terms of both access and influence, from a widespread aversion among policymakers to corporate criticism and the 'imperative' of economic growth. The CBI's information and expertise, widely valued by policymakers, has further facilitated the group's privileged access to government. The analysis presented suggests lobbying by the organisation was an important factor in a number of the government's key decisions relating to emissions reductions, including on new nuclear, emissions trading, the 2008 Planning Act and expansion at Heathrow. By adopting a constructive approach to the challenge of climate change business leaders facilitated and increased their influence with policymakers. More generally, a proactive and constructive approach enabled the CBI to play a role in shaping the debate on climate change and provided the organisation with the opportunity to further embed the now dominant discourse of ecological modernisation.

First this chapter will introduce the CBI. The analysis will move on in section 6.3 to examine the Corporate Leaders' Group on Climate Change's positions and actions on climate change and what impact these activities have had on the policy debate in the UK. Section 6.4 charts and accounts for the evolution in the CBI's engagement with climate change from 2000, highlighting in particular the importance of legitimacy and the role of the Corporate Leaders' Group on Climate Change (CLG). The privileged access which the CBI has enjoyed to policymakers is then illustrated and explained. While recognising the difficulties and limitations associated with any assessment of political influence, section 6.5 concludes by offering a verdict on the CBI's impact on UK climate policymaking during the period in question and provides some concrete examples of the organisation's influence.

6.2 The Confederation of British Industry

Established in 1965, the CBI had been a feature of business/ government interaction in the UK long before climate change became an important political issue. Importantly, a key factor motivating the CBI's creation was that the government sought a single business actor with whom it could speak (Grant, 1987; Moran, 2006). Numerous interviewees noted that policymakers value the CBI's role in synthesising the views of thousands of business actors in the UK. The organization is active across a wide range of policy areas from education to tax reform, and its offices in London, Brussels, Washington and Beijing bear testimony to its size and reach. In terms of membership, the CBI does not enjoy full coverage of the business community. In fact, academics such as Moran (2006) identify this as a source of weakness for the business group.

Nevertheless, the CBI's membership is substantial: in 2009 the organisation represented some 240,000 companies, which together 'employ[ed] around a third of the private sector workforce' (CBI Website, 2009), and around 80% of businesses on the FSTE 100 were in membership. Members comprise both individual firms and trade associations from across different sectors of the economy. Thus, in addition to major companies such as Shell, Marks and Spencer, Barclays and Npower, CBI members include prominent sector trade associations such as the EEF[146], the Association of Electricity Producers' (AEP) and The Society for Motor Manufacturers and Traders (SMMT). In 2009 the CBI counted over 150 trade associations among its members (CBI 2009d). Indeed, even such key sector trade associations as the AEP and SMMT reported placing importance on working through the CBI. For example, one interviewee noted: 'we see trying to influence the CBI as an important part of what we do. They have a much louder voice than us... if we can feed something into the CBI, and it becomes part of their policy... then that's great news.'[147] As a valued lobbying organisation, influence within the CBI is thus considered of central importance to its members' political strategies.

Among the environmental NGOs interviewed there was a perception that the CBI has primarily represented the interests of the energy intensive manufacturing sectors, who they generally consider to be climate change laggards.[148] Interviewees from manufacturing sectors differed in the extent to which they felt the CBI has reflected their particular interests on climate change. According to an interviewee at one manufacturing multinational the sector has received 'a fair crack of the whip' in the CBI.[149] In contrast, when discussing emissions trading, another business leader complained that the CBI had not been effectively representing his sector's concerns, and asserted that 'from a manufacturing perspective, it is not a good time for CBI to be led by a banker'.[150] (Before becoming the CBI's Director General, Richard Lambert was Editor of the Financial Times.) However, as the CBI depends on income from *all* the sectors it represents, it has a large incentive to keep as much of its membership satisfied as possible, and particularly the major companies from across the economy which pay the largest subscriptions. In fact, policymakers took the view that at its heart the CBI represents the biggest, FTSE 250

[146] EEF is broad business lobbying group representing the interests of manufacturing sectors.
[147] Author's face-to-face interview 16th September, 2008 London.
[148] Author's face-to-face interview, 11th June 2008, London; 23rd June 2008, London; and 19th May 2008, Surrey.
[149] Face-to-face interview with author, 25th September 2008, Yorkshire.
[150] Email correspondence with author 23rd August 2008.

companies.[151] Thus, any general bias in terms of focus or policy positioning has been towards the CBI's largest members, rather than any particular business sectors.

Over the years while academics have agreed that the CBI has enjoyed privileged access to the heart of government (Wilson, 2003; Grant, 2004), they have also suggested that the organisation has been an imperfect instrument for representing the business community's interests to government (Mitchell 1997). Such writers have claimed that the CBI is an 'awkward mix' of trade associations and individual companies (Wilson, 2003: 69-71). In fact, they have argued the organisation has had difficulties reconciling the diverging interests of the various sectoral interests (Moran, 2006), and that the breadth of the CBI's membership has hindered its ability to speak authoritatively (Grant, 1991). Along these lines, Oxfam, in a Report published in October 2008, claimed that the CBI was 'hamstrung' by its diverse membership and as a result lacked coherence on climate change (Oxfam, 2008: 30). Certainly CBI members interviewed for this research were conscious of the different interests represented by the organisation and some cleavages between members over aspects of climate change policy.[152] Interviewees for example identified tension over allocation for phase three of the EU ETS and divisions over aspects of energy policy, such as the preferred energy mix.[153] In such areas as these, the imperatives of reaching a consensus and keeping members satisfied - and in membership - has meant some CBI positions have been less definitive and have contained caveats. To return to the previous example by way of illustration, the CBI's opposition to specific UK targets for renewable generation (CBI, 2009)[154] has been tempered by the fact a number of its members have supported this policy.[155]

However, whilst the CBI's breadth of membership has produced some tension, it has also provided the organisation with legitimacy and authority, facilitating its position as a valued 'partner' for policymakers. In any case, despite the differences between members, on many key issues such as new nuclear generation, problems with the planning process, Heathrow expansion and carbon reporting, the CBI has been able to develop concrete positions in this policy area.

[151] Author's face-to-face interview with senior BERR official, 10th November 2008, London.
[152] Various interviews with author including 20th August, 2008, London.
[153] Various interviews with author including on 30th June, 21st August and 25th September 2008.
[154] The CBI dislikes specific targets for renewables on the grounds that they lack flexibility, increase the cost of emissions reductions and could result in a collapse in the price of electricity.
[155] Telephone interview with author 9th September, 2009.

Overwhelmingly, member companies did not regard intra-business divisions as a major problem for the organisation where climate change has been concerned. A CBI member from the manufacturing sector for example commented that 'despite the posturing [among members], it has not been that difficult to reach a common position',[156] and another observed that 'CBI officials [have been] very good at teasing out the common threads on climate change'.[157] The CBI's various policy committees and groups, including the CBI's Energy Policy Committee, the Climate Change Board and Climate Change Board Working Group, were cited as useful forums for identifying common business concerns and issues.[158] The fact that interviewees from different sectors reported that they derived some political benefit from their membership in this policy area, also suggests divisions have often not so great that they have prevented the CBI taking meaningful policy positions on many issues and effectively articulating these to government.

To summarise, although there have been differences of interest and tensions among its member companies, engagement with the CBI has been an important means by which business actors have overcome some of their heterogeneity to identify common interests. Moreover, the organisation has generally been an effective means by which the business community has expressed these shared concerns and policy preferences to government. Before analysing the evolution in the CBI's position vis-à-vis climate change, the chapter will first introduce the UK Corporate Leaders' Group on Climate Change. This introduction is necessary as the analysis will argue that this group played an important role in the CBI's repositioning on the climate change; a shift in position which rescued the organisation's policy relevance on the issue.

6.3 **UK Corporate Leaders' Group on Climate Change**

6.3.1 The origins and membership of the Corporate Leaders' Group on Climate Change

Arguing new, bold, longer term policies were urgently required to combat climate change, the Prince of Wales's UK Corporate Leaders' Group on Climate Change (CLG) was set up in 2005. Given the increasing scientific consensus and political context in the UK, these business leaders realised climate change was an issue with staying power. Recognising this, these business elites

[156] Telephone interview with author 21st August, 2008.
[157] Face-to-face interview with author, 25th September 2008, Yorkshire.
[158] See section 6.4.2 for a brief description of the Climate Change Board and Climate Change Board Working Group .

sought greater policy certainty from government so they could appropriately direct their long-term investments. In the words of one CEO on the CLG, 'once you accept climate change is inevitable, you want policymakers to get on with it so you can develop a long-term strategic plan'.[159] These powerful business leaders wanted a conversation with government so they could shape how such a policy framework would look. According to several interviewees, including some members of the CLG, the group's formation was a reaction to the position the CBI was then taking on climate change.[160] As section four will illustrate, at this time the CBI placed considerable emphasis on the threats to UK competitiveness posed by action on climate change. However, this stance increasingly lacked legitimacy and a number of business leaders had begun to feel that this was to the detriment of their political influence on the issue.

Unlike the CBI, the CLG, run by The University of Cambridge's Programme for Sustainability Leadership, is concerned solely with climate change. Its stated mission is: 'to trigger the step-change in policy and action needed both to meet the scale of the threat posed by climate change, and to grasp the business opportunities created by moving to a low climate risk economy' (CLG, 2009a). As its name would suggest, the group brings together a wide range of major companies, in 2009 these included BAA, BSkyB, the John Lewis Partnership, Kingfisher, Lloyds TSB, Shell UK and Tesco. Other prominent companies such as BP and Centrica have also participated in the CLG's work. Interviewees reported that the membership has been kept deliberately small so the group could remain nimble, focused and bold.[161] In terms of their environmental credentials, the CLG's membership is very mixed. Several of the companies involved, for instances HSBC and Vodaphone, are widely seen as environmentally progressive and committed to issues such as climate change. However, this cannot be said for all members. BAA, for example, the owner of Heathrow, has had a much more dubious record from a climate change point of view. In fact, while a member of the group, BAA lobbied the Labour government fiercely - and successfully - for a third runway at Heathrow, a move at entirely at odds with bringing down UK emissions. There has been some overlap in terms of the companies involved with the CLG and the CBI. Shell and Tesco, for example, are members of both groups.[162]

[159] Face-to-face interviews with author 25th July 2008, Cambridge.
[160] Various face-to-face interviews with author including on 19th May, 2008, Surrey; 25th July 2008, Cambridge; 20th August 2008, London; and 16th September 2008, London.
[161] Face-to-face interviews with author on 25th July 2008, Cambridge; and 20th August 2008, London.
[162] Face-to-face interviews with author 25th July 2008, Cambridge and 20th August 2008, London.

As of 2009, no manufacturing companies were in CLG membership, and comments from some interviewees indicated that this was no coincidence. Rather, they suggested it was a product of the diverging interests of sectors and differing impacts on them of climate policies (see chapter 4). As big energy users, manufacturing firms within sectors such as steel and cement have been hardest hit by many policies which aim to cut business emissions. An interviewee at one manufacturing multinational captured the unease felt towards the CLG by some companies within his sector, commenting:

> I'm not sure about them as a group.... I think they purport to represent a wider group than they do.... I can see where they're coming from, but you cannot just write a blank cheque... Some of the things they have said are a bit ill-thought through and are gesture politics... We are all coming from a different standpoint, inevitably we're not going to agree with the CEO of Kingfisher[163] for example ... That's why we're much happier being involved with the CBI, it has a much broader platform and people understand where it's coming from.[164]

The suggestion from such interviewees was that the CLG's statements, for instance its 2006 call for a more robust and ambitious EU ETS, have had few direct implications for its members. However, irrespective of whether the CLG's statements have had bite for the companies involved – and they have had for several CLG members[165]- the next section will argue that the group has influenced the broader policy debate on climate change and with it, the strategy of the CBI.

6.3.2 The CLG's positions and actions on climate change

The CLG's interaction with policymakers has principally taken two forms. Firstly, it has had face to face meetings with leading UK politicians. In 2009, for example, the group met with the then Prime Minister, Gordon Brown, and the Shadow Environment Minister and Shadow Secretary of State for Energy and Climate Change, Greg Barker and Greg Clark, respectively. [166] Secondly, the group has engaged with policymakers by writing public letters to the Prime Minister, and these

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In contrast to the CBI's high business profile, awareness of the CLG is low among sections of the UK business community. In fact, several interviewees, including Directors of Government Affairs at cement and food multinationals, said they had never heard of the CLG.

[163] Kingfisher is an international retail company, specialising in local home improvement. In the UK Kingfisher's main retail brand is B&Q.

[164] Face-to-face interview with author, 25th September 2008, Yorkshire.

[165] For example, Shell's oil refineries are covered by the EU ETS.

[166] Alongside the UK CLG there is an EU CLG which engages with policymaking at a European level.

have attracted considerable media attention. Indeed, the CLG first came to political prominence in May 2005 for its very public five page letter to the then Prime Minister, Tony Blair. Accepting the magnitude of the challenge, the CLG offered to work in partnership with government. The group argued such collaboration would circumvent the current 'Catch 22 situation', whereby policymakers feel constrained in their capacity to introduce policies to cut emissions 'because they fear business resistance', while at the same time companies lack the confidence to invest in low carbon solutions because the long-term policies are not in place (CLG, 2005: 4). The letter thus called for a policy framework which would provide greater long term certainty for businesses, both in respect of the future value of emissions reductions and the longevity of incentives to encourage the development of low carbon technologies (CLG, 2005). Such certainty, they argued, was crucial so companies could have the confidence to direct the 'serious' investment required for the move to a low carbon economy. According to the CLG, providing the correct policies were introduced, 'the UK's overall competitiveness need not be adversely affected' by action to cut UK emissions (CLG, 2005: 3). Also prominent in the group's discourse have been the potential business opportunities and economic benefits presented by combating climate change, in fact these feature in the group's mission statement (CLG, 2006). As such, the CLG has helped spread the central ideas of ecological modernisation (see next section).

The CLG's initial letter surprised environmental campaigners,[167] who generally regarded it as 'a major shift in the right direction' by key business leaders.[168] The letter has also widely been assumed to have taken the government by surprise (Porritt, 2007; Carter, 2008). However, interviewees suggested that the government was not so taken aback. According to an interviewee at one company involved with the CLG: 'Blair orchestrated it [the letter]; this is how things work in politics – 'please ask me to do this!' Whenever something comes out, it is always stage-managed to the nth degree, there is no surprise or you will upset people'.[169] Such comments illustrate the close nature of the relationships between key policymakers and business leaders, and the extent to which interaction between the two groups has taken place behind closed doors.

[167] Author's face-to-face interview 25th July 2008, Cambridge
[168] Author's face-to-face interview 11th June 2008, London.
[169] Author's face-to-face interview 20th August, 2008, London.

6.3.3 The impact of the CLG: changing the political terrain.

Despite mixed awareness of the CLG among the business community, and its fairly infrequent engagement with policymakers, the group appears to have had a notable influence politically. Interviewees reported that the CLG had an input into the enormously influential 2006 Stern Report.[170] More generally, they argued the group helped create the political space for the UK government to adopt a more progressive approach on climate change and paved the way for the 2008 Climate Change Bill.[171] An interviewee at one prominent NGO for example stated that the CLG's first letter to Blair in 2005 was 'big news; a very significant moment in the debate... in 2004 and 2005 there was the perception that business was against any form of political action and the Corporate Leaders' Group changed that.'[172] Similarly, the former Secretary of State for the Environment, John Gummer observed that the CLG 'has been beneficial... it shows that the government is reticent. ... In terms of policy formation, and the public support for policy, it means a lot. It has made it much easier for the government to do something; these business leaders give strength to policymaking'.[173]

When faced with criticism from the more recalcitrant business actors, policymakers could point to the CLG and say *these* major companies from across different sectors of the economy, want action and that they believe such action could be taken without damaging UK competitiveness. The importance of this should not be underestimated: while having the 'buy in' of key business actors would be desirable for any governing party, for the Labour government this was particularly crucial. As noted in previous chapters, from the late 1980s, Labour reinvented itself as a business-friendly party, a reputation that the party's leadership was at pains to maintain throughout its term in office. In the sense that the CLG provided the government with political leverage, it was an important actor moving forward the political debate on climate change.

The CLG altered the political terrain for other business actors, including the CBI. Along with the activities of NGOs, through their rhetoric these business leaders helped delegitimize a reactionary

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170 Various face-to-face interviews with author, including on 20th August 2008 (London); 16th September 2008, (London).

171 Various face-to-face interviews with author, including on 19th May 2008 (Surrey); 25th July 2008, (Cambridge); 20th August 2008 (London); 16th September 2008 (London); and 6th October 2008 (London).

172 Author's face-to-face interview, 25th July 2008, Cambridge

173 Author's face-to-face interview with John Gummer MP, 6th October 2008, London.

public stance on climate change by corporate actors. In this way interviewees attributed the CLG with having had a role in the CBI's repositioning on the issue. In fact, for some companies the CBI's stance had been a key factor motivating their involvement with the CLG.[174] According to interviewees at NGOs some companies had become angry, or at least frustrated, with the CBI's position on the issue, an observation which was to some extent corroborated by business actors. For example, an interviewee at one company recalled: 'In my view the purpose of the CLG was to get the CBI to take more a progressive position, and the CLG was instrumental in that happening. We left the CLG because it had fulfilled that function.'[175]

According to interviewees from environmental NGOs, the CLG made the CBI nervous and prompted the organisation to rethink the issue.[176] This reassessment was facilitated by the CLG actively reaching out to engage the CBI. An interviewee at one CLG member recalled that the incoming Director General, Richard Lambert, had been very receptive to the CLG's advances.[177] She added that some CBI staff had become uncomfortable with the position Digby Jones had taken on climate change. However, in addition to the activities of the CLG and a new Director General, changes in the broader context were undoubtedly also responsible for the change in the CBI's rhetoric and approach. Indeed, the CLG was itself a strategic response by business leaders to the evolving and strategically selective context in the UK.

Importantly, the statements and positioning of the CGL played a role in establishing a weak version of ecological modernisation as the dominant discourse through which UK political and business elites conceptualise the challenge of climate change. This thesis does not suggest that ecological modernisation in the UK originated entirely among the business elite. As the previous chapter argued, before business leaders had fully engaged with such sentiments, key tenets of ecological modernisation had already become evident in the rhetoric of leading UK politicians including the then Prime Minister, Tony Blair. However, forward-looking business leaders, including those involved with the CLG, saw the advantages and opportunities of such a framing and grasped hold of these ideas. Aspects of ecological modernisation have been evident in the

[174] Various face-to-face interviews with author including on 25th July 2008 (Cambridge) and 16th September 2008, (London).
[175] Face-to-face interview with author, company headquarters, 16th September 2008, London.
[176] Author's face-to-face interview 19th May, 2008, Surrey.
[177] Face-to-face interview with author company headquarters, 20th August 2008, London

CLG's discourse in several ways. Firstly, the group has emphasised the need for 'close partnership' between business and government and the benefits of business input into policymaking. Also prominent in the CLG's statements has been the crucial importance of the private sector in providing the investment and innovation required to address climate change. Likewise, in accordance with ecological modernisation, the CLG has stressed the potential business opportunities arising from the challenge and the need to act quickly in order to grasp these opportunities.

Although the CLG appears to have played a role in shaping the debate and altering the way in which other prominent business actors have engaged with climate change, some interviewees reported that the group has become increasingly redundant. The policy context in the UK, notably the general level of business engagement with the issue, has been transformed since 2007. Indeed, in some respects the CLG has been a victim of its own success. A Director at one multinational for example noted that the group reflected a particular moment in time and one that had passed.[178] Another similarly added: 'I think it was effective before the rest of business woke up to the fact it needed to tackle climate change. I think they're probably struggling a bit now to know what their purpose is - awareness is pretty high now'.[179]

Between 2005 and 2010 the CLG helped redraw the fault lines and refashion the debate on climate change; at least at a high, overarching policy level. The CLG played an important role in establishing the dominance in the UK of the discourse of ecological modernisation, a discourse enormously valuable for business actors, including the CBI and its membership. The group also helped empower Labour politicians, who were generally reluctant to incur the wrath and criticism of major companies. The CLG's rhetoric also helped delegitimize a reactionary stance towards climate change, in so doing it constrained the positioning of other leading business actors. Its activities thus encouraged a change in position by the influential CBI, as the next section will illustrate in more detail.

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[178] Face-to-face interview with author, company headquarters, 16th September 2008, London.
[179] Face-to-face interview with author, company headquarters 1st October, 2008.

6.4 The CBI and climate change

The focus now returns to the CBI. This section will begin by analysing the evolution in the CBI's engagement with climate change since 2000, before examining the business group's approach and stance at the end of 2000s. It argues that by 2006 the scientific and political context in the UK had evolved in such a way that without a positive, long-term narrative, the CBI was in danger of being sidelined on the issue. The organisation's reactionary stance and rhetoric, emphasising the threats to UK competitiveness of action on climate change, increasingly lacked legitimacy and political traction. Adopting a more constructive position has allowed the CBI to draw more effectively on its resources and standing with government, increasing the organisation's ability to shape policy.

6.4.1 A climate change journey

Since 2006, the CBI has been on a climate change journey. In the words of one interviewee, the former Environment Secretary, Sir John Gummer: 'the CBI went through a period under Digby Jones of being frighteningly reactionary. It has become a voice for moderate progress, it's not fast enough, but it is for moderate progress, as it was under Adair Turner.'[180] Between 2000 and late 2006, the CBI's rhetoric and lobbying on climate change placed much emphasis on the threats to UK competitiveness posed by what the organisation deemed 'extremely strict' rules and regulations (as illustrated for instance by the CBI's evidence to Environmental Audit Committee in 2005) (HC 105, 2005: Ev 184). During this period the CBI rarely, if ever, discussed climate change through the win-win discourse of ecological modernisation. Climate change was framed as a threat but not an opportunity. In fact, other business actors such as the Environmental Industries Committee (EIC) even accused the CBI of overplaying the potential UK job losses and underestimating the possible business opportunities (The Guardian, 2005). Certainly, the CBI did not have a positive or particularly constructive narrative on climate change. While the CBI did not refute the severity of the issue, it did lobby against, or sought to weaken, policies aimed at reducing emissions such as the climate change levy, a tax which it argues is ineffective from the perspective of reducing emissions. Similarly, the CBI lobbied for the government to increase UK allocations for the first phase of the EU ETS, in effect undermining a policy mechanism which it supported (HL 21-I, 2005: 92). More generally, interviewees particularly, although not exclusively, from NGOs, argued that the CBI's position and rhetoric created a nervousness within

[180] Author's face-to-face interview with John Gummer MP, 6th October 2008, London.

government about how to move forward on climate change and suggested this was a factor preventing the government taking adequate action on the issue.[181]

In short, the CBI lacked a long term strategy or narrative for the challenge of climate change, and, as a result, the prominent business group risked being sidelined politically on the issue. One prominent CBI member for example recalled:

> We didn't used to talk to the CBI about climate change under Digby Jones. It wasn't that he was overtly anti-climate change - he didn't suggest climate change wasn't happening - but at that time there was a lot of emphasis from the CBI on the threats to UK competitiveness.[182]

By 2006, the issue's growing public profile, the developing cross-party consensus and the emergence of the CLG rendered the CBI's position increasingly outdated. Crucially, with the magnitude of the threat posed by climate change, the business group's stance and rhetoric increasing lacked legitimacy and the CBI had become the target of vocal criticism from environmental NGOs. For example, in its 2005 Report, 'Hidden Voices: the CBI, Corporate Lobbying and Sustainability', Friends of the Earth accused the government of listening overwhelmingly to the exaggerated claims of the CBI, and of paying little attention to the views of more environmentally progressive business actors. Friends of the Earth called on the government to seek out a broader range of business views when policymaking (Friends of the Earth, 2005). More generally, interviewees from these NGOs have argued that the CBI's Director General between 2000 and 2006 - Digby Jones - polarised the debate on climate change.[183] For those within the environmental lobby Digby Jones was an easy figure to caricature as reactionary.

Legitimacy is a crucial resource for the CBI. In fact, being seen as having a legitimate policy position - in this case an environmentally responsible stance - has been even more important for the CBI than it has for major companies such as BP or EDF Energy. After all, irrespective of any political or moral legitimacy, prominent companies enjoy credibility and leverage with policymakers as they are major employers. Likewise, these firms have ability to innovate and invest, two resources which the government has considered vital to its objective of low carbon

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181 For example author's face-to-face interviews on 19th May, 2008 (Surrey) and 25th July 2008, (Cambridge).

182 Face-to-face interview with author, 16th September 2008, company headquarters, London.

183 Face-to-face interviews with author on 19th May, 2008 Surrey and 25th July 2008 Cambridge

growth. However, the CBI itself does not enjoy these crucial resources. Interviewees noted that along with its expertise, the CBI's influence and close relationship with government has been predicated on the organisation taking a 'reasoned' and 'responsible' approach. As the Public Affairs Manager at one manufacturing multinational put it, 'the CBI is respected [by policymakers] as it puts across views that can be respected, it doesn't indulge in rhetoric'.[184] In a similar vein, the Director of Government Affairs at another multinational commented that CBI staff have always engaged with policymakers on the basis that they have to be reasonable themselves.[185] He candidly added:

> I think that's a bit of a tension between the CBI and its business membership. The business membership will quite often say 'we want you to be tougher than you are' and the CBI will say, not necessarily unreasonably, that the strength of their relationship in terms of influencing government is based on them being reasonable and responsible.[186]

The CBI has therefore been constrained by the need to appear reasonable, both to policymakers and the wider public. To appear otherwise has generally been counter-productive politically. Perceptions matters; and interviewees observed that by 2006 the organisation had woken up to the fact that it had a problem with perception.[187] As argued in chapter two, legitimacy is both contingent and context dependent. The prevailing context had changed and the CBI had to get itself organised; to maximise its influence, the organisation needed to find a way into the policy debate and to develop a much more positive and constructive narrative on climate change. Of course, at the same time the CBI also had to retain credibility and legitimacy with its own membership, on whom it depended for subscriptions and its authority and credibility with policymakers. Indeed, the organisation has had to continually strive to balance these needs.

In November 2007, following 10 months work, the CBI's Climate Change Taskforce, comprising 18 Chief Executives and Chairmen from prominent CBI members, including Shell, Tesco, British Airways, BT and Ford, released a major report on climate change – 'Climate Change: everyone's business'. The 52 page report, which received considerable media attention, argued climate change 'represents a substantial risk' and that urgent UK action is required to mitigate the threat (CBI,

[184] Face-to-face interview with author, 25th September 2008, Yorkshire..
[185] Face-to-face interview with author, company headquarters 1st October, 2008.
[186] Face-to-face interview with author, company headquarters 1st October, 2008.
[187] Various interviews with author including on 19th May 2008; 25th July 2008; and 1st October, 2008.

2007a: 11). Indeed, it argued the 2020 CO_2 targets were already unlikely to be achieved. However, although challenging, the report suggested the 2050 targets were achievable, and at 'manageable costs' (CBI, 2007a: 3). Like the 2006 Stern Report and the CLG's 2005 letter, it suggested taking action immediately would be cheaper than delaying measures to reduce emissions. The report also called on business, government and consumers to work together, and asserted that the fight against climate change could present business opportunities for UK plc (CBI, 2007a: 17; 41). Capturing this shift, the CBI's Director-General, Richard Lambert, described addressing climate change as a 'story of opportunity as well as risk. With the right focus on R&D, we can be at the forefront of new low carbon technologies that will power the world economy' (CBI, 2007b). Unlike its rhetoric a few years earlier, the CBI had adopted a positive narrative. Along these lines, one interviewee from a company on the CBI's Climate Change Taskforce, commented that the CBI 'has been successful in saying 'we are big believers in the fact business can derive advantage from tackling climate change' '.[188] Thus, in key respects, including the emphasis on the potential business opportunities, the CBI's 2007 Report and the organisation's more recent rhetoric, can be seen as in fitting with ecological modernisation. Indeed, like the government, during the 2008-9 recession the CBI increasingly identified the move to a low carbon economy as a key means by which economic recovery and growth could be achieved. In so doing, the CBI helped further consolidate this win-win discourse in the UK; a discourse so beneficial to business interests as it maintains that continuous economic growth is compatible with decarbonisation.

6.4.2 The CBI's engagement with climate change, 2007-2009

Following its 2007 report, climate change became a major part of the CBI's work, and the organisation embarked on a three-year programme of activity. The CBI's Climate Change Taskforce was refashioned the Climate Change Board, with the respective Chief Executives and Chairmen coming together every three months.[189] Below the Board sits a Climate Change Working Group and this again meets four times a year, and in 2009 a policy team of 8 were working full-time on climate change (CBI, 2009e).[190] The team has had considerable output, including numerous events on climate change, including a summit in December 2008 dedicated entirely to the issue, attended by the Secretary of State for DECC; and various briefings and publications,

[188] Face-to-face interview with author 1st October 2008, company headquarters, London.
[189] Face-to-face interview with author 16th September 2008, company headquarters, London.
[190] Two further CBI staff work on energy policy.

such as a series of climate change 'trackers', which assess UK progress to date (CBI, 2009f). The CBI has also developed a micro-site dedicated solely to climate change (CBI, 2009g).

