8-9-2014

TOWARDS COMMON EUROPEAN ENERGY POLICY

Mariam Dekanozishvili
University of South Carolina - Columbia

TOWARDS COMMON EUROPEAN ENERGY POLICY

by

Mariam Dekanozishvili

Bachelor of Arts
American University for Humanities: Tbilisi Campus, 2002

Master of Arts
Lund University, 2003

Master of Arts
University of South Carolina, 2007

Submitted in Partial Fulfillment of the Requirements

For the Degree of Doctor of Philosophy in

Political Science

College of Arts and Sciences

University of South Carolina

2014

Accepted by:

Harvey Starr, Major Professor

Robert H. Cox, Committee Member

Lee D. Walker, Committee Member

Gordon B. Smith Committee Member

Donald Puchala, Committee Member

Jonas Tallberg, Committee Member

Lacy Ford, Vice Provost and Dean of Graduate Studies

DEDICATION

To my son, George

ACKNOWLEDGEMENTS

A number of people contributed to this dissertation. Yet, my foremost thanks go to Dr. Harvey Starr, who has been my adviser and dissertation chair. Professor Starr's inspiring scholarship, intellectually stimulating discussions, and continuous encouragement helped complete this project successfully. He has indeed been the greatest mentor.

I am highly indebted to Dr. Robert Cox, Dr. Gordon Smith, Dr. Lee Walker and Dr. Jonas Tallberg. Without their backing, advice and encouragement this dissertation would never have been completed. I owe special thanks to Dr. Donald Puchala. This dissertation originated in the Spring of 2009 when I was a first-year graduate student taking Professor Puchala's class on European integration. I am also very thankful for his thoughtful and constructive comments on draft chapters of the dissertation.

I would like to express my gratitude to the Walker Institute of International and Area Studies for granting financial support to conduct field trips to Europe for this study in 2011 and 2012. I would also like to sincerely thank Statoil's Brussels office. Throughout the time I spent at Statoil as a Research Fellow in the summer of 2011, I have not only gained knowledge of EU's energy policy, but also witnessed how things actually get done in Brussels. For this exciting experience, I owe many thanks to Ambassador Konstantine Zaldastanishvili and Geir Westgaard.

Also, I would like to acknowledge great support and friendship from my fellow graduate students in the department. I wish to extend my thanks to Juri Kim, Ali Demirdas, Mandy Liao, Soonkun Oh, Eunjung Soh, Intae Yo, Melissa Beaudoin, Lauren Smith and many others.

I am particularly indebted to the dearest love of my friends. They have always been there for me to share my hardship and happiness. I would like to express my deep love to Evgeny Anikin, Anna Keshelashvili, Nino Danelia, Misha Gogritchiani, Tamuna Mirimanishvili, Vova Kublashvili, David Mrelashvili, Maia Mikashavidze, Vaniko Tskhomelidze, George Robakidze, Tea Lepsaia, Jekaterina Novikova.

Finally, I am eternally grateful to my family. I thank my parents, Nino and Temur Dekanozishvili, and my sister, Tamuna Dekanozishvili, for their unconditional love and support. I wish to say the very last words to my five-year old son: I have done it for you, Gio!

ABSTRACT

A common European energy policy is emerging. That poses a puzzling instance of European integration and policy-making. Despite the origins of the European integration project rooted in the coal and nuclear sectors, integration in the energy domain largely failed until the 1990s. The last two decades, however, witnessed an increasing number of energy policy initiatives at the European Union (EU) level and culminated in the inclusion of the energy article in the 2009 Lisbon Treaty.

The dissertation aims to explain under what conditions, and how, European integration succeeds in the domain of energy policy, based on a novel fuzzy-set qualitative comparative analysis (fsQCA) of the twelve key legislative proposals in the EU energy policy field, and a comparative case study of the two EU renewable energy directives. In the dissertation, I develop a configurational approach that sets ground for a typological theory of European integration. The findings support the major claim of the study that there are multiple paths to successful integration outcome. I find alternative paths of integration in the EU's energy policy domain. The dissertation findings provide evidence that integration of EU energy policy proceeds under the interplay of structure (rules), agency (member state preferences, or supranational policy entrepreneurs) and contingency (external shocks).

