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The Dutch position in EU energy policies

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1 Introduction²

The process of European integration has undeniably affected national institutional settings of policy making in Western Europe. Research clearly shows that Europe matters, but "how and when is still controversial" (Börzel 1999). Consequently, the salient question is what margin of freedom remains in national policy making. From a rather naïve standpoint one could argue that European integration imposes common approaches and harmonised policies on the member states. However, empirical studies give a mixed picture at best (e.g. Unger and Van Waarden 1995, Weale et.al. 1996, Olsen 1997, Börzel 1999, Haverland 1999, Knill and Lehmkuhl 1999, Cowles et al. 2001, De Bruijn 2003). In some areas domestic policies are harmonising, while other policies remain nationally focused. In general, national policy contexts prove resistant to change despite the forces of Europeanization.

This chapter explores national positions in EU policy making in the context of the expansion of economic and political processes. The continuous economic and financial integration of Europe ultimately affects the scale of political decision making. The question is how. National decision making and political autonomy will be affected if Europe is to become financially and economically integrated. But does an expansion of political decision making necessarily follow expansion of economic processes? If the answer is yes, then how does the development of political decision making affect national autonomy and how do countries evolve within the EU political process?

This chapter seeks to explore these questions analytically and empirically. We develop the argument from a Dutch perspective in EU political decision making by examining four energy dossiers. The tension between European and national levels makes the topic of Energy quite relevant in this respect. Though energy was excluded from the Single European Act because it was considered a national topic, the Commission pushed and still pushes the strengthening of a common EU energy policy for at least two reasons. According to the Commission, the EU region as a whole will become more dependent on imported energy resources (natural gas and oil) in the near future, inevitably increasing internal co-operation. Second, within the context of global climate change the EU is considered a single continent speaking with one voice and forced to co-ordinate internal responsibilities at the European level.

Given the tensions between national and European interests in energy matters, the relevant question

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becomes whether and to what extent the EU can allow for national discretion in energy policies. The chapter addresses this question from an institutional and political perspective, not from a legal or judicial perspective. The aim of our analysis is to explore national 'room to manoeuvre' regarding energy policies in the European context. The chapter is structured as follows. Section 2 tackles the question on national room to manoeuvre from an analytical perspective. Section 3 addresses the question empirically by focusing on the Dutch national position in four energy dossiers: security of gas supply, emission trading, energy taxation and sustainable electricity technologies. All four dossiers have been or still are on the EU political agenda. Finally, section 4 evaluates the analytical perspective of the national position in EU energy policy and draws conclusions.

2 Europeanization, EU decision making and national strategies

The central rationale of EU co-operation is manifest in the 'principle of subsidiarity': Community action only if goal achievement is beyond the scale and scope of individual member states and only if the Community can be expected to achieve the goals. Based on the principle of subsidiarity energy has been excluded from EU decision making for a long time; it was considered specifically a matter of national interest. At least two recent developments have changed this position.

The first development is emerging globalisation. Europeanization is a rather autonomous process of economic, political and cultural changes, which are not even typically European. The process takes place on a global scale and consists of several interrelated and simultaneous changes (Van Kersbergen and Van Waarden, 2001; Fuchs, 2002; Nijkamp and Verbruggen 2003). According to these scholars the institutional, economic and political dynamics in the 'global village' are rapidly changing due to technical, cultural, demographic and economic changes. Europeanization is recognized as a regional manifestation of this process (Addink, et al. 2003) '.... that refers to structural transformations in our economy through which economic activities are not only connected to their local base but are linked at a global level by means of various ramifications of a political, socio-cultural and economic nature' (Nijkamp and Verbruggen, 2003, p. 61). According to some scholars, this multidimensional process has restricted the political autonomy of the EU member states (Sorensen, 1999), but according to others: 'it may exert pressure on the member states to adapt to European rules and regulations and thus may affect the national institutional framework of policy making' (Van Kersbergen and Van Waarden 2001, p. 29-30). Europeanization affects the principle of subsidiarity because globalisation and Europeanization imply political action on a larger scale.