Policymakers noted that at a high level the CBI has taken an ambitious position on climate change and has recognised the importance of, and need for, domestic action.[191] The former Environment Secretary, John Gummer, thus asserted that the CBI has had a positive impact: 'it has set an agenda and has committed itself to having to face climate change. Its arguments are not whether we should do something, but what is the best and most cost effective way of doing it.'[192] The CBI has neither challenged nor questioned the government's strengthening of the UK's 2050 carbon reduction target to 80%,[193] and was in general supportive of the Climate Change Bill (Lambert, 2007). In fact, the organisation has liked the certainty provided by carbon budgets. Moreover, the business group has lobbied for a robust Phase 3 of the EU ETS, with declining caps, which amounts to an ambitious EU-wide target, and has advocated auctioning for sectors not deemed at risk from carbon leakage (see chapter 7). Indeed, the CBI has been a strong supporter of the EU ETS, arguing it is crucial for establishing the carbon price needed to drive investment. Moreover, it has supported the 'aims and ambition' of CRC Energy Efficiency Scheme and been vocal in calling for more concerted action on energy efficiency, both in the commercial and domestic sectors, as well as working with members to develop a common corporate standard for carbon reporting (CBI, 2009c). Even environmental groups have generally recognised that under Richard Lambert the CBI has engaged much more seriously and constructively with climate change. NGOs for example generally welcomed the CBI's 2007 Report and the business group's public calls in 2009 for greater urgency from government and support for the Climate Change Act (Friends of the Earth, 2009a). Indeed, the WWF's UK Chief Executive David Nussbaum even spoke at a CBI event on climate change in 2009. Given the CBI's constructive repositioning on the issue, environmental NGOs have identified political value in cautious engagement with this influential business actor.

There has remained, however, some disconnect between the CBI's overarching rhetoric on the severity of climate change and the urgent need for action, and the position the business group has

[191] Author's face-to-face interview, February 9th 2009, London.
[192] Author's face-to-face interview with John Gummer MP, 6th October 2008, London.
[193] The government took this decision on the advice of its newly created independent advisor, the Committee on Climate Change.

taken on several important aspects of policy. Notable examples include the organisation's continued support for a third runway at Heathrow and its erstwhile backing of new coal generation without Carbon Capture and Storage (CCS). For example, in its December 2008 report, 'The Future of Coal', the CBI stated its opposition both to mandating carbon capture and storage and the introduction of an Emissions Performance Standard for power stations. It argued such measures would undermine the EU ETS, bias the market towards new gas and extend the lifespan of older, more inefficient, coal plants (CBI, 2008c: 6). As interviewees pointed out, the CBI's move away from opposition to CCS and its support for the government's decision in April 2009 not to allow new coal-fired power stations without CCS in large part reflected the changed political context and increasing illegitimacy of this position on such a high profile policy, particularly following focused campaigning by environmental groups on the issue.[194] However, the CBI continued to lobby against an Emissions Performance Standard for power stations.

As a result of the positions the CBI has taken on issues such as coal and airport expansion, to varying degrees NGOs remain critical and somewhat suspicious of the CBI's stance towards climate change. An interviewee from one NGO for instance observed 'when you drill down to the details, for example on carbon reporting, there's still a delay tactic'.[195] Another environmental campaigner, sceptical of the CBI's positions, critically stated: 'I think the CBI recognises that there is a need to talk about climate change and there is a need to *appear* to be doing something about climate change, but I still think it's incredibly resistant to any real change.'[196]

More recently, environmental NGOs have been at odds with the CBI over its calls for the government to reduce the UK's 2020 renewable electricity target (Greenpeace 2009). The CBI claimed that a focus on wind power was diverting private investment away from nuclear and CCS, and would lead to volatility in energy prices. From an environmental perspective such a position is not unproblematic. Notably, issues remain with how to deal with nuclear waste and uranium is non-renewable, and, as yet, CCS is an unproven technology when deployed at scale. Unsurprisingly, for all the CBI's movement on climate change, the divide between the business group and NGOs has remained substantial. The crucial point here is that despite a dialogue having

[194] Telephone interview with author 9th September, 2009.
[195] Author's face-to-face interview, 19th May, 2008, Surrey
[196] Author's face-to-face interview, 11th June, 2008, London.

developed between NGOs and the CBI, the Labour government continued to face opposing claims from key stakeholders when making climate policy throughout its years in power.

To summarise, given its strategic assessment of the evolving context in the UK, the CBI shrewdly repositioned itself on climate change and began to adopt a discourse much more in fitting with ecological modernisation. Adopting this more positive narrative provided legitimacy for the CBI and soothed tensions between government and business leaders. This repositioning encouraged a closer dialogue between the group and government on climate change, and helped further embed ecological modernisation. During the last few years of the Labour government, interaction between policymakers and the CBI became underpinned by a shared understanding of the importance of climate change and a conviction that addressing the problem could bring with it considerable economic and business opportunities.

The CBI appears to have genuinely taken on board the threat posed by climate change. Moreover, through their work on the issue, Richard Lambert, the Climate Change Board and policy team have played an important role in engaging the wider CBI membership with climate change. Nevertheless, such engagement has not prevented the CBI lobbying for a range of policies which have been detrimental to the UK's objectives on climate change and opposed by NGOs. When faced with dilemmas between, on the one hand, growth or security of energy supply and, on the other, climate change, the CBI, somewhat inevitably given its purpose and membership, has continued to prioritise the former. Section 6.7 will examine the CBI's stance and impact on a number of specific policies in more detail. To do so, it begins by revealing the cultivated nature and privileged basis of the CBI's relationship with government.

6.5 The CBI: a privileged actor in the policymaking process

It is clear from interviewees that the CBI has been a key policy insider and has enjoyed substantial access to the heart of government. Despite a somewhat rocky few years in 2002 and 2003, during which there were clashes following an increase in business tax, relations between the Labour government and the CBI were generally positive (Coen and Grant, 2005; Grant, 2004). Certainly they were warmer than at times under the previous Conservative administrations. In particular, Thatcher was generally closer to the Institute of Directors than the CBI (Wilson, 2003). An interviewee at one prominent CBI member for instance observed that the CBI's 'relationship with government has been very good under Labour; it has been less good in the past.'[197] According to officials, the CBI's access to government has been comparable to that of the most prominent and powerful companies such as Rolls Royce and BP.[198] Meanwhile, a prominent special advisor interviewed commented that the CBI's relationship with policymakers was 'infinitely different' to that of other trade associations, and added that the organisation was 'authoritative, and ha[d] a high calibre of people working there.'[199]

The CBI has enjoyed a continuous and often private high level dialogue with government. Confidential bilateral meetings have been place on a monthly basis between ministers and the CBI's Director General, Richard Lambert (Information Tribunal, 2008). Moreover, as a senior BERR official noted, Richard Lambert could pick up the phone to the Prime Minister when he wanted to.[200] Although like other key business actors, CBI staff have had to exercise judgement about when best to draw on their privileged access. Simultaneously, the CBI's Policy Advisers, Heads of Group and Directors have had regular contact with their respective counterparts in the civil service. The CBI's Business Environment Directorate has also met with ministers and members of the opposition on a regular basis in order to discuss issues relating to climate change and energy policy. As such, the CBI has had consistent input into policymaking, and has been well-informed of policy developments across government, a particular advantage given the cross cutting nature of climate change. Consequently, as the CBI itself has stated, there have been few surprises on either side. In July 2009, for example, at the launch of its Energy Report, 'Decision time' the CBI's Deputy Director told reporters that the business organisation had been in conversation with ministers and that he was confident some of the Report's proposals would be incorporated in the government's soon to be released Renewable Energy Strategy (The Guardian, 2009a).

The fact that Labour was eager to position itself as a 'pro-business' party helps explain why relations between the government and the CBI were generally warm during the period under analysis. As Stephen Hale, a former special advisor at DEFRA put it 'Labour finds it difficult to

[197] Author's face-to-face interview, 25th September 2008, Yorkshire.
[198] Author's face-to-face interview with senior BERR official, 10th November 2008, London
[199] Author's face-to-face interview, 3rd December 2008, London
[200] Author's interview with senior DEFRA official, 19th June 2008, London; Author's interview with senior BERR official, 10th November 2008, London.

do things that upset the CBI because they lack the self-confidence to do so' (quoted in Carter and Ockwell, 2007: 160). The CBI has generally been taken to be synonymous with 'business' by journalists, both in the print and broadcast media, with its positions and opinions on policy given prominent media coverage. This has helped provide the organisation with status, authority and political traction. While in opposition, the Conservatives often also pointed to the lobbying positions taken by the CBI to strengthen their own proposals and undermine the government. Together, these factors have combined to make any criticism of government policy by the CBI highly visible, and thus something the Labour government sought to avoid wherever possible. Moreover, according to interviewees, in an effort to avoid public criticism from the key business group, the government actively sought out the CBI's positions and responses to policy *in advance* of its public policy announcements.[201]

The CBI's credibility and knowledge on policy issues is crucial for making sense of the close dialogue the organisation has enjoyed with government. Policymakers and business actors interviewed noted that the CBI is a professional body, able to deliver well thought out arguments as a result of its in-house analytical expertise. The CBI can draw on and synthesise information derived from its substantial membership, and this has provided the business group with weight and authority during discussions with government. Notably, the CBI has commissioned one of its members, the respected global consultancy firm McKinsey & Company, to carry out detailed analysis and modelling for its reports 'Climate Change: everyone's business' (2007) and 'Decision time' (2009). This has given weight to the CBI's arguments. As the previous chapter argued, information is a powerful political resource, facilitating access and influence. Indeed, the fact that policymakers have considered the CBI rich in information and expertise has been important for explaining the close dialogue between the CBI and government. Evidence given before the Information Commissioner in 2008, following a complaint made by Friends of the Earth regarding the confidential nature of interaction between government officials and the CBI, illustrates the intimate nature of the relationship between senior officials and the CBI. It also makes evident the importance of information for understanding this extensive interaction. In his evidence, BERR's Mark Gibson spoke of the value government attached to its regular exchanges with key influencers from the business community such as the CBI. He stated: 'officials are not businessmen, so we need to hear from businessmen about what their concerns are… government... needs to test its

[201] Author's face-to-face interview 15th July, 2008, London; 20th August, 2008, London .

ideas with influencing bodies to see if the measure will have the desired effect or if there are any unforeseen consequences' (Information Tribunal, 2008).

He told the Information Commissioner that the CBI is both an 'influencer and advisor'. Interestingly Gibson went on to add that for policymakers 'there is no clear distinction between influencing information and non-influencing information - all exchanges are valuable to government' (Information Tribunal, 2008). The blurred nature of this division is a great advantage for the CBI, and other key business actors considered rich in information by government. The extent to which policymakers value CBI input into policy was illustrated in 2007 when Gordon Brown included the CBI's former Director General, Lord Digby Jones, as a Minister in his 'government of all talents'. Referring to this appointment, Tony Juniper, then Executive Director of Friends of the Earth, remarked: 'Digby Jones went from being an informal part of government to an actual member of government. I can't imagine I will be made Environment Secretary when I've left Friends of the Earth'.[202]

Again, this is not to say that business leaders are the only actors whose input and knowledge has been valued by government. Notably, policymakers have recognised that environmental NGOs and members of the academic community also have important information to bring to policymaking in this area. Nonetheless, the contention here is that along with other leading business actors, the CBI has enjoyed a role in policymaking qualitatively different to that of other stakeholders. Like other business actors, the CBI has benefitted from key aspects of the prevailing discursive context, most notably the privileging of economic growth, and the fact that businesses have been the focus of many policies to cut emissions. The crucial role government has wanted companies to play in the transition to a low carbon economy, coupled with the CBI's expertise and ability to synthesis and road test policy ideas among its broad membership, has provided the organisation with privileged access to government and considerable political traction.

6.6 Assessing the CBI's influence on climate change policy

Access to policymakers of course is not synonymous with political influence. Chapter 3 has already referred to the inherent difficulties and methodological challenges associated with attempts to

[202] Author's face-to-face interview with Tony Juniper 23rd June 2008, London.

analyse and attribute political influence. Crucially, discursive aspects of the prevailing context favour business interests, *irrespective* of any direct representation to government by business actors, including the CBI. Moreover, the multiple pressures on policymakers often render the task of identifying the influence of any single actor or factor impossible. This is particularly the case here as the CBI has often lobbed on policies in tandem with other key business groups and companies. Furthermore, as interviewees noted, considerable contact has taken place before and alongside the official written consultation processes, and much of this interaction between the CBI and government has been confidential and undocumented.[203] While accepting the inherent limitations of any assessment of political influence, this chapter suggests that despite the various constraints imposed by the evolving context and the business community's heterogeneity, other aspects of the strategically selective setting and the CBI's perceived expertise, *have* enabled the group to have a notable impact on policy in this area. Firstly, through its high public profile, analytical expertise and extensive interaction with policymakers, the CBI has played a role in shaping the tone of the debate on climate change. Secondly, by drawing attention to the crucial importance of their resources, the CBI has helped provide political traction for individual companies. Finally, CBI lobbying and information has been a factor influencing a range of important policy decisions. This chapter will unpack each of these aspects of influence in turn.

The vast majority of member companies reported that the CBI has provided some political leverage in this policy area. These firms take the view that the business group has had a valuable impact on the political debate on climate change and specific aspects of policy. An interviewee from one of the big six electricity generators for example commented that the CBI has been a 'useful vehicle of late',[204] and an interviewee from the manufacturing sector stated unequivocally that he had been 'a firm supporter of the CBI while involved with this work.[205] The member companies on the CBI's Climate Change Board have paid an additional fee to support the CBI's work on climate change. It seems implausible these companies would pay on top of their existing subscription if they did not believe that the CBI's work on the issue provided some value and political advantage, particularly as they were already able to draw on the secretariats offered by their respective sector trade associations.

[203] Various face-to-face interviews with author, including on 16th July 2008, London; 22nd July 2008, Yorkshire.
[204] Author's telephone interview, 30th July, 2008.
[205] Face-to-face interview with author, 25th September 2008, company offices, Yorkshire.

Interviewees, including policymakers, commented that the CBI's work on climate change has demonstrated the organisation's capacity to engage in 'thought leadership'.[206] Through its media profile, political access and business reach, the CBI has widely disseminated its analysis and ideas. At a general level, over the past two years the CBI has helped establish a consensus among political and business elites and reinforced a positive narrative around the challenge of climate change. Importantly, the CBI's more constructive stance has had a positive impact on policymaking as it has removed a potential block to tougher CO_2 reduction targets and the Climate Change Act. Furthermore, and somewhat paradoxically, alongside actors such as the Committee on Climate Change, opposition parties, and environmental NGOs, over the past few years the CBI has played a role in highlighting the government's failings on climate change. For example, in a prominent front page article in *The Guardian* in April 2009 Richard Lambert pressed on policymakers the need for urgent action. In the words of one interviewee from a prominent member company: 'the CBI has been useful as it says to government 'look you're very good at making these lofty targets, but you need to do things right now to make them happen, you need long-term project plans."[207] Even NGOs have recognised the value of the CBI's statements and publications calling for the government to act with greater speed.

The CBI has also played an important role in 'reminding' policymakers of the critical position businesses have in the transition to a low carbon economy, and this has helped provide political traction for individual companies as they lobby government. The organisation has emphasised to government that it relies heavily on private capital and innovation. In particular, the CBI has made the point that as a result of the recession there has been little left in the public coffers and as such 'private investment is going to be the lifeblood of powering a low-carbon economy' (CBI, 2009h). Importantly, the CBI has also regularly drawn attention to the conditionality and mobility of private investment, and the necessity of a 'proper' policy framework if such investment were to be attracted to the UK. In April 2009 Richard Lambert thus publically warned policymakers that companies were frustrated with the slow pace of government decision making. He asserted firms were 'jittery' about investing in the UK as a result of a variety of factors, including a lack of

[206] Author's face-to-face interview with senior BERR official, 10th November 2008, London; telephone interview with author, 8th September, 2009.
[207] Face-to-face interview with author, company headquarters, 16th September 2008, London.

certainty over the future price of carbon and delays in the planning process (The Guardian, 2009b). In this way, the CBI has helped bolster the political leverage of other business actors by highlighting their crucial resources and the mobility of transnational capital, and concomitantly, the need for business input during policymaking.

Policymakers have regarded the CBI as a valuable source for ideas and expertise on climate change, and indeed, as an agent capable of pushing along the policy process.[208] The Labour government was somewhat guilty of dithering on climate change (The Guardian, 2009c). It delayed various important decisions, for example on Carbon Capture and Storage, and launched numerous consultation and review processes. More generally, until publishing The UK Low Carbon Transition Plan in July 2009, the government lacked an overall strategy for reducing emissions.[209] Critics, including the CBI, argued that even this 'comprehensive' plan lacked urgency. However this is not the place to evaluate the Labour government's strategy on climate change. Suffice to say, prevarication and an absence of direction by government created space for the CBI to exercise some ideational leadership. In its discussions with policymakers and through the publication of a series of 'roadmaps', the CBI has provided an overview and vision for how the UK could arrive at its longer term CO_2 targets, and policymakers have taken notice of the CBI's work. For example, the Committee on Climate Change took the modelling on abatement potential carried out by McKinsey for the CBI in 2007 as a starting point for its first major report in December 2008. In fact, it hired McKinsey to tailor this modelling for its own analysis.[210] The CBI's work to develop a timeline to decarbonise the economy and a relevant set of indicators has also fed into similar work the Committee has undertaken.[211] However, it must be emphasised that the CBI's ability to exert such leadership has been conditional on the business group taking a constructive approach to the issue, at least at a high, overarching policy level. The CBI's ability to shape the political debate in the UK has, to a large extent, been predicated on the organisation subscribing to the key tenets of (weak) ecological modernisation. In turn, having adopted this discourse, the CBI has played a major role in establishing its dominance in elite debate in the UK.

208 Author's face-to-face interview, 30th June 2008, London.
209 In this plan the government laid out how the UK would met its carbon budgets and cut emissions by 18% compared to 2008.
210 Author's face-to-face interview, February 9th 2009, London.
211 Author's face-to-face interview, February 9th 2009, London.

6.7 Examples of CBI influence on policy

In addition to playing an important role in shaping the government's overall climate change strategy, the evidence suggests that the CBI has also had an impact on a number of key policy decisions. The chapter will now briefly highlight four concrete examples of this influence. Firstly, the CBI's consistent support for nuclear power helped shape government thinking on the issue; secondly, the CBI played an important role in building political support for the 2008 Planning Act; thirdly the CBI was a key actor in the development of emissions trading; and, finally, along with other business actors, the CBI's position was instrumental in the government's decision to approve a third runway at Heathrow. These policy successes are by no means exhaustive of the influence which the CBI has had in this area. For instance, through its dialogue with government, the CBI helped shape DEFRA's guidelines on corporate carbon reporting. Likewise, the organisation had a notable impact on the shape of the CRC Energy Efficiency Scheme. For example, its lobbying encouraged government to allow significant subsidiaries to 'disaggregate'[212] and to give more companies recognition for early action to improve energy efficiency by allowing the inclusion of other accreditation schemes alongside that of the Carbon Trust Standard (CBI, 2009i). However, as with many policies, while the CBI had some notable 'wins', not all aspects of the scheme's final structure were what it had called for. The competing demands on government and the general complexities of policymaking mean such a picture of mixed or qualified success reflects the majority of policy outcomes, even for powerful business actors such as the CBI and major companies.

6.7.1 Nuclear power

With the CBI at its helm, the business community consistently and successfully lobbied government to give the go ahead to a new generation of nuclear power. The debate in the UK around nuclear power has been heated (MacKay, 2008). A wide range of actors, including green NGOs such as WWF and Greenpeace, the Liberal Democrats, many backbench Labour MPs and the Sustainable Development Commission, have fervently opposed nuclear power on environmental, safety and cost grounds (see for example, Sustainable Development Commission, 2006; WWF, 2007b). However, even within the green movement the issue has been divisive: given

[212] Disaggregation refers to the fact that 'Significant Group Undertaking' i.e. large subsidiaries can choose to participate as individual entities in the scheme. The complexity of some companies' organisational structures makes this provision helpful for some businesses.

the scale of the challenge presented by climate change, since around 2006 a number of prominent environmentalists such as Mark Lynas and James Lovelock began, albeit reluctantly, to see nuclear power as necessary (Lovelock, 2006; Lynas, 2008).

While it did not completely rule out new nuclear power, the government's 2003 Energy White Paper did state that the economics and issues around waste made nuclear an unattractive option (DTI, 2003: 12). At that time the CBI was quiet on nuclear power, taking a neutral stance.[213] Since then, however, the organisation has become a strong and vocal advocate for this controversial form of energy. Following a 2006 consultation with its membership, the CBI came to the view that nuclear power was necessary. In fact, it found there to be broad support for nuclear from across the business community, and particularly from energy intensive companies, concerned about energy security and cost.[214] In 2007, in a submission to the government on the future of nuclear power, the CBI stated its belief that nuclear: 'has an important role to play both in ensuring a more diverse electricity mix, thereby increasing energy security, and in reducing emissions to help achieve UK climate change objectives' (CBI, 2007c).

Following its members, the CBI has maintained that nuclear power has advantages from the perspective of security of supply. The organisation has argued nuclear is 'effectively an 'indigenous' power source', unlike gas, which tends to come from unstable regions of the world (CBI, 2007c). The CBI has drawn on the uncertainty and concerns around security of supply to make a persuasive case to policymakers. Moreover, according to the business group, the cost of generating power from nuclear is likely to be more stable than from fossil fuels, and cheaper than for renewables as it maintains lower levels of investment are required for nuclear than wind (CBI: 2007a; 2007b: 13; 2009). The CBI has also argued nuclear is more reliable as a form of base load power than 'intermittent' wind. Nuclear power is an issue on which there has been considerable unity within the business community.[215] Echoing the sentiments of the CBI, an interviewee from the Energy Intensive Users' Group (EIUG) unequivocally stated 'the lack of a nuclear option in the long run would have finished off a lot of industries in the UK, there's no doubt about that if

[213] Telephone interview with author 3rd November, 2009
[214] Telephone interview with author 3rd November, 2009
[215] Telephone interview with author 9th September, 2009

you start internalising carbon prices'.[216] Indeed, the EIUG also actively lobbied government on the issue.

By 2006 the government's position had changed, and in January 2008, following an ultimately unsuccessful challenge by Greenpeace, Gordon Brown finally confirmed the government's decision to give the go ahead to a new wave of nuclear power stations. Like the CBI, the Labour government justified nuclear power on the grounds that it is affordable, secure and low carbon (Brown, 2008). Tellingly, Blair and Brown both chose the CBI's Annual Conference, in 2005 and 2007 respectively, to make positive statements on the future of nuclear power. NGOs certainly regard lobbying by the CBI as having had a major impact on the government's position. In the words of an interviewee from a prominent environmental NGO, 'the CBI has had a very strong influence on making the government think that nuclear is a priority technology'.[217] Similarly, interviewees from the business community commented that the CBI had been effective in this area, as one put it, without broad business support for new nuclear, the government's change of stance would have been unlikely.[218] Although it is impossible to quantify the CBI's exact impact, the organisation's consistent voice in favour of new nuclear power was undoubtedly a factor contributing to the government's change of position.

In 2009, buoyed by its success, the CBI called for nuclear power to produce a larger share of the UK's energy (34% by 2030), than that proposed by the government. The business group's 2009 report, 'Decision Time', tentatively suggested some form of subsidy, along the lines of the RO, might be needed for nuclear going forward (CBI, 2009b).[219] In the October 2009 The Guardian reported that as a result of falling energy prices, the government had 'secret plans' to introduce a form of nuclear levy on consumers to subsidise the building of new nuclear power stations (The Guardian, 2009d). It will be interesting, and illuminating, to see whether a support mechanism for this apparently 'affordable' low carbon energy is introduced.

[216] Various interviews with author, including 23rd June 2008, London.
[217] Author's face-to-face, 19th May 2008, Surrey
[218] Telephone interview with author, 15th October, 2009
[219] In this report, the CBI called for a joint government-industry task force to be established to examine 'whether an additional market mechanism is needed to incentive the volume of low carbon generation that must be built' (CBI, 2009).

6.7.2 The 2008 Planning Act

The CBI also played an important role in building political support for the 2008 Planning Act. This Act introduced a new system for giving planning permission to 'nationally significant infrastructure' including large wind farms,[220] nuclear and other power generation stations over 50mw in capacity, along with road and airport developments. It also established an independent (and unelected) Infrastructure Planning Commission (IPC), to take decisions on the basis of National Policy Statements (NPSs). The Labour government argued that the new system would make the planning process fairer, faster and more consistent, helping deliver 'a new generation of green infrastructure sources to meet our ambitious low-carbon goals' (The Telegraph, 2009; also see HMG, 2009a). It is certainly the case that under the previous system, the process for awarding planning approval had been painfully slow. Prior to the Act, it had taken on average 26 months for a decision to be made on a large windfarm application by the Secretary of State,[221] and a further 10 months should the application have gone through appeal (CCC, 2009a: 118). The CBI was a strong supporter of the changes in policy proposed by the Bill, arguing that:

> The UK faces a number of economic and environmental challenges over the coming decades which will require the delivery of an unprecedented amount of investment in the country's ageing infrastructure networks – this cannot be held up due to unnecessary delays in the planning system (CBI, 2009j).

In November 2008, prior to the Bill's passage, the CBI's Deputy Director stated that the legislation 'was in the national interest… facilitat[ing] the building of infrastructure that will help Britain protect its energy security, build renewable power sources to cut carbon, and invest for the future' (CBI, 2008d). He 'urged' politicians to back the Bill as it made its way through Parliament. According to one interviewee, the CBI 'worked closely' with the government on the legislation and lobbied the Conservatives heavily in order to get the Bill through Parliament.[222] The CBI certainly considered the Act as a piece of lobbying success, describing 'the successful enactment of the Planning Act [w]as a real achievement for the CBI in 2008' (CBI, 2009j). However, the Act has not been not without critics. Environmental NGOs and the Liberal Democrats for example

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[220] The Act relates to offshore wind farms over 100MW and onshore wind farms over 50 MW.

[221] Under the Electricity Act 1989, planning decisions for applications over 50MW are taken by the Secretary of State (and the Scottish Minister in Edinburgh). Meanwhile, decisions on applications below 50MW are taken by local councils.

[222] Telephone interview with author 15th October, 2009.

argued it would be 'undemocratic', taking power away from local communities. Under the new system, it would be left to the IPC to determine whether public enquiries should be held on any controversial planning decisions (Burke, 2010). Sceptics of the change, fear it would make the building of roads, airports and waste incinerators easier; policies very much at odds with an effective environmental policy. Thus, the Act's impact from the perspective of reducing UK emissions has been contested and far from certain; only time will tell whether CBI lobbying in this respect will help or hinder the UK's ability to achieve its climate change targets.[223]

6.7.3 Emissions trading

From its initial decision under Adair Turner in 1999 to set up the UK Emissions Trading Group (ETG), the CBI has been a strong and vocal champion of emissions trading. Along with other prominent business actors, the CBI has viewed emissions trading as a flexible and cost effective alternative to a carbon tax and has lobbied government accordingly. Interviewees from the business community noted that the CBI and the ETG, (which the CBI established along with the ACBE[224]) played a major role in pioneering emissions trading.[225] As the next chapter will argue in more detail, facilitated by the prevailing discursive framework in which UK policymakers have tended to favour market mechanisms, the UK government was very receptive to the CBI's advocacy of emissions trading. More recently, through its frequent interaction with government, the CBI has been well placed to shape thinking on the issue, and its support for emissions trading has helped entrench the mechanism as a key plank of the UK's approach to tackling climate change. In particular, there was regular contact between the CBI and UK policymakers over emissions trading in the run up to the crucial EU summit in December 2008.[226] During this time the CBI both encouraged and provided support for the UK government's robust stance on Phase 3. Although the organisation (and its membership) does have some concerns in relation to the EU ETS, like UK policymakers, it has remained committed to emissions trading (CBI, 2008a).[227]

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[223] The new coalition government has plans to do away from these changes to the planning system, so perhaps the Act's environmental credentials will never get the test of time.

[224] The ACBE (Advisory Committee on Business and the Environment) was a joint DEFRA/DTI Non-Departmental Public Body set up 1991. The Committee comprised leading business people and had the remit of providing government with a business perspective on environmental policy. It also has the objective of encouraging businesses to demonstrate good environmental practice and management.

[225] Telephone interviews with author, 15th and 21st August, 2008.

[226] Author's interview with Senior DECC official, 27th of January 2009, London.

[227] For example, the CBI has some concerns in terms of current uncertainty around carbon prices and what this means for investment.

The CBI has been well ahead of most of its European counterparts, and particularly the umbrella business lobbying federation BUSINESSEUROPE, which have remained far more reactionary on climate change. Indeed, according to Richard Lambert, the stance taken by the CBI on Phase 3 was such that it has led the CBI's Deputy Director, John Cridland, to be viewed as a 'ponytailed tree-hugging fruitcake' by some of his European business counterparts (Lambert, 2008). This observation was corroborated by the senior DECC official working on the EU ETS, who commented when interviewed that many other European trade associations have not been able to understand why the CBI, and UK business more generally, was so supportive of the EU ETS.[228] The CBI has supported a more robust EU ETS as it hopes it will help provide a level European playing field for UK companies, including in those member states where climate change has not been such a major political issue. The example of emissions trading again illustrates how the CBI has generally been at its most effective and influential when it has taken a pro-active approach on climate change; accepting the need for action and coming up with policy solutions.

