

The business perspective on climate change: Firms, special interest groups, and their influence on climate policy design

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This project aims to develop innovative solutions for the institutional design of climate policy. We want to understand, how political decisions are made, by which criteria, and why final decisions mostly differ from the socially optimal result. Which factors explain political decision making beyond social welfare maximisation? Our focus is on the role of special interest groups and individual private actors in the policy process. For a better understanding of the role of the private sector, we want to analyse the non-market strategies of firms in Swiss climate policy.

The theoretical framework for this study can be elaborated either from the political science theory, public choice or the business strategy perspective. In International Political Economics, Robert Falkner (2008) states that business can have multiple interests, even within the same industry. Accordingly, business conflict can appear between nationally and internationally operating firms, technological leaders and laggards, and along the supply chain. For our analysis on the influence of private actors on the policy process we want to deal with two case studies on climate policy in Switzerland.

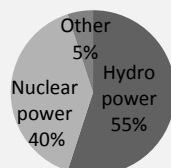
• Falkner, R., 2008: *Business power and conflict in international environmental politics*, Palgrave Macmillan.

CO₂ compensation for power plants

- Nuclear power vs. Natural gas : In Switzerland, the current debate is about the so called « electricity gap » resulting from the shortly expiring nuclear power plants that are providing 40% of total electricity generation. The issue is whether new nuclear power plants should be planned – against opposition in public, or if the future electricity mix will also include natural gas.



A gas power plant and the electricity generation mix in Switzerland, 2007.
(Source: BFE, 2008)



- In March 2007, the Swiss government decides to require full compensation of CO₂ emissions of Swiss gas power plants. Thereof, max. 30% can be compensated in foreign countries.
- In Summer 2008, the Swiss Parliament opens the **CONSULTATION** on the compensation of CO₂ emissions from gas power plants.

Fuel efficiency standards for cars

- In 2002, the Swiss Association of car importers made a Voluntary Agreement with the Swiss government. Accordingly, the specific fuel consumption of imported cars should be reduced from 8.4 to 6.4l / 100 km by the end of 2008.
- **All intermediate targets have been missed since 2003!**

		2003	2004	2005	2006	2007
specific fuel consumption	l/100km	8.0	7.8	7.7	7.6	7.4
voluntary agreement	l/100km	7.6	7.4	7.1	6.9	6.6
specific CO ₂ emissions	g/km	195	192	189	187	183

Source: www.auto-schweiz.ch



- The Swiss Federal Office of Energy titles: « The preference for heavy vehicles hinders reaching reduction targets. » In fact, the increasing sales of large cars, in particular SUVs seem to « eat up » the efficiency gains from technology improvements.

%	2002	2003	2004	2005	2006	2007
diesel	17.8	21.5	25.9	28.4	30	32.5
4x4	19	20	20.7	21.9	24.8	26
+2*5000 cm ³	14.2	15.4	15.5	15	16.3	15.7

Shares of newly immatriculated cars in Switzerland 2002-2007 (Source: Swiss Federal Office for Statistics, 2008)

Research questions

Why do firms (not) engage in climate policy? Which are the important decision variables? Which (non-market) strategies do firms apply?

Who are the main private actors in climate and energy policy? What are their particular interests?

Is there business conflict, with opponents and proponents to climate policy regulation?

How can the Swiss experience be compared to the situation in EU member states?