The second development is the growing complexity of political decision making. At all levels, political decision making has become a negotiating process between many actors. Political action has become what scholars call a process of co-production in network governance (Van Kersbergen and Van

² The authors wish to thank Klaas Jan Koops of the Ministry for Economic Affairs for his stimulating remarks on an earlier draft of the chapter and for his contribution to the data collection for section 3 of the chapter.

Waarden, 2001, p. 47). In network governance, policy choices emanate from highly organised social subsystems, such as production systems, rather than from a central state authority (Kohler-Koch 1998). Efficient and effective governance must recognise the specific rationality of the subsystems. In order to mirror the rationale and the creativity of the subsystems, policy processes need to be open and decentralised. In network models the state plays a more limited role and concentrates on establishing supportive policy networks by bringing together the relevant actors (Kohler-Koch 1998; Young 2000).

Member states face a myriad of interests that compete for priority not only in national but also EU decision making. This multilevel and multi-actor dynamic tends to blur the idea of a single national position in EU decision making. A diversity of national interests may be organised according to various social, economic or political sectors. For instance, in EU environmental decision making the European car industry (a nationally based and privately organised sector) quite often has a strong voice in Brussels. This occurs both through the inputs of national governments and as an organised international sector. EU policymaking is often a process of give and take between interests of national governments and economic sectors. Consequently, individual actors (including national governments) can find it very difficult to hold a strong position in these complex bargaining games between highly disparate interests.

The impact these developments have on national positions in EU decision making is considerable. They have changed the meaning of subsidiarity and have contributed to a diversification of national interest positions in the EU political process. As a result individual countries are increasingly forced to position themselves and their policy preferences in a broader European political context consisting of various actors, both public and private. National governments must reassess their position in the EU political process by answering questions like: What does this multi-actor context mean in terms of national gains and risks, and what are the advantages and disadvantages of the European dimension to individual policy dossiers? Is coordinating policy more beneficial than taking an independent track? EU policymaking requires countries to constantly evaluate national and sectoral gains and losses.

After agreeing on the strategic point of departure and considering potential gains, member states have to decide about timing an intervention to be successful in their strategy: either in the stage of policy making or in the stage of policy implementation. Timing depends on the national interests at stake and how these interests interrelate.

The combination of timing and interest might determine the kind of strategy to follow: offensive or defensive. In the first case a member may push its national policy model to the European level because of passionate preferences or because of specific interests. In the latter case a member may have a passive attitude towards the particular initiatives, for example if the national position is indifferent or strongly opposed to the EU policy initiatives.

National governments may follow offensive strategies for several reasons. One such reason would be

to ensure a close fit between the EU policy outcome and the domestic agenda. A driving force of this strategic position could be the endogenous institutional resistance towards change. If national governments work with clearly defined national interests their strategic focus usually narrows to getting the national policy model accepted as the EU model. Scholars have shown that nations in this way try to 'export' their own policy models to Brussels and thus to other member states (e.g. Lowe and Ward, 1998: 291). Sometimes the Commission encourages this upgrading of effective national models to the EU level (Pellegrom, 1997). Another offensive strategy in EU policy making is influencing the institutional setting with national policies. For instance, the key-actors preparing the 5th Environmental Action Program for the European Union were Dutch civil servants and scientists strongly involved in and committed to the first Dutch National Environmental Policy Plan. They included many basic elements of their own policy, resulting in an EU plan closely resembling the Dutch program. If a national model is able to show its effectiveness or has the support of other EU institutions and agents, it has a good chance to rise to international policy. Horizontal information exchange between member states and active lobbying have been suggested as effective facilitators for this strategy, because member states (as well as the Commission) are willing to copy successful national policy models.

Similarly, national governments can adopt certain strategies to implement EU legislation in national legislation (cf. De Bruijn 2003). When EU and national legislation coincides, member states tend to implement rapidly. For instance, in the case of the Integrated Pollution Prevention and Control directive IPPC (Council Directive 96/61/EC)³, the Netherlands moved very quickly. The difference between Dutch environmental regulation and the IPPC initiative was relatively minor. Except for some technical details, the fit between IPPC requirements and Dutch environmental licensing of industrial sites was convenient. Spain adopted a 'delaying strategy' in national implementation of the IPPC requirements because of significant differences with national legislation. For Spain the IPPC directive was 'revolutionary' and its implementation required dramatic modification of the Spanish regulatory system (Rodriguez de Sancho 2000). Denmark adopted an 'ignoring strategy' by restricting public participation in licensing procedures to the legal threshold of IPPC and by participating scarcely in the horizontal information exchange between member states on Best Available Techniques (BAT). Both public participation and the use of BAT were new to Denmark and therefore difficult to integrate into Danish environmental legislation.