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

CHAPTER 1. INTRODUCTION

1.1 Objectives and Significance of the Study

The emerging common European energy policy is a puzzling instance of European integration and policy-making. Despite the origins of the European integration project rooted in the Coal and Steel and EURATOM Communities and the salience of energy issues, integration in the energy domain up to the 1980s was regarded as a spectacular failure. The energy field lacked a legal basis in the EU treaties and was unaffected by common market legislation. However, the last two decades have seen an increasing number of energy policy initiatives on the EU level that are gradually bringing the nationally - dominated energy field into the legal remit of the European Union.

This dissertation aims to explain under what conditions, and how, integration succeeds, or fails, in the energy field. The present research reorients the study of European integration from *what* and *why* to *how* question and takes a configurational approach (see Ragin 2008) to examine equifinality in European integration process. The major theoretical and methodological contribution of the dissertation is to set ground for a typological theory of European integration that can accommodate multiple paths to integration outcomes. To accomplish this objective, the dissertation examines combination of causal factors/conditions, the so-called causal recipes that are conducive to European integration. In other words, the dissertation aims to reveal conjunctions of jointly sufficient conditions that lead to integration in the EU's energy domain.

The dissertation evaluates causal paths to integration derived from contending liberal intergovernmental and supranational approaches, and an alternative "punctuated equilibrium path" that brings together agency, structure and external contingency. The goal of this testing/evaluation exercise is theory improving rather than disproving and is aimed at developing synergy between different theoretical approaches.

The major claim of this dissertation, supported by the findings, is that there are alternative paths to integration that occur under the interplay of agency, structure and external contingency. In contrast to existing studies that offer either structure-oriented or agency-centered explanations of integration process, this dissertation finds that integration in the EU energy policy domain results when structural conditions (dense EU rules) and external shocks pressing for common solutions are successfully exploited by supranational policy entrepreneurs (the European Commission) and/or permitted by the convergence of preferences among the key EU member states.

Instead of theorizing about the progression of the integration project as a whole, extensively addressed in the European integration literature, this dissertation seeks to explore how particular policy-making instances resulted in successful integration outcomes. To accomplish this purpose, the dissertation draws on European integration theories as well as literature on the EU policy-making. The research analyzes twelve legislative pieces in the EU's energy domain, including the three consecutive energy packages for liberalization of gas and electricity sectors, directives dealing with renewable energy, energy efficiency and security of gas supply, using fuzzy set

qualitative comparative analysis, followed by a comparative case-study of the two renewable energy directives. The dissertation examines cases looking at five causal conditions - supranational entrepreneurship, convergence of member state preferences, transnational interest consolidation, rule density and external shocks - to reveal the causal path(s) to integration.

The major theoretical and methodological contribution of this dissertation lies in its configurational approach to the study of European integration not just as a process, but also as a policymaking outcome that results from different conjunctions of causal conditions. This lays the foundation for developing a typological theory of European integration that could inform the European integration scholarship about structural, contextual and agency-related opportunities and constraints in the European integration process. Theoretically, this project is expected to bring integrative cumulation as it synthesizes existing theoretical approaches in order to understand the dynamics of European integration. On the methodological front, employment of fuzzy set qualitative comparative analysis (or fs/QCA, on twelve EU energy proposals) is a pioneering attempt in the field of European integration and makes a valuable contribution to the existing qualitative studies. I expect that this methodology can successfully be applied to other EU policy domains in future scholarly endeavors, providing a basis for cross-sectoral comparative analysis.

In addition, the dissertation contributes to better understanding of EU energy policy-making. So far, very few studies have analyzed the drivers of the EU energy policy-making and factors that can lead to integration in the EU's energy policy area.

Despite the recognition of the need for EU energy policy and its increasing influence on national energy policy processes, there is a significant knowledge gap on how common EU energy policy develops. In this respect, the comparative in-depth case-study of two renewable energy directives is particularly enlightening.

Finally, the research carries policy relevance. It is now widely acknowledged among policymakers, stakeholders and experts that a common EU energy policy is essential to achieve a competitive internal energy market and respond to challenges brought by climate change and energy security concerns. In light of recent events unfolding in the Ukraine, a key transit country for the Russian energy supplies to the EU, a major question occupying minds of the policymakers in the EU is going to be how to address future energy demand and how to speak with one voice on energy issues. Therefore, this dissertation can be equally illuminating for scholars and practitioners interested in EU energy policy.

