



## Using Policy Design to Manage the Impact of Stakeholder Pressure During the Policy Development Process

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## Strategies to get policies 'through'

### 1. Broad political landscape

- enable agreement by facilitating interactions (committees, networking events etc)
- increase the power of supportive stakeholders (access to decision-makers, information etc)

### 2. Policy development process

- implement policy early in election cycle
- policy changes that do not require parliamentary approval

### 3. Policy design - can effect whether

- the policy will be introduced in the first place
- it will be attacked - are they powerful?
- it will be defended - are they powerful?
- it will be robust against attack



## Will it be introduced?

### 1. Likely

- facilitate political grandstanding, prestige, vote capture
- supported by advisors and bureaucracy
- advantages key incumbent stakeholders
- impact on electorate although negative is diffuse
- modest/no change from BAU

### 2. Unlikely

- counter to party/personal ideology
- considered likely to be attacked by powerful interests
- impact on electorate although positive is diffuse
- very significant changes to current arrangements



## Will it be attacked?

### 1. Likely

- significant adverse impact on powerful, motivated and coordinated stakeholders that might lose money/influence (eg. Resource Super Profits Tax)
- a wide scope and so impacts on a broad group of stakeholders who may form a coalition

### 2. Unlikely

- impacts on weak or poorly organised or 'diffuse' stakeholders, or on stakeholders with conflicting aims
- has limited impact
- has an indirect and gradual (and perhaps uncertain) adverse impact on powerful stakeholders
- is easy for key powerful stakeholders to be protected from impacts



## Will it be defended?

### 1. Likely

- favourably impacts on relatively powerful stakeholders (organised, motivated, numerous)

### 2. Unlikely

- complex policies are less likely to be supported by less organised / powerful stakeholders that may not be able to understand them
- if the benefit it provides is perceived as relatively small, diffuse, intangible or in the future

## Is it robust against attack?

### 1. Likely

- simple: changes are transparent, impacts more obvious

### 2. Unlikely

- complex: changes buried in the detail, difficult to understand consequences



## Will it be introduced?

### 1. Likely: PVRP

- very popular with the electorate
- no real threat to the incumbent electricity industry
- no direct threat to energy-intensive industries (consolidated revenue, not end-user levy)

### 2. Unlikely: Carbon tax

- counter to principles of small government
- open to attack as yet another tax
- GHG mitigation benefits not clear or immediate
- short-term benefits dependent on government redistribution of revenue



## Will it be attacked?

### 1. Likely: CPRS

- significant adverse impact on powerful, motivated and coordinated stakeholders
- wide scope, stakeholders formed informal coalitions

### 2. In between: eRET

- some opposition from incumbents and single price signal purists
- little impact on incumbent generators because of demand growth
- energy intensive industries exempted

### 3. Unlikely: EEO

- companies must investigate opportunities for EE
- publicly report but no need to implement



## Will it be defended?

### 1. Likely: eRET

- compared to amendments in 2003, RE industry much more established
- very clear benefits to this group
- popular with electorate

### 2. Unlikely: CPRS

- large complex policy
- beneficiaries not coordinated, unlikely to have capacity to understand and respond
- relatively diffuse, intangible future benefit

## Robust?

### 1. Likely: MEPS

- simple: category, energy use, timeframe

### 2. Unlikely: CPRS

- complexity breeds complexity (compensation opens the gate)
- increased complexity leads to reduced robustness



## Therefore .....

### Policies should:

- facilitate political grandstanding, prestige, vote capture
- be supported by advisors and bureaucracy
- have limited adverse impacts on key incumbent stakeholders, or actually advantage them
- be complex and have low transparency to make it more difficult for disadvantaged stakeholders to understand it's consequences

### Policies should:

- achieve major and rapid greenhouse emission reductions
- drive fundamental and broad reaching changes to the operation of the economy as well as major infrastructure
- achieve a scale of change that poses risks to the current, politically powerful stakeholders

## We have a problem ...



## Flotillas without a Flagship?!?

### Flagship eg. ETS

- need to delay policy or make less effective and compensate incumbents at cost to society
- unacceptable by stakeholders wanting strong action
- National ETS failed in Australia, US, Japan, Canada, French C tax blocked
- EU ETS operating but successful? and not likely to be replicated

### Flotillas:

- less complex and positively impact with relatively short-term tangible benefits on a targeted group of stakeholders
- each policy makes a relatively small impact on powerful stakeholders
- are responsible for emissions reductions in most countries (eg. MEPS, RET/Solar Credits, WCs, PVRP/SHCP/FITs)
- BUT, not effective enough, administration costs, aggregate complexity, double regulation, conflicting incentives



## We still have a problem ...

### Central (Flagship) / complementary (flotilla) policies not new

- Central designed first then complementary policies used to address market barriers
- In fact:
  - flotilla policies implemented first, so flagship will need to fit around them, unless they are removed/modified
  - flotilla policies likely needed to do more than just address market barriers, also required for real abatement

### Therefore need to:

1. design flagship policies that don't restrict the effectiveness of flotilla policies
2. design flotilla policies that can
  - operate in the context of a flagship policy
  - suffer as little as possible from high administration costs, aggregate complexity, double regulation, conflicting incentives etc