In conclusion, the analysis thus far supports our initial assumption that even though European integration has affected national institutional settings and national political decision making, room to manoeuvre still exists. We modelled this space by distinguishing between offensive and defensive strategies that member states may choose given a specific configuration of actors, timing, and their perceived interest positions in individual policy dossiers. Based on this framework, the next section analyses the Dutch national position in four EU energy dossiers.

³ The IPPC directive has been initiated to harmonise environmental regulation of industry with the idea that the European environment could benefit from harmonised requirements for environmental licensing of substantive sources of industrial pollution.

3 National room to manoeuvre in EU energy policy

3.1 Emerging common energy policy

Energy (coal and nuclear) was an issue at the very beginning of the European Union but the energy sector was excluded from the Single European Act (the Treaty of Rome) signed by the member states in 1985. The creation of an internal energy market for electricity and gas was the subject of a separate, long and complicated bargaining process involving many actors with diverse interests. The process took more than ten years and could only produce a minimal set of common rules on liberalisation and harmonisation of gas and electricity markets across Europe.

Despite inert political decision-making and compromised outcomes, both the electricity and gas directives changed the European energy market. Market liberalisation, dismantling of monopolistic electricity supply, privatisation of ownership structures, and consumer choice of electricity supplier became the major points of reference in electricity supply. In the face of economically driven competition and rivalry, the European electricity industry adapted a more commercial business strategy (Midttun, 2001). The 'utility' image of electricity was transformed in the direction of a commodity. At different locations in Europe power exchanges developed, trading electricity at prices reflecting market conditions. Electricity became a tradable commodity under competition-based supply and demand conditions. From August 10, 2000, the legal gas order in the EU region changed along the lines prescribed by the gas directive. Countries enacted rules for the opening of the national gas market, third party access to the pipeline infrastructure and unbundling integrated companies and public service obligations (PSO's). In some countries, like the Netherlands, the EU directive induced public gas legislation for the first time in history. In other countries, like the United Kingdom, the EU directive only codified already established competitive market conditions.

In the context of this newly levelled playing field in European energy the next subsections analyse Dutch national room to manoeuvre in four energy dossiers, each with a strong national and European dimension: security of gas supply, emission trading, energy taxation and sustainable electricity technologies. These subsections empirically illustrate the national position of the Netherlands in EU policymaking.

3.2 Security of gas supply

3.2.1 Security policies before liberalisation

The Netherlands is gifted with huge gas reserves found in 1960. From the very beginning the Dutch adopted a public service orientation in production and supply, giving priority to both domestic gas con-

sumption and long-term domestic supply security. To pursue this public service orientation, the Dutch developed a national gas market model based on three principles:

- Centralised co-ordination of demand and supply;
- Public-private partnership in upstream activities; and
- Commercial exploitation of the national reserves for the benefit of the national economy.

These core-elements of national gas policies were adopted in a White Paper of 1963⁴ and guided national gas policies for the last four decades. Since 1974 (first oil crisis), security of the domestic gas supply has been added as a guiding principle of Dutch gas policy. From 1974, the national long-term security of supply was given strict priority and sales strategies became conditioned by long term planning (25 years ahead) of domestic supply and demand to be assessed and forecast every two years by *Gasunie*.⁵ This long term planning was conservative, only accounting for proven reserves and excluding futures. The national reserve position was further improved by the small field policy (preferential depletion of small offshore gas fields with the Groningen field in a swing capacity) adopted in 1974.⁶

