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Elements of a Transformative Climate Governance for the EU

Main recommendations:

1. EU climate policy is a blend of different approaches – developing this mix further by combining elements from economic liberalism, industrial policy, directed transition and sufficiency is more promising than re-organising it around a central paradigm.

2. Transformative climate governance needs to address both the substantive side – which instruments and mechanisms it deploys to drive the transition – as well as the procedural side – how decisions on future climate policy are taken and implemented. Both are needed to ensure changes happen at the necessary breadth, depth and speed, while preserving legitimacy, acceptance and ideally ownership.

3. Procedural governance mechanisms can provide credibility and legitimacy to the policy mix and its elements. Also, the climate policy mix builds on procedural functions to be effective. Several procedural governance mechanisms are in place already, yet so far fail to live up to their transformative ambition.

4. Procedural governance mechanisms thus need to be strengthened to assume their role. This includes giving them a formal and timely role in the policy process, strengthening and streamlining reporting requirements, and establishing more thorough follow-up procedures.

Introduction

Transitioning to climate neutrality requires a transformation of EU climate policymaking (Duwe, 2022; Oberthür et al., 2023). This entails a change from "policy as usual" in what the EU is doing and how it is doing it - requiring ambitious and farsighted policies as well as transformative decision-making processes (Görlach et al., 2022). The 4i-TRACTION project has analysed two components of EU climate governance: substantive and procedural governance Moore et al., 2023).

In terms of **substantive governance**, previous research investigated four distinct policy approaches that embody different views on the nature of the problem climate policy should address and how it should do so: (1) Green Economic Liberalism; (2) Green Industrial Policy; (3) Directed Transition; and (4) Sufficiency and Degrowth (see table below). Based on these approaches and the underlying paradigms, it developed four policy avenues that could lead the EU to climate neutrality (Görlach et al., 2024). The research concluded that the current EU climate policy combines elements from all these approaches, and that structuring this blend along clear criteria offers more potential to guide the EU's transition to climate neutrality than a "pure" approach centred on one paradigm only. Additionally, while the different elements are ideally implemented in parallel, some sequencing is necessary, as different stages of the transition require different types of interventions. For example, at the start of the transition, Green Industrial Policy can stimulate innovation and ensure that fossil-free technologies are available, including supporting infrastructure and emerging business models. Elements of the Directed Transition, by contrast, can provide direction to consumers and investors, including through phase-out targets and timelines. Elements of Green Economic Liberalism are then suited to accelerate the scaling-up of technologies, lead them to market penetration and drive the market exit of fossil-based technologies (Görlach et al., 2024).

Regarding **procedural governance**, the 4i-TRACTION project has assessed eight governance mechanisms in terms of their transformative nature including the European Scientific Advisory Board on Climate Change (ESAB-CC), the Multilevel Climate and Energy Dialogues (MLCEDs), participation in the National Energy and Climate Plans (NECPs), the social dimension of EU climate planning, integrated infrastructure planning, monitoring and evaluation of climate-related investments, access to justice, and climate policy integration (Gheuens & Moore, 2024). These serve to shape the decision-making process of the transition and support the creation, revision, and implementation of the EU's policy objectives and targets (Moore et al., 2023).

Based on the findings of these reports, this policy brief offers recommendations for EU climate governance that is fit to deliver the transition to climate neutrality.

Table 1 Overview of policy paradigms. Source: Görlach et al. 2024

	Green Economic Liberalism	Green Industrial Policy	Directed Transition	Sufficiency & Degrowth
Primary intervention mechanism	Correct market failures	Direct and accelerate technological change	Provide certainty of emission reductions	Facilitate lifestyle change
Main instruments	Market-based instruments, carbon pricing	Investments, standards, innovation support	Direct regulation through bans, standards, quotas, targets, carbon budgets, and planning tools	Participatory and inclusive governance, bans, taxes, behavioural change
Political theory of change	Climate action at lowest cost generates political acceptance	Coalition building, create and mobilise constituencies	Political legitimacy of interventions derived from climate targets	Policies to change societal norms and values

Transform what the EU is doing & how it is doing it

The 4i-TRACTION research on policy paradigms and procedural climate governance mechanisms showed that substantive and procedural climate governance are intertwined and that the EU transition to climate neutrality needs to address both of them to succeed (Gheuens et al., 2024).