1.2 The Outline of the Dissertation

Chapter two reviews existing literature on European integration, identifies gaps and develops an analytical framework for understanding under what conditions and how European integrations succeeds in the EU's energy policy domain. The chapter proposes causal paths to integration derived from contending liberal intergovernmental and supranational approaches and puts forward an alternative "punctuated equilibrium path" that brings together structure, agency and external contingency as necessary components of the causal path to integration outcome.

Chapter three presents the research design and discusses two methods of analysis employed in the research. The chapter outlines advantages of the configurational approach, in particular fsQCA, for the proposed study and also details the added value of the comparative case-study method. The chapter discusses the case selection strategy and deals with the operationalization of five causal conditions and causal outcomes. The important contribution of this chapter is that it conceptualizes integration outcomes along two dimensions – vertical (degree of institutionalization) and horizontal (harmonization level) integration.

In chapters four to six, I analyze key conditions, as well as different configurations of these conditions, in EU energy policy integration. Before resorting to analysis of twelve EU energy proposals, chapter four provides the reader with a historical and institutional background on the emergence of EU energy policy and presents data obtained from the questionnaire-based elite survey and semi-structured interviews. The main goal of the chapter is to examine under what conditions European integration succeeds in the domain of energy policy based on the fuzzy set qualitative comparative analysis of twelve EU energy proposals. By analyzing different configurations of five causal conditions – supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density, and external contingency - this chapter contributes to assessing propositions suggested in the analytical chapter and provides a basis for the development of a typological theory of European integration. The results support the major claim of this dissertation that there are different paths to integration and that integration in the EU energy policy domain

proceeds under the conjunction of structural conditions (such as pre-existing domain-specific EU rules), external contingencies (such as focusing events outside the EU), and skillful supranational policy entrepreneurs (such as the European Commission). Alternatively, successful integration outcomes result when the causal path to integration also includes convergence of preferences among the key EU member states.

In chapters five and six, I conduct a comparative-case study of the two contrasting cases. In chapter five, I process-trace the development of the 2001 RES-E directive that did not result in a successful integration outcome. In chapter six, I process-traces the development of 2009 RES directive with successful vertical integration outcome. Systematic comparison of the two contrasting cases within the same policy field along all causal conditions contributes to assessing the validity of different causal paths to integration outcomes found as a result of fuzzy set analysis. In contrast to fuzzy set analysis, in which I rely on the elite survey data, in comparative case-studies I utilize multiple data sources. In the end, I draw a systematic comparison between the two cases in the field of EU's renewable energy, and analyze whether the two different modes of analysis validate each other's findings.

Lastly, chapter seven concludes the dissertation by summarizing my findings, and the implications of my research to the study of European integration. Also, I acknowledge the limitations in the study and make suggestions for future research.

CHAPTER 2. THEORETICAL FRAMEWORK

2.1 How to study European Integration?

The principal problem in European integration studies is the lack of a generally accepted definition of the concept of European integration. Some scholars define integration as a process of political integration, the end result of which is a new political community (Haas 1957: 16). For other writers, integration is much more a process of becoming, a variable condition, however, without a clear outcome or a definitive reference to a political end state (Groom and Heraclides 1985: 174; Lindberg 1963: 6). Integration has often been defined as a process through which supranational governance – the competence of the European Community to make binding rules in a given policy domain – has developed (Sandholtz and Stone Sweet 1998: 1). Conversely, integration has been defined as a condition achieved when a group of people within a territory have attained dependable expectations of peaceful change and ceased to prepare for war against each other (Deutsch 1957: 16).

Conceptualizations of European integration as a condition have been criticized on the grounds that they only permit a general discussion of the environmental factors influencing integration and fail to provide us with the tools needed to make a clear distinction between the situation prior to integration and the situation prevailing during the process, thus obscuring the role of social change (Haas 1958: 627). On the other

hand, conceptualizing integration as a process, a constantly changing moving target, may well prevent scholars from catching any meaningful snapshot of integration and pose a serious methodological problem for explaining social change.