The 1995 White Paper on Energy did not make any significant changes in the basic principles of Dutch gas policy, but calibrated them in the context of the emerging liberalisation of gas markets in Europe. Until 1995 the long-term security of supply had been the ultimate bottom line for national gas strategies. Long-term security affected national depletion policies, reserve policies, sales policies and exports and imports. The 1995 White Paper added to this nationally focused gas policy a strengthening of the commercial trade position of *Gasunie* and Dutch gas in Europe. It was expected that liberalisation and opening of the Dutch gas market would affect the position of *Gasunie* in the domestic arena, and require compensation by increased gas exports. *Gasunie's* obligation to forecast supply and demand developments twenty-five years ahead was relieved; the forecast now focused on the Dutch reserve position and strategic depletion instead of long-term security of supply. It was decided to keep the production of natural gas at an annual level of around 80 bcm. This production level would satisfy long-term domestic demands and allow additional exports if *Gasunie* lost shares on the domestic market due to liberalisation. The small field policy was expected to continue under liberalisation.

3.2.2 Security policies after liberalisation

During the early 1990s the Dutch government took a rather passive position in EU negotiations regarding the liberalisation of the gas market. The Dutch position in the EU debate on electricity was different. The passive Dutch position in gas negotiations was partly motivated by protection of national

⁴ Ministry of Economic Affairs, *White paper on natural gas*, Dutch Parliament 1961-1962, 6767, no. 1.

⁵ *Gasunie* is the central coordinator of the Dutch gas industry and for more than 40 years the agency of Dutch gas policies. This public private company coordinated supply and demand, exported Dutch gas and owned and managed the high-pressure pipeline system in the Netherlands. After the introduction of liberalisation, *Gasunie's* organisational structure and position in the gas market changed.

gas reserves, but mostly by national security policy. Dutch gas sales in Europe had been recalibrated in the 1989 update of the national energy policy but this had not affected the priority for longer-term security of domestic gas supply. The Dutch wanted to continue this security policy as well as its national industrial organisation as long as possible. Until 1995 neither the Dutch government nor the Dutch gas industry showed any interest in gas market liberalisation. The Third White Paper on Energy, published in 1995, significantly changed this passivity vis-à-vis liberalisation and the longer-term gas security policy.⁷ According to this White Paper, Dutch security policies were quite compatible with the idea of a competition-based internal gas market and could continue unchanged. By setting an annual production ceiling and continuing the small field policy it was possible to deplete the Dutch gas fields in the same time frame as the old regulatory regime. With the suggested production quota of 80bcm annually, the Dutch gas reserves would be exhausted somewhere in 2025. Until that year domestic gas consumption would be secured by reserves. The change in the liberalisation debate did not change the national interest of the Netherlands on the security issue.

In the negotiations on the gas directive the following Dutch interests served as reference points:

- Continuation of national strategic gas policy (including the small field policy)
- Continuation of the integrated structure of the national gas industry with *Gasunie* in a central co-ordinating position
- No third party access to domestic gas storage facilities, because these were considered part of the annual and seasonal load management system of the Netherlands.

These national interest points could be kept and safeguarded in the negotiations leading to the gas directive of 1998 and in the new Dutch gas law of 2000. Dutch strategic gas policy and small field policy was processed as a Public Service Obligation of *Gasunie*. *Gasunie* was forced to unbundle its trade and transport activities but only in terms of accounts and access to storage facilities. *Gasunie* was excluded from the Third Party Access regime in the gas directive and continued as a transport service. Consequently, gas storage continued to be controlled by a national transmission system operator (*Gasunie*). The initial gas directive of 1998 as well as its national implementation in the gas law of 2000 coordinated with and reflected Dutch natural gas interests.

The Dutch also managed to hold their position in negotiations on the second gas directive. In these negotiations Dutch interest was twofold: no tougher unbundling regime for *Gasunie* and no third party access to gas storage facilities. The first point, unbundling *Gasunie*, disappeared as a national point of reference in the EU negotiations due to a change in the political coalition mid 2003. The newly established governmental coalition no longer objected a further unbundling of trade and transmission activities of *Gasunie*. The second point, third party access to storage, was also excluded from the second gas directive. This directive was also in line with Dutch interests. The initial liberalisation course set by

⁶ The depletion of the Groningen gas field, the largest Dutch gas field, is easily manageable at very low costs, because of the unique pressure-features of the field.