6.7.4 Heathrow expansion

Lobbying by the CBI and other prominent business actors, including BAA and the British Chambers of Commerce, also helps explains a further, and controversial, policy decision: the government's approval in January 2009 of a third runway at Heathrow. Although a few prominent business leaders, including the chief executives of Kingfisher and Sainsbury, have begun to question the economic arguments behind a third runway - in fact in May 2009 forming a lobby group against the airport's expansion (The Guardian, 2009e) – members of the business community have generally been firmly behind the move. As such, this has been a further policy area in which the CBI has been able to articulate a common business position. The CBI has been a member of Flying Matters, a group set up in 2007 to defend the aviation industry (Flying Matters, 2009), as, in the words of one interviewee from the sector, the industry was 'coming under sustained attack'.[229] The CBI has consistently called for airport expansion and has argued there is 'a strong business and economic case for expansion at Heathrow' (CBI, 2008b; BBC News, 2009a). Given its repositioning on climate change and the public profile of airport expansion as a result of environmental campaigning, the CBI's public backing for the third runway has been tempered to a

[228] Author's interview with Senior DECC official, 27th of January 2009, London.
[229] Author's face-to-face interview, 20th May, Trade Association offices, London.

degree by its desire to maintain legitimacy on climate change. However, the aviation sector was quick to praise the political support it has received from the CBI with government. For example, one interviewee from within the industry commented that the sector has received 'considerable backing from the CBI at a general level and specifically in terms of Heathrow.'[230] Like the sector itself, the CBI has argued that the inclusion of aviation within the EU ETS would ensure that any growth within the industry did not jeopardise the UK's wider targets (CBI, 2008b). However, given the ambitious nature of the UK's carbon reduction targets for 2020 and 2050 this position has been far from unproblematic. Serious doubts have remained as to whether technological developments and improvements in air traffic management will be able to offset projected aviation growth (Bows et al, 2007: 105). Furthermore, growth in aviation puts additional pressure on other areas of the economy to find emissions reductions. Critical of the sector's rhetoric on the impact of 'peripheral efficiencies', an interviewee from one environmental NGO thus stated: 'it is much more difficult to envisage a sustainable business model for aviation than it is for other sectors such as power or finance... We have no option but to fly in moderation: the climate cannot handle growth in the aviation business'.[231]

Nevertheless, despite the obvious tension between addressing climate change and an expansion in aviation, ministers closest to industry, notably the Business Secretary, Lord Mandelson, worked to persuade cabinet colleagues of the benefits and necessity of a third runway at Heathrow (The Sunday Times, 2008). The Prime Minister himself has been receptive to the CBI's arguments, and those of groups such as BATA and Flying Matters with whom the CBI worked, about the potential threats to economic growth and UK competitiveness should airport capacity not be increased. In fact, in a speech to the CBI in November 2007, while acknowledging that aviation should pay for the carbon it produces, Brown stated:

> We have to respond to a clear business imperative and increase capacity at our airports - and you have rightly called for action at Heathrow. Our prosperity depends on it: Britain as a world financial centre must be readily accessible from around the world. And this week we demonstrated our determination not to shirk the long term decisions but to press ahead with a third runway (Brown, 2007b).

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[230] Author's face-to-face interview, 20th May, Trade Association offices, London.
[231] Author's face-to-face interview, 19th May, Surrey.

The CBI welcomed the government's decision in January 2009 to approve Heathrow expansion and plans for a high-speed rail link. Richard Lambert stated that 'the announcement balances the needs of the economy with those of the environment, and provides the right framework for the country's long-term needs' (CBI, 2009k). However, environmentalists disagreed. Friends of the Earth for example branded the government's decision on Heathrow 'a hammer blow for UK climate targets', and dismissed the government's proposed 'green slots' as ineffectual (Friends of the Earth, 2009b). The issue of airport expansion and aviation growth again highlights the way in which business interests are facilitated and favoured during policymaking by a privileging of economic growth and the widespread attachment among the UK public to increasing consumption, in this case in the form of air travel. Indeed, business actors readily draw on these favourable discursive aspects of the strategically selective context during their interaction with policymakers. This example also illustrates the tension at the heart of ecological modernisation and the potential limits of its applicability. Tacking climate change is not always a win-win game. For some areas of the economy, notably aviation, continuous growth appears unlikely to be compatible with the rapid decarbonisation required, no matter how much policymakers and business actors might prefer otherwise.

6.7.5 Not always a success story for the CBI

As interviewees frequently noted, policymakers face numerous pressures and have a wide range of interests to satisfy and appease in this policy space.[232] Moreover, other key stakeholders have had a direct impact on the strategically selective setting against which business actors - including the CBI and its member companies - form both their policy preferences and strategies for interacting with policymakers. Notably, as chapter four illustrated, along with the scientific community, environmental NGOs have had success in raising the profile of climate change and have helped shape the agenda on the issue. Crucially, the activities of these actors have had an influence on what is viewed to be acceptable and legitimate policy when it comes to climate change. Indeed, as already illustrated, by 2006 the UK context had evolved in such a way that the CBI found itself on the back foot over the issue, and as a consequence the organisation strategically repositioned itself in order to better shape policy. That there are limits to CBI influence has also been evident from the fact that the CBI actively opposed a number of policies and targets to which the Labour

[232] Various face-to-face interviews with author, including with senior DEFRA official, 19th June, 2008 London; and special adviser to government, 3rd December 2008, London.

government remained committed. Notably, although the CBI waged 'an absolutely relentless campaign against the climate change levy' (HC 534, 2008: Ev88), the policy was introduced in 2001. Following its introduction, the CBI argued the levy had harmed the competitiveness of over half the UK's manufacturing sector and had driven jobs abroad.[233] The CBI, and other key business groups such as the EEF, did help secure concessions from government in the form of Climate Change Agreements (CCAs). These agreements, negotiated between DEFRA and the respective trade associations, have given participating sectors an 80% reduction on the levy, providing they committed to ambitious energy efficiency goals. It is worth noting that the CCA's are considered to have had an important awareness raising effect among companies and therefore have been beneficial (HC 534, 2008). Lobbying by the CBI also appears to have played a major role in the rate of the levy being frozen until 2007 (Friends of the Earth, 2005: 17; Oxfam, 2008: 30).[234] However, given that the CBI continued to argue that the levy was an ineffective policy measure (CBI, 2008b), yet the policy remained in place, its impact here has been limited.

The area of renewable energy targets provides further illustration of the limits to CBI influence. Although the CBI has supported increasing the amount of energy generated from renewables - in fact it identifies renewables as an important area for economic growth over coming years - the organisation has opposed what it considers 'arbitrary' targets for specific energy technologies. The CBI argued such a lack of flexibility would be likely to increase the cost of achieving emissions reductions, and urged the Labour government to focus on its carbon reduction target instead (CBI, 2008).[235] Indeed, in its 2009 report, 'Decision Time', the CBI called on the government to scale back its 2020 target for wind, arguing it would divert capital away from nuclear power (CBI, 2009b: 17).[236] However, despite the CBI's position, in its 2009 Renewable Energy Strategy the government remained committed to a 30% target for renewable electricity by 2020, to the

[233] In contrast to the CBI's position Cambridge Econometrics have argued that the Levy has had a significant impact on business practices (Darkin: 2006, 263), and real savings in carbon emissions appear to have resulted from this policy, at least at first. Nevertheless, the CBI continues to argue the policy is ineffective (CBI, 2008 – Oxfam response).

[234] The levy did not even rise in line with inflation until 2007.

[235] The CBI argues such targets risk making emissions reductions more expensive to achieve (CBI, 2008b).

[236] The CBI claims such a reduction in renewable electricity could still be squared with the UK's EU target for 15% of UK primary energy to come from renewables sources by 2020. For example, it argues the UK could increase the use of biogas for heating, or, failing that, make up the difference though joint renewable projects or intra-EU trading (2009: 17). As already noted, the CBI's opposition to renewable energy targets has been tempered by the fact several of its members are in favour of such targets.

lobbying group's frustration.[237] (See chapter eight for a detailed analysis of the government's strategy for renewable generation). When it comes to renewable energy targets, the UK government's position has been constrained and shaped far more by policy and horse-trading at EU level, and by the high profile activities of environmental NGOs, than it has CBI lobbying. The outcry by environmental NGOs in 2007, following a leaked government document showing UK policymakers were attempting to weaken the UK's renewables target, illustrates how limited the government's 'wriggle room' has been in this area. Given the magnitude of the threat posed by climate change and the scope for unfavourable European comparisons when it comes to levels of renewable generation in the UK, policymakers recognised a watering down of UK renewable energy targets lacked validity and legitimacy and would have left the government vulnerable to considerable criticism. Clearly, the CBI has not got all it has sought from government. The political context is complex and the strategically selective setting has provided constraints as well as opportunities for the CBI, as it does any actor, albeit to varying degrees. However, on balance, the CBI should be regarded as an effective and influential political organisation, and one which has enjoyed considerable success in this policy area.

6.8 Conclusions

By examining the CBI's role in and impact on climate change policymaking this chapter has developed and further illustrated the analysis in chapter 5. This chapter has argued that although differences and tensions have at times diluted the stances taken by the CBI, business actors have been sufficiently united on a range of issues that the organisation has been able to articulate common positions on climate change to government. In fact, business actors' involvement with the CBI and the acumen of the organisation's policy proposals, have been useful means by which member companies have identify shared political interests and concerns.

This chapter has highlighted the importance for business actors of retaining legitimacy in a rapidly evolving political and scientific context. It has suggested that business leaders and the CBI in particular have been constrained by the need to appear reasonable and constructive on this high profile issue. Business elites have facilitated their access and increased their influence on policy by adopting a proactive and constructive approach to the issue. By emphasising the business opportunities presented by climate change, the CBI, following the CLG's lead, has played an active

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[237] Telephone interviews with author 9th September 2009 and 3rd November, 2009.

role in establishing a positive elite consensus. In particular, it has reinforced the idea that growth is compatible with decarbonising the UK economy. In this way, the CBI has played a very important role in the consolidation of ecological modernisation as the dominant discourse through which the challenge of climate change is conceptualised in UK.

Aspects of the prevailing discursive context, the CBI's public profile as 'the voice of business', and its information and expertise have facilitated a close dialogue between the organisation and policymakers. In particular, section 6.5 emphasised the importance of information for making sense of its privileged role in policymaking. Government has valued the CBI's ability to synthesis information from its wide business membership, and have taken notice of the analysis and modelling the organisation has had commissioned. Moreover, the chapter has suggested that the government's prevarication on climate change has created space for the CBI to exercise some thought leadership. Given climate change's expansive and cross-cutting nature, the CBI's general breadth of focus across policy has also been a distinct advantage, enabling the organisation an overview and overall impact lacked by actors with narrower sectoral or environmental remits. Through its extensive interaction with government, the organisation has had the opportunity to reinforce the crucial importance and conditionality of private sector investment and innovation and, correspondingly, the need for business input into policymaking. CBI members take the view that the organisation has provided some political leverage and additional traction with government in this policy area, and the chapter has shown how the organisation has helped influence a number of important policy decisions. By having a positive long term plan and by proactively advocating concrete policies such as emissions trading and a new generation of nuclear power, the CBI has been better placed to drawn on its discursive and material resources and more effective at shaping the government's strategy.

Chapter 7:

The business community and the development of emissions trading between 1998 and 2008

7.1 Introduction

This chapter examines the role of the business community in the development of emissions trading in the UK and explores how effective business actors have been at shaping this aspect of policy. In particular, the analysis will focus on the initial discussions and decision between 1999 and 2002 to set up the UK Emissions Trading Scheme (UK ETS) and the interactions throughout 2008 between UK policymakers and business actors over the Phase 3 of the European Emissions Trading Scheme (EU ETS). As the introduction explained, the Labour government considered carbon pricing and emissions trading key mechanisms for reducing CO_2 emissions. Again, this case study illustrates both the constraining impact of the prevailing political context and the advantages conferred on business actors courtesy of their 'information rich' status and discursive aspects of the strategically selective setting.

The chapter argues leading business actors played a key role in establishing emissions trading in the UK. Business support for emissions trading and the development of the UK ETS was strategic in the sense that it was oriented towards maximising the opportunities presented by the prevailing context. Business advocacy for emissions trading should be understood against the backdrop of wider UK commitments and policy developments in relation to climate change: business elites regarded the mechanism as 'the least worst' policy option. While presenting constraints, the strategically selective context also provided opportunities, facilitating the objectives of leading business actors lobbying for emissions trading. In particular, business leaders were able to capitalise on a discursive privileging of market mechanisms. The chapter illustrates how key business actors came *together* to effectively articulate to government a *shared* preference for emissions trading. Nevertheless, it cautions against treating the business community as a single monolithic actor. Indeed, the chapter highlights a number of important cleavages and tensions between companies and business sectors, notably over allocation for Phase 3 of the EU ETS. The analysis suggests these differences have diluted the positions taken by business groups and at times tempered the political influence of business sectors.

Policymaking in this area has taken place in a context in which business actors generally enjoy considerable informational advantages over policymakers. The chapter argues that these informational asymmetries facilitated both extensive interaction between business actors and government and business influence over emissions trading policy. The final claim made in this chapter is that uncertainty has characterised business-government interactions in this nascent policy area. During the period under analysis, this was a rapidly evolving and idiosyncratic policy space. Both sets of actors were feeling their way as the issues and policies - including emissions trading - matured. No actor has been perfectly informed, and as a result the policy preferences of business actors have evolved considerably. In fact, the chapter argues that while the majority of companies continued to favour emissions trading in 2009, support for the EU ETS among some prominent companies in the manufacturing sector had fallen dramatically as the rules unfolded and problems emerged.

The chapter begins by providing a brief introduction to emissions trading and an outline of the UK and EU emissions trading schemes. Having examined the basis of initial business support for emissions trading, the chapter then argues that business leaders played a crucial role in the decision to set up the UK scheme. Section 7.4 illustrates how, in important respects, the strategically selective setting favoured business actors and interests. The chapter then proceeds to examine the nature of interactions over Phase 3 of the EU ETS in 2008, including within the Emissions Trading Group. In particular, section 7.5 highlights the importance of information and information asymmetries between business and government, and section 7.6 draws attention to tensions within the business community. The chapter concludes by flagging the uncertainty which marked this evolving policy area and by noting the resulting contingency of some companies' policy preferences.

7.2 Emissions trading – a brief overview

Emissions trading is a cap and trade system. If an actor (country, organisation etc) produces more emissions than their cap (e.g. their agreed target or permit allocation) they must buy extra units or allowances on the market. Meanwhile, if they emit less than their cap they can sell any surplus. By having an overall cap for emissions that is lower than the emissions expected to be produced under 'business as usual' projections, demand exceeds supply and scarcity is created in the market. It is this scarcity which gives allowances a positive value (see for example Robinson *et al*, 2007;

CBI, 2008a). In this way, rather than representing an 'obligatory cost', with the introduction of allowances and trading, any emission reductions become 'valuable assets' for companies (von Malmborg and Strachan, 2005). The rationale behind such a scheme is that emission cuts take place where the costs of reduction are cheapest, and thus 'by allowing participants the flexibility to trade allowances, the overall emissions reductions are achieved in the most cost-effective way possible' (DEFRA, 2009a). International emissions trading between developed countries was one of three flexible mechanisms agreed as part of the Kyoto Protocol to help states achieve their national commitments on greenhouse gases.[238]

7.2.1 The UK ETS

The UK was not the first country to use emissions trading. The United States, for instance, successfully introduced emissions trading for sulphur dioxide from power stations in order to tackle the problem of acid rain following the 1990 Clean Air Act (Wurzel, 2008). However, the UK ETS, (which covered each of the six greenhouse gases identified in the Kyoto Protocol), was the world's first economy-wide scheme to combat climate change (Robinson *et al*, 2007). The scheme ran from April 2002 to March 2007, and was voluntary, involving 32 organisations.[239] The UK ETS was 'downstream', i.e. for energy users rather than electricity generators, and had the objective of bringing about an absolute reduction in emissions amongst organisations involved. Participants[240] agreed to take on targets, which served as caps, and for doing so received a share of an incentive fund provided the UK government.[241] Overall the UK government spent £189 million on the scheme and 16 $MtC0_2$ were saved, which, as one official pointed out, made it an expensive way of reducing emissions.[242]

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[238] Under the Protocol international emissions trading allows a developed country to buy emissions reductions from other developed countries, thereby reducing the extent of domestic action required in that country. The US pushed for emissions trading to be included (Wurzel, 2008: 4; 8). Initially the EU was against the inclusion of these flexible mechanisms in the Kyoto Protocol, however, it made concessions so as to reach an agreement on the setting of national targets. The Clean Development Mechanism and Joint Implementation are the other two flexible instruments (Pinske, 2007: 13).

[239] In addition to these 'Direct Participants', companies with a Climate Change Agreement could use the UK ETS to purchase allowances to meet their targets, or sell allowances if their emissions reductions exceeded their targets.

[240] Participating organisations ranged from BP and Shell, to banks and the National History Museum. Targets required organisations to make absolute cuts in their emissions against a 1998-2000 baseline.

[241] A £215m incentive fund was made available by the UK government (Jordan *et al*, 2003; Wurzel, 2008).

[242] Author's interview with Senior DECC official, 27th of January 2009, London.

7.2.2 The EU ETS

The EU emissions trading scheme came into effect in 2005 and entered its second phase in January 2008. The EU ETS covers the energy sector and carbon intensive industries such as cement, steel and chemicals and, unlike the UK scheme, is mandatory. During the second phase the vast majority of allowances have been given to companies free of charge, 93% in the UK case. In December 2008 EU leaders met in Brussels to agree the rules for the Scheme's 3rd phase (2013-2020). The substantial changes will include an EU-wide central cap (as opposed to National Allocation Plans);[243] the introduction of full auctioning for electricity companies from 2013[244]; phased in auctioning for industrial sectors not deemed at risk from carbon leakage; and the incorporation of aviation into the scheme. Discussions over some of the Directive's final details and implementation measures remained ongoing during 2009.

This chapter will not discuss the merits of emissions trading, nor evaluate the effectiveness of either scheme. Suffice to say, both the UK ETS and first phase of the EU scheme have been described as 'learning experiences' by policymakers and business actors, who have argued that the EU ETS has become more robust and effective with time.[245] Meanwhile, the academic literature has generally been critical of the environmental benefit and cost effectiveness of both the UK scheme and the EU ETS during its first phase (see for example, von Malmborg and Strachan, 2005; Grubb and Neuhoff, 2006; Ellerman and Buchner, 2007; Toke, 2008). Despite their initial scepticism, many environmental NGOs, such as WWF, have begun to feel emissions trading has the *potential* to play a useful role in combating climate change as it requires industry to internalise the environmental cost of their activities (Robinson *et al*, 2007; Wurzel, 2008). However, interviewees from NGOs continue to express concern that policymakers do not over rely on such market mechanisms. Tony Juniper, Executive Director of Friends of the Earth from 2003-2008, captured such reservations, asserting:

> We're not against emissions trading, but we need other things to kick-start renewables. There's a whole range of different tools, relying on only one of them is a very short-

[243] The cap will decrease annually by 1.74% and deliver a reduction of 21% by 2020 (against 2005 verified emissions levels.)

[244] Member states which meet certain criteria have the option of temporarily derogating from the rule that allowances are not allocated freely to electricity generators.

[245] Various interviews with policymakers and business actors between April 2008 and January 2009.

> sighted way of dealing with the biggest challenge we've ever faced, you've got other mechanisms - regulation, public spending - which need to be more.[246]

Similarly, Stephen Hale, a former DEFRA special adviser, has argued that when it comes to the challenge of climate change the role of regulation has been 'consistently underplayed, whilst the contribution of emissions trading is frequently overstated' (Hale, 2008: 7). In fact, he adds that 'assiduous lobbying' by corporate actors helps explain this overreliance by government. Thus, while there is now general agreement that emissions trading can be a useful *tool* to bring about emissions reductions, at least providing the rules and allocation are sufficiently robust, there is disagreement as to the extent policymakers should *rely* on emissions trading to deliver their climate change objectives. Correspondingly, given the urgency of the problem, stakeholders disagree on the extent to which other forms of policy, notably regulation, for example in the form of mandatory standards, are required.

7.3 The role of business actors in the development of emissions trading

7.3.1 The unpopular Climate Change Levy

Leading business actors played a crucial role in establishing emissions trading as a key mechanism for combating climate change. Before examining why business actors were successful in this respect, it is first worth considering why prominent companies and business groups took this approach in the first place. Initial business support in the UK for emissions trading is best viewed as a strategic response by key business actors to the proposed climate change levy (CCL). In his 1999 budget Brown had announced the planned introduction of the CCL, a tax on energy used by industry, commerce and the public sector, which aimed to increase energy efficiency.[247] Despite the UK government's protestations that it was intent on returning all the revenue raised to business,[248] (DETR, 2000: 72-3; DEFRA, 2006a: 47), the business community was hostile towards the levy, and many business groups lobbied against its introduction (Darkin, 2006; HC354, 2005: Ev88). Indeed, even after the CCL was brought in, key business actors such as the CBI and the EEF[249] continued to argue it was a flawed policy and one which had damaged UK competitiveness and caused jobs to move abroad (see previous chapter). This episode illustrates both the power

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[246] Author's interview, 23rd of June 2008, Friends of the Earth offices London.

[247] The CCL came into effect in April 2001.

[248] To this end employers' national insurance contribution was reduced by 0.3 percentage point when the levy was introduced. According to the government this resulted in a net fall in the taxes business pays (DEFRA, 2006a: 47).

[249] The major trade association representing manufacturing and engineering in the UK.

and limits of business lobbying: ultimately, the CCL has not been rescinded. However, as noted in the previous chapter (section 6.5), concessions were made to industry in the form of Climate Change Agreements,[250] and the levy did not rise in line with inflation until 2007.

In general market mechanisms play more to the psyche of business than policies such as regulation or tax.[251] There is agreement in the literature that whilst many companies, both in the UK and elsewhere, do not resist measures to tackle climate change, they generally have had a strong preference for market-based mechanism and voluntary initiatives for their flexibility and reduced compliance costs, and as such business actors have generally attempted to push policymaking in this direction (for example see Ikwue and Skea, 1994; Kolk and Pinkse, 2007; Falkner, 2008). The decision by the CBI and ACBE[252] to set up the Emissions Trading Group (ETG) in 1999 represented a direct attempt by key business actors to push the direction of UK policy away from taxation towards more market-based mechanisms. In the words of one interviewee, 'industry was unhappy to say the least [with the proposed climate change levy], and felt there was at least a case to consider an alternative approach - a market approach'.[253]

This move by business leaders should be set in the context of the Marshall Report. The previous year, Lord Marshall, Chairman of British Airways and a former president of the CBI, had been commissioned by the Treasury to analyse whether, and if so how, economic instruments could be used to tackle climate change in the UK.[254] Helm observes that the choice of Lord Marshall reflected the Labour government's general tendency to look towards business leaders for policy advice rather than academics or other experts (Helm, 2003). One of the Report's recommendations had been that UK government should consider and consult on a pilot national emissions trading scheme with interested parties, so that industry in the UK would be well-placed for a future international scheme (Marshall Report, 1998; Robinson *et al* 2007). However, the

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250 There are 44 sectoral agreements. Sectors with an agreement qualify for an 80% discount on the CCL.
251 Various face-to-face interviews with the author including on 20th May 2008, London, and 18th June 2008, London.
252 The ACBE (Advisory Committee on Business and the Environment) was a joint DEFRA/DTI Non-Departmental Public Body set up 1991 following a commitment in the 1990 Environment White Chapter. The Committee comprises leading business people and has the remit of providing Government with a business perspective on environmental policy It also has the objective of encouraging businesses to demonstrate good environmental practice and management.
253 Author's interview with the Head of the ETG Secretariat, 15th July 2008, London.
254 Lord Marshall was assisted by a group of senior civil servants from across Whitehall.

Report was not as supportive of an UK emissions trading scheme as some business leaders had hoped, arguing a range of economic instruments would be needed (Nye and Owen, 2008).[255]

As is the case with all policies, an appreciation of the wider political and discursive context is critical when analysing the political preferences, objectives and strategies of business actors. Companies and business groups do not reach their positions on an issue such as emissions trading in a political vacuum; crucially they consider and factor into the aggregation process what policies are realistic and possible in a particular political climate. In other words, business actors weigh up what strategies are likely to have political traction. As chapters 5 and 6 argued, while the discursive setting has facilitated business leaders' ability to help shape and frame the agenda, the prevailing context has also limited the range of potentially successful strategies open to business actors. In the face of growing scientific evidence and consensus amongst the major political parties, intense NGO activity, and the Marshall Report, corporate leaders saw some form of policy aimed at reducing business emissions as inevitable in the UK. In this way, blanket corporate opposition to all policy to tackle emissions from business was unlikely to be sustainable or effective, at least in the medium or long-term. Increasingly, moreover, given the scale of the threat posed by climate change, such an approach lacked legitimacy. Given this context, the introduction of emissions trading appeared to be the 'least worst' option to many business leaders. As a director at one multinational put it:

> Sulphur dioxide and nitrogen oxide trading [in the USA] provided a glimmer of hope; the costs of reduction with that system had been less than had ever been expected.[256] We didn't want command and control legislation. To some extent tax would do the same thing, but we were trying to look for the most cost-effective mechanism.[257]

Business leaders hoped their early advocacy of emissions trading would prevent the introduction of the climate change levy and provide them with the opportunity to shape the rules of any scheme, and more generally, the direction of policy.[258]

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[255] Alongside emissions trading the report suggested taxation would need to be part of the approach if all sectors and sizes of business were to make a contribution.

[256] This scheme achieved its target of a 50% reduction in sulphur dioxide in advance of its deadline and at a much lower cost than anticipated (Robinson *et al*, 2007: 47).

[257] Author's interview 16th of September 2008, company's headquarters, London.

[258] Various interviews with author, including on the 15th July, 2008 (London) and 15th August 2008 (telephone). As Helm points out, from the perspective of the incumbent firms advocating the scheme, a gradually introduced ETS would also provide the advantage of grandfathered rights, relative to any new market entrants (Helm, 2003).

7.3.2 The Emissions Trading Group: leading business actors working together

Following its creation in 1999, the Emissions Trading Group (ETG) quickly produced proposals for the development of a UK ETS.[259] Its founding members included prominent and powerful companies such as BP, British Airways, Corus, Blue Circle/Lafarge, Ford and British Gas, and the group drew on the positive experiences of a few member companies who had already developed in-house emissions trading schemes, notably BP.[260] ETG member companies stressed that the group is not a lobbying organisation, although they observed that the ETG had successfully lobbied for the introduction of emissions trading.[261] In fact, interviewees emphasised the important role the ETG had in shaping the philosophy behind emissions trading in the UK and getting the UK ETS established. An interviewee at one manufacturing company for example commented that the group had been: 'very, very influential... It shaped the thinking and defined the golden rules of emissions trading, it made it real.... and has had a knock-on effect on policy at EU level'.[262] Another interviewee asserted: 'The government went ahead with a scheme that was substantially in line with our proposals. A significant feature of that... were financial incentives, which upset the green lobby quite a bit'.[263]

In somewhat typical fashion, business actors were against a mandatory ETS. The incentivised and voluntary nature of the scheme illustrates the success of the ETG and corporate leaders in getting the scheme set up on terms favourable to business interests, and thus the benefits of constructive early political engagement. The incentives for participation were not insignificant for companies: BP UK, for example, received around £20,000,000 from government for its commitment to reduce emissions by 350,000 tonnes ($C0_2$ equivalent) (Langrock, 2007: 207). Unsurprisingly, voluntary participation resulted in 'adverse selection', whereby companies expecting to be net sellers made up the majority of those signing up to the scheme (Dunn, 2005). Moreover, it appears many of the investments made by participants to improve their energy efficiency would have happened irrespective of the UK ETS (Jordan *et al*, 2003; Wurzel, 2008; Helm, 2008). As

[259] Author's fact to face interview, 15th July 2008, London.
[260] BP began a pilot emissions trading scheme in 1999 and achieved its emissions reduction goal seven years ahead of schedule (Falkner, 2008: 129).
[261] Authors interview with various ETG member companies and trade associations and the head of the ETG Secretariat between July 2008 and January 2009.
[262] Telephone interview with author 15th August, 2008.
[263] Author's interview with the Head of the ETG Secretariat, 15th July 2008, London.

such, payments effectively amounted to a sizeable, and arguably poorly directed, subsidy for a number of prominent energy intensive companies (Helm, 2008).

Still, not *all* business actors were happy with the end result. For example, one interviewee in the electricity generating industry recalled his sector's dissatisfaction at being excluded from the UK ETS.[264] Evidently, manufacturers preferred the structure adopted. In the words of the UK MD of a manufacturing multinational, 'the UK design was much better than the EU ETS - the large electricity producers were kept out of it.'[265] As section 7 will further illustrate, despite the general support for emissions trading among business actors, and the important role business leaders *together* played in establishing this policy mechanism, the business community is not monolithic its preferences towards emissions trading.

