

# Policy brief

## Governing the EU 2030 renewables target: What role for regional governance?

By Karoline Steinbacher & Jonas Schoenefeld

### Summary

- ◆ While EU Member States have agreed on a binding, EU-wide 27% renewables target for 2030, a governance mechanism for EU2030 is still to be defined.
- ◆ Lessons from **polycentric climate governance** can inform the current debate on a stronger role for the regional level in governing the EU2030 renewables target.
- ◆ To leverage the full potential of regional governance for EU2030, **targets should be allocated to the regional level and paired with flexibility in implementation.**
- ◆ In order to fully exploit learning and policy experimentation as potential key advantages of regional governance, **indicators** generating rich knowledge on enablers and barriers to renewables need to be defined. Regional and cross-regional **information repositories** and strong **monitoring capacities** are also required for effective regional governance.

### Background

In October 2014, the EU heads of state and government agreed a 27% renewable energy target as part of the EU's 2030 energy and climate strategy (henceforth referred to as EU2030). Although the Council has recognized the need for a new governance framework to ensure its delivery, no such mechanism has yet been defined.

Unlike current EU energy and climate goals running up to 2020, the EU-wide target does not translate into national targets in the 2030 period, opening a space for discussions on governance alternatives.

While the upcoming Transport, Telecommunications and Energy (TTE) Council on November 26 is expected to provide a clearer picture on governance for EU2030, a range of proposals emerged in the past months. A stronger role for polycentric governance at the regional level, *i.e. cooperation within groups of Member States as an intermediary layer between the EU and individual countries*, appears as a widely discussed option<sup>3,5,11</sup>. Relying on regional structures for core governance functions would mark an important shift in the way the EU implements its renewable energy policies. If designed properly, regional structures might ease tensions between member states' preferences and the necessity to reach a binding EU-wide target.

This policy brief informs the debate on the potential of regional governance in the EU2030 framework by drawing on knowledge from the field of international climate policy, where different forms of polycentric governance have been discussed and researched more intensively.

We first briefly review the place of regional cooperation in the current debate on EU2030 governance before summarizing main lessons from research on polycentric governance in the climate policy field and deriving policy recommendations.

### The EU2030 regional governance debate

EU institutions, Member States and observers alike have called for regional cooperation to play a role in EU2030 and, more broadly, Energy Union governance.

The October 2014 Council conclusions called for a "reliable and transparent governance system" that facilitates "coordination of national energy policies and foster[s] regional cooperation between Member

States". Draft Council conclusions in preparation of the November 2015 TTE Council meeting call the Commission to prepare more "guidance on regional cooperation, including the role of existing and new structures"<sup>4</sup> and suggest that peer reviews of national plans could be carried out in regional cooperation settings.

### Regional governance for EU2030

- ◆ Council, European Commission and Member States call for a stronger role of regional governance in the EU2030 framework.
- ◆ Current regional energy structures in the EU appear most adapted to informal lesson-sharing.
- ◆ Redesign of existing regional structures is necessary if they are to carry out core governance functions.

Member States' preferences with regard to monitoring and enforcing the EU-wide 27% renewables target differ widely. Germany<sup>9</sup> and Portugal have asked for a stringent monitoring mechanism that would ensure national plans add up to the EU-wide target, while the UK and the Czech Republic have called for the governance mechanism to "be light touch and non-legislative so as to respect Member State flexibility"<sup>10</sup>. However, regional cooperation is recognized as a valuable part of a future EU2030 governance framework in both proposals.

Calls for regional cooperation in the EU2030 framework build on the experience of multiple existing regional cooperation structures among regulators (Regional Initiatives), transmission system operators and governments in Europe<sup>11</sup>. In June 2015, the Pentilateral Energy Forum, an intergovernmental initiative by seven Central and Western European countries, highlighted the need to provide these regional structures "with a stable political framework and governance rules"<sup>8</sup>.

Umpfenbach and colleagues<sup>11</sup> see sharing best practices and preventing conflicts on cross-border issues as promising functions of regional fora in a 2030 renewables framework, but stress that a pledge-and-review system or regional targets would enhance the impact of regional cooperation. Gephart and colleagues<sup>5</sup> see a mix of top-down and bottom-up elements in regional governance as the most promising approach, but identify a need for major reform if regional structures are to "bridge the gap between national RES [renewables] policies and a Europeanised approach to RES deployment".

De Jong and colleagues<sup>3</sup> suggest regional cooperation models should be allowed to differ in scope, depth and level of cooperation. Tasks performed at the regional level might then range from communicating planned national policies to agreeing on regional adequacy assessments or even regional market rules, with a potentially more important role to be played by the EU's Agency for the Cooperation of Energy Regulators (ACER)<sup>3</sup>.

In the light of diverse proposals for regional elements in EU2030 governance, lessons from polycentric governance in the climate field can usefully inform and further enrich the debate. The next sections elaborate how.

### Polycentrism in climate governance

Facing gridlock and slow progress at the UN level, many climate governance activities have moved to other realms, such as trans-national and regional arenas. Elinor Ostrom, one of the strongest proponents of polycentric climate governance, highlighted lower risks of systemic failure and the ability to make progress in the absence of a functioning international regime as main potential advantages of such an approach<sup>2,7</sup>.

There are however still a range of open questions about the merits of polycentric climate governance, notably regarding its ability to achieve greenhouse gas reductions and other relevant policy aims. While there are undoubtedly many 'new' approaches in climate governance, we know to date relatively little about their effectiveness<sup>6</sup>.

Polycentric governance theory identifies multiple potential advantages of substituting centrally organized governance by multiple governance arenas, closer to the level of implementation. As Cole<sup>2</sup> and Ostrom<sup>7</sup> highlight, these include (1) a greater likelihood of action in multiple governance centers when centralized governance is gridlocked or absent, (2) the possibility for experimentation and subsequent learning by trial-and-error, (3) the possibility for both public and private actors to become involved in climate governance and self-organize.