⁷ According to Stern (1998) this change in the Dutch position greatly affected EU bargaining on the gas directive. It was a change of coalition in the Dutch government that caused the change of strategy.

the first gas directive did not restrict national room to manoeuvre in negotiations on the second gas directive or the continuation of a nationally focused gas policy.

Mid 2003 Dutch gas interests were seriously challenged by the Commission's initiative to develop a EU security of supply policy under the central co-ordination of the Commission itself. The initial proposal would have given the Commission power to control depletion of Dutch gas fields as a safeguard for European gas supplies in times of crisis. The idea of EU controlled energy resources met strong opposition by all member states. Members unanimously questioned the need for a EU co-ordinated supply policy with far reaching powers for the Commission. The Dutch strongly opposed the initial proposal and were supported by many other member states. Discontent with the Commission's initiative was Union-wide; by mid 2003 the chance of acceptance was assessed as minimal.

In conclusion, the emerging European gas market has not restricted or conditioned Dutch interests in the security of gas supplies thus far. In negotiations leading to the first and second gas directives, the Dutch position was clearly defined and remained intact. The Dutch were also able to weather the Commission's initiative to develop a union-wide security of supply policy. In the stages of both policy development and implementation, the Dutch had ample room to manoeuvre in security of supply policy.

3.3 Dossier emission trading

3.3.1 The emission trading directive

Emission trading as an instrument to reduce greenhouse gas has been debated for quite some time in the context of climate change policy and the Kyoto agreement. However, scholars and practitioners disagree about emission trading schemes (Woerdman, 2002). As scholars continued their academic debate, the EU initiated a directive on emission trading. The general objective of the emission-trading directive is "to create a scheme for greenhouse gas emission allowance trading within the Community by establishing an EU framework and ensuring an EU-wide market for emission allowances. Such an instrument is the cornerstone in the Commission's strategy for reaching the Kyoto target in the most cost-effective way. Emissions trading will ensure that these reductions are made where they are least costly. At the same time, emission trading is environmentally effective by achieving a pre-determined emission reduction from the activities covered. The proposal ensures the proper functioning of the internal market and avoids unacceptable distortions of competition. The Directive is particularly important to ensure that legal commitments to reduce greenhouse gas emissions pursuant to the Kyoto Protocol, ratified by the European Community and its Member States on 31 May 2002, are economically feasible. What was the Dutch position in negotiations on the directive and did the directive allow for national room to manoeuvre in climate change policy?

3.3.2 Dutch interest position and the negotiations

From the start of the negotiations, the Dutch adopted an offensive strategy. The Netherlands had pushed for stricter climate change policy at the European level for quite some time and envisioned the Commission's initiative on emission trading as a timely opportunity. The Dutch wanted a stringent EU climate change policy for domestic reasons, because they needed European backing for a stronger national policy. Without European support, the competitiveness of Dutch industry would be hamstrung by a strict national policy. The Dutch were strongly in favour of a EU wide emission-trading scheme and with Germany and Denmark, took a prominent position in the negotiations.

In comparison to other policy dossiers, negotiations on the emission-trading directive proceeded rather fast. Due to Kyoto commitments, all member states were interested in a common instrument for emission reduction and, due to its presumed (cost) effectiveness, a trading scheme was regarded as the most promising alternative. The instrument hadn't been proven in practise so a pilot program would be required before its full operation in the EU region. This was another reason for the quick progress in negotiations; time was limited if member states were going to keep to the EU Kyoto protocol commitments.

The Dutch tried to push their emission-trading model to the EU level, but partly failed. It was successful in influencing the EU debate to review some questionable decisions. The Dutch were able to provide valuable information on environmental and economic impacts of different modalities of emission trading schemes, due to their relatively long and extensive domestic research tradition on these topics. The EU debate benefited from Dutch expertise and information and the Dutch were able to bring their own preferences to the EU-floor. In this way the Netherlands proposed the inclusion of CO₂ rights from the Clean Development Mechanism and Joint Implementation in the emission-trading scheme. They also supported having a single trading scheme for the entire EU region, without national deviations. On the latter point the Dutch strongly advocated zero national room to manoeuvre.