The four policy paradigms each rely on procedural climate governance to gain legitimacy and credibility, and to build the support needed for ambitious climate policy measures. Yet this can take different forms for the different approaches. For the Green Economic Liberalism paradigm, it is important that policymakers express a credibly commitment to the carbon price – its central instrument – even as ricing carbon prices encounter opposition. Ensuring credibility for Green Industrial Policy entails

stakeholder ownership of climate measures to establish their long-term support for the legislation. The Directed Transition paradigm stresses the importance of enshrining short- and long-term commitments in the form of legally binding targets, and developing strategies and plans to reach them. For Sufficiency and Degrowth, building social momentum for lifestyle changes and developing a shared, attractive vision of the transition is crucial for its success.

Because of these different views on establishing credibility, the paradigms focus on various functions of procedural climate governance. Therefore, the proposed mix of policy paradigms should also include a mix of procedural governance mechanisms that can fulfil a wide range of functions.

Governing the transition

While all procedural governance functions can play a role in the EU transition to climate neutrality, the following are of particular importance (see Table 2):

1. **Planning and target-setting:** planning, setting short- and long-term objectives, and providing timelines for the phase-out of fossil-fuel technologies form key parts of the Directed Transition approach. Yet they can also provide direction to other approaches, and in a blended approach can guide the efficient sequencing of elements. Targets and trajectories also reduce uncertainty for investors and supports the scaling of fossil-free technologies as part of the Green Industrial Policy paradigm.

2. **Participation:** Participation of stakeholders and citizens in the decision-making process can build social momentum and foster long-term support for the transformation. By giving participants ownership and agency, it may reduce resistance to transformative policies. Moreover, participation can ensure that concerns of different groups are taken on board, leading to a more just and balanced policy mix. Additionally, stakeholder engagement can also take the form partnerships between public and private actors, stimulating innovation and industrial development. Citizen participation is important for Sufficiency and Degrowth to build bottom-up momentum for behavioural and lifestyle changes.

3. **Expert advice:** Expert advice can be integrated at different stages of the policy process. During policy formulation, it can help give direction to legislation and ensure that the measures are in line with overarching objectives. In doing so, it can also support the target-setting of the Directed Transition paradigm. Additionally, experts can identify gaps or point out inconsistencies in the legislation, and provide guidance on how to best combine elements from the different approaches. Moreover, once legislation is adopted, expert advice can assist with its evaluation and monitoring. It can also help check the alignment and interaction of the elements of the policy mix.

4. **Monitoring and evaluation, and implementation and enforcement:** Regular and continuous monitoring and evaluation of the legislation can ensure the blend of different policy approaches functions well and progresses towards the goal of climate neutrality at the necessary pace. If not on track, appropriate corrective measures are needed. These functions feature centrally in the Green Economic Liberalism and Directed Transition paradigms. For Green Economic Liberalism, they can help ensure the carbon price provides a strong enough incentive to guide the transformation and, for instance, render fossil investments unattractve. Concerning the Directed Transition paradigm, these functions play a role in making sure the policy objectives are achieved at the desired pace.

Procedural governance can help create societal acceptance of the transition, can enhance the credibility of separate elements of the policy mix and of it in its entirety, and can ensure an effective and successful transition. Therefore, it is a crucial part of the EU's transition to climate neutrality.

Table 2 Highlighted connections between procedural governance functions and policy paradigms. Source: Gheuens et al., (2024).