To summarise, some form of policy to reduce business emissions was becoming increasingly inevitable, and business leaders preferred an emissions trading scheme to an energy tax: emissions trading appeared the least worse option. Accordingly the CBI and a number of leading companies came together to put their political weight behind the development of such a scheme, in the hope that they could shape its structure while the mechanism was in its infancy. Although these business leaders were ultimately unsuccessful at staving off an energy tax (the climate change levy), their advocacy of emissions trading was fruitful. Business actors were extensively involved in the development of both the UK and EU emissions trading schemes. By coming together early on and adopting a constructive approach, and by advocating concrete policy proposals, business leaders facilitated their access to policymakers and their political influence. Moreover, through their early action, as section 5 will illustrate, these prominent companies helped embed institutional mechanisms, notably the Emissions Trading Group, which continued to encourage and facilitate their role in policymaking throughout the years under analysis.[266]

7.4 A favourable context for business interests.

The concept of discursive selectivity is again useful for capturing how the political objectives of business actors were facilitated by the prevailing context. As argued in chapter 5, over the past 30

[264] Author's interview 16th of May 2008, London.
[265] Author's telephone interview, 21st August, 2008.
[266] Since its inception, the ETG has facilitated extensive contact between business actors and UK policymakers.

years policymakers have privileged market mechanisms in the UK, and business leaders have been active in reinforcing this preference in government. While much of the impetus for emissions trading in the late 1990s came from key business actors, UK policymakers were receptive to the general approach, particularly given the decision to include emission trading as a flexible mechanism in the Kyoto Protocol. Indeed, given the prevailing context, business leaders knew UK policymakers were likely to be supportive of this approach to emissions reductions. The government, including the Prime Minister, Gordon Brown, regarded regulation as an 'outdated' means of addressing policy problems, including climate change (Brown, 2007). Serving officials also referred to this general tendency in government. A senior DECC official in charge of emissions trading for example commented in 2008 that the approach taken to industry and the economy in the UK has been very different to elsewhere in Europe, observing that:

> Since the Thatcher years there is a market solution to most things... In a lot of European countries, France, Germany, most of the Eastern bloc, there is an industrial strategy and industrial policy and the state is very interventionist. In contrast, we're not very interventionist, so a carbon market which is delivering what we want, through market mechanisms, is *logical* for the way the UK thinks.[267] [*My emphasis*]

The introduction of emissions trading in the UK was not an inevitability; there is nothing deterministic about a strategically selective context. Business actors, to the extent that they have common interests and political objectives, do not always get what they want from policymakers. Moreover, not all UK policies to combat climate change are market mechanisms, as the CCL in fact bears testimony. However, given the prevailing political context, for key companies and business groups, championing the cause of emissions trading was attractive, and a political strategy that stood a good chance of success. Policymakers were likely to be receptive to the favoured instrument of business leaders as over the previous few decades they had come to see market mechanisms as the 'logical' way of addressing many policy problems. The Kyoto Protocol had, moreover, made a future international scheme a real possibility. In these important respects the political playing field was tilted firmly in favour of business leaders. During the 2000s, encouraged by business actors, the Labour government championed emissions trading both in the UK and at European level. Indeed, interviewees observed that within Europe the UK is regarded as having

[267] Author's face-to-face interview, 27th of January 2009, London.

pioneered the approach.[268] Although the banking crisis and the enormity climate change began to shake the Labour government's faith in market mechanisms towards the end of its term in office (see chapter 5), this predilection among policymakers remained in evidence and favoured business interests during policymaking.

Business leaders were also facilitated by the importance of The City for the UK economy and the Labour government's desire to further bolster this crucial sector. In fact, a number of interviewees referred to a 'coincidence' or 'convergence' of interests between the UK government and the leading business actors championing a UK emissions trading scheme. As interviewees pointed out, under Labour key business actors in The City enjoyed a close relationship with policymakers at the very heart of government, including with Gordon Brown, Alistair Darling and Tony Blair. These interviewees noted policymakers were eager to establish The City as 'the carbon trading centre of the world'.[269]

Following the inclusion of emissions trading as a flexible mechanism in the Kyoto Protocol, the government sought to gain a comparative advantage for the UK's economically important financial sector ahead of any potential international or European scheme.[270] In the words of the UK Managing Director of a manufacturing multinational, 'the government had the ambition of making The City the centre of carbon trading, and this has given The City a loud voice with government.'[271] Business leaders eager to establish a UK ETS were thus facilitated by the importance the government attached to the financial sector, and a recognition among policymakers of potential opportunities for further growth in this area of the economy should London be established early as a key centre for international emissions trading.

7.5 Business actors' political engagement in the UK over the EU ETS during 2008

The chapter now moves forward to analyse how business actors engaged with UK policymakers during 2008 over the third phase of the EU ETS, which will start in 2013. It begins by briefly mapping out the structure of government and the nature of contact between the two sets of actors

[268] Author's face-to-face interview 20th May, 2008 (Trade Association offices, London) and 9th February, 2009 (London).
[269] Author's face-to-face interview 16th May, 2008 (Trade Association offices, London).
[270] Various interviews with author including on 16th May, 2008 (Trade Association offices, London), 21st August 2008 (telephone interview), 27th January 2009, (DECC, London), and 9th September 2009 (telephone interview).
[271] Author's telephone interview, 21st August, 2008.

in this policy area. Having argued business actors have enjoyed extensive contact with policymakers over emissions trading, the section proceeds to examine a key forum in which this interaction has taken place; the Emissions Trading Group (ETG). The ETG has been the principal mechanism for formal group contact between policymakers and business actors. As such, it is useful to examine this group in detail. This analysis illustrates the density and constructive nature of interaction between business and government. To make sense of the nature of the dialogue between business actors and the policymakers, it again argues attention must be paid to the wider political context. Following the previous two chapters, the section highlights how politically valuable information has been for business actors. The informational advantages business actors have enjoyed over policymakers have facilitated business access and political influence, both within the ETG and more generally. However, the section suggests that while these information asymmetries remained important even at the end of the period under analysis, as the policy domain matured they became less powerful.

7.5.1 The structure of government and the web of interactions between business actors and UK policymakers.

Until October 2008 DEFRA was the lead department on emissions trading, with BERR (and previously the DTI) also playing an important role. However, following its creation in October 2008, the Department for Energy and Climate Change (DECC)[272] took control of policy towards emissions trading, with the business relations team in BERR shadowing DECC's work to ensure industry's interests continue to be looked after and represented within government.[273] As has been the case in the other areas of climate policy examined for this thesis, interviewees noted that there has been extensive consultation with business stakeholders and a dense web of interaction between UK policymakers and business actors over the EU ETS.[274] Most interviewees from the business community agreed that officials in these departments have been receptive to industries' calls for meetings to discuss the evolving policy framework. Large companies have enjoyed regular direct bilateral contact with ministers and officials in different sections of DEFRA and BERR, and more laterally, DECC. The most powerful companies and business groups (e.g. the EEF and CBI) have also had good access to The Treasury and Number 10 over the EU ETS. In addition, the interests of business actors have been represented to government through their respective sector

[272] The majority of interviews for this PhD were carried out prior to the creation of DECC in October 2008.DECC brought together the former energy division of BERR and the climate change team within DEFRA.
[273] Author's interview with senior DECC official, 27th of January 2009, London.
[274] Officials noted that they have also had contact with other stakeholders including NGOs over the issue.

trade associations and broader business groups including the CBI, EEF and the Manufacturers' Climate Change Group.[275] Moreover, as the following section will illustrate in detail, regular group interaction between officials and business actors has taken place at the meetings of the ETG's various working groups.

Officials working on the EU ETS observed that energy companies and many of the large industrial sectors such as steel, aluminium and cement covered by the scheme were politically astute and very well tuned into government.[276] These officials observed 'big companies have sophisticated strategies' for representing their interests,[277] noting business actors had realised the importance of getting politicians and politics involved. For example, firms and business groups have 'reminded' policymakers, including ministers and special advisors, of the potential factory closures and the resulting jobs losses which could result from the introduction of auctioning for their sector in Phase 3 of the EU ETS.[278] As noted in chapter 5, sectors have varied in how they engage with government over climate change policy and this has been evident in relation to emissions trading. For example, a senior DECC official noted at times powerful companies in some industrial sectors had bypassed officials (at least in DEFRA and DECC) altogether when it came to emissions trading policy. He candidly remarked that the aluminium sector 'doesn't bother talking to us, they go straight to Number 10. Aluminium and steel have got very good lobbyists and lobbying links to politicians'.[279] In addition to differences in company tradition and their historic connections to policymakers, to a large extent such variation in style stems from the contrasting impacts of policy on individuals firms and sectors. In this case, as aluminium production is a very energy intensive process, the industry, along with the jobs it sustains, has been particularly vulnerable to changes in emissions trading policy. Such differences again highlight the necessity of disaggregating 'business' as a political actor. (See section 7.6 for further discussion of the cleavages and friction within the business community in relation to emissions trading.)

275 For example, author's interviews on the 31st July 2008, Trade Association offices
276 Author's interview with various officials in DEFRA, BERR and DECC on the 18th June 2008, 31st July 2008, 10th of November 2008 & 27th of January 2009, all London.
277 Author's interview with two middle ranking BERR (one of whom is now DECC) officials, 18th June 2008, London.
278 Various interviews with author, including on the 25th of the September 2008 and 27th of January 2009 - various locations.
279 Author's interview with senior DECC official, 27th of January 2009, London.

7.5.2 The Emissions Trading Group

The Emissions Trading Group (ETG) is the principal mechanism for formal group contact between policymakers and business actors. As noted in section 3, the ETG was established in 1999 by the CBI and ACBE, and was instrumental in the government's decision to establish a UK emissions trading scheme. By taking a proactive approach early on, not only did business leaders influence the direction of UK policy, they also helped embed a culture of extensive consultation with policymakers over emissions trading policy and an important institutional mechanism for regular contact; the ETG.

In 2009 the ETG had 108 subscribing members, including 51 companies,[280] 23 trade associations and 34 service providers, and stated its role was to 'support, represent and inform' UK businesses, and provide a conduit for communications between business and the UK government.[281] The ETG is the only group of its kind in Europe. It has five working groups[282] and each has regular meetings (e.g. monthly), which bring together the ETG's business membership and government officials.[283] On average, around five middle or senior ranking officials have attended each working group meeting, with the agenda set by the ETG Secretariat and its members, rather than government. In addition to the group discussions, interviewees noted these meetings have provided the opportunity for more private conversations between officials and business actors 'around the edges'.[284] Officials noted that the group can be 'a risk for government' in the sense that business actors set the agenda and have generally not attended meetings to discuss what they like about climate change policy.[285] Nevertheless, the policymakers interviewed stated that the group has been valuable, constructive, and typical of the extensive nature of stakeholder engagement in the UK. A senior DECC official for example observed, 'it's been very helpful to us; if we didn't have the ETG we would have to invent it ... It's become the standard way

[280] Member companies include Shell, Corus, La Farge Cement, British Sugar and RWE NPower.

[281] Various interviews by the author with members of the ETG, including on 16th May, 2008 (London); 22nd July, 2008 (Sheffield); and 15th August 2008 (telephone).

[282] As of 2008 when interviews were carried out with ETG members, working groups had the following remits: Working Group 1/2 - interaction between emissions trading and other UK policies e.g. Climate Change Agreements and the Carbon Reduction Commitment; Working Group 3/7 - permitting and related issues such as monitoring and reporting; Working Group 4 - trading and market liquidity; Working Group 5/6 - issues pertaining to allocation; and, finally, Working Group 8 - phase 3 of the EU ETS.

[283] Interestingly, one senior DECC official commented that he had suggested NGOs could attend some of the working group meetings, but the idea had been not well received by the ETG's membership.

[284] Author's interview with middle ranking DEFRA (now DECC) official, 31st July 2008, London.

[285] Author's interview with two middle ranking BERR (one of whom is now DECC) officials, 18th June 2008, London.

government operates in the UK. I was talking to a few ETG people the other day, I think it's because over time we've built up the trust.'[286] A middle ranking BERR official also noted that the ETG has strengthened the government's position in Europe:

> It's an unbelievably powerful thing to be able to go and say in Brussels that the Emissions Trading Group, which covers pretty much every sector, thinks this, they have a joint view, they've thrashed it out amongst themselves - we don't have to be involved in all the wrangling between sectors.[287]

Similarly, the vast majority of business actors interviewed felt that the ETG has been a valuable way of interfacing with government. Interviewees at sector trade associations and 2nd tier companies considered the group to be 'absolutely brilliant'[288], and several reported that it has allowed them to 'punch above their weight with policymakers'.[289] Many commented that it has provided an opportunity to express their views early on and to have an influence on policy before it has been set in stone.[290] Even many of the largest companies viewed the ETG to be a valuable aspect of how they lobby policymakers. For example, the Director at one LEP commented that the group has been: 'very influential in engaging with government. Officials and industry have benefited enormously from that group'.[291] Similarly, an executive at a manufacturing multinational candidly stated that 'it has helped us know where the lines are and therefore where we need to lobby independently... It provides the opportunity to throw a grenade into the debate before organising individual meetings with DEFRA or BERR'.[292]

Evidently, for many business actors, involvement with the ETG has complemented and facilitated the other strands of their lobbying activities on emissions trading. Moreover, according to a number of interviewees, business interaction in ETG meetings has been useful as it has provided sectors with the opportunity to identify some shared positions and concerns.[293] In this way it

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[286] Author's interview with senior DECC official, 27th of January 2009, London.
[287] Author's face to face interview with two middle ranking BERR (one of whom is now DECC) officials, 18th June 2008, London.
[288] Author's face to face interview, 22nd July, 2008, trade association offices.
[289] Author's telephone interview 3rd September, 2008.
[290] Various interviews with author including on the 1st August 2008, trade association offices; 3rd September (telephone), 2008.
[291] Telephone interview with author 30th of June, 2008.
[292] Author's interview, 25th September 2008, company headquarters.
[293] Various interviews with the author, including 1st August 2008 (Surrey); 15th August 2008 (telephone).

appears to have helped unite, and in so doing strengthen, the business community during its dialogue with government.

However, not all companies considered the group so valuable. In particular, a Director of one power company said he was unsure as to how much notice officials have taken of the ETG, and critically added that the group has been 'a good get out for DEFRA, as it allows them to *say* that they have a dialogue with industry'.[294] While many sector trade associations and manufacturing companies continued to regard the ETG as an important plank of their interaction with policymakers, several interviewees at leading companies suggested that the ETG had reduced in importance. Business leaders commented that increasingly there has been less to play for with the planned introduction of the EU-wide central cap and full auctioning for Large Electricity Producers (LEPs) from 2013. An interviewee from a manufacturing multinational for example commented that the group had become 'less important than it was at one-time; government used to delegate almost everything to it'.[295] Similarly, an executive at an oil multinational stated: 'as a policy group its influence has probably reduced. We don't really see the ETG as a strategic way of influencing HMG. For second-tier companies it has probably been more useful'.[296]

Implicit within such comments is an acknowledgement among interviewees at major companies, particularly within the electricity and oil sectors, that they have enjoyed very good links and access to key ministers and officials: these firms have not *needed* the ETG and the access and information the group has been able to provide in the same way that less prominent companies and sector trade associations have.

7.5.3 A constructive dialogue

While interviewees did note that 'naked self-interest' and overt lobbying has taken place in ETG meetings, often to the detriment of effective policy,[297] there was agreement among the vast majority of interviewees that interaction in the ETG has generally been friendly and positive. Like the Labour government, the main opposition parties advocated a strengthening of the EU ETS.

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294 Author's telephone interview, 30th July, 2008.

295 Telephone interview with author 21st of August 2008. Also author's interview with Director at one LEP, 12th August, 2008, London

296 Author's face to face interview 16th September 2008, company headquarters, London.

297 Telephone interview with author, 30th June, 2008.

For example, in 2007 the Conservative Party announced that it supported the full auctioning of permits for Phase 3. According to officials, this wider political context has been important for explaining the constructive and generally 'smooth' nature of the dialogue between government and business, as business actors have generally not been able to play the government off against the opposition parties. A senior DECC official thus observed: 'with the opposition and governing party competing over climate change, industry knows they need to make the best of it... if we had an opposition that was opposed to things, an ETG might not work.'[298] Comments by interviewees from the business community offered support to this view. A UK Director at a manufacturing multinational for example commented:

> Climate change is a big issue for all parties in UK... There's a consensus. There's a political inevitability to some auctioning, so there's not much point in arguing with government for the sector to have no auctioning at all. But we do argue in forums like the ETG that auctioning needs to be limited for our sector, particularly unless something is done in relation to imported products.[299]

Cognisant of their context, strategic business actors are generally realistic in their policy goals. In this way, the cross-party consensus on the importance of climate change and the ensuing competition between parties to position themselves as the greenest, along with the issue's public profile, have together limited the range of lobbying positions firms and business groups considered viable. As such, it has encouraged business actors to take a generally cooperative approach during their interaction with government.

Despite the extensive consultation and interaction between the two groups of actors already highlighted, according to business lobbyists and officials, the business community has not had an 'easy ride' with UK policymakers. In fact, there is agreement among interviewees that as a result of the prevailing context in the UK and the Labour government's strong commitment to emissions trading - a commitment which business leaders have themselves encouraged - UK policymakers have generally taken a tougher approach to ETS allocation than have governments elsewhere in the EU. The Head of Environment at one trade association for example commented:

[298] Author's face to face interview with senior DECC official, 27th of January 2009, London.
[299] Telephone interview with author 14th August, 2008.

> The government set out its stall to be the leader in climate change mitigation... and they'd been pushing the idea that we want to set an example to the rest of the world. They've been harder, and certainly more thorough, in the way they've approached emissions trading than a lot of other states have.[300]

Officials agreed that such comments from business actors were justified, observing that they have been tougher than their European counterparts.[301] Arguably both sets of actors have a vested interest in this *appearing* to be the case in order to avoid accusations of regulatory capture or excessive and unfair influence on the part of industry stakeholders. However, other evidence substantiates these claims. The UK was for example the only member state not to have its National Allocation Plan for Phase 2 reduced by the European Commission (Ends Report, 2006). Interestingly, a senior DECC official commented, when asked during interview whether he found it frustrating that this relative 'toughness' by UK policymakers has rarely been recognised in the domestic media: 'No, to a degree I'm quite happy it's not covered in the media – you'd get quite a good media story saying the government is putting 'UK jobs at threat''.[302] This highlights the complexity of the context in UK, and multiple pressures faced by policymakers. However, it must also be remembered that leading business actors in the UK, including members of the CLG and the CBI (see chapter 6), have themselves generally pushed for a robust Phase 3 of the EU ETS. Context is again crucial: as a result of the scientific consensus on climate change and the prevailing domestic political environment, some form of domestic policy to reduce business emissions had become a given in the UK. Business leaders have thus sought the level 'European playing field' which an effective EU-wide ETS ought to provide and, relatedly, the certainty for investment decisions which a robust carbon price should deliver. In this way, although there has been some heated debate over allocation for particular sectors, particularly in relation to the threat of carbon leakage, business leaders have generally shared the principal objectives of policymakers in relation to the EU ETS.

7.5.4 The importance of information: facilitating access and influence

As chapter 5.5 argued, climate change policymaking has taken place in a context in which business actors have generally enjoyed considerable informational advantages over government. This is not

[300] Author's face to face interview 16th May 2008, trade association offices, London.
[301] Several interviewees suggested that UK policymakers are 'able to' take a tougher stance because (energy intensive) manufacturing is less crucial to the UK economy than it is in many other European countries.
[302] Author's face to face interview with senior DECC official, 27th January 2009, London.

to say that policymakers have been 'information poor'; business actors have continually sought information from government on policy development in relation to climate change. In fact, interviewees highlighted the ETG's importance as a place for both sets of actors to *exchange* information.[303] To a large extent it has been the fact that government and business have each depended on the other for information which has underpinned and facilitated their regular interaction within the ETG. Indeed, its place as a forum to share valuable information helps explain the group's longevity and continued political relevance. Crucially, however, companies and sectors have had a better understanding of their respective industries and emissions, and their scope for emissions reductions, than policymakers (see chapter 5).[304] Indeed, a key contention of this thesis is that these information asymmetries help explain business actors' privileged access to policymakers and, concomitantly, their influence on policy. This advantage and its policy impacts have been very evident in relation to emissions trading. A middle ranking BERR official working on the EU ETS for example commented: 'we're not the people on the ground; we don't know how industry works day-to-day, they know their emissions and sectors better than we do'.[305] This information rich status has facilitated business actors' extensive interaction with government throughout the policymaking process - from the various formative, early-stage discussions over the shape and direction of the evolving policy mechanism, through to the implementation stages of the EU ETS. As a result companies and business groups noted they have had 'few real surprises' from policymakers over the direction of this policy.[306] In fact, business actors have tended to feel very well informed. The Director of Environment at the UK Petroleum Industry Association for example noted: 'through our interaction in forums such as the ETG we're sometimes in the position of telling EUROPIA [European Petroleum Industry Association][307] what's going on, even in Brussels. UK officials generally are pretty good at using stakeholder forums.'[308]

Companies and trade associations have thus been well-placed to lobby government at crucial stages of the policymaking process. Moreover, by encouraging an ongoing dialogue with policymakers, business actors' information has functioned as a magnet for more information. In

[303] Various interviews with author, including on the 18th June, 2008 (London) and 30th July, 2008 (telephone); 31st July 2008, (London).
[304] Various face to face interviews with author, including with middle ranking BERR officials, 18th June 2008; middle ranking DEFRA official 31st July, 2008; senior DEFRA official 12th August 2008, all London.
[305] Author's face-to-face interview with middle ranking BERR official, 18h June 2008, London
[306] Author's face to face interview 1st August, 2008, Trade Association's offices.
[307] UKPIA's European sister organisation.
[308] Author's face to face interview 28th August, 2008, London.

this way, the informational advantages business actors have enjoyed during policymaking relative to other stakeholders have been consolidated.

Information from business actors has had considerable political traction because it has implications for the UK economy and jobs. Business actors have referred to the threats to UK competitiveness and the potential for job losses during their discussions with policymakers. Along these lines, Grubb and Neuhoff (2006) comment that academics have generally failed to appreciate the risks and problems faced by policymakers when they come up against economically powerful sectors arguing that government policy risks undermining their industrial competitiveness relative to rival companies elsewhere. In the words of former a senior official:

> There is a natural reticence on the part of governments when faced with the prospect that energy intensive sectors unite and say 'we will move our capacity outside the EU, because we're worried that you are turning the screw too sharp on carbon.' Policymakers' reticence is exacerbated when the policy is new. You think maybe these European Commission officials have got it wrong, maybe we've gone too far.[309]

As the above quote indicates, having valuable information has brought particular benefits for companies because it has often been difficult for officials to distinguish between realistic projections of policy impacts and exaggerated predictions aimed at influencing policy in business actors' own commercial interests. In particular, policymakers were disadvantaged during the early years of interaction over emissions trading policy by the absence of thorough historical data on business emissions. As the Head of Environment at one prominent Trade Association commented, 'until we had the emissions trading scheme in place, companies didn't actually record CO_2 emissions very accurately'.[310] Although this lack of robust data created uncertainty for business actors, it was undoubtedly more of a problem for officials who had less to go on than the companies themselves. Moreover, several major companies, including BP, already had experience from internal emissions trading schemes. As they had acquired a better understanding of how emissions trading functioned in practice, this experience further increased the informational advantages some prominent business actors enjoyed over policymakers (Wurzel, 2008).

[309] Author's face-to-face interview 20th May, 2008, London
[310] Author's face-to-face interview, 16th May 2008, trade association offices, London.

Interviewees noted that when uncertainty surrounds the consequences of environmental policy, business actors are inclined to overestimate the potential costs of complying with targets and regulation. This tendency to exaggerate has been evident in relation to emissions trading and it has had concrete impacts, weakening emissions trading policy. Indeed, DEFRA's sector level summary data for the UK for 2007 showed that with the exception of power, *all* sectors received more allowances from government than they actually ended up needing for that year (DEFRA, 2008b). (However, within sectors some individual companies did exceed their allocations.) As a result, a large number of companies enjoyed windfall profits.[311] It should be noted that this has not been a problem particular to the UK: over-allocation by governments across Europe has undermined the EU ETS, causing carbon prices to plummet.

However, these informational imbalances and the tendency on the part of business actors to over-play the negative effects of policy have not gone unnoticed by UK officials. Over the past decade policymakers have learned lessons from their previous encounters with business actors over emissions trading and other aspects of climate policy (such as CCAs). As a result officials have increasingly adopted a sceptical approach. A senior DECC official for instance noted:

> Virtually all sectors got more allocation than they needed in Phase One because the whole system was wrong. That's part of the information asymmetry between us and them... We're sceptical; they've got to convince us... For Phase One companies said it would make them go out of business but they made lots of money out of the scheme, or at least some did. With Phase Two, again many businesses will be making money out of the free allocations: so saying 'it's terrible, it's the end of the world' isn't enough, they have to demonstrate it.[312]

Similarly, a middle ranking DEFRA official drew attention to the iterative nature of interaction, asserting, in reference to allocation for the EU ETS, 'when companies overstate what they need, we end up being stricter the next time round'.[313] Thus, while business actors have generally enjoyed considerable informational advantages over government, continued abuse of this advantage can be self-defeating for business actors, weakening the credibility of their information.

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[311] Author's interview with senior DECC official, 27th January 2009, London.
[312] Author's interview with senior DECC official, 27th of January 2009, London
[313] Author's interview with middle ranking DEFRA official, 31st July 2008, London.

The climate change policy domain has matured. Between 2002 and 2009, the government accumulated more reliable information on business emissions. In particular, since the EU ETS came into being, each installation covered by the scheme has had to provide verified emissions data annually. As a result, the government has become better placed to challenge the assertions made by business actors during discussions over emissions trading.[314] This has reduced the importance of the information asymmetries business actors have enjoyed over policymakers; after all resource dependencies are contingent and context dependent, rather than static. However, this has not meant the dependencies and asymmetries have disappeared, particularly as business actors from industrial sectors such as cement argue 'historic data' is often of little value for understanding the *future* impacts on firms of climate policies such as the EU ETS.[315] However, whilst business actors have come to enjoy less political advantage from their information than at the start of the decade, ultimately, it has remained the case that 'industry obviously knows the data for their sector much better than policymakers.'[316]

In addition to the informational imbalances between policymakers and companies, it is also important to recognise that information asymmetries exist *between* business actors. Several interviewees from large manufacturing companies drew attention to the informational imbalances between their sectors and energy companies and financial institutions in relation to emissions trading. These interviewees argued Large Electricity Producers (LEPs) and banks have had much more information and understanding of trading than they have had, and so have been able to 'work' the market:. Indeed, they complained that policymakers have not taken these differences into account sufficiently. An interviewee from the metals sector thus commented:

> DEFRA rely on economists... who rely on 'perfect markets'. They don't look at the informational imbalances between companies - large electricity generators have much more understanding of the situation and more information than firms in many other sectors or smaller companies.[317]

[314] Author's face-to-face interview with former senior DETR official, 20th May, 2008, London.
[315] Author's face-to-face interview, 1st August 2008, trade association offices.
[316] Author's face to face interview with senior DECC official, 27th January 2009, London.
[317] Telephone interview with author 21st of August 2008.

This highlights the fact that firms and sectors differ in the extent to which they enjoy key resources. It also alludes to the existence of tensions within the business community, tensions which the following section will analysis in more detail.

This section has argued that there is extensive contact between business actors and government over emissions trading policy. A detailed analysis of the principal mechanism for formal group contact illustrated the density of contact and the generally 'constructive' nature of interaction. It also suggested that the prevailing context in the UK helps explain this constructive relationship as it has constrained business actors' political room for manoeuvre. The section has illustrated how business actors have enjoyed an 'information rich' status, and argued this has facilitated their dense interaction with government and allowed business groups and companies considerable political influence over emissions trading policy. Finally, while arguing that these information asymmetries have remained an important source of advantage for business actors, it has suggested that their political value and impact has reduced as the policy area has matured, with government acquiring more information and strategically learning from previous encounters with business actors.

7.6 Disaggregating the business community

7.6.1 Divisions over EU ETS Phase 3

The analysis so far has argued prominent business actors *together* successfully lobbied for the introduction of emissions trading, and that companies and business groups have had *in common* information valued by officials and politicians during policymaking. In fact, the previous section suggested members of the business community have benefitted considerably from the information asymmetries they have enjoyed over government in this policy area. Moreover, the majority of business actors have remained supportive of emissions trading. In each of these respects 'the business community' is an analytically useful concept. However, as the previous three chapters have illustrated, business is not an homogenous actor and requires disaggregation. Drawing on conversations with UK policymakers and business actors this section highlights a number of important cleavages and tensions during 2008 between companies and sectors over EU ETS Phase 3. The analysis suggests these differences and frictions have not been without political impact. Such cleavages have diluted the lobbying positions of business groups. Furthermore, as some of this friction has been visible to policymakers, at times it has served to undermine the arguments and political influence of companies and sectors.