On the significant point of an emission cap the Dutch failed to convince the EU and other member states to accept their model. At the time of the EU negotiations, an important Dutch advisory board (*Commission Vogtländer*) advised the Dutch government on the conditions and features of an emission-trading scheme for the Netherlands. It suggested emission trading with relative instead of absolute emission caps, because the relative model was better able to account for the interests of sectors of Dutch industry exposed to international competition. In fact, the relative emission cap was the model favoured by Dutch industry and even after the rejection of the relative model by the other member states Dutch industry continued to lobby for it. The Dutch government on the other hand, changed position during negotiations to the absolute cap model, resulting in a discrepancy between Dutch interests on this point. The Dutch government joined the largest EU coalition in favour of the absolute model and Dutch industry tried to convince the Commission of the relative model by active lobbying.

Most member states opted for the absolute cap model contrary to initial Dutch preferences.

Mid 2003 member states were in the process of implementing the requirements of the directive in national legislation. In the stage of implementation the Dutch position is challenged by the national distribution of CO₂ rights in other member states. There is substantial concern that internal market competition will be disturbed by member states using the distribution of CO₂ rights as a means to support suffering national industries. Mid 2003, implementation of the requirements of the directive was on schedule in the Netherlands.

3.3.3 Conclusion

The emission-trading dossier provides a second empirical example of how the Dutch manage interests and strategic positions in EU negotiations. The analysis shows considerable room to manoeuvre because of converging Dutch and EU interests. Strict EU climate change policy was needed as support for a strict national climate policy and therefore the Dutch took an advanced and offensive position in the negotiations. On many topics the Dutch preferences were accepted at the EU level, with the exception of one significant point: the emission cap model. The Dutch opted for the relative model, but the EU decided in favour of the absolute model.

3.4 Dossier energy taxation

The EU-directives on energy taxation date from 1993 and addressed harmonisation of tax rates on gas and electricity. The level of gas and electricity consumption in the EU region was exceedingly high and taxation was considered as a cost-effective means to reduce consumption levels. For that reason, energy taxation had already been on many national political agendas for quite some time, and several countries introduced national tax regimes. For reasons of competition and equal treatment of energy industries, the EU initiated a harmonising directive in 1993, preceding legislation on this point in the Netherlands.

3.4.1 Dutch interest position and the negotiations

The Dutch position in negotiations on energy taxation was similar to the one in the emission-trading dossier. In this case, EU legislation was also considered necessary for the introduction of a feasible and effective tax regime in the Netherlands. The introduction of energy taxation had already been debated, but without serious European backing the introduction of an effective domestic regime would probably fail. The introduction of a separate Dutch tax regime would be counterproductive for the open Dutch economy and Dutch industry operating in European and global markets. For that reason the Dutch delegation joined the offensive strategic alliance pursuing a tough EU-wide tax regime during the negotiations. To develop support for its position the Dutch closely collaborated with this alliance of member states. They also offered exchanges of national positions in other policy dossiers in favour of

an advanced EU tax regime and closely collaborated with the rotating chair of the Council of Ministers during the negotiation period.

Despite all these efforts, the progress in the negotiations on a harmonised European tax regime was minimal. Countries feared losing the competitive advantages of national industries and this resulted in a long period of inert decision. Together with other countries, the Dutch made a final attempt to move forward by suggesting the introduction of a tough tax regime restricted to the group of advanced countries. The assumption was that the suggestion of a partial introduction of a tough tax regime would challenge the others to join. This final attempt wasn't successful either. It turned out that even the group of forerunner countries couldn't agree about the details of a common tax regime. Eventually the negotiations resulted in a complicated directive providing a rich menu of national exemptions. These deviations and degrees of freedom introduced a national tax regime far removed from the initial idea of a harmonised regime. Each country could take from the directive what it pleased.

The directive in fact held only two minor points of harmonisation: a common date for the introduction of the tax regime and a common minimum tariff. On all other points the directive allowed for national schemes. The directive did not meet the initial Dutch interest of European backing for a tough domestic tax regime. For that reason the Dutch only introduced a restricted tax regime in 1996. This national scheme only charged small industrial and household consumption on the minimal rate of 10% of the initial Dutch tariff, as prescribed by the directive. Medium and large industrial consumption was exempted from taxation for reasons of competition and also in case industry decided to join the Dutch Covenant of Benchmarking.⁸ In this energy taxation dossier the Dutch weren't successful in holding their initial interest position in the EU negotiations. In fact, on many points the directive was disappointing considering the initial Dutch ambitions for common energy taxation.