The satisfactory conceptual approach to the meaning of integration is therefore an inclusive one, which sees integration as a complex process of political, economic and social relationships as well as a broadly comparable outcome across various issue spaces at a given point in time.

This dissertation views European integration as a complex process, which results in varying integration outcomes in terms of the degree of institutionalization (vertical integration) or level of harmonization across national boundaries (horizontal integration) at a specific time in history. The interplay of various causal conditions defines varying patterns of vertical and horizontal integration. Changes in these dimensions mark integration success or failure. Thus, integration can experience retraction, extension or remain steady from 't' to 't+1' time.

How should we study European integration? It is true that the major episodes of intergovernmental bargaining by decision-makers representing member state governments are often crucial for explaining certain kinds of integration outcomes. However, a great deal occurs around and between these grand bargains. Treaty reforms do not emerge from thin air; rather they are reflections of prior trends and complex day-to-day machinery (Maurer *et al.* 2003: 58). EU policy-making is a continuous process of building on, refining, and extending existing policies (Stone Sweet *et al.* 2001: 78). Therefore, a comprehensive account of European integration should include not only

the study of the so-called history-making intergovernmental decisions that led to the delegation of sovereignty, but also the in-between dynamics that lead to non-treaty based changes reflected in the secondary legislation, which may later be formalized and brought into subsequent treaty amendments. In other words, taking stock of particular instances of policy-making that results in successful, or not so successful, integration outcomes is equally important.

2.2 Existing Literature and Theoretical Framework: Structure, Agency, Contingency

To date the scholarship on EU energy policy has been dominated by descriptive, prescriptive or normative studies. Scholars have been trying to find answers to the following questions: "Does the EU have a common energy policy? Should the EU have one, and if so, what should it look like?" (Matlary 1997; Egenhofer and Behrens 2011). There are numerous studies dealing with specific policy instruments in various sectors of EU energy policy (see for instance Helm 2007; Johnston *et al.* 2008; Kulovesi *et al.* 2011; Schöpe 2010). While these studies provide valuable analysis of the problems and potential solutions, they generally ignore the underlying causes and policy processes that prevent or lead to integration of EU energy policy. By contrast, very few studies have analyzed drivers and barriers of EU energy policy and factors that can explain integration in the EU's energy domain (for such studies see Birchfiled and Duffield 2011; Buchan 2009; Eberlein 2012; Boasson and Wettestad 2013). Buchan (2009) looked at the development of European energy policy as a constant struggle in which member states play their own games when trying to reach ambitious climate and energy goals set by the European institutions. On the other hand, Birchfield and Duffield (2011)

looked at the process of “communitarization” of European energy policies and factors that facilitate or impede this process in general. Some scholars that have tried to theorize the emergence of a common European energy policy, have hastily rushed to the intergovernmental conclusion that the divergence of preferences of member states, mainly derived from the differences in their energy mix and their external policies towards suppliers, prohibits the EU from having a common energy policy (Kusku 2010). Several issues deserve further discussion in response to such claims. First, preferences are not necessarily fixed; they can change as a result of interaction among various internal or external factors. Second, to claim the definitive failure of a common policy one also has to specify the criteria for its success. This is a challenging task as European integration is an ongoing process and the EU is a moving target. There are no predefined criteria for the end result of integration. Ernst Haas acknowledged that it was obsolete to define the final outcome of integration (Haas 1975). Therefore, in an empirical world we need to operationalize integration properly in order to observe variation in integration outcomes.

Overall, coherent theoretical explanations of the emergence of a common European energy policy have been lacking. In this respect, the dissertation is expected to provide a useful contribution. Besides the limited number of studies explaining the dynamics of EU energy policy-making, extensive scholarship on European integration can offer useful insights for developing a typological theory of European integration based on the analysis of EU energy policy.