As argued in Chapter 4, policies to reduce emissions vary in their impacts and implications for different sectors and companies. Thus, as a result of numerous factors including their energy intensity, exposure to international competition, stage in the investment cycle, and operating portfolios, firms have had diverging interests and concerns in relation to the EU ETS. For example, differences have surfaced over whether there should be hypothecation of EU ETS auction revenues and whether extra support should be given to the energy intensive steel and aluminium sectors.[318]

Even for a small 'nimble' business group such as the CLG (see chapter 6), consensus on the EU ETS has not always been easy to come by. An interviewee from the financial sector for instance recalled a disagreement among members over whether aviation should be included in the EU ETS. She stated that unlike the other members, including BAA and the banks, the electric utilities objected to the proposal because they are big purchasers of carbon credits. As such, the electric utilities thought the inclusion of aviation would push up the price of these credits and therefore opposed the move. She frustratingly recalled:

> I thought 'why are these companies in this group?' In the end we sent out the message in a much softer way, it wasn't a single issue statement on aviation; we buried it in a more general statement about issues we felt were important. We said that the EU ETS should be broadened in terms of the industries and regions it covers, which was a shame.[319]

In this way, internal differences and disagreement have served to dilute the group's rhetoric and hence impact. Even companies within sectors do not articulate identical positions to government on auctioning for Phase 3. For instance, a Director at an oil multinational commented that his company took the view that the Chief Executive of a major competitor had been exaggerating the threat posed by auctioning, noting 'he's been overstating the case; arguing to government that auctioning would destroy EU refining. As I understand it, even his chief economist doesn't agree with that, he's saying we need to be careful with auctioning but that the impact would not be that big.'[320]

[318] Telephone interviews with author 21st of August 2008 and 9th September 2009.
[319] Author's face-to-face interview 20th August, 2008, London.
[320] Author's face-to-face interview 16th September, 2008, Company Headquarters, London.

This further illustrates the tendency among many business actors to overplay the potentially negative impacts of policies. It also highlights how a firm's actions directly impact on the strategically selective context in which others operate, and at times detrimentally: clearly, the arguments of the above mention Chief Executive were less persuasive to government if other majors within his sector had told policymakers that the impacts of auctioning were likely to be less severe.

However, despite examples such as this, it was also evident that among individual sectors there has increasingly been a fairly large degree of unity on the direction of the EU ETS. The Head of Environment at a prominent sector trade association for example stated:

> In broad terms it's not difficult to reach common positions within the sector... The challenges arise when you come up with a set of rules that generate winners and losers, and early discussions on emissions trading were quite heated: everything was up for grabs and everybody was trying to defend their own commercial position... Now we've got a framework in place, it's much easier to reach agreement.[321]

Having identified their shared interests, a number of interviewees also noted that the ETG has become dominated by sectors.

7.6.2 Tension between manufacturers and electricity generators

Whilst interviewees generally reported that on the bigger issues individual business sectors increasingly took a common position in relation to the EU ETS, they drew attention to the considerable friction between sectors. Tension has been particularly evident between industrial sectors such as steel and chemicals and the electricity generators over allocation for Phase 3. In fact, a Head of Public Affairs at a manufacturing multinational candidly remarked that he had 'nearly had a stand up row' with someone from the electricity generating industry in an ETG meeting over an aspect of the emission trading directive. Industrial sectors took the decision to establish the Manufacturers' Climate Change Group (MCCG)[322] as a direct response to a realisation, through their involvement in the ETG, that in some respects their interests and needs differed to those of the power sector. These companies and trade associations set up the MCCG as they wanted the opportunity to convey their concerns to policymakers without power

[321] Author's face to face interview, 16th May 2008, Trade Association offices, London.
[322] Members of the Manufacturers' Climate Change Group meet on a regular basis with senior officials.

companies being present.[323] Fundamentally tension arises because the implications of auctioning vary considerably for different sectors, depending on whether they are users or producers of energy, the extent to which they face international competition and whether they sell to markets outside the EU. Importantly, as Large Electricity Producers (LEPs) are not subject to international competition they are able to pass any increase in costs from the auctioning of allowances to their consumers (see chapter 8). Such 'pass through' is much more difficult for energy intensive sectors competing with firms from non-carbon constrained economies outside the EU. Primarily on the grounds that LEPs can pass on increased costs to consumers, the UK government took the decision to introduce a small measure of auctioning (7%) for the electricity sector in the second phase of the EU ETS (which began in 2008). Electricity generators had argued to policymakers that some auctioning should also be brought in for other sectors, albeit not necessarily to the same extent, but were unsuccessful in their lobbying.[324]

To varying degrees, manufacturing companies and industries have argued that auctioning reduces their competitiveness and makes 'carbon leakage' a very real danger for their respective sectors. However, some business actors have accused other sectors of exaggerating the threat. A Director at one LEP for example stated that: 'carbon leakage is very emotive and has been grossly overplayed by some industrial sectors, with very little factual evidence to back it up'.[325] Interviewees in the oil industry took a similar view. In the words of one Director,

> I have some sympathy with the LEP's view. Some industries have used the threat of international competition, they've overplayed the argument. There's some merit in aluminium's case, but cement, for example, is not traded internationally to a large extent, would auctioning make that much difference to them? We are saying to government 'look at this in an objective and fair way, rather than giving special treatment to those sectors which are best at lobbying.[326]

Unsurprisingly, such assertions have angered executives at manufacturing companies. Interestingly, a business leader from the manufacturing sector commented that power companies have seen it as 'pay back time' for some of the 'stupid lobbying' by some energy intensive sectors and companies in the past in relation to electricity. He observed: 'the energy intensive industries are inconvenient

[323] Author's face to face interview, 22nd of July 2008, at Trade Association's offices, Yorkshire.
[324] Author's face to face interview, 16th May 2008, Trade Association offices, London.
[325] Telephone interview with author 30th July, 2008.
[326] Author's face to face interview 16th September 2008, company's headquarters, London.

for the power companies. The public has no power in relation to electricity prices really, whereas the larger energy intensive industries do still have some sway.'[327]

There has even been tension between manufacturing industries over the issue of allocation. Interviewees noted the damaging impact politically that 'exaggerated' lobbying by other industrial sectors has had on their industry's interests. The Head of Public Affairs at one manufacturing multinational for example stated: 'there *are* industries that overplay the [carbon leakage] card. That's a problem for the rest of us who have got a more genuine case' (*author's emphasis*).[328] Again, this illustrates how the political activities of companies and business groups form a crucial dimension of the strategically selective setting in which other business actors engage with government.

Such tensions have not been politically insignificant. The business community is at its most persuasive and effective politically when it presents a strong and united front to government; however, these divisions have been visible to policymakers. A senior BERR official went so far as to observe that sectors have been 'at each others' throats' over the issue.[329] When it comes to emissions trading, and particularly allocation for Phase 3, officials and politicians have often not been confronted by a single, unified business community, rather they have faced competing claims from different business actors. It is inconceivable that cleavages and tensions have not reinforced the scepticism with which policymakers often already approach the claims made by firms and trade associations as a result of previous exaggerated lobbying claims by business actors (see section 7.5). Certainly, corporate actors believe these intra-business divisions have undermined some of the arguments which they have made to government. A Managing Director of a large manufacturing company for example asserted that 'power companies have been unhelpfully bombarding policymakers with the argument that free allocation of allowances will have a 'distorting effect' on the market'.[330]

This section has suggested that while there has increasingly been a large degree of unity among individual business sectors and continued support for emissions trading among much of the

[327] Telephone interview with author 21st of August 2008
[328] Author's face to face interview 25th September 2008, company's offices, Yorkshire.
[329] Author's face to face interview with senior BERR official, 10th November, 2008.
[330] Telephone interview with author 21st of August 2008

business community, during 2008 there were some substantial tensions between sectors over Phase 3 of the EU ETS, particularly in relation to auctioning. While business leaders in the UK together successfully lobbied for emissions trading, *in practice* the mechanism has often pitted sectors against one another, as they have argued over what constitutes a fair and appropriate allocation of allowances for their industry. The section has argued these cleavages have tempered some of the more specific policy positions taken by business groups and at times undermined the political influence of individual business sectors.

7.8 An evolving policy area

7.8.1 A policy area characterised by uncertainty

Emissions trading was, and in fact to some extent has remained, a policy mechanism in its development. As chapter three argued, policymakers and business actors are never perfectly informed when formulating their political preferences, objectives and strategies. However, uncertainty has been a particularly noticeable characteristic of this policy area: climate change is a complex and unique issue and the policies to tackle it such as emissions trading were largely untried. Indeed, referring to European debates on emissions trading a few years after the ETG had been set up in the UK, Falkner commented that policymakers and business leaders were acting 'under a veil of ignorance' (2008: 130). As section 7.6 illustrated in relation to information, interaction between business and the UK government has taken place against a backdrop of uncertainty. Both sets of actors have been feeling their way around as the rules have developed and issues emerged, and the policy preferences of business actors towards emissions trading have evolved as a result.

7.8.2 Evolving policy preferences

While strong support for emissions trading has remained from much of the business community, particularly from the financial and energy sectors,[331] the policy preferences of some manufacturing companies have changed considerably. Despite their initial political activity in support of emissions trading, a few interviewees from manufacturing sectors expressed disillusionment with how emissions trading policy had unfolded. In particular, they criticised auctioning as a primary

[331] Various interviews with author including on the 16th May 2008 (London); 23rd June 2008 (London); 1st August (Surrey) 2008; 12th August 2008 (London); 16th September 2008 (London) respectively.

allocation mechanism, stating their preference for allocation on a benchmarking basis.[332] One business leader critically commented that emissions trading had become a licence to operate rather than a price signal to bring about abatement and noted that the pricing of all carbon had not been foreseen in early discussions on emissions trading. Indeed, disaffection with the current EU ETS framework has been so substantial that a few interviewees commented that they would prefer a different mechanism altogether, such as a carbon tax.[333] According to the UK Managing Director of a metals multinational, 'many affected companies now see emissions trading as a kind of tax. What they'd prefer to see is a reversion to a tax regime which would take into account the energy intensity of their production processes and competitiveness issues'.[334] Similarly, the UK Head of Public Affairs at another metals multinational commented:

> The advantage of a tax is it would effectively work like VAT, so everyone would have to pay it, even if the product was being imported, so your competitors are on the same footing, and if you're looking at carbon content, based on the embedded carbon in the product, it forces the inefficient competitor to become more efficient too.[335]

EEF evidence to the Environmental Audit Commitment further demonstrates this position.[336] Drawing on a survey of members, the business group told MPs 'instinctively, we feel that the ETS as currently constructed, as a cap and trade scheme, is not something that we relish'. In their written submission, EEF stated, that 'the majority of businesses [in their membership] see emissions trading falling behind taxation and regulation as the preferred option for UK business' (HC 534, 2008: Ev 1). However, among major companies – the focus of this study - this view appears to be largely confined to the metals sectors. The cement industry for example continues to prefer emissions trading to taxation.[337] Interestingly, one interviewee observed that the EEF's proposal for a simple tax had an 'unrealistic whiff' of asking to start everything a fresh, and he added that it reflected 'their regrets at having supported CBI's call for emissions trading in order to avoid a tax.'[338] Undoubtedly, for many manufacturing companies there has been a steep learning

[332] Benchmarking refers to the allocation of permits on the basis of what is current industry 'best practice', in terms of CO2 output.
[333] Authors interview 15th August 2008 (telephone); 20th August 2008 (Trade Association offices, London); 21st August 2008 (telephone); and 25th 2008 September, (company offices, Yorkshire).
[334] Telephone interview with author 21st of August 2008
[335] Author's face to face interview 25th September 2008, company offices, Yorkshire.
[336] EEF represents engineering and manufacturing employers.
[337] Author's face to face 1st August, 2008, trade association offices, Surrey.
[338] Telephone interview with author 21st of August 2008.

curve as they have recognised the ways in which they are disadvantaged compared to other business sectors, for example due to informational imbalances and their relative inability to play in forward markets. However, the policy framework has moved on, and the strategies of these disillusioned firms have become constrained as a result, particularly as the *vast majority* of powerful business players remain firmly committed to emissions trading. Thus, when asked whether his company were expressing their preference for a carbon tax to government, one interviewee commented:

> Frankly it's too late now, we'd love to have that sort of debate, but it's far too late ... I think it's a really lost opportunity that people didn't sit down and think about it, but in a sense you only become really aware of it having gone through the pain and the trauma of the past few years.[339]

This analysis again emphasises the importance of disaggregating the business community, both in terms of interests and political influence. In addition, despite the extensive access and influence enjoyed by firms and business groups in this policy area, it once more illustrates the constraints, albeit often to differing degrees, which the prevailing and evolving political context has imposed on business actors.

7.9 Conclusion

By providing a detailed analysis of the business community's role in the continued development of emissions trading policy, this chapter has further illustrated several of the key arguments presented in chapters 5 and 6. The chapter began by arguing that business leaders played an instrumental role in establishing emissions trading in the UK. Recognising that the prevailing political context was such that policy to tackle business emissions had become increasingly inevitable, leading business actors came together to champion an emissions trading scheme as they felt this represented the least worst option. Although unsuccessful at preventing the introduction of the climate change levy, these unified business leaders were effective in their advocacy of a domestic emissions trading scheme and secured terms favourable to their interests. Business leaders' strategic decision to lobby for emissions trading was facilitated by a discursive privileging in the UK of market mechanisms. Policymakers were predisposed to be sympathetic towards emissions trading as market mechanisms had come to be regarded as the logical way of addressing policy problems.

[339] Author's face to face interview 25th September 2008, company offices, Yorkshire.

Through their early and constructive engagement, leading business actors helped shape the direction of policymaking and embedded a culture of, and mechanisms for, extensive interaction with government over emissions trading. Therefore, like the previous two chapters, this case study has highlighted the political benefits for business actors of taking a pro-active approach to climate change at an early stage.

Nevertheless, the prevailing political context has continued to constrain as well as advantage companies and business groups. Indeed, in this way, the scientific and cross-party consensus on climate change encouraged a constructive dialogue between business actors and policymakers over the developing EU ETS, as companies and business groups were unable to play the Labour government off against opposition parties. The domestic political environment prompted corporate leaders to back moves to make the EU ETS more effective, as they recognised the advantages of a level European playing field, and the policy certainty a robust scheme should provide.

The analysis has shown that when it comes to emissions trading, business actors have enjoyed considerable contact with government throughout the policymaking process, including during the important early formative stages. Business actors' information rich status has facilitated this extensive interaction. In fact, the chapter has argued that the informational advantages which companies and business groups have enjoyed over government allowed business actors considerable opportunity to influence policymaking. Indeed, these asymmetries were a crucial factor in explaining the over-allocation of allowances and the windfall profits enjoyed by many companies. Extensive interaction has also tended to lock in business actors' information rich status as it has generally meant they have been up-to-date on the latest policy developments and hence well placed to lobby government. However, policymaking is an iterative process and resource dependencies are not static. As this policy domain has matured, policymakers have accumulated more reliable emissions data and have strategically learned from previous encounters with business actors. As such, the political advantages for companies and business groups have correspondingly lessened.

The analysis has also flagged some notable cleavages within the business community. Most notably, while the majority of business sectors - from electricity and oil, to finance and some manufacturing sectors – have remained committed to emissions trading, it has shown some manufacturers, particularly the energy intensive metals industries, have become increasingly disaffected with how the EU ETS has unfolded. The chapter has argued that such internal business divisions have served to dilute some of the lobbying positions taken by business groups. Moreover, as the business community is at its most persuasive and powerful politically when it presents a united front to government, business disunity has at times weakened business influence, by increasing policymakers' scepticism of business claims. Nonetheless, the notion of a business community retains much analytical purchase. After all, business leaders successfully lobbied together for emissions trading, have had in common information considered crucial by policymakers, and generally continue to be strong supporters of the policy mechanism as a way of delivering emissions reductions.

Chapter 8:

Power Companies, the UK Government and the challenge of climate change

8. 1 Introduction

This final empirical chapter examines the role in climate policymaking of a key group of companies: large electricity producers.[340] It explores the unity of these firms, along with other factors which have constrained and facilitated their political influence, and assesses how effective this group has been at shaping policy in this area. Electricity generation produces around 37% of UK CO_2 emissions (CCC, 2008: 173) and like energy production and use more generally, is central to any effective strategy to combat climate change. As explained in the introduction, the decision to focus on the political activities and influence of the six large electricity producers (LEPs) which dominate the UK market was taken on the basis of their extensive emissions and importance in terms of climate change policy. The chapter does not suggest that the dynamics of these relationships are in all respects typical of how companies from other sectors engage with government over policy to reduce emissions. Nonetheless, this case study does provide further evidence to support the key arguments presented in chapter 5. In particular, it illustrates how discursive dimensions of the prevailing context in the UK have tended to favour large corporate actors and the extent to which the government has depended on the business community to deliver on its objectives in this policy area.

This chapter argues that between 1997 and 2009 LEPs enjoyed a close and intensive dialogue with the UK government over climate policy. These multinational companies have capitalised on and benefitted from various aspects of the strategically selective setting in the UK and their 'resource rich status'. Discursively LEPs have been advantaged by the privileging of market mechanisms and UK policymakers' aversion to state planning and 'picking winners'. During their interaction with government, power companies have actively worked to reinforce these tendencies and policymakers' concerns over 'security of supply' in order to strengthen their political influence and lobbying positions. LEPs have also been advantaged politically because they are rich in material resources valued by policymakers. In fact, the chapter argues that nowhere has the government's dependence on the private sector for technological innovation and investment been more evident than in the area of electricity generation. The government has been able to achieve few of its

[340] This chapter will use 'large electricity producers' (LEPs) interchangeably with 'power companies' and the 'Big Six'.

objectives without the support, expertise and capital of these large incumbent companies. This has provided these multinational firms with considerable political leverage. These discursive and material factors have combined to make LEPs influential political actors, well-placed to consolidate their market dominance in the UK. This is not to say that large power companies have always been entirely happy with government policies to decarbonise generation. The political consensus around climate change and the ensuing competition between the three major parties, as each has sought to position itself as 'the greenest', has generally served to constrain rather than facilitate LEPs during their political engagement. Meanwhile, the public profile of power companies, coupled with the highly visible campaigns of environmentalists – campaigns often targeted at electricity generators – have also acted as a brake on the political influence of large power companies. Nevertheless, despite these limiting dynamics, the chapter argues that LEPs have been privileged actors, both in terms of their political access and influence.

The chapter begins by providing an overview of the UK's liberalised electricity market, highlighting in particular the way it is dominated by six vertically integrated multinational companies – Centrica, EDF Energy, E.ON, RWE npower, Scottish Power, and Scottish and Southern Energy respectively. The analysis then moves on to consider the implications of decarbonisation for power companies, arguing that while the government's ambitious targets for the sector have presented sizeable challenges for LEPs, ultimately neither the core interests of power companies, nor their crucial role in society have been threatened by the government's approach. Sections 4 and 5 unpack the extensive interaction which has taken place between the 'Big Six' power companies and government, drawing particular attention to the extent to which policymakers have depended on these powerful incumbents for delivery. Finally, through case studies exploring the role played by LEPs in the development of policy towards Carbon Capture and Storage (CCS) and renewable generation during 2008 and 2009, sections 6 and 7 provide the opportunity to put some analytical 'meat on the bones', further illustrating the arguments presented.

8. 2 Electricity generation in the UK

Before analysing LEPs' role in policymaking, it is first useful to provide a brief history of energy policy in the UK and to examine the nature of the UK electricity market. Firstly, the section will outline privatisation and its legacy, before moving on to introduce the six LEPs which dominate the market and whose political influence and interaction with government are the focus of this chapter. Finally, it will highlight emissions trends in the UK and unpack the generating mix, considering in turn what these mean for emissions reductions.[341]

8.2.1 Privatisation and its legacy

As part of a wider privatisation programme, the 1989 Electricity Act began the privatisation of a sector which had been nationalised since 1948. According to policymakers, privatisation and competition were to make the sector more efficient and lead to lower prices for consumers. In 1990 the Thatcher government divided the Central Electricity Generating Board[342] into four separate companies. Of these, National Grid took control of the high voltage transmission network in England and Wales and became a privatised monopoly. Simultaneously, three generating companies - National Power, PowerGen and Nuclear Electric - were established. Nuclear Electric was allocated the nuclear power plants, and remained in public hands until 1996.[343] National Power and PowerGen were privatised and took over the thermal generating plants, becoming competitive generating companies. Meanwhile, in Scotland two private firms were created – Scottish Hydroelectric and Scottish Power.[344] Thus, market liberalisation accompanied privatisation. To regulate and promote competition between these private electricity utilities, the government established the Office of Electricity Regulation, since replaced by the Office of Gas and Electricity Markets (Ofgem). Privatisation thus represented a complete overhaul of the existing system. Helm notes: 'In place of nationalisation and statutory monopoly, privatisation and competition became the driving forces of energy policy... the job of government was limited to setting the framework within which the scope of market forces would be maximised' (2003:2).

Importantly, moreover, a reluctance to intervene in energy policy was firmly established among UK policymakers, a reluctance which has generally been to the benefit of power companies.

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[341] While energy policy is reserved to Westminster, the Scottish parliament has control over the planning system north of the border, which has implications for energy policy and strategy to reduce emissions from power generation.

[342] The Central Electricity Generating Board was a vertically integrated statutory monopoly, responsible for generation and transmission.

[343] Nuclear power was an unattractive proposition to the private sector at this time.

[344] In contrast to England, these two generating companies also took joint ownership of the transition system, distribution and supply (Helm, 2003: 138-9).

It is worth drawing attention to a number of features of this privatised electricity generation market as they have implications for LEPs' political influence. During the 1990s, as electricity generation was transformed into a competitive market, the UK enjoyed abundant energy supplies, courtesy of its North Sea oil and gas reserves. In this context, the new private companies concentrated on reducing costs and sweated their existing generating assets (Helm, 2008). As such, they were profitable and UK consumers enjoyed modest electricity prices. Unlike today, neither security of supply nor climate change were major concerns for companies or policymakers: this was an entirely different political context. There was little investment in the years following privatisation, both in power generation (including renewables) and grid infrastructure, and this has left the UK ill-prepared to face the current energy challenges and vulnerable to price fluctuations (Helm, 2008).[345] Between 2003 and 2008 the cost of electricity rose more rapidly and with more price volatility in the UK than in European competitor economies (CBI, 2009b: 27).[346] This volatility has largely been a product of the UK's increasing dependence on gas from overseas: in 2005 the UK became a net importer of gas and by 2008 35% of gas used in the UK was imported. According to some estimates, this figure will increase to 70% by 2015 (Centrica, 2009a). As a result of the UK's dependence on gas from overseas, interviewees from the business community, particularly energy intensive sectors such as steel and cement, have begun to consider 'security of supply' a major concern.[347] Through their engagement with policymakers over the issue, industrial sectors have reinforced the arguments and concerns over security of supply expressed by LEPs to policymakers. In this way, these energy intensive sectors have helped bolster the political leverage of power companies.

Substantial investment will be needed over the coming two decade to decarbonise generation and plug the looming energy gap as up to half the UK's existing generating capacity will be retired by the mid 2020s.[348] Indeed, as Andrew Duff, then COE of RWE npower, told delegates at a conference on climate change in December 2008, the entire UK energy system will require

[345] As the UK's own reserves have diminished, the UK has been increasingly exposed to fluctuating international gas and power prices.

[346] Average UK electricity prices (excluding taxes) were the sixth highest of the EU 15 countries, and 17% above the EU 15 and G7 median (DECC, 2009b: 55).

[347] Various face-to-face interviews with author including on 23rd June 2008, (London) and 1st August 2008 (Surrey).

[348] Existing capacity will be lost as nuclear plants are coming to the end of their scheduled lives and a number of coal plants will close as a result of requirements under the EU's Large Combustion Plant Directive (CCC, 2008: 178).

rebuilding over the next 20 years (Duff, 2008.) As the raft of Energy Reviews and White Papers since 2000 illustrate,[349] electricity, and energy policy more generally, have regained political prominence. The days when Conservative and Labour governments hoped energy could be left to the market, with little direct political involvement, have become a long distant and nostalgic memory.

8.2.2 Key players in the power sector

Electricity generation and supply in the UK is dominated by six vertically integrated companies: RWE npower, E.ON, Scottish Power, EDF Energy, Centrica and Scottish and Southern Energy. Additionally, there are a few large generators which do not have retail interests in the residential market, notably British Energy, International Power and Drax.[350] Nonetheless, Helm's description in 2001 of the UK market as a vertically integrated oligopoly was still appropriate in 2009: market share remained concentrated among a handful of multinational firms. It is on these 'Big Six' vertically integrated companies that this chapter will focus. It will analyse the dynamics of their relationships with government and, relatedly, the influence of these multinational incumbents on climate policy.

Since 2000 there has been a process of consolidation in the European electricity market and the UK has felt the full effects of this. The companies created following privatisation such as Powergen and Scottish Power have been absorbed into larger energy companies during this wave of mergers and acquisitions.[351] Only two of 'the Big Six' - Centrica and Scottish and Southern Energy – have remained UK-based companies. RWE npower, E.ON, Scottish Power, EDF Energy are owned by German, Spanish and French multinationals. Moreover, in 2009 EDF Energy bought the British nuclear firm, British Energy. This latest acquisition made EDF Energy, a subsidiary of the French multinational EDF (85% owned by the French state), the UK's largest electricity generator, with around 25% of the market (EDF Energy, 2009a). Like its European

[349] Notably, the 2002 Energy Review by the Policy Innovation Unit; the 2003 Energy White Paper; the 2006 Energy Review; the 2007 Energy White Paper; the 2008 Nuclear White Paper; and the 2009 Renewable Energy Strategy.

[350] Author's face to face interview 23rd June 2008, London, UK company headquarters

[351] Powergen was acquired by the German company E.ON in 2002; Scottish Power was integrated into the Spanish firm Iberdrola in 2007; the German utility giant RWE took control of Innogy in 2002, becoming RWE Npower (Innogy was established when National Power's UK operations were demerged following International Power plc's creation in 2000); EDF Energy was established in 2002 following the acquisition and mergers of SEEBOARD, London Energy and SWEB Energy and is wholly owned by the French multinational EDF.

counterparts, British-based Centrica has sizeable global interests, operating in mainland Europe and North America. The point to emphasise here is that the UK market is dominated by Europe's largest multinational energy companies, four of whom are foreign-owned and the two British based companies also operate beyond the UK. These companies can choose with relative ease to direct their investment outside the UK should they prefer policy and regulatory frameworks elsewhere. Indeed, as section 8.5 argues, in order bolster their leverage with UK policymakers, these companies have been quick to highlight to government the investment mobility they enjoy courtesy of their global interests.

A final point to highlight is the profitably of the LEPs under analysis: these are well resourced companies. For example, in May 2009 the Chairman of Scottish and Southern Energy proudly highlighted the company's record of 10 successive years of increasing profits and dividends, despite a period the economic downturn (Scottish and Southern Energy, 2009a). Meanwhile, Centrica's 2008 operating profits of £1.94 billion (Centrica, 2009a: 5,)[352] prompted an Early Day Motion in 2009, signed by 37 MPs, calling on the government to 'impose a windfall levy on the excessive profits of the energy companies (EDM 904). However, to date no windfall levy has been imposed, reflecting the persuasive nature of the arguments presented by the Big Six and the government's dependence on LEPs for investment.

8.2.3 The UK's current generation mix and emissions trends

Between 1990 and 2005, electricity consumption in the UK rose annually by around 1.6% as a result of increased demand across all sectors (CCC, 2009: 110). However, despite this increase, emissions from electricity generation fell between 1990 and 2008, from 205 MtCO_2 to 171 Mt CO_2, respectively (CCC, 2009: 110). This fall was largely as a product of the 1990s' 'dash for gas', when generators switched away from coal to (cheaper) natural gas, with its lower carbon content.[353] It should be emphasised that this switch by power companies was motivated by economic and political considerations, rather than any environmental concerns. The impact of this move to gas highlights the importance of the generation mix for emissions reductions: existing coal-fired power plants produce around 850kg of CO_2 per MWh of electricity generated, whereas

[352] These were Centrica's *global* operating profits.

[353] The power sector's average carbon intensity dropped from 770gCO_2/kWh to 527gCO_2/kWh between 1990 and 2005. It has fluctuated slightly over the past 3 years and in 2008 stood around 537gCO_2/kWh (CCC, 2009:111).

gas-fired power stations emit substantially less, at around 370kg of CO_2/MWh.[354] As such, the extent to which electricity is produced from unabated coal has major implication for the carbon intensity of generation. In 2009, 45% of UK electricity was produced from gas; 32% from coal; 13% from nuclear; 6% from renewables, including wind, biomass and (long-established) hydropower, with the remaining 3% coming from other sources, such as oil (HM Government, 2009a: 54). Thus, over three quarters of UK electricity was generated from fossil fuels. Despite some modest progress since the introduction of the Renewables Obligation in 2002, the UK has continued to languish third from bottom of the European league table for renewables generation (The Guardian, 2009h).

The trend for increasing electricity demand between 1990 and 2005 has not continued over the past few years. In fact, electricity consumption was actually down 5% during the first 3 months of 2009, compared with the same quarter in 2008 (CCC, 2009: 110). This fall has been particularly noticeable among the manufacturing sectors and illustrates a continued link between economic growth and emissions levels, despite the considerable decoupling which has taken place over the past few decades.