However, there are also a number of potential drawbacks<sup>7</sup>, such as (carbon) leakage, inconsistent policies, incompetence, gaming the system and free-riding. And, most of all, the risk that the sum of individual activities may not add up to adequately address the problem, which is a particular concern in the EU context.

## Key lessons for effective polycentric governance

While important knowledge gaps remain,<sup>6</sup> two key elements are likely to enable polycentric governance and help ameliorate some of its drawbacks:

- (1) polycentric governance tends to work when there is an **'overarching set of rules'**<sup>1</sup>, but where actors at lower levels have the possibility to shape these rules (and where new actors can enter the governance system);
- (2) polycentric governance scholars highlight that **credible monitoring is essential**. More 'local' actors

may be better placed and willing to monitor their own activities. Thus, in order to ensure comparability, some level of common indicators is needed.

At the same time, actors should be encouraged to assess the full range of factors that lead to success or failure of local or regional activities, and share these experiences with others.

Doing so can be achieved by **providing a central information database/repository about these governance experiments**, and systems of communication that facilitate information exchange and reciprocity<sup>7</sup> among actors.

## Policy recommendations: making regional governance work for EU2030

The challenge of governing the EU2030 renewables target mainly results from the lack of allocated national targets, a situation somewhat similar to the current global climate regime. In both governance challenges, the potential for groups of countries cooperating in regional settings to bridge the gap between national actions and a common goal is recognized.

Insights from polycentric climate governance shed light on crucial points to keep in mind in further discussions on regional governance for EU2030:

- ◇ **Establish overarching rules for regional cooperation & allocate targets:** polycentric governance research recognizes the potential of defining institutional setups in a bottom-up way when managing a common resource. The nature of the EU2030 renewables challenge (current absence of incentives to contribute to target achievement and of compensation mechanisms) will however require overarching rules for regional governance defined at EU level. An **allocation of targets to the regional level**, coupled with flexibility regarding the definition of each region's institutional setup and strategies for target achievement appears as one option to leverage the potential of polycentric governance while ensuring the EU goal is reached. Flexible entry and exit from regions (as advocated by polycentric governance scholars) with countries carrying over responsibilities would however appear difficult to implement in such a setting, since this would implicitly result in national targets - an option excluded by the October 2014 Council.
- ◇ **Clarify the function of regional structures in monitoring:** experts and EU decision-makers agree that ex-ante and ex-post monitoring will be key challenges of EU2030 governance. The level at which monitoring should be performed (European Commission, regions, Member State peer review) is subject to discussion.

In a governance setup without regional targets, the question of legitimacy and acceptability for Member State peer review of renewable plans arises. The EU would in this scenario appear as the appropriate level to review national plans and identify gaps to the achievement of the EU goal, similar to a European Semester for EU2030 policies. Instead of country-to-country peer review, regions could also **establish independent regional monitoring boards**, reviewing the region's progress as a whole in order to learn from past successes and failures. Such a monitoring setup, combined with regional targets, would be more in line with the future reality of an integrated European energy market than the review of national plans only, but would still leave the question of responsibilities in case of performance gaps open.

- ◇ **Leverage the potential of regional governance by focusing on learning:** generating knowledge through multiple policy experiments is a major potential advantage of polycentric governance. This first of all requires careful consideration of design options for regional structures and their membership. Even more crucial is the **definition of indicators beyond merely monitoring the share of renewables**. Enablers and barriers for renewables deployment in different contexts, knowledge about policy instruments, financing, siting, and infrastructure development, experience with policy integration, public acceptance and the resolution of cross-border issues related to renewables development are only some of the potential arenas for integrated regional monitoring. Regional structures should then share these experiences at the European level in dedicated **information repositories**. In such a setting, ACER might take a stronger role as a knowledge broker, building on its experience with monitoring Regional Initiatives.



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## Conclusion

Regional cooperation currently appears as a widely desired element of EU2030 governance. A closer look at Member States' and experts' different understandings of core design features of a future EU2030 and Energy Union governance framework however reveals a series of unresolved issues. These include the question of whether the EU renewables target should and can be broken down into regional targets, who can legitimately monitor national progress and, above all, what happens if national (or regional) plans fall short of overall EU goals.

Only when these issues are addressed can the place of regional cooperation in the EU2030 governance architecture be determined. If regional cooperation is to fulfill core governance functions, and to ensure EU target achievement, thorny governance design questions of membership, responsibilities, possible compensation mechanisms and legitimacy are to be addressed.

While polycentric governance has potentially important merits by enabling policy experimentation and learning, and can strengthen reciprocity among neighbors in an ever more integrated European electricity market, it is not to be mistaken as an "easy way out" of tensions between national energy preferences and EU-wide targets.

## Acknowledgements

This policy brief has benefited from comments by Andrew Jordan, Tim Rayner and Johanna Forster.

INOGOV is funded by COST, European Cooperation in Science and Technology (Action IS1309).



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## About the Authors

**Karoline Steinbacher** is a doctoral research fellow at the Harvard Kennedy School and a doctoral candidate at Freie Universität Berlin. This research was primarily conducted while the author was a Giorgio Ruffolo Doctoral Research Fellow in Sustainability Science at the Harvard Kennedy School's Belfer Center for Science and International Affairs. Support from Italy's Ministry for Environment, Land and Sea is gratefully acknowledged.



**Jonas Schoenefeld** is a Doctoral Researcher at the Tyn-dall Centre for Climate Change Research, School of Environmental Sciences at the University of East Anglia (UK), where he focuses on climate policy evaluation in decentralized governance systems.