3.5 Dossier sustainable electricity technologies

In September 2001 the EU accepted a directive to promote electricity production from renewable energy resources in the internal electricity market (2001/77/EC). The directive aimed at harmonising the introduction and continued support of electricity from renewables in the EU region. As in the case of energy taxation, the renewable dossier proved to be extremely difficult. In the end member states could only agree on a longer-term common target to increase the share of renewable based electricity in the internal electricity market to 22.1% by 2010. Furthermore, the directive could only formulate indicative, not binding national shares in this common EU ambition.⁹ Finally, the directive did not include any incentives for member states to continue designing national policies, despite long and serious negotiations on common policies. Like energy taxation, renewable electricity negotiations testify to how sensitive a topic EU energy policy remains.

⁸ The Covenant on Benchmarking implies exemption of energy related legal obligations in case industry ranks in the worldwide top ten of most efficient industries.

⁹ National shares took account of differences between member states in physical and geographical conditions for the production of electricity from renewables.

3.5.1 Dutch interest position and the negotiations

In the renewable dossier, the Dutch interest position was rather straightforward. They wished to safeguard a national share in the common EU goal for the long-term increase of renewables equal to Dutch political ambitions. The Dutch could firmly hold this position; the final directive did not affect national targets for renewable electricity.¹⁰ On market share increase, the requirements of the directive converged with Dutch goals. This was important because Dutch renewable policies were already ambitious given the physical and technical constraints in the Netherlands for renewable electricity production. The small reach of the country did not allow for large-scale onshore wind parks. Its geography was incompatible with large-scale solar energy; biomass (the serious option for the Netherlands) was technically still in R&D and hydropower wasn't feasible given the flatness of the country. Dutch access to renewable resources and the production potential of renewable electricity is limited compared to most other European countries. For these reasons a modest share in the common EU-ambition equal to the Dutch national target was given top priority in negotiations.

The strenuous negotiations were extensive and focused on several controversial issues.¹¹ Countries could not agree on the definition of renewable resources. There were lengthy and tense discussions whether or not to include electricity produced by waste incineration and large-scale hydropower as renewable electricity. Positions of member states in this specific debate reflected the differences in their access to these resources. The Dutch favoured a wide definition of waste and waste incineration, but objected to the inclusion of large-scale hydro as renewable.¹² The second debate focused on a timeframe for goal attainment and the third on harmonising policy schemes for the support of renewables. In the end countries could only agree on a minimal set of corresponding rules for market share increase and timing with no agreement on a common support policy. Countries were obliged to certify renewable electricity and compelled to accept another country's certification in the case of imports.

After the acceptance of the directive, countries continued support of renewables in their own national way. Consequently a large variety of support schemes exist across Europe.¹³ In the Netherlands, a tax regime to support renewable electricity was introduced. Initially, the tax charged all types of electricity consumption including renewable electricity, although the charge on renewable energy was passed to the generator. In 1998 renewable electricity was exempted from the tax regime and generators were directly supported by the tax funds charged on the consumption of conventional electricity. Because the tax exemption equalised tariffs for renewable and conventional electricity, the Netherlands saw a steep increase in the consumption of renewable electricity. This policy change did not support the domestic production of renewable electricity as the tax regime intended. Because of the lack of domestic

¹⁰ The national target was 5% sustainable energy, implying a share of 9% sustainable electricity at that time.

¹¹ See for instance Arentsen and Dinica, 2003.

¹² In the final directive large-scale hydro was included as renewable resource.

¹³ See Arentsen and Dinica 2001 and Dinica 2003.

generation capacity, Dutch distribution companies simply imported renewable electricity to satisfy the steep increase in demand. Since the Dutch government accepted imported renewable electricity under the tax exemption, substantive parts of the Dutch tax funds for the support of domestic renewable electricity production went abroad. Mid 2003 restriction of financial support to domestic renewable electricity production closed this gap in the Dutch support scheme.