Procedural governance function	Policy paradigm	Connection between procedural function and policy paradigm
Planning and target-setting	Directed Transition	Set short-and long-term objectives and provide phase-out timelines.
	Green Industrial Policy	Provide certainty for investors and enable innovation.
	Blended approach	Provide direction to the mix and ensure efficient sequencing of the elements.
Participation	Green Industrial Policy	Provide avenues for cooperation between private and public actors, and in doing so, enable innovation.
	Sufficiency and Degrowth	Proving citizens with ownership of the policy measures, and build social momentum for the required lifestyle and behavioural changes.
	Blended approach	Ensure concerns and needs varying societal groups are heard, and create a societal conversation about the transition.
Expert advice	Blended approach	Give guidance on direction and speed transition, help identify strengths of each policy paradigm, help avoid inconsistencies in the mix, and provide legitimacy.
Monitoring and evaluation, and implementation and enforcement	Green Economic Liberalism	Ensure a sufficiently high carbon price.
	Directed Transition	Ensure policy objectives are achieved at the desired pace.
	Blended approach	Ensure the policy mix consistently draws upon the strengths of each paradigm, and take corrective measures if it fails to do so.

Lessons for procedural governance

EU legislation such as the Governance Regulation and the European Climate Law include procedural governance mechanisms that address the functions described above. For example, the Governance Regulation mandates that Member States draft National Energy and Climate Plans and Long-Term Strategies (planning), and the European Climate Law established the European Scientific Advisory Board on Climate Change (expert advice).

However, 4i-TRACTION research showed that while the procedural governance mechanisms in place have the *potential* to be transformative, they currently fail to live up to the high ambitions (Gheuens & Moore, 2024). Problems include the integration of the mechanisms into the policy process, guidance on how to implement and enforce them, and their follow-up and enforcement pose significant barriers.

Therefore, for procedural governance mechanisms to increase the credibility and societal acceptance of the transition, the following steps are needed:

1. **Strengthen public participation and stakeholder dialogues:** Participatory practices and stakeholder dialogues provide opportunities to engage different actors, from citizens to organised stakeholders, in the decision-making, ideally increasing acceptance of the adopted measures. However, this acceptance depends largely on the way the various actors are engaged. To maximize their potential, consultations and stakeholder dialogues should take place early enough in the policy process to impact policy formulation, and followed-up a later stage to give more concrete feedback on

the plans on the table. Clear standards should be set for different formats of participation to more guide policymakers on how to best engage the public and/or stakeholders. Lastly, follow-up procedures should be strengthened to improve implementation.

2. **Facilitate evidence-based policymaking:** Evidence-based policymaking through the use of scientific advisory bodies, and/or detailed, high-quality reporting, can improve the legitimacy of EU climate policies and facilitate effective policymaking. For it to have an impact and support the paradigm mix, scientific advice should be formally incorporated in the decision-making process in a timely manner, and Member States' reports on measures they have taken or are planning to take need to be of sufficient quality.

3. **Integrate climate and social considerations in policy planning and implementation:** To avoid inconsistencies in the EU wider policy mix, climate objectives should be mainstreamed in all decision-making and planning processes. Similarly, to ensure the transition is a "just" transition, social considerations have to be integrated in policymaking, and policy planning instruments. To do so, policymakers should develop of clear criteria to assess climate policy integration, and a common understanding of the social dimension of climate policy. Doing so also facilitates stronger follow-up procedures to check their implementation.

Conclusion

The EU's transition to climate neutrality requires a shift in what the EU is doing and how it is doing it. A climate policy mix that provides directionality can reduce the risk of inconsistencies and combine elements from different governance approaches. Procedural governance mechanisms are needed to enhance the credibility of the policy mix and to build the social momentum for change.

Some challenges remain in transforming substantive and procedural EU climate governance. Incorporating elements of sufficiency may become necessary in the future, for those "hard-to-abate" sectors or activities where climate-neutral alternatives are not within reach. Yet this approach remains particularly contested and has hardly any basis in current EU policy.

First steps towards "circularity" could offer a way to integrate elements of sufficiency.

Procedural governance mechanisms could also increase the administrative burden on Member states, for instance in the form of reporting requirements. To avoid this, it is important to strengthen existing governance mechanisms and streamline their reporting requirements.

The enormous speed of the transition may be at odds with some procedural governance mechanisms, such as public participation. Engaging societal groups at different stages is key to build support, but also takes time. Still, while such deliberative mechanisms may complicate the policy process in the short term, in the long term they can open up a conversation across society about the transition, and in doing so, build the necessary social momentum.

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