A final point to note is the centralised, rather than distributed, nature of electricity generation in the UK (Mitchell, 2008). The electricity system in the UK is geared towards centralised, large scale generating plants. As such, it is much more suited to coal and nuclear power plants, than renewables, which tend to be small scale and dispersed (Helm, 2003). These physical characteristics do matter, at least in the short to medium term, as changes in generation and policy are constrained by existing material assets and infrastructure. Moreover, these material factors are reinforced by a general preference in government for 'big policy solutions'.[355] For example, a member of the Environmental Audit Committee stated when interviewed:

> The problem is that the government suffers from a 'big box mentality' – here's climate change, it's a big problem, and here is someone from big business coming along with a big box that will sort it out. The attitude is 'don't pay any attention to those hippies that talk

[354] Even the most advanced supercritical coal-fired power stations, such as that proposed by E.ON for Kingsnorth, would have emitted around 700kg/MWh.

[355] Various face-to-face interviews with author, including on 29th May, 2008 (Leeds); 11th June, 2008 (London); and 2nd July, 2009 (London).

> about decentralisation', but we need many smaller solutions, we need a diversified energy system.[356]

In this way, both physically and discursively, policymaking has been tilted in favour of LEPs, at the expense of smaller, emerging energy companies and other stakeholders such as environmental NGOs, arguing for a major shift in electricity generation. Unsurprisingly, as section 8.7 will illustrate, during their engagement with government, these energy multinationals have worked to maintain and consolidate this bias in policymaking and the UK system.

In summary, the UK electricity market is privatised, liberalised and dominated by six vertically integrated multinational companies. Generation is centralised, with low levels of renewables penetration, and extensive investment is required. Emissions from electricity generation have fallen, despite an increase demand between 1990 and 2005. Importantly, however, this fall has generally not been precipitated by an increase in low carbon forms of generation. Having outlined the nature of the UK electricity market, the focus will now turn to the challenge of climate change and its implications for LEPs.

8.3 Power companies and the challenge of climate change

8.3.1 The targets

In December 2008 the Committee on Climate Change - the influential independent body tasked with advising the government on emissions targets and monitoring progress on emissions reductions - boldly concluded that 'any path to an 80% reduction by 2050 requires that electricity generation is almost entirely decarbonised by 2030' (CCC, 2008: 173). The Labour government agreed that decarbonising electricity should have a crucial role to play in combating climate change. In a statement to the House of Commons in November 2009, Ed Miliband, the Secretary of State for Energy and Climate Change, stated:

> On coal, nuclear and renewables, the aim of our national [planning] policy statements is clear: consistent with the advice of the Committee on Climate Change, we need to be on course for the long-term goal of near-zero carbon emissions from power (Miliband, 2009c).

[356] Author's face-to-face interview with Colin Challen MP, 29th May, 2008, Leeds.

Similarly, in its 2009 Low Carbon Transition Plan, the government stated that when considering the relative costs and opportunities for emissions cuts elsewhere 'it is likely that we will need to reduce emissions from the power sector to almost zero' (HM Government, 2009a: 54). The government claimed, moreover, that its policies would put the UK on a trajectory whereby 40% of electricity would come from low carbon sources by 2020 (HM Government, 2009a: 52).[357] Given that in 2009 this figure stood at 19% (13% nuclear and 6% renewable), and many nuclear plants are to be retired before 2020, this is clearly a very ambitious policy goal. Business leaders have accepted the scale of electricity decarbonisation required. For example, the CBI's Director General, Richard Lambert, agreed with policymakers that 'electricity generation must be largely decarbonised within twenty years if we are to meet Britain's long term emissions goals' (CBI, 2009b: 4). Indeed, such business leaders have been involved in a dialogue with government over how this could be achieved most cost effectively.

More specifically, the UK has signed up to a challenging and legally binding EU renewable energy target: 15% of primary energy used in the UK should come from renewable sources by 2020. Taking into account the constraints and costs associated with decarbonising energy for heat and transport (at least in the short term), the Labour government's 2009 Renewable Energy Strategy suggested around half of this increase should come from renewable electricity,[358] anticipating more than 30% of UK electricity generated from renewable sources by 2020 (DECC, 2009a: 38). This would represent a considerable increase from the 2009 figure of slightly under 6%. It is worth noting that while these targets have been strongly endorsed by green groups and the Committee on Climate Change, business leaders have generally disputed the value and cost effectiveness of what they consider 'arbitrary' renewables targets and have lobbied against their introduction (see chapter 6).

8.3.2 The implications for power companies

The scale of investment and structural change which the decarbonisation of electricity requires of power companies should not be underestimated; they are enormous. Climate change has become a major issue for all six LEPs active in the UK, and according to interviewees from the sector, is key

[357] The CCC has argued that carbon intensity in power generation must fall from 500g/kWh to 100g/kWh. This means the share of low-carbon generation in the electricity mix must rise from 26% today to 78% by 2030.
[358] The Labour government's Renewable Energy Strategy suggested 12% of energy for heat and 10% of energy for transport would come from renewables by 2020.

to their long term business strategies.[359] Fundamentally, however, there has been no suggestion that electricity would become less important over coming decades. As argued in chapter 5, the Labour government did not advocate a radical overhaul of lifestyles. For example, there were no policies to radically curb personal travel, nor the widespread use of an ever increasing number of electronic goods in the home. While policymakers have had the aim of encouraging greater energy efficiency, and have introduced policies such as the Climate Change Levy, Climate Change Agreements and Carbon Emission Reduction Target (CERT) to this end, they have not suggested overall electricity demand is likely to fall.[360] In fact, electricity consumption is likely to rise with the electrification of road transport (CCC, 2009: 2). Likewise, decarbonised electricity generation is seen as a possible means of reducing emissions from space and water heating. The Committee on Climate Change stated in 2008,

> As electricity is decarbonised it is highly likely that the relative importance of electricity within overall energy end use should grow, with increasing substitution of low-carbon electricity for fossil fuels in surface transport and heating. Achieving a decarbonised electricity generation system is therefore even more important than its current share of CO_2 emissions suggests. (CCC, 2008: 173)

Crucially, therefore, although climate change has presented considerable challenges for LEPs, requiring enormous investment on their part, and greater government 'interference' in the UK's liberalised electricity market (e.g. through CERT), ultimately it has challenged neither their core interest nor their crucial role in society. Indeed, the core interests of power companies have been facilitated by the widespread attachment to personal travel and high levels of consumption, and the political dangers associated with any policy attempt to change or undermine these attachments (see chapter 5). The discourse of ecological modernisation has dominated in this policy area: fundamentally, decoupling brought about through extensive technological innovation has been framed by policymakers and business actors as key to reducing emissions from electricity generation, rather than through any systemic changes to society or behaviour which would bring

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[359] Various interviews with author, including on the 15th May 2008 (London); 18th June 2008 (London); 23rd June, 2008 (London); 30th June, 2008 (telephone); 30th July, 2008 (telephone); and 12th August 2008 (London).

[360] The Carbon Emission Reduction Target (CERT) began in April 2008 and will run for three years. It represented the Labour Government's principal policy to promote domestic energy efficiency. The scheme places an obligation on energy suppliers to meet carbon saving targets among their domestic customers. Electricity suppliers achieve their targets by encouraging households (e.g. through subsidy) to take various energy saving measures. These include loft and cavity wall insulation and energy efficient lighting.

about a radical reduction in how much energy is used.[361] To date, moreover, UK policy to decarbonise generation has not challenged the dominance of the Big Six. In fact, as section 8.7 argues that the Renewables Obligation - the Labour government's principal policy mechanism to encourage the deployment of renewables - has helped further consolidate the dominant market position of these powerful incumbents.[362]

Low carbon forms of generation are, without exception, more expensive than electricity produced from traditional, unabated fossil fuels. However, as LEPs can pass their increased generation costs to consumers, decarbonisation is not expected to reduce the profitability of these multinational companies. In the words of one interviewee:

> In the long run power companies are indifferent to this. Ultimately costs will all be borne by the consumer. In the short term of course there's a risk for investors if government policy changes, but ultimately they will need to earn a return on their capital, whether it's in renewables, coal, or nuclear etc, and those costs will be borne by energy users.[363]

In fact, the Big Six have responded to criticism from MPs and consumer groups over their prices and profits by pointing directly to the investments required over coming decades to decarbonise generation. For example, in 2008 E.ON's CEO Paul Golby rebuffed calls to cut the firm's prices in line with the fall in wholesale gas prices, arguing LEPs need the increased profits to invest in new, low carbon generating capacity. He stated:

> I accept that the group profit figures [of €7.7bn for the first nine months of the year] look large, but we need capital to invest...It's difficult to finance [the investment needed] in the current financial environment if the government makes us reduce already lower-than-needed profits. Where will the investment come from?'(Golby, quoted in The Guardian 2008a).

More recently, in July 2009 following their announcement of an 80% increase in profits, Centrica's CEO Sam Laidlaw stated that bills were unlikely to fall for the foreseeable future due to the high costs associated with building nuclear power stations and renewable forms of generation. In fact,

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361 The government has made some attempts to encourage homeowners to improve the energy efficiency of their homes, i.e. through CERT.

362 At present, less than 1% of the UK's electricity supply is met by small-scale renewable electricity generation (DECC, 2009a: 42)

363 Author's face to face interview 23rd June 2008 London, Trade Association offices.

he added that by 2020 bills would rise by £250 a year to cover the Government's emissions reduction objectives (Times Online, 2009a). More generally, the Big Six have been at pains to highlight the future price increases expected to accompany decarbonisation. Indeed, interviewees from the sector expressed their frustration at the Labour government's failure to communicate the cost of decarbonising electricity to consumers.[364] Thus, while decarbonising electricity requires enormous investment from LEPs, ultimately their profits have not been placed under serious threat, and power companies have drawn on the required investment to justify and safeguard their very large profits.[365] More generally it is worth noting that despite the claims and promises made by the politicians responsible for privatising the energy sector two decades ago, prices have not fallen for consumers: in fact, since 2004 bills have doubled. From the perspective of UK consumers, choice and market liberalisation has largely been meaningless: LEP have generally increased and with less frequency lowered their prices at once. During the cold spell in the winter of 2009/2010, consumer groups and politicians such as the Liberal Democrats' Treasury Spokesman, Vince Cable, called for an investigation by the Competition Commission into the increased profits enjoyed by the Big Six who had passed on little of the fall in wholesale energy prices to consumers. As the then Prime Minister Gordon Brown tellingly put it:

> One of the continuous problems I face is trying to persuade companies to pass on cuts in oil prices [which are closely linked to gas prices] so that the consumer is not hit when the price is going up and then not given any benefits at all when prices are coming down (Brown, quoted in The Guardian, 2010b).

Brown's use of the word 'persuade' is noteworthy. It illustrates the power of the Big Six *relative* to government and the extent to which policymakers have felt they *depend* on these multinational companies in the existing policy and market framework. These dominant firms have enjoyed a position of strategic importance for the economy and society more generally.

8.3.3 Power companies - a cohesive sector with common interests?

There has been a large degree of unity between LEPs in relation to most aspects of policy towards climate change. Each of the 'Big Six' have accept the need to decarbonise generation. At a general level, they have a shared dislike of regulatory uncertainty and have been eager to avoid what they

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[364] Interviews with the author on 23rd of June 2008 (UK headquarters, London), and 30th July 2008 (telephone).
[365] Last year E.ON made profits of £777m in the UK and invested £935m in new infrastructure (The Guardian, 2008a).

consider 'over-complications with policies'. Unsurprisingly, all have agreed that the extra costs incurred decarbonising generation should be borne by consumers, rather than shareholders. Interviewees from LEPs agreed that in broad terms it has not been difficult to reach a common position and observed that the Association of Electricity Producers (AEP), of which all six are members, has generally been able to arrive at a consensus on policy.[366] Fundamentally, all LEPs have a general preference for market-based policies. As the Head of Regulation and Government Affairs at one LEP observed: 'we all believe we need competitive markets and energy policy frameworks that are founded on market-based mechanisms, which tend to be the most cost-effective way of achieving energy policy objectives.'[367]

This shared preference for market-based policies has manifested itself in relation to emissions trading. Indeed, interviewees from the sector were unanimous in their support for the EU ETS, and as one added, through their engagement with policymakers, government has 'appreciated that power companies attach a lot of importance to the operation of the EU ETS as a means of delivering low carbon investment.'[368] Likewise, with the notable exception of EDF Energy, all LEPs have preferred the market-based Renewables Obligation to a Feed-In-Tariff and have successfully lobbied to this affect (see 8.7).[369] There have been various further areas of agreement. For example, there has been 'complete consensus' among power companies over reform to the planning system and broad support for an increase in nuclear generation.[370] All LEPs have developed plans to construct nuclear plants or expand their capacity in the UK, and joint nuclear ventures have been established between Iberdola (Scottish Power) and Scottish and Scottish & Southern Energy, the German energy giants E.ON and RWE npower, and EDF Energy and Centrica to this end (The Guardian, 2009i; BusinessGreen.Com, 2009). In fact, the Big Six, along with the wider business community (see chapter 6), have formed a powerful lobby in favour of nuclear expansion, effectively arguing to government that nuclear power has benefits both from a security of supply and cost perspective.

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366 Author's face to face interviews on 16 May 2008 (Trade Association Offices, London); 12th August 2008 (company headquarters, London).
367 Author's face to face interview 23rd of June 2008, company headquarters, London.
368 Author's face to face interview on 16th May 2008,Trade Association Offices, London
369 Unlike other LEPs, EDF Energy has also begun to favour a carbon floor price.
370 Various interviews with author, including on 18th September 2008 (telephone); 3rd November 2009 (telephone).

This is not to deny that there have been some differences in stance. After all, these companies have varied generating portfolios, as the difference in the carbon intensity of their electricity generation demonstrates: for example, in 2007 E.ON's carbon intensity stood at 686kt CO_2/TWh, whereas Centrica's was substantially less at 394kt CO_2/TWh (E.ON UK, 2008a; Centrica, 2008). As a result of differing portfolios, company cultures and investment plans there have been some diverging positions between the Big Six, for instance, over whether an additional support mechanism would be required to incentivise investment in nuclear power.[371] However, for the most part, differences have not been significant, principally relating to the *details* of policy rather than substantive issues. As the Head of Environmental Strategy at one LEP commented, 'as we all have different business histories and assets, there are some differences in the detail of our positions sometimes.'[372] Others agreed, for example a Director of Energy and Environment from another of the Big Six, observed 'on occasions we've been more assertive than others in terms of renewables policy, the ETS, and energy efficiency; it's a matter of emphasis.'[373] However, while such comments suggest that differences over policy details are relatively common place among the Big Six, major cleavages over the direction of policy are fairly unusual: this is far from an atomised sector politically. Having established that LEPs have presented a united front to government on many important policy questions, the chapter will now move on to analyse the nature of interaction between power companies and government over climate change.

8.4 Power companies, government and climate change: an intensive dialogue

It is clear from interviewees that LEPs have enjoyed a close and intensive dialogue with government over climate change. Indeed, this and the next section will argue that while the Big Six have used trade associations and business groups to represent their interests to policymakers, each LEP has been a significant and sophisticated political actor in its own right, with views and resources valued by government.

As a heavily regulated sector, providing a vital resource, LEPs are accustomed to having considerable contact with policymakers and regulators across a range of issues. Indeed, extensive interaction over climate change has been grafted on top of an already close dialogue between the

[371] Author's telephone interview 03[rd] November, 2009.
[372] Author's telephone interview 30[th] July 2008.
[373] Author's telephone interview 30[th] June 2008.

Big Six and government. The political scrutiny received by the sector and the fact there has been 'much to play for' in policy terms, have encouraged LEPs to become increasingly adept in their political engagement.[374] These profitable multinational companies have developed large teams of staff working on government affairs and regulation, and they have each established close links with policymakers. According to interviewees from the sector, LEPs each have around 10-12 staff whose remit is to lobby and engage with the UK government.[375] These are professional, well-resourced teams. A middle ranking BERR official working on the EU ETS candidly described the ease of access LEPS have enjoyed to government and the resources and political skill possessed by these firms:

> The Big Six ... can afford to send individuals to every event where you'd expect to see them, so you get to know them personally... If someone from EDF or E.ON has a question, they've got a direct line, they know us. We broadly know what their position is and they know ours... I think that's fairly unique to the energy sector because it is so dominated by big companies with lots of savvy and resources ... The Big Six probably have more people working on this than we do in our team.[376]

Unprompted, interviewees from other sectors, such as oil and retail, contrasted their 'moderate' contact with policymakers to that of LEPs, with their larger government affairs teams. For example, a Regulatory Affairs Manager from an oil multinational commented 'companies like E.ON and RWE Npower have armies of people dealing with regulation and trying to lobby policymakers', and he added that his sector has not had 'the kind of scrutiny that power companies do from government.'[377] Extensive interaction has also been encouraged by the fact that LEPs have been 'executors' of the government's key policies in this area, notably the Renewables Obligation, the Energy Efficiency Commitment and its replacement, CERT (Mitchell, 2008). The following quote from a Director of Regulation at one foreign-owned LEP provides a flavour of the extensive nature of their firm-level interaction with government and the multiple points of contact between his company and policymakers:

> We have a public affairs team, half a dozen or so people; they concentrate mostly on politicians - Lords and MPs. I have a team of three, who talk to government about policy,

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[374] Various interviews with author including on 19th May 2008 (Surrey) and 18th September 2008 (telephone).
[375] Various interviews with author including on 7th August 2008 (telephone); 12th August 2008 (London UK headquarters).
[376] Author's interview with middle ranking BERR official, 18h June 2008, London.
[377] Author's face-to-face interview, 29th August 2008, London, company offices.

> which is more directed at officials and supporting the Chief Executive who is talking to ministers... In addition to that we've got about half a dozen people that work on technical aspects of energy policy and emissions trading - they have contact with officials at a detailed level.... We talk to ministers' political advisers too.[378]

Both sets of actors have sought and initiated contact over climate change. Policymakers have been receptive when the Big Six have initiated contact because they have valued their input and resources to deliver on their policy objectives. As the Head of Regulation and Government Affairs at one power multinational put it, 'we have a direct relationship with the government - the government is interested in our views on our own'.[379] By no means have these multinational power companies relied on trade associations to provide access to policymakers during the years under analysis. As each LEP has the ability to invest significant capital, their individual investment strategies have been of considerable interest to government. For example, in 2008 Scottish and Southern Energy announced its intention to invest around £6.7 billion in the UK by 2013 (Scottish and Southern Energy, 2009b). These are enormous sums, particularly in the context of economic downturn. As the next section will illustrate, policymakers have 'courted' LEPs for their much needed investment. In addition to the Big Six's extensive bilateral contact with policymakers, interaction has also taken place at group level. Most notably, the UK Business Council for Sustainable Energy (BCSE) has provided a forum for high-level dialogue between the major energy companies and government.[380] Established in 2002, the BCSE has facilitated regular meetings and dinners between these CEOs and senior policymakers, including ministers, to discuss overall strategy, and LEPs consider it to have been a valuable vehicle for engaging with government.[381] Thus, both individually and in group settings, the Big Six each have had an ongoing dialogue with policymakers, including ministers.

LEPs' common interests have also been represented to government through their membership of a range of groups and lobbying organisations, including the CBI, their sector body the Association of Electricity Producers (AEP), and various renewables trade associations such as the British Wind Energy Association and the Renewables Energy Association (see previous chapter).[382] The most

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[378] Author's face-to-face interview, 12th August 2008, London, UK headquarters.
[379] Author's face to face interview 23rd of June 2008, UK headquarters, London.
[380] These include CEOs and senior executives from National Grid, United Utilities, Shell, BP, CE Electric, Air Products and International Power as well as CEOs from each of the Big Six.
[381] Various interviews with author including 18th September 2008 (telephone).
[382] In some cases it is LEPs' renewables divisions e.g. RWE npower renewables, which are members.

prominent of these are the CBI, where LEPs have participated in the CBI's Energy Policy Committee, and the AEP. On an ongoing basis, the AEP has represented electricity producers' interests to government both bilaterally and in group setting such as the Business Energy Forum[383] and Emissions Trading Group (see chapter 7). However, while interviewees from LEPs reported valuing their membership of the CBI and AEP, they made it clear that they have generally used these lobbying groups as a *supplement* to their direct engagement with policymakers, at least when it has come to important policy questions. For example, a Director of Regulation from one of the Big Six commented, 'we do a lot of our own lobbying and influencing... we do all our own representation to government on nuclear.'[384] (See chapter 5 for a diagram illustrating the principal means by which an LEP typically seeks to influence the UK government.) Having established that the Big Six have been prominent political actors in their own right, with extensive firm level contact with policymakers, the focus will now turn to analyse in more detail the crucial resources enjoyed by LEPs, and the access and influence which these have brought.

8.5 Providers of investment and innovation

LEPs have enjoyed material resources that matter to government, resources which have been rendered particularly crucial as a result of the dominant political discourse which has surrounded climate change: ecological modernisation. When faced with the challenge of climate change, nowhere has the government's dependence on the private sector for technological innovation and investment been more noticeable than in the area of electricity generation. This dependence has both encouraged and facilitated the extensive interaction described above. As noted in section 8.3, in the near term the lion's share of responsibility for meeting the UK's targets on climate change has been placed with the power sector. This focus should be seen as a reflection of the enormous structural, economic, cultural and political impediments associated with policies to reduce UK emissions in other sectors, rather than any political weakness on the part of LEPs. Yet, somewhat paradoxically, in the context of the UK's privatised energy market, dominated by an oligopoly of multinational energy companies - able to pass increased costs to consumers - the decision to focus emissions reductions with power generation has invested these global companies with considerable political leverage. In fact, coupled with the government's tendency towards market

[383] The Business Energy Forum, chaired jointly by a Minister from DECC and the CBI's Director General, provides an opportunity for high-level discussion at Trade Association level three times a year
[384] Author's face-to-face interview, 12th August 2008, London, UK headquarters.

mechanisms and a 'big box' approach to policy, it has helped further strengthen the political position of these large incumbents.

Crucially, it has been left to private electricity companies to deliver the government's targets for renewable and low carbon generation: private companies, not UK government, would build and finance new low carbon generating capacity, and develop and demonstrate the technologies around nuclear, CCS and the various forms of renewables. Policymakers have openly acknowledged that in the existing market framework they could only deliver through private electricity companies. An official in BERR for instance commented: 'LEPs have to make strategic decisions about investing and it's for the good of the UK essentially, that's why we're so keen to make sure they've got the framework to do that'.[385] This choice of words - 'for the good of the UK' - is interesting and noteworthy. After all, although LEPs provide a vital resource, they are by no means philanthropic organisations. As numerous interviewees pointed out, their primary obligation is to shareholders: ultimately the Big Six base their investment decisions on what is likely to be best for shareholders and profits, not the public or environmental good.[386]

The government's dependence on the private sector to deliver has provided LEPs with considerable access to policymakers and input over what has been considered *feasible* in policy terms. In the words of one official working on the renewable energy strategy:

> If we haven't reached agreement with key stakeholders as to what the strategy shape should be and how we can effectively deliver that then we wouldn't get the policies in place, the strategies wouldn't get delivered. It's a collaborative process ... business stakeholders act as 'a sounding board for reasonability'.[387]

At the heart of the government's dependence has been money: the scale of private capital required in this sector has been unprecedented. The Labour government estimated around £100 billion of investment would be needed to meet the UK's renewables target (DECC, 2009a). Meanwhile, the CBI has suggested that to achieve the UK's climate change targets, improve energy security, and update infrastructure, private sector investment in the order of £150billion would be required over

[385] Author's face-to-face interview with middle ranking BERR official, 18th June, 2008, London.
[386] Various interviews with author, including on 16th September, company head quarters, London; 18th June, 2009, London.
[387] Author's face-to-face interview with middle ranking BERR official, 31st of July 2008, London.

the next two decades (CBI, 2009l). According to interviewees this dependence on the private sector for finance has encouraged an intense and generally constructive dialogue between the two sets of actors. The Director of Energy and Environment from one of the Big Six for example commented that 'most departments in government have had an objective to constructively engage business because they understand that massive investments from power companies are key to many of the solutions to the climate change challenge. It's no longer 'them' and 'us'.'[388]

As this and the previous quote illustrate, the language of partnership and cooperation, so central to ecological modernisation, have been much in evidence in this area. This is not to say that this extensive dialogue has been without frustrations. In particular, interviewees from the power sector decried a lack of leadership from policymakers and the slow speed at which the government has made some key decisions, for example around CCS.[389] Likewise, several interviewees commented that the government, fearing the electoral consequences, had failed to honestly communicate to the public the costs associated with decarbonising generation. As one lobbyist from the sector put it: 'we think the government should be giving people a much clearer steer about the way things are heading [with prices], but of course that's the last thing Gordon Brown wants to be doing at the moment'.[390] Nonetheless, for the most part, policymakers and business actors spoke of their relationships and extensive interaction in fairly positive terms.

When it comes to energy generation the government has actively courted potential private investors. A middle ranking BERR official for example noted: 'for the energy side we have somebody who is responsible for engaging with investors - they organise investor dinners with ministers… we look to our stakeholders to advise and guide us on this.'[391] This capacity *to deliver* has conferred on LEPs, and other potential investors in the sector, a political power not enjoyed by other stakeholders. The investment dimension of government's dependency on the private electricity sector has been given particular force by the multinational nature of the LEPs which dominate the UK electricity market. As companies with global interests, the Big Six have many opportunities to direct their investments overseas, should they consider the policy framework preferable and more stable elsewhere: fundamentally, in order to grow these companies do not

[388] Telephone interview with author, 30th June, 2008.
[389] Various interviews with author, including on 23rd June, 2008 (London) and 30th July, 2008 (telephone).
[390] Author's face to face interview 16th May 2008, London.
[391] Author's face-to-face interview with middle ranking BERR official, 31st of July 2008, London.

need to invest in the UK. The four foreign-owned LEPs in particular have neither an attachment to the UK, nor a predisposition to invest their capital here. As Andrew Duff, the then UK CEO of RWE npower, told delegates at a business forum on the low carbon economy in 2009, 'we need to *persuade* our parent company to invest in the UK' (Duff, 2009a) (author's emphasis). Yet, attached to a centralised model, to meet its policy objectives the Labour government needed to attract such global capital. These multinational companies, and the groups which represent them, have repeatedly flagged to policymakers the conditionality and mobility of their investments in order to strengthen their lobbying positions and drive concessions from government. The CBI for example stated in its 2009 energy report, Decision Time, 'risk-averse investors and companies with global options will need to be confident of securing good returns from UK energy markets if they are to invest here' (CBI, 2009b: 9.) The Association of Electricity Producers' consultation response in 2009 on the framework for the development of clean coal provides an example of how the industry has attempted to extract specific policy concessions from government on these grounds:

> ... Given such a restrictive regulatory framework in the UK, investment in CCS demonstration projects are more likely to be made elsewhere in the EU where risks, and hence the cost of capital, may be lower. The government could improve the risk profile of projects significantly by contributing to the capital cost of demonstration projects as well as providing funding via a mechanism based on amount of CO_2 stored (Association of Electricity Producers, 2009a).

Effectively the AEP has argued that financial assistance and concessions would be needed if multinational power companies were to be *enticed* to invest in 'clean' coal here in the UK. (The chapter will return to the government's dependence on power companies in relation to CCS in the next section.) It should be noted that LEPs have not been the only multinational energy companies with the flexibility to direct investments in renewables elsewhere. For example, the same has undoubtedly been true of multinational oil companies. Notably, in 2009 BP pulled away from plans to develop wind farms and other renewable projects in the UK, deciding instead to focus the majority of its £5bn renewables programme on the US. The US market has been attractive for BP as government incentives have provided a useful tax shelter for oil and gas revenues (The Guardian, 2009j). This illustrates the impact which differences in regulatory frameworks have had on the investment decisions of energy companies.

LEPs have recognised their strategic importance and the degree to which politicians have depended on them. A director at one LEP for example asserted that 'the government needs to know what we think. BERR doesn't have the same degree of expertise in energy as it used to have, so they have to rely on us more. They're not going to deliver anything themselves - they rely on the market'.[392]

Similarly, a Director at another LEP observed 'ultimately government knows it needs us for the long-term – it wants us to invest.'[393] This dynamic has provided these companies with the opportunity to shape important aspects of the Labour government's climate change strategy. This dependency on the part of government and its political implications have not been lost on other business actors. For example, an interviewee from the UK arm of a manufacturing multinational commented that government has only had 'the illusion of control in relation to energy policy – in reality they're at the whim of the market'.[394] He critically added: 'LEPs have an inflated sense of their own importance; they think government will back down and will come round to their way of seeing things because of how important they are'.[395] Evidently, the political influence of LEPs has been a source of tension between electricity generators and industrial sectors. To develop these arguments further, the chapter will now turn to examine two key planks of the Labour government's strategy to reduce emissions from power generation – Carbon Capture and Storage and the Renewables Obligation.

8.6 Decarbonising coal: high hopes for Carbon Capture and Storage

An examination of UK policy over Carbon Capture and Storage (CCS) provides an opportunity to illustrate the extent to which government has felt it depends on LEPs for delivery and the political advantages this dependency has conferred on these multinational electricity generators. However, this example also highlights the high public profile of climate change and how the political context - including scientific consensus and cross party competition - has acted as a break on the influence of power companies. Before analysing LEPs' interaction with government over CCS and their influence on policy in this area, the section will first introduce the technology and its potential to reduce emissions from coal.