In conclusion, the dossier on renewable electricity shows that the Dutch managed to keep their initial interest position in the negotiations. This was a position with one clear ambition: a Dutch share in the common EU political ambition equal to the one already agreed on domestically. For the domestic support of renewable electricity the Dutch introduced a tax regime that supported the consumption instead of the domestic production of renewable electricity resulting in a drastic increase of renewable electricity imports and 'export' of Dutch tax money.

4 Conclusion: How can member states use national room to manoeuvre effectively?

This chapter addressed several interrelated questions: How does emerging Europeanization and global integration affect national room for political manoeuvre in EU decision making? How can member states manage their positions in this process? We have modelled this space for member states by distinguishing between offensive and defensive strategy choices given specific constellations of actors, timing, and perceived interest positions in individual policy dossiers. With the help of this framework the chapter analysed the Dutch position in four energy policy dossiers. Table 1 summarises the core findings of the empirical analyses in section 3.

Table 1 Summary of empirical findings

Adopted national strategy		National interest position
Offensive	Defensive	
	Security of Gas Supply Renewable electricity	Completely held
Emission trading		Partly held
Energy taxation		Not held

Table 1 shows the Dutch have been successful in the two policy dossiers where they followed a more defensive (waiting) strategy. They were also successful in one case where they followed an offensive strategy (emission-trading dossier), although this was tempered by the significant exclusion of the emission cap. The Dutch also followed an offensive strategy in the energy taxation dossier, but here they were less successful in keeping their initial interest position. How can we account for these differences? The analyses in this chapter only allow for tentative thoughts on this question. Much more research is required to elaborate.

An obvious difference between the two defensive strategies is their noticeably different backgrounds. In the gas security dossier the Dutch began in a strong position because their substantial reserves made them the major European supplier. Without Dutch support, it was rather difficult to move forward with the EU gas dossier. The strong EU-wide resistance to regulatory change in European gas was helpful for the Dutch position. Until 1995, nobody was willing to move, including the Dutch. The change of political coalition in the Netherlands in 1995 initiated a simultaneous change in Dutch preferences and eventual changes in EU negotiations. In the case of renewable electricity the Dutch also followed a defensive strategy but from a very different position. This position was not as strong and they began the negotiations with a single clearly stated ambition. Other than this goal they were indifferent to the issues. The Dutch defensive strategy was focused only to assure the preferred proportion in the common burden.

A second observation is that the Dutch position in EU negotiations was also distinctive in each of the two offensive strategy examples: emission trading and energy taxation. In both cases strong EU-context and backing was needed for national ambitions to introduce strong policies at home. In the case of emission trading the Dutch were in the privileged position of 'most informed country' and were therefore able to significantly influence negotiations. The Dutch had nothing comparable to offer with energy taxation, only support for a tough tax regime. On this point only a minority of countries were willing to accept this position as an offer. For the dominant coalition, Dutch ambitions were considered only a single ingredient in a complex recipe.

Both observations show that the success of national strategy is also affected by the power position a country holds vis-à-vis other countries. Not surprisingly this brings us to a third observation regarding the proximity of national interests and the dominant interest in the negotiations. If this distance is great, it becomes very difficult even for a well-positioned country to influence the outcome to conform to national goals. If the distance is small, then a country can rely more easily on a defensive strategy as the natural gas dossier showed. In the gas dossier the dominant preference had long been contra liberalisation which was concurrent with Dutch interest. A change of Dutch position moved the negotiations to a legitimate and workable outcome. In the emission trading dossier, the distance between the Dutch and the dominant preferences was negligible. Here the Netherlands used their informed position to facilitate EU decision making and benefit Dutch preferences on almost every point.

The three observations from the four policy dossiers analysed in this chapter compel us to suggest two modifications of the analytical framework developed in section two. The first modification is that national strategy tailored for specific dossiers should also account for the relevant advantage one may have compared to other countries. A small country sometimes has the advantage of valuable resource surpluses or can develop an advantage by accumulating knowledge and expertise.

The second modification is accounting for the relative distance between national and dominant interests. The degree of success in utilising national room to manoeuvre is decided by the extent to which a country can integrate its national strategy into EU decision making.

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