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[392] Author's face-to-face interview, 12th August 2008, London, UK headquarters.
[393] Telephone interview with author, 7th August 2008.
[394] Telephone interview with author, 15th August 2008.
[395] Telephone interview with author, 15th August 2008.

8.6.1 Coal and the attraction of CCS

CCS refers to a process whereby CO_2 is captured from fossil fuel power stations and other industrial installations and then stored underground. Several technologies exist to capture the CO_2 and these can be broadly divided into the more conventional post-combustion method; pre-combustion; and oxy-fuel combustion respectively. Experts and UK policymakers have suggested CCS has the potential to cut emissions from power stations by up to 90% (Metz, B et al, 2005: 442; DECC, 2009c: 4), and according to the Labour government, the successful deployment of CCS would substantially reduce the costs of the UK meeting its ambitious carbon reduction targets (HM Government, 2009b: 33). CCS thus represents a crucial technology.

As noted in section 8.2.3, generating electricity from coal is very carbon intensive, creating more than twice the emissions of electricity produced from gas. Fundamentally unabated coal generation is incompatible with tackling climate change and the government's emissions reduction targets. Due to its carbon intensity, over the past two years, coal generation has, along with airport expansion, been the focus of extensive campaigning by environmental NGOs and climate change activists. In particular, the site of the proposed coal-fired power station at Kingsnorth has been the scene of much high profile action by campaigners. However, despite its high carbon intensity, coal has continued to hold attractions for government and UK industry, including the power sector. Firstly, it is low cost - the relative price of coal over recent years (compared to gas) has made it attractive to generators and investors. Secondly, sizable coals reserves remain in the UK, and as such the fuel can help circumvent rising concerns over security of supply. Finally, policymakers and business leaders have argued coal's reliability and ability to 'load follow', would be useful as intermittent renewables (such as wind) form an increasing proportion of the generation mix, helping maintain a 'diverse' fuel mix (HM Government, 2009a: 65; DECC, 2009c: 6). As such, the Labour government had high hopes for CCS. CCS would allow coal to remain a viable form of generation as the UK moved towards its carbon reductions targets. Given the extent to which rapidly industrialising countries such as China and India rely on coal, UK policymakers have also argued that the development of CCS is key to an effective international solution to emissions reductions. Indeed, in 2009 the Labour government described the technology as 'a crucial part of the solution to climate change, in the UK and globally' (HM Government, 2009a: 67).

Policymakers and the business community in the UK have also looked on CCS with enthusiasm for its potential to create economic and job opportunities should the UK gain an early competitive advantage.[396] For example, in its Low Carbon Industrial Strategy, the government identified CCS as a potential driver for economic recovery and growth (HM Government, 2009b: 33-4). With the opportunities for storage presented by the North Sea and the UK's skills in engineering and project management, the Labour government argued that the UK would be well-positioned to 'lead the way' in the development of CCS (HM Government, 2009a: 67). Similarly, Nick Horler, CEO of Scottish Power told delegates at an event in 2009 that 'the economic benefits of getting CCS right could be huge for UK plc, unlocking access to a global CCS market worth in excess of $100 billion per year between now and 2030' (Horler, 2009). Indeed, CCS represents a classic example of ecological modernisation in action: if successful, not only could energy consumption be decoupled from environmental damage, but the process of this decoupling would also bring opportunities for economic growth and competitive advantage for the UK. As such, economic growth and environmental protection are a positive-sum game, and one which does not require a fundamental reshaping of existing institutions or behaviour: to all intents and purposes, society would be able to carry on as before.

However, despite its obvious attraction, in 2009 CCS remained unproven, with the various stages of the process yet to be demonstrated together and on a commercial scale (MacKay, 2009; HM Government, 2009a). Moreover, developing and fitting CCS will be expensive, and using the technology will reduce the amount of electricity generated. Against the backdrop of the existing regulatory framework and low carbon prices, the risks and costs associated with developing this nascent technology have mitigated against investment by power companies in the UK. The attention now turns to the Labour government's policy toward CCS during its last few years in office and LEPs' role in its development.

8.6.2 A Shift in government policy

In April 2009, after much deliberation, the government announced that any new coal-fired power stations built in England and Wales must, from the outset, be fitted with CCS technology, capable of capturing at least a quarter of the plant's emissions. The government also proposed that every new coal-fired power station built from that point would have to commit to retrofit CCS to full

[396] Interview with author 16th of May 2008, Trade Association offices, London.

capacity by 2025, providing that the technology had been technically and commercially proven. A consultation on 'A Framework for the Development of Clean Coal' was subsequently launched by DECC in June 2009. As one lobbyist pointed out, the fact that the government repeatedly delayed its decision on coal illustrated the extent to which it had become 'boxed in' on the issue by opposition parties and the high profile protests of climate change activists.[397] Power companies and business groups such as the CBI and EIUG argued that the existing policy framework – i.e. the EU ETS - already had sufficient checks and balances in place regarding emissions levels from coal. Such business actors maintained that within the existing framework some new coal generation was legitimate, particularly given concerns over security of supply, and they continued to make this case to policymakers.[398] In contrast, environmental NGOs such as Greenpeace, WWF, Friends of the Earth and the RSPB called on the government to introduce an Emissions Performance Standard (EPS) for power stations of 350kg of CO_2 MW (The Guardian, 2008c). These NGOs were not the only voices making such calls. Notably, the Environment Agency, prominent think tanks such as the IPPR and Policy Exchange, along with the main opposition parties, were also advocating an EPS. In fact, in June 2008 the Conservatives proposed to set an EPS for power stations of 500kg of CO_2MWh, effectively placing a moratorium on unabated coal-fired generation. In the words of George Osborne, the then Shadow Chancellor, 'such a standard would mean that a new generation of unabated coal power plants could not be built in this country'(Osborne, 2008). Likewise, in its December 2008 report, the Committee on Climate Change argued additional policy would be required alongside the EU ETS to ensure that there would be no conventional coal in the generation mix by the 2020s. The Committee's report stated: 'new conventional coal-fired power stations should only be built on the clear expectation that they will be retrofitted with CCS capability by the early 2020s' (CCC, 2008: 172). In other words, the decision over whether to use CCS technology should not be left generators. The pressure on government to alter its position on coal had become immense: to continue to allow the building of new unabated coal plants would undermine the government's position and legitimacy on climate change and flew in the face of its own emissions reduction targets.

[397] Telephone interview with author 3rd November 2009
[398] Various interviews with author, including on 23rd June 2008 (London); 9th February 2009 (London); and 3rd November 2009 (telephone).

The shift in government policy on new coal in April 2009 was cautiously welcomed by environmental NGOs as a positive step, albeit one which did not go far enough: after all, three quarters of the emissions produced from new coal-fired power stations could continue to be released into the atmosphere. Nonetheless, Greenpeace's Director John Sauven praised Ed Miliband (Secretary of State for DECC) for being 'the first minister to throw down the gauntlet to energy companies and demand they start taking climate change seriously' (Sauven, quoted in Times Online, 2009b). Certainly, the government's decision illustrates the constraints which the prevailing political context had imposed on the influence of LEPs. In particular, it illustrates the pressure the government faced as a result of the positions taken by the Conservatives and Liberal Democrats and how this served to constrain the political influence of the Big Six. Power companies did not favour any mandating of CCS on new coal build; they sought flexibility from the policy framework. The Labour government's unfolding policy on coal during its last year in power should be seen as a compromise, and one which bears testimony to the enormous pressures and conflicting interests they faced. Without doubt, lobbying by power companies had left its mark on policy. Reflecting its dependence on LEPs, the government made substantial concessions to generators. As an interviewee representing the sector put it: 'in the end the government's decisions was a good decision, the middle ground. It wasn't exactly what we wanted, but it could have been much worse.'[399] Notably, for example the government proposed a substantial subsidy for up to four CCS demonstrations.

Following its consultation on the Framework for the Development of Clean Coal, in November 2009 the government laid out more detailed plans to facilitate the development of CCS and its Energy Bill. These included a £9.5 billion levy on electricity suppliers to help fund the demonstration projects.[400] Crucially, however, as with decarbonising generation more generally, ultimately the cost would be borne by consumers, through higher electricity prices, rather than suppliers and their shareholders. Even the government was explicit on this point in its impact assessment, asserting: 'it is assumed here that electricity suppliers would pass the cost of the levy on to electricity consumers' (DECC, 2009d: 4). This was not the only aspect of the proposed policy favourable to LEPs' interests. Power companies' did not support the introduction of an

[399] Telephone interview with author 3rd November 2009.
[400] The government also said it would make available up to £90m to help fund the next stage of the demonstration project.

EPS, at least until CCS had been successfully and commercially demonstrated, and this was reflected in the government's approach (see for example AEP, 2009a; Centrica 2009b).[401] LEPs contended that an EPS would be unnecessary and inferior to a cap and trade approach (i.e. the EU ETS), again illustrating the shared preference of power companies for market-based policies.[402] For example, Scottish and Southern Energy asserted:

> We believe that the most efficient and effective method of achieving CO_2 emission reductions is through the use of markets mechanisms i.e. the EU ETS… Given the current status of CCS technology development, it is not appropriate to set an EPS at this time that would apply post 2020. We do not believe that an EPS will deliver investment in new coal plants or the development of CCS technology (Scottish and Southern Energy, 2009c).

Similarly, in response to the Conservatives' proposals to introduce an EPS, the Head of Environmental Strategy at one LEP suggested such a policy would undermine the EU ETS and warned it could discourage much needed investment in generation. He candidly asserted:

> The Conservatives need to make up their mind whether they want to support the EU ETS. They could drive away investment from the UK… They're beginning to realise that and send more sensible signals to industry. As they move towards putting together a manifesto we should start to see sanity prevail.[403]

In contrast, following the government's announcement, environmental groups reiterated their vocal calls for a mandatory standard to be introduced in order to provide greater regulatory certainty and drive investment. Indeed, NGOs criticised the government for being unduly lenient towards LEPs in this respect. For example, David Norman, Director of Campaigns at WWF-UK, stated that 'without a guarantee of a legally-binding policy which limits CO_2 emissions, the Bill gives energy companies too much carrot and no stick' (Norman, quoted in The Guardian, 2009k).

A further major sticking point for generators during the consultation process had been the government's proposal to make the full retrofit of CCS compulsory by 2025. Interviewees expressed the sector's concerns over the possibility of the 'arbitrary forced retrofit of CCS,

[401] None of the Big Six supported the introduction of an EPS, however, there was some variation between their respective positions. Notably, from its consultation response EDF Energy's position is best characterised as ambivalent, rather than openly hostile to an EPS.
[402] Various interviews with author, including 30th June 2008 (telephone) 30th July 2008 (telephone).
[403] Telephone interview with author, 30th June 2008.

irrespective of whether the technology had become commercially viable', and asserted 'government should ease off on the retrofit aspect and hope companies will choose to retrofit'.[404] Indeed, this lobbyist went on to add that the situation regarding investment in CCS was on a knife edge, and depended on the government 'getting the details right, particularly in relation to retrofit'.[405] In their consultation responses LEPs argued that a policy of compulsory retrofit would deter power companies from investing in the technology as it would make the risks for investors too great. Tellingly, in its response to the consultation, the government stopped short of mandating the full retrofit of CCS by 2025. It stated:

> while the speed at which CCS technology will develop is uncertain, based on the need for global commitment to CCS, it is the government's *expectation* the new conventional coal power stations consented under the policy framework described here will retrofit as to their full capacity by 2025 (DECC, 2009c: 10) (*author's emphasis*).

This provided some future room for manoeuvre for power companies. Government also widened the scope of the CCS incentive so as to include financial assistance for the retrofitting of demonstration projects (DECC, 2009c: 10). In summary, while power companies did not favour mandating CCS, there was much in the Labour government's proposals to placate LEPs. Ultimately policymakers would rely on these large incumbent power companies to develop the technology and provide much of the investment for CCS, and key players from the sector emphasised to government the conditionality of their investment in order to strengthen their lobbying positions. As of December 2009, both of the remaining bids in the government's CCS demonstration competition were from the Big Six – Scottish Power's existing plant at Longannet in Fife and E.ON's proposed 1,600MW supercritical power station at Kingsnorth (New Energy Focus, 2009). Smaller generators lacked the capacity and capital for a project on this scale. Without the involvement and support of incumbent LEPs it would be unlikely the Labour government's high hopes for CCS would come to fruition. Thus, while the positions of opposition parties and the high profile campaigning of environmentalists limited LEPs' political power over UK policy towards coal generation, the material resources of power companies continued to facilitate their political influence on the issue.

[404] Telephone interview with author, 3rd November 2009.
[405] Telephone interview with author, 3rd November 2009.

8.7 The Renewables Obligation: the privileging of market mechanisms and large incumbents

The chapter will now turn to examine the role of power companies in the formulation of UK policy to expand generation from renewable; a further key plank of the Labour government's strategy to cut emissions from the power sector. The analysis again reveals the Big Six to have been advantaged politically. In particular, it argues that LEPs have benefitted from a discursive privileging of market mechanisms in the UK. Moreover, during their extensive dialogue with policymakers, these multinational energy companies actively reinforced this tendency in government. In so doing, they helped embed the market-based Renewables Obligation, much to the chagrin of environmental campaigners. Through their successful efforts to consolidate this policy, LEPs further locked in their advantage relative to new market entrants and increased the government's dependence on their ability to deliver investment and renewable capacity.

8.7.1 The ambition

Alongside the development of CCS, increasing nuclear power and energy efficiency, the Labour government asserted that expanding renewable generation was fundamental to its low carbon transition plan (DECC, 2009a). As with CCS, the win-win discourse of ecological modernisation has been prominent: support for renewable generation, both in government and the business community, has been boosted by the considerable economic and job opportunities an increase in renewable power presents for the UK (see for example, DECC, 2009a; CBI, 2009b). In this way, an expansion in renewables has been attractive beyond its obvious environmental benefits.

In spring 2007 the UK government signed up to the EU's target to produce 20% of primary energy from renewable sources by 2020. Reflecting the UK's poor performance on renewable generation, the UK's target was lower than the EU average, standing at 15%. Nonetheless, it remained stretching, requiring almost a sevenfold increase in renewable generation in little over 10 years. However, the government stated that it was fully committed to this target. In its 2009 Renewable Energy Strategy, policymakers proposed that to meet this target more than 30% of UK electricity should come from renewable sources by 2020 (DECC, 2009a: 38). It is evident from interviewees that with the exception of Scottish Power the Big Six have not been supportive of binding renewables targets.[406] Instead, LEPs have argued that emissions reduction targets would be sufficient and provide greater flexibility. The dynamic between increasing nuclear and renewable generation has been particularly important for explaining the position taken by these LEPs and the wider business community. As noted in Section 8.3, as of 2009, each of the Big Six had plans to develop or increase their nuclear capacity in the UK. These large incumbents have taken the view that nuclear power would be more cost-effective than renewable generation, and several interviewees highlighted what they saw as a tension between ambitious renewables targets for 2020 and expanding nuclear power capacity. A Director of Regulation at one of the Big Six thus commented:

> It's important not to put all the effort into meeting the 2020 target, if it makes it more difficult to achieve the longer term target. A lot of renewable generation may make it more difficult to get the other forms of low carbon, like nuclear, because it changes the nature of the system. In terms of the pattern of demand, renewables are variable, the residual demand of the system becomes more variable, so there's a danger there.[407]

According to Andrew Warren, Director of the Association for the Conservation of Energy, and a former member of the CBI's Energy Policy Committee, LEPs have regarded an increase in wind power as 'a threat', and he asserts that EDF Energy had 'been lobbying very hard for less obligations on renewables, saying it will distract from nuclear' (Warren, quoted in The Guardian, 2009l). Certainly in its Consultation Response to the Renewable Energy Strategy, the French multinational flagged what it considered the negative implications for nuclear power if 'intermittent' wind reached the high levels of penetration envisaged by the government (EDF Energy, 2008a). However, the government remained committed to increasing renewable electricity to over 30% by 2020. In this area policymakers have been constrained by earlier European commitments, and, as with coal, have faced considerable pressure from the vocal environmental lobby (see chapter 6). In this case, these combined imperatives and pressures proved stronger than business lobbying against the proposed renewable electricity target. LEPs have, however, been effective at influencing the method by which this target would primarily be delivered, as the chapter will now illustrate.

[406] Various interviews with the author, including on 16th May, 2008 (London); 30th June, 2008 (telephone); 23rd June, 2008 (London); 30th July, 2008 (telephone); 12th August, 2008 (London) and 15th October, 2009 (telephone).
[407] Author's face-to-face interview, 12th August 2008, UK headquarters, London.

8.7.2 The Renewables Obligation

From its introduction in April 2002, the Labour government's principal policy to encourage an increase in renewable power was the Renewables Obligation (RO).[408] The RO 'requires electricity suppliers to source a specified and increasing proportion of their electricity from renewable sources' (DECC, 2009a: 13). In 2009/10 the required level stood at 9.7%, rising annually to 15.4% in 2015/16 (DECC, 2009d). Under the scheme, Renewable Obligation Certificates (ROCs) are awarded to generators for each unit of renewable electricity they produce. To meet their obligation electricity suppliers can purchase ROCs, either directly from the generator (by purchasing electricity with its ROCs or just the ROCs), or on the ROC market. Alternatively, suppliers can pay a 'buy-out price', which in 2009/10 stood at £37.19 per megawatt hour (DECC, 2009d). At the end of each Obligation period, the buy-out fund is then shared among suppliers relative to the number of ROCs they submitted. According to the Labour government, this redistribution would incentivise electricity suppliers to present ROCs, rather than pay the buy-out price (HM Government, 2009a: 59).[409]

The rationale behind this market-based policy is that the competitive trading of ROCs drives down the cost of increasing the UK's renewable capacity as generators are incentivised to exploit the cheaper forms of renewable generation first (Toke 2008; Toke and Lauber, 2007). The decision to introduce the RO reflects the government's tendency to privilege market mechanisms, a tendency which was also evident in its strong support for the EU ETS (see previous chapter) and its decision to introduce the CRC Energy Efficiency Scheme in 2010.[410] In contrast to the UK, the majority of EU member states – in fact 18 out of 25 – have put in place Feed-In Tariffs (FITs) to stimulate renewable generation. This includes Germany and Spain, Europe's leaders in renewable generators (Mitchell, 2008). FITs operate by guaranteeing a fixed price to developers for every kWh of renewable electricity generated. In this way they provide certainty to investors and as a result make finance easier to obtain than under more market-based mechanisms such as the RO. Under FIT schemes different forms of renewable power, i.e. on and off-shore wind, tidal and

[408] This was not the only policy to support renewable generation: notably, the Labour government made available grants and exempted renewable generation from the climate change levy. According to government, along with the RO, these policies represented a subsidy worth £1b for renewable generation (DECC, 2009a).
[409] Any supplier failing to produce sufficient ROCs at the end of an obligation period which has not paid the buy-out price for their shortfall are subject to a penalty.
[410] The CRC Energy Efficiency Scheme, which came into effect in April 2010, is an emissions trading scheme for the less carbon intensive sectors such as retail and banking, not covered by the EU ETS.

photovoltaic, receive different guaranteed payments relative to the costs of their generation. While FITs vary, common features of the schemes include priority access to the grid for renewable electricity and an obligation on electricity utilities to purchase all renewable electricity produced (Mitchell, 2008; Stenzel and Frenzel, 2008).

Related to the UK government's privileging of market mechanisms and its long established reluctance to intervene in energy policy following privatisation, the RO's introduction has also been indicative of policymakers' aversion to 'picking winners'. In its original form, all forms of renewable generation – from landfill gas to tidal power – received the same number of ROCs, despite huge variation in the cost of generation.[411] As the section will argue, the RO's longevity, despite considerable evidence to show FITs are more effective, illustrates the 'stickiness' of this preference for market-based policy solutions and the political power of LEPs.

8.7.3 The impact of the Renewables Obligation: locking in the advantage of LEPs

The RO has facilitated an increase in renewable generation. In fact, between 2002 and 2008 renewable power in the UK tripled from 1.8% to 5.3% (HM Government, 2009a: 60). The majority of this increase came from an expansion in onshore wind,[412] reflecting the relative scale of investment required for onshore wind when compared to more expensive emerging renewable technologies such as tidal. However, generation has remained well below the target level set under the RO. In 2007, for example, while the required level of renewable generation was 7.9% (25.6TWh), only 4.9% (15.98TWh) was achieved, perhaps unsurprising considering the relatively low buyout price (Jacobsson et al, 2009). Moreover, the RO has been both more expensive and less effective than the FITs used elsewhere in Europe (particularly for the less mature technologies), undermining the arguments presented by neo-liberals and their many champions within the power sector, that competition and markets reduce costs (see Carbon Trust, 2006; Mitchell, 2008; Toke 2008; Jacobsson et al 2009). For example, factoring in average wind speeds, returns to investors in wind power in the UK are twice that of Germany and 20-25% higher than in Spain. Such findings have prompted Toke to conclude that 'the more the returns to renewable

[411] With the introduction of banding in April 2009 this has changed, as different renewable technologies receive different numbers of ROCs for the same amount of renewable electricity generated.

[412] Generation from onshore increased from around 1.3 TWh in 2002 to around 5.8 TWh in 2008 (DECC, 2009e).

operators are set by the market and the less they are fixed by the state, the more expensive is the cost to electricity consumers' (2008: 944).

The primary reason for the difference in cost under the two types of scheme relates directly to a major way in which LEPs are advantaged by the market-based RO: under the RO developers are exposed to a far greater degree of risk than is the case under FITs as returns on investment are much less certain. In effect, developers receive a 'risk premium' for their investments under the RO. The mechanism is not conducive to obtaining finance as banks are reluctant to lend due to the high level of risk involved. Generally therefore it is only large companies with sizable assets that have been able to obtain capital for investments in renewable projects, as they could do so on the basis of their pre-existing assets (Mitchell, 2008). Moreover, unlike smaller companies, LEPs have been able to finance developments in renewable power directly from their balance sheets (Ecotricity, 2007). Given this, and the tendency among LEPs to award contracts to their own renewable subsidiaries, new entrants have generally been squeezed out of the renewables market in the UK.

In this way, UK policymakers' tendency to privilege market-based policy solutions, has allowed the large, vertically integrated multinationals to further consolidate their market dominance, and with it their political influence. Given the policy framework, it has not been surprising that renewable development in the UK has been concentrated among LEPs. Together the Big Six own the majority of wind generation in the UK. For example, in 2005 these LEPs and their renewables subsidiaries owned more than 80% of installed wind capacity (Stenzel and Frenzel, 2008: 2655). This trend has continued. In May 2009, Scottish Power had an installed capacity of 760 MW in the UK, with a further 5,100MW in the project pipeline (Scottish Power, 2009a). Given that the entire installed wind capacity in the UK stood at 4GW in October 2009 (BWEA, 2009),[413] Scottish Power alone had almost a fifth of the UK's total wind generating capacity. In 2009 Scottish Power, Scottish and Southern Energy, RWE Npower, Centrica and E.ON together had over half of total UK capacity, with a combined figure of 2147MW.[414]

[413] This is a notable increase on the 2008 capacity of 3406MW (DECC, 2009f.)

[414] Company websites and email correspondence with author 02-12-09 and 21-12-09. EDF Energy did not provide a figure on request. The figures for each company are as follows: Scottish Power – 760MW; Scottish and Southern Energy - 370MW; RWE Npower - 423MW; Centrica - 382MW; and E.ON – 212MW.

To reiterate, for incumbent LEPs (and their renewable generating subsidiaries), with the financial clout to take the risks involved, the RO has been an attractive policy: generators have received a high price for their renewable electricity and, as with other policies to decarbonise generation, ultimately any extra costs could be passed through to consumers. Moreover, it has provided these multinational companies with the opportunity to further consolidate their market dominance. As a member of the Environmental Audit Committee noted:

> The RO is really designed around the needs of big business. If you say to big electricity generators, look we want a system that will introduce many smaller producers, maybe at the municipal level or at the neighbourhood level, as in Germany where the vast majority of input through the feed-in tariff is through community led schemes - some of which are quite big, the big electricity generators obviously see that as a threat.[415]

Unsurprisingly, LEPs have remained, with the notable exception of EDF Energy, fully committed to the RO and the market principles which underpin it. It should be noted that this has been a recent shift in position for EDF Energy. In fact, when interviewed in the summer of 2008, the firm's Director of Regulation noted that his company was in the process of evaluating its position on the RO. He stated:

> We're not totally in favour of the RO, I know most companies are, but it doesn't seem to be the most effective way. There seems to be different views about which mechanism is more expensive. I think compared to other companies we're more in favour of transforming the RO into something that is more like the feed-in tariff, but we're not totally sure how that would work, we're developing our thinking on that.[416]

EDF Energy's position perhaps reflects the company's aversion to the government's decision to 'band' the RO by technology,[417] a reform supported by other LEPs such as Centrica and RWE npower. EDF Energy rejected banding on the grounds it diluted the policy's original market principles and added considerable complexity (EDF Energy, 2007). In contrast, Centrica, E.ON, RWE npower, Scottish Power and Scottish and Southern Electricity all remained firmly committed to the RO, at least as far as large scale renewable generation was concerned. Indeed, facilitated by aspects of the strategically selective context in the UK, these companies have formed

[415] Author's face to face interviews 25th May, 2008, Leeds.
[416] Author's face-to-face interview, 12th August 2008, London, UK headquarters.
[417] Since the introduction of banding, different renewable technologies have varied in the number of ROCs they receive.

a powerful lobby advocating its continuation.[418][419] The Head of Regulation and Government Affairs at one of the foreign-owned LEP thus asserted: 'As a company we do not favour Feed-In Tariffs. Given that we've got the RO, and it's been modified to support specific technologies, then we don't see the need to introduce a Feed-In Tariff in the UK.'[420] Similarly, the Energy and Environment Director at another of the Big Six stated:

> We think the RO works well; it's a good mechanism. It has certainly driven the ferocity of investment in renewables... At the moment we prefer the renewables obligation – 'if it isn't broke don't fix it'. Feed-In Tariffs aren't a nirvana... The same decisions that are haunting the RO would double. The Feed-In Tariff has been enormously expensive in Germany.[421]

While the environmental campaigners interviewed attribute much of the UK's poor performance on renewable deployment to the RO,[422] and have long advocated the introduction of a FIT, LEPs argue it is primarily planning and grid issues which have prevented further renewable growth, rather than the RO. In the words of the Head of Environment at one of the Big Six:

> Now that banding has been introduced it's as good a support mechanism as any other. The barriers to generating more electricity from renewables aren't down to the RO; they're down to transmission and planning problems. The RO should be left alone now, at least for large-scale generation.[423]

Similarly, Scottish and Southern Energy state unequivocally: 'the RO has been successful in delivering scale renewable capacity for the UK. That success has only been limited by external barriers such as planning and grid issues' (Scottish and Southern Energy, 2008a). Problems with the grid and delays in the planning process certainly have impeded expansion in renewable generation. However, as already illustrated, the RO has also had a limiting impact on growth, particularly for smaller developers and emerging renewable technologies.

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[418] Interviews with the author on 16 May, 2008 (London); 23rd June 2008 (London); 30th June 2008 (telephone); and 30 July 2008 (telephone); also see and Centrica, E.ON, RWE npower, Scottish Power and Scottish and Southern Electricity's responses to the government's RES Consultation in 2008.
[419] In Germany, in large energy companies have consistently complained about the FIT and took the government to court over its requirements. In contrast to the UK, large energy companies have an extraordinary low ownership of the wind energy in Germany (Mitchell, 2008; Stenzel and Frenzel, 2008)
[420] Author's face-to-face interview, 23rd June 2008, London, UK headquarters.
[421] Telephone interview with author, 30th June, 2008.
[422] Various interviews with the author, including on 19th May, 2008 (London), 21st May 2008 (London) and 11th June, 2008 (London).
[423] Telephone interview with author, 30th July, 2008.

Crucially, LEPs have been very well-placed to make their case in favour of the RO's continuation to policymakers. As the electricity suppliers upon whom the RO falls, and as the companies responsible for generating the majority of the UK's renewable power, LEPs have been the government's key stakeholders for renewable policy. This position has further facilitated their already extensive interaction with government. The size and impact of LEPs' individual investment decisions have given political 'bite' to their arguments. For example, in October 2009 Centrica announced it would be investing £725 million to build a 270MW offshore wind farm near the Skegness coast, (Centrica, 2009c). LEPs have actively reinforced the status quo by arguing major changes in policy - i.e. a move to a FIT - would undermine investor confidence. In a passage typical of submissions by other LEPs,[424] RWE npower persuasively states:

> We believe that any fundamental policy change, such as a change to the type of support mechanism for large-scale renewables, would almost certainly create a hiatus in the development and build of projects, and would therefore pose a significant risk to the achievement of the 2020 target (RWE npower, 2008b).

Given policymakers have looked to LEPs to deliver much of the massive investment needed to meet their policy objectives, this argument has had considerable political traction.

To be fair, the Labour government recognised that the RO has not been perfect. Policymakers are not blind to the evidence, and although materially constrained by their earlier decisions, policymakers are not prisoners of existing policy. Moreover, despite its tendency towards reproduction, a context's discursive selectivity is not immutable. Indeed, as noted in chapter five, the scale of the challenge posed by climate change prompted some Labour ministers to revisit their ideological preference for market-based policy solutions. In its 2009 Renewable Energy Strategy, the government for example stated that there would be 'a more active and strategic role for the Government, exploiting the dynamism of business to invest and build, while mobilising individuals and communities across the country' (DECC, 2009a: 12).
In concrete policy terms, the government implemented a number of important reforms to the RO, generally with the support of LEPs. In fact, DECC argued that these reforms incorporated 'best practice' from various different types of support mechanisms (DECC, 2009a), suggesting UK

[424] Again, with the exception of EDF Energy.

policymakers were not dogmatically committed to market principles during the period in question. Most notably, in April 2009, following extensive consultation with stakeholders, the government introduced a system of 'bands', whereby renewable technologies vary in the number of ROCs they receive in order to promote the development of technologies which are more expensive.[425] Moreover, in April 2010 the government would introduce a FIT to incentivise and support small scale, distributed electricity generation (for installations up to 5 MW).[426] To understand this decision and the constraints faced by LEPs, it is again important to look to the wider political context in the UK. Prior to the government's decision, the Conservatives, Liberal Democrats and a number of Labour backbenchers had already been calling for a FIT. An interviewee involved with developing Conservative thinking on climate change at this time commented: 'there's no downside to Feed In Tariffs. The government is listening to the wrong people'.[427] For him, pressure from big players in the electricity sector helped explain the Labour government's failure to introduce a FIT. Increasingly, the positions of the main opposition parties, coupled with repeated calls from NGOs and the success of FITs elsewhere in Europe, provided a less favourable context for LEPs as they lobbied against the introduction of FITs.

Cognisant that their interests and market dominance were favoured by a continuation of the existing system, LEPs have lobbied to lower the proposed threshold for eligibility for the FIT (The Guardian, 2009m). Given the material and discursive resources at their disposal, it is likely large power companies will succeed in weakening the FIT's ambition. Although the planned introduction of the FIT for micro-generation demonstrates a certain degree of pragmatism in government, policymakers have not abandoned their general commitment to market mechanisms. In fact, during their extensive interaction with UK policymakers LEPs have continued to successfully draw on this discursive aspect of the strategically selective setting, as they have the material infrastructure and investments it has given to rise to through the RO. Encouraged by LEPs, the Labour government remained committed to the RO for large scale renewable

[425] A further prominent change is to see the system of annually increasing targets replaced after 2015/16 with a 'headroom mechanism' to stabilise ROCs prices to provide more certainty for developers and cushion prices fluctuations for consumers.

[426] A formal government consultation on the mechanism closed in October 2009. At the time of writing the scheme's exact design and tariff levels are still to be finalised. The Labour government proposed a similar incentive to support small-scale renewable heat generation, to be introduced in 2011.

[427] Author's face-to-face interview, 11th June 2008, London.

generation, extending the policy until at least 2037, despite the success of FITs elsewhere in Europe.[428]

8.8 Conclusion

This detailed analysis of the political activities of the six multinational companies which dominate the UK electricity market has revealed a politically powerful group of corporate actors. The chapter has illustrated how each of the Big Six is politically sophisticated and influential on climate policy. With skilful and well-resourced teams of lobbyists and as the dominant companies within a sector of vital strategic importance, they have built up strong links to policymakers.

Reflecting the political dominance of ecological modernisation, the Labour government made the decarbonisation of electricity central to its emissions reduction strategy, with innovation centre stage and decarbonising generation framed as representing an important source of new jobs and considerable economic opportunities for the UK. The chapter has argued that although this focus on electricity generation brought with it sizeable challenges for LEPs, ultimately, the government's approach did not challenge the core interests of LEPs: overall electricity demand was not expected to fall and increases in generating cost could be passed through to consumers. Moreover, and somewhat paradoxically, the government's strategy further cemented the privileged position which these large incumbent companies have enjoyed. It has made LEPs' resources even more valuable to government as policymakers have depended on these powerful energy companies to provide the enormous investment needed to deliver new capacity in renewable and nuclear power, and develop and demonstrate CCS. Indeed, policymakers have courted LEPs for their capital and capacity to deliver. These companies have thus enjoyed considerable political leverage, particularly as they are multinational firms with the flexibility to direct their investments elsewhere with relative ease.

LEPs have benefitted during policymaking from the government's preference for 'big' solutions and market-based policy mechanisms, and they have successfully worked to reinforce these discursive tendencies, particularly in relation to policy to encourage renewable generation. This has not meant that LEPs always get the policy outcomes they seek, not least as at times there have been some differences in position among the Big Six, and there has been little public 'good will'

[428] The original end date for the RO was 2027.

towards these highly profitable, multinational energy giants. More importantly, LEPs' political leverage has been restricted by the effective high profile campaigns of environmental NGOs and the ambitious policies advocated by both the Conservatives and Liberal Democrats, particularly on CCS and the UK's renewables targets. In this political context, to always have taken the general LEP line would have severely undermined the government's legitimacy on climate change. However, under the existing policy framework the Labour government felt it could not afford to discount the views of these large energy incumbents if it were to deliver its strategy: the RO was thus maintained, nuclear power supported and various concessions made to power companies over the mandating of CCS.

Chapter Nine: Conclusions

9.1 Introduction

This study set out to understand the role of the business community in the making of UK climate policy between 1997 and 2009. Its focus has been large companies operating in the UK, including multinationals headquartered elsewhere, and the business groups which represent them. Its objective has been to analyse the political activities and influence on policy of these business actors, and to unpack the processes and mechanisms by which they are able to shape UK policies, along with the factors and dynamics that impede their success. The introduction laid out the four research questions which underpinned this study. These were:

1. To what extent has the business community been integrated into the process of climate change policymaking in the UK?

2. What factors have constrained and facilitated the business community's political influence in this policy area?

3. To what extent has the business community been united in this policy space and what have been the implications of this for business influence?

4. How effective has the business community been at shaping UK policy to reduce greenhouse gas emissions?

This final chapter returns to these central questions, drawing together the key themes and findings presented in the empirical analysis. Section 9.2 takes questions 1-3 together as these are intrinsically linked, each focusing on the *how* of business actors' political influence. Section 9.3 then turns to question 4 to offer a final assessment on how effective business actors have been at shaping UK climate policy. Having addressed the study's four research questions, section 9.4 takes the opportunity to look beyond climate change to consider what insights can be drawn from the analysis of this policy area to the political power of business in the UK more generally. In section 9.5 the chapter returns to climate policy, assessing what the business community's political activity and influence has meant for the effectiveness of UK climate policy. The thesis concludes by considering the altered political context in autumn 2010, and offers some speculative thoughts on its implications for the business community and its future role in climate policymaking.

9.2 Returning to research questions 1-3: the business community's role in UK climate policymaking

This study has found that in the area of climate change, business actors have been very well integrated in the making of policy. Indeed, it has argued that large companies and business groups have enjoyed a special place in policymaking, one which is based on unique material and discursive foundations. Drawing on a review of existing theoretical work on business power, chapter two offered an organising perspective through which to analyse the business community's activities and impact on UK climate policy. This approach drew heavily on Hay and Jessop's Strategic Relational Approach and the literature on the power of discourse in environmental policymaking. The preceding chapters have shown that this organising perspective has provided an effective language and valuable insights for making sense of the empirical material. It has allowed for a nuanced and textured analysis of the business community's political activities and role in climate policymaking. Central to this approach has been a sophisticated understanding of the way in which strategic business actors have interacted with their strategically selective context, in this way overcoming the dualistic conceptions of structure and agency which have dogged much of the literature on business power. From the outset, the organising perspective has helped draw attention to the socially contingent dimension of business actors' preferences and the strategic nature of their political activities when it comes to climate policy. Simply put, companies and business groups have clearly attuned their policy preferences and political behaviour to their strategically selective context, a context which in several important respects has proved distinctly favourable to business actors and their interests. Through their actions, they have also participated in the consolidation and re-constitution of various aspects of this context; for context is not static, despite its tendency to reproduction. The organising perspective has also helped illuminate the crucial importance of the discursive dimension to corporate political advantage in the making of climate policy, and so too, the important interplay between the material and discursive.

The empirical chapters have illustrated how the potent combination of material resources enjoyed by business actors – information, capital and the ability to innovate - have facilitated their considerable interaction with government over climate policy. The information companies and business groups possess has fuelled their continuous dialogue with policymakers, whilst providing political leverage. Indeed, chapters 5 and 7 showed business actors to have been rich in information needed by government, particularly during the first years of the Climate Change Agreements and the UK and EU Emissions Trading Schemes. Meanwhile, chapter 6 illustrated how the CBI's ability to synthesise information from its wide business membership facilitated both its political access and influence. Meanwhile, their ability to innovate and invest has not only given business leaders access to the heart of government, but their arguments political traction and weight with senior policymakers, particularly as the multinational companies which dominate the UK economy have emphasised the relative ease with which they can channel their investments elsewhere in the world.

The analysis has shown that the discursive matters: the prevailing ideational context in the UK has provided business actors with valuable ideational resources and advantages during policymaking. Firstly, throughout Labour's term in office, the party remained keen to retain its business-friendly image; an image which it had worked hard to develop during the 1990s. As such, the Labour government sought, wherever possible, to avoid high-profile criticism from leading companies and business groups, particularly the CBI, widely regarded by policymakers and the media as the voice of business. More generally, as chapters 5, 7 and 8 demonstrated, discursively UK political elites have favoured market-based policy solutions, and these have generally been the preferred policy option of business leaders. Thirdly, the government and wider society's privileging of economic growth, along with their addiction to high and ultimately unsustainable levels of consumption and travel, have clearly favoured business interests during the making of climate policy. In these three crucial respects the strategically selective context has been distinctly welcoming for corporate interests. Indeed, this privileging of economic growth and consumption discursively *selected for* the development of a discourse along the lines of ecological modernisation; a discourse which this thesis has shown became dominant among UK political and business elites during the years under analysis.

With its emphasis on innovation, ecological modernisation has been enormously valuable for corporate actors: as key innovators it has seemingly necessitated their extensive input into policy. Likewise, with its core win-win narrative around the compatibility of economic growth and emissions reductions, the discourse has served to legitimise continued business growth, fundamentally safeguarding the core economic objective shared by companies during policymaking. Chapter 8 for example illustrated the political dominance of ecological modernisation with regard to electricity generation. The Labour government made the decarbonisation of electricity central to its emissions reduction strategy, with innovation centre stage and the decarbonising of generation presented as an important source of new jobs and considerable economic opportunities for the UK. Ultimately, under this framing the long term economic viability of large electricity generating companies has not been threatened. Similarly, chapter 5 highlighted how the core interests of business actors in a further strategic sector, transport, have been protected, with the government having emphasised innovation over demand reduction.

Moreover, the dominance of ecological modernisation has given corporate actors' capacity to innovate and invest particular weight and influence with government. Had the government's approach to reducing emissions placed more emphasis on behaviour change, i.e. on encouraging the public to travel and consume less, companies' technological expertise and capital, although important, would not have been regarded as so crucial by policymakers. This clearly illustrates the recursive interplay between discursive and material resources and the vital importance of context, and as such again demonstrates the value of the organising perspective used to guide the empirical analysis.

However, the study has also shown that despite the material and discursive advantages enjoyed by business actors, the strategically selective context in the UK has also presented constraints for the business community during climate change policymaking. Indeed, a core strength of the SRA is its capacity to understand and account for how even the most advantaged, resource rich actors do not get all they want. In a number of important respects the strategically selective setting has constrained even the very largest and most powerful companies and business groups. Firstly, given the high public profile of climate change, and the targeted and often very visible campaigns of environmental groups, corporate leaders have been restricted in their positioning and political activity on the issue by the need to appear reasonable and constructive. In other words, they have been constrained by the need to retain legitimacy. Interestingly, the thesis has also illustrated, most notably in the case studies on the CBI and the development of emissions trading, that by strategically adopting a constructive and positive approach corporate actors have often been able to increase their ability to shape the direction of policy. Secondly, this study has highlighted how political consensus among the three main parties around the scale of the threat posed by climate change, and the corresponding need for action, has constrained companies and business groups. Thirdly - and relatedly - party politics and competition over climate change have served to restrict the positioning and political leverage of business actors as the case studies on emissions trading and electricity generation demonstrated. However, on other issues, for example transport and planning policy, business actors achieved their desired policy objectives, despite opposition from the Conservative and Liberal Democrat parties, illustrating the subtlety and complexity present in any given political context.

As chapter 2 illustrated, the issue of unity - or its absence - goes to the heart not only of why 'business' may succeed or fail politically, but also the very nature of the actor(s) under investigation. From the outset this study has sought out and highlighted cleavages between businesses over climate change and policies to reduce emissions. In fact, as the CBI case study illustrated with reference to the CLG, through their actions and rhetoric, progressive companies and business groupings have shaped the political and corporate terrain for other business actors in the UK. The government's climate policies have also differed in their impacts on companies and sectors. Moreover, the analysis has highlighted various examples of intra-business friction and division, and has suggested that these have had some real political impacts. For instance, differences and tensions have diluted the positions of business groups, including the CLG and the CBI. On other issues, for example allocations for the EU ETS, different sectors have been at loggerheads. By increasing policymakers' scepticism of business actors' claims, these visible cleavages and tensions have undoubtedly weakened corporate lobbying and influence.

However, a central argument advanced in this thesis has been that the concept of a business community has analytical purchase when it comes to the making of UK climate policy. Business actors have been sufficiently united on a range of key strategic issues - from nuclear power and planning policy, to Heathrow expansion - that they have been able to articulate common positions to government, most notably through the CBI. Business actors also have had in common, albeit to varying degrees, resources sought and valued by policymakers. More generally, in several important respects, large companies and business groups have together affected and been facilitated by the prevailing context in the UK; a context which has privileged their common core objective of continued growth.

9.3 Returning to research question 4: the business community - effective political actors with regard to UK climate policy?

The study has highlighted numerous examples of corporate influence on climate policy. Firstly, at an overarching discursive level, strategic and forward-looking corporate leaders have played an active and effective role in ecological modernisation's consolidation as the dominant discourse through which the UK elite has conceptualised climate change. In particular, chapter 6 demonstrated how both the CLG and the CBI post 2007 were influential in embedding this win-win discourse. Secondly, despite some internal divisions, business leaders have been sufficiently united and advantaged that they have been able to lobby effectively on a range of key policies. For example, business leaders were instrumental in the introduction of emissions trading in the UK and have successfully pushed the policy mechanism as a central plank of the government's climate change strategy. On transport and planning policy, success has also been evident, for example with the Labour government giving the go-ahead to expansion at Heathrow, and a new more streamlined and centralised planning system. Meanwhile, in the field of energy policy, the business community's consistent voice in favour of new nuclear power helped encourage the government to change its position, and Large Electricity Producers have successfully sought the continuation of the Renewables Obligation. Thirdly, business lobbying has also effectively influenced the detail of the government's policies, such as the CRC Energy Efficiency Scheme, making such measures more flexible and 'business friendly'. Finally, at a more micro-level, sector trade associations and companies - often better placed to know what is 'feasible' - have had lobbying success during negotiations with government over specific targets for Climate Change Agreements and allowances for the EU ETS.

However, the analysis has also shown that there have been limits to the political power of business actors. Somewhat inevitably, given the generally compromised nature of policymaking, companies and business groups have not got all they have sought from government. Notably, despite extensive lobbying from the business community, the Climate Change Levy was introduced in 2001 and has remained in place ever since. Moreover, broad business opposition to renewable energy targets has not been successful in preventing their introduction. Meanwhile, large electricity producers were unable to avert the government's decision in 2009 to mandate Carbon Capture and Storage for new coal plants, although important concessions were made by government to placate these companies, which are of strategic importance to the UK economy. UK policymakers have also taken a tougher approach to EU ETS allocation than the vast majority of their European counterparts, much to the chagrin of a number of energy intensive industrial sectors.

9.4 Looking beyond climate policy – drawing valuable insights for understanding business power more broadly

This thesis represents a single case study, involving a detailed examination of the business community's role in the development of policy to address the challenge of climate change. As this thesis has argued, climate change is a unique, cross-cutting issue, with many of the policy instruments introduced to bring down emissions either new or in their infancy. By no means or definition should this case study be viewed as either an archetypal or representative policy area from which grand claims about business power more generally can be made. Indeed, this study has not sought to develop parsimonious generations. Rather, its objective has been to shine a forensic light onto policymaking in this particular area and it has made much of the need to unpack the evolving context within which business political activity is situated. In fact, it has argued that the dynamics and resources which provide actors with political leverage are at least in part a product of how the elite discourse has developed around climate change, and that the extent to which business actors are politically unified is issue specific. Both of these dynamics guard against sweeping generalisations. Nonetheless, this study does provide a number of potentially valuable insights for anyone wishing to understand corporate power in other policy areas, and it is to these that this conclusion shall now turn.

Firstly, the analysis in preceding chapters has shown the SRA to be a valuable approach for making sense of corporate political power. That it proved so fruitful for unpacking the dynamics and mechanisms at work in this policy area would suggest that the approach could be useful when it comes to understanding the role of the business community in other policy areas too. Indeed, other researchers are encouraged to apply the approach to the study of business power more widely. Comparisons with the role of corporate actors in the development of other policy, for example in the areas of finance or health, would help further reveal how much mileage there is in using this approach and the nature of its limitations for analysing corporate political power.

More specifically, a number of the key dynamics and factors identified as facilitating for business actors in this case study appear both to transcend this particular policy area and be relatively enduring. Indeed, this study indicates pluralist conceptions of power and policymaking are far from the mark. The political terrain is by no means even as groups and interests embark on their attempts to shape policy. Business actors are not just resource rich in material terms and the advantages enjoyed by corporate leaders go beyond any common social origins and close personal relationships they might enjoy with political elites. A key aspect of corporate political advantage is discursive in origins, and it is this discursive dimension that renders business leaders' role in policymaking qualitatively different to that of other interests. In particular, the analysis has suggested that the longstanding discursive dominance of 'the growth imperative' has proved enormously helpful for business actors. Not only does it limit the boundaries of policy debate, ensuring discussion tends to remain on terms favourable to corporate interests, but it also functions as an overarching point of unity for companies and their representative groups. The unwavering mainstream political attachment to growth has clearly facilitated corporate actors far beyond climate change, and is likely to be integral to any effective analysis of business political activity, access and influence. Likewise, the political impact of the UK public's related and seemingly insatiable appetite for ever-increasing levels of consumption and personal travel is likely to have encouraged business-friendly policies much more widely than climate change.

Several of the other key dynamics at work in this policy area should also be seen as empowering for business actors more broadly. First, the Labour government's reluctance to assert itself with corporate leaders for fear of regaining an anti-business image was not confined to the issue of climate policy. Second, this case study has illustrated how effective business lobbyists' frequent recourse to the mobility and conditionality of private capital is for ensuring their preferences are taken into account during their discussions with government. With UK policymakers very eager to ensure growth continues and that jobs do not move overseas, this is a very persuasive argument for the business community across the board, from employment policy to financial regulation and beyond. Finally this analysis of climate policy has illustrated how crucial and vulnerable a resource legitimacy is for business actors during policymaking, particularly when an issue has a high public profile. In this way it reveals an important area of potential weakness for the business community and one which competing interests should look to exploit to gain political capital.

9.5 The implications of business influence for the effectiveness of UK climate policy

Having considered what insights can be drawn from this study to understand business power more broadly, this conclusion now to returns to specific issue of climate change. Given this thesis has sought to explore the business community's role in the making of climate policy, it is valuable to consider its impact on the effectiveness of the UK's climate strategy. From the perspective of reducing UK emissions, business actors' impact has been mixed and in October 2010 remains to a large degree unclear. On a number of key strategic issues, most notably airport expansion, the business community's voice has been a clear block to the UK achieving its objectives on climate change. Meanwhile, the concessions made to LEPs, in particular with the continuation of the RO, have increased the barriers to market entry for new, smaller power companies, stalling the much needed expansion in renewable generation. Indeed, as chapter 8 showed, the Feed-In Tariffs introduced in most other EU countries, appear not only to have been cheaper for electricity consumers, but also more effective at driving an increase in renewable generation. Meanwhile, chapter 7 illustrated how business lobbying on the EU ETS has resulted in an over-allocation of allowances and windfall profits for a number of sectors and companies. So far, emissions trading – championed enthusiastically by the business community - has achieved little in terms of emissions reductions, despite its centrality to the UK's climate change strategy.

However, key business leaders, for example through the CLG and the CBI, have also had a helpful impact on some aspects of policy, mapping out how the UK could achieve its targets and highlighting the need for greater urgency from government. In this way, they have been an additional source of pressure on government to act. Importantly, such prominent companies and business groups have also helped engage the wider business community with climate change, diffusing a positive narrative around the opportunities associated with addressing climate change. On other aspects of policy where business lobbying has been effective, such as on nuclear power or the 2008 Planning Act, assessing the impact from the perspective of tackling climate change is no easy task. The necessity and potential benefits of such policies remain contested, even within the environmental movement. This is indicative of the wider difficulties associated with climate change policymaking and its idiosyncratic nature: effective policies and strategies for reducing emissions are far from self-evident to government or other actors, including the business community.

At an overarching discursive level the picture is also mixed. Business leaders have played an influential role in embedding the discourse of ecological modernisation. To the benefit of business interests, ecological modernisation has functioned to restrict the boundaries of the policy debate on climate change. It has kept ideas and radical policies capable of challenging and de-legitimising the common business objective of continuous growth away from the policymaking table. Relatedly, any notion that consumption must be fundamentally reined in has been palpably absent from political discussion. For its critics, this dominant discourse represents an unsatisfactory attempt to green and legitimise the continuation of the existing capitalist model, in this way forestalling the more radical changes which are likely to be needed if we are to effectively rise to the challenge of climate change. In the long term, ambitious and far-reaching structural changes will almost definitely be required if the UK is to achieve its very stretching 80% emissions reduction target, yet so far there has been little evidence of their introduction.

However, while from a long-term perspective ecological modernisation is likely to function as a brake on the development of an effective, climate change strategy, somewhat paradoxically its discursive dominance among the political and corporate elite has been having a beneficial impact environmentally. The so-called 'climate gate' e-mail controversy, the cold winters of 2008-9 and 2009-10, along with recession, have each increased public scepticism towards the scientific imperative for action and further undermined the already weak electoral support for policies that increase costs or curtail choices in order to reduce emissions. However, the elite consensus on climate change has proved much more resilient to these challenges: so far there has been little push back from business leaders on the climate change agenda. Despite the altered economic context, the win-win narrative at ecological modernisation's core has retained its strong appeal. In fact, as chapter five argued, the recession of 2008/9 has given the discourse even greater traction among both the political and economic elite, with the move to a low carbon economy presented as a key driver for growth in the years ahead. In this way, while much of the momentum on climate change had been lost by late-2009, ecological modernisation helped climate change retain a degree of the political elite's attention at a time when economic recovery had become its overwhelming focus.

9.6 October 2010: a dramatically changed political context for business actors?

This study has examined the making of UK climate policy between 1997 and 2009, a period of continuous Labour government. By early autumn 2010, the political context had changed dramatically with a new Conservative-Liberal Democrat government coming to office. The final section of this thesis will consider this altered context and reflect on what it could mean for business actors.

Following the May 2010 general election, when no party achieved an outright majority, a new coalition government was formed.[429] With Chris Huhne at its helm, DECC became one of the few departments headed by a Liberal Democrat. Interestingly, when interviewing business elites in 2008 and 2009, few reported any meaningful contact with the Liberal Democrats. Understandably, they instead focused their attention primarily on the government and, albeit to a lesser extent, the Conservative Party. Unlike the Conservatives and more latterly Labour, the Liberal Democrats traditionally had sought neither to position their party as overtly pro-business, nor actively establish close links with business leaders. The post-election months would thus be marked by business leaders jockeying for access to senior DECC ministers and their advisors as they tried to form new political relationships.

As this thesis has clearly shown, while in opposition the Conservative and Liberal Democrat parties restricted the business community's political room for manoeuvre on climate change. By consistently advocating more ambitious policies, they put pressure on the Labour government, and in so doing encouraged constructive corporate engagement with climate change. This would suggest that the political context in the UK had become a much less hospitable place for business interests in May 2010. Undoubtedly the strategically selective setting had been reconfigured and significant differences were evident between Labour's policies and those laid out in the new government's coalition agreement. Notably, the new government's proposal to introduce an Emissions Performance Standard was unpopular with electricity generators, who unsurprisingly continued to prefer the greater freedom afforded by the existing policy framework (see chapter 8). More generally, the business community found itself far from enthusiastic about the coalition's expected reforms to the planning system: with more power to be placed in the hands of local

[429] It is noteworthy that neither climate change nor the environment more widely featured as significant issues in an election campaign dominated by the economy, the MPs expenses scandal and Gordon Brown's unpopularity.

communities, planning decisions were likely to become both slower and more unpredictable. Likewise, the new government's rejection of expansion at Heathrow displeased business leaders, who - as illustrated in chapter 6 - had been firmly in favour of airport expansion. The coalition's confused stance towards nuclear power was also unpopular. After all, this was a government purportedly in favour of new nuclear generation, yet with a Secretary of State for Energy and Climate Change (Chris Huhne) unwilling to speak out in its favour in the Commons; a situation hardly conducive to the policy certainly sought by investors and generators. In this respect at least, it is fair to say that the business community would have preferred DECC to be headed by a MP from the pro-nuclear Conservative party, rather than a Liberal Democrat.

However, it is inaccurate to suggest that the business community was dismayed by the prospect of climate policy under the new Coalition, or to imply companies and business groups suddenly became politically impotent in May 2010. While some aspects of the UK political context had altered, not all had done so negatively from the perspective of business actors. In particular, the new government quickly stated its objective of simplifying policy and reducing red tape, reflecting the new government's distinctly blue hue. With this goal in mind, in June 2010 Lord Marland of Odstock, Minister in DECC with responsibility for the Department's regulatory agenda, wrote to members of the business community, inviting their input on how regulation could be reduced with regard to climate change. He told business actors that the government was 'committed to ensuring that the resulting burden on business is as light as possible while still delivering these very important goals [on climate change]', and asked their view on whether any existing or forthcoming policies could be reduced or even repealed (Marland, 2010). Undoubtedly this letter and de-regulatory agenda would have been music to the ears of members of the business community, providing companies and business groups with the opportunity to revisit unpopular policies brought in by the previous government. Meanwhile, on a number of specific policy issues, some early signs from the new government were encouraging for business actors. For example, the Department of Communities and Local Government announced in July 2010 that the Coalition was considering providing a more flexible approach to what constitutes a 'zero-carbon home' (Communities and Local Government, 2010). Depending on how this is to play out with the new government's localism agenda,[430] this move is likely to be widely supported by industry. More

[430] Given the localism agenda, there is the potential for more flexibility in delivery to be accompanied by increased uncertainty and delay around planning decisions, which would not be welcomed.

generally, the Coalition parties, both before and after assuming office, have spoken of the learning to be had from the private sector in terms of how to go about reducing emissions, and have opened up a dialogue with companies such as Tesco, BT and B&Q to this end (see for example Osborne, 2009). Policymakers' tendency to value business input in policymaking has far from waned. It also remains to be seen how much the new government will tweak those of its policy positions which are unpopular with corporate actors now faced with the pressures of office. Several of the business leaders interviewed in 2008 and 2009 suggested for example that the Conservatives would be likely to temper their proposals should they come to power.

Moreover, and crucially, irrespective of a watering down of any proposed policies, as chapter 5 clearly illustrated, in the years immediately prior to the 2010 election, both the Liberal Democrat and Conservative leadership had sung from a hymn sheet remarkably similar to the Labour government with regard to their overarching discourse around climate change: ecological modernisation, and this clearly continued after they took office. For example, when discussing the merits of the coalition's flagship policy to enable energy efficiency improvements – the 'Green Deal', the new Conservative Energy and Climate Minister, Greg Barker, has frequently pointed to the policy's potential to help generate growth and jobs: 'with millions of British homes and businesses requiring insulation, the Green Deal also offers a unique opportunity to help drive economic growth, unlocking billions of private investment every year' (Barker, 2010). Similarly, in July 2010 Huhne and Cable wrote:

> We aim to construct a low-carbon economy that will meet our ambitious climate change targets, deliver energy security and contribute to economic recovery... If we do this right there is a real chance of a win-win: investment in the short term that stimulates demand and generates jobs... this is a major export and economic opportunity (Huhne and Cable, 2010).

Evidently, despite the coming to office of a new government, the overarching discursive context has not undergone profound change. The language of environmental and economic 'win-wins', of business opportunities waiting to be grasped, has continued unabated. And so with it, business actors' shared objective of economic growth has continued to be legitimised and safeguarded during the making of climate policy. Rather than with the advent of the new coalition government, the real challenge and tension over climate policy for the business community will come if this win-win discourse proves untenable; if the much vaunted economic and business opportunities do not materialise; if the UK's ambitious emissions reductions targets are shown to be incompatible with continued, unlimited business growth in the years ahead. Fortunately for today's business leaders and the new coalition government, if such a day is to arise, in autumn 2010 it remained a safe distance off.

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