European integration, and its implications for member state sovereignty, has confronted scholars with significant theoretical as well as conceptual challenges. States have voluntarily (or involuntarily) given away and, it seems, continue to give away, some of their sovereignty to supranational institutions. Major disagreement and debate among scholars sprang from different conceptions of actors, conditions and processes driving European integration as well as different visions of the final outcome of integration. The historical origin of the debate was between neo-functionalism (Haas 1958; Haas 1961; Lindberg 1963; Schmitter 2003) and intergovernmentalism (Hoffman 1966; Moravcsik 1993; Moravcsik 1998; Tsebelis and Garrett 2001). These two approaches featured competing conceptions of the role of supranational institutions. More specifically, scholars have been debating to what extent, and under what conditions, institutions make a difference, and whether or not integration is a self-reinforcing and transformative process.

There are two more or less automatic processes in the neofunctionalist model. First, economic integration automatically generates an increased level of transactions between actors within the integrating region. Because of the essential group characteristic of politics, there is a tendency for new interest organizations to form at the regional level. Meanwhile, supranational institutions become key sponsors of further integration. They develop strategies to accomplish the twin goals of deeper integration in an expanding range of sectors and the increased institutionalization of authority at the regional level. Integration is a two-way process in which the central institutions affect and are affected by the subject groups (Haas 1958). As Lindberg later

suggests, lack of agreement between governments may lead to an expanded role for the central institutions; in other words, member states may delegate difficult collective action problems (Lindberg 1963). Secondly, integration in one area spills over into another when groups perceive it in their interest. Integrative lessons learned in one functional context will be applied in others. Haas referred to spillover as an expansive logic of sector integration. Spillover creates a situation in which the original goal can be assured only by taking further actions, which in turn create further conditions and a need for more action (Haas 1958; 1961).

Neofunctionalism suffers from some deficiencies in light of its explanatory power for the development of European energy policy. The major problem for neo-functionalists lies in the causal dynamics of spillover. Spillover has a limitation regarding its explanation of the expansion from macro-sector to macro-sector. This requires political leadership; and as the empirical world shows, leadership, initiative and prerogative often remain with national governments. As we have seen, the spillover from the European Coal and Steal sectors and EURATOM did not take place in other energy sectors, namely, gas and electricity. Second, neo-functionalism does not systematically account for external shocks and their impact on integration. It has been rightly argued that the European Community is a part of the world economy, and the international system would deny the possibility of insulating Europe from its effects. Some scholars contended that external factors can prove to be a disintegrative force. External shocks and a changing international economic climate would tend to provoke diverse responses from the member states, which in turn would create divisions and

prove disintegrative (Hoffman 1966). Other writers have emphasized the integrative impact of the world setting (Schmitter 2003). Haas considered neofunctionalism's neglect of the wider world context as a serious shortcoming (Haas 1975; 1976).

In contrast, liberal intergovernmentalism argues that European governments are very much in charge of the integration process (Moravcsik 1993). Member states can halt or reverse integration when it no longer meets their needs. Moravcsik's key assumption is that states are rational. He develops the idea that rational state behavior emerges from political processes in the domestic policy arena, where the primary interest of government is to maintain the support of what Bueno de Mesquita calls the selectorate (Moravcsik 1998; Bueno de Mesquita *et al.* 2003). For Moravcsik, national interests are best viewed as consequences of state-society interactions. Once formulated, interests are then the objects of intergovernmental bargaining (Rosamond 2000: 137). The process of intergovernmental bargaining at the European level also strengthens states vis-à-vis their home politics and enhances the domestic autonomy of governments (Moravcsik 1998). In Moravcsik's view, the member states, far from becoming peripheral to the supranational evolution of the institutions, place explicit limits on the transfer of sovereignty to the EU (Dougherty and Pfaltzgraff 2001). As Moravcsik explains, governments transfer sovereignty to international institutions where potential joint gains are decentralized or domestic means are likely to be ineffective (Moravcsik 1998: 9). According to Moravcsik, European integration since 1955 has reflected three factors: patterns of commercial advantage, the relative bargaining power of key governments, and the incentives to enhance the credibility of

interstate commitments. European integration has resulted from a series of historic decisions - rational choices made by national leaders - in pursuit of national interests, primarily the commercial interests of powerful economic producers and secondarily macro-economic preferences of ruling governmental coalitions in response to structural incentives in the global economy (Moravcsik 1998: 3). Where and when such interests converged, integration advanced (Moravcsik 1993; 1998; Moravcsik and Schimmelfenning 2009). Thus, liberal intergovernmentalism explains integration based on preference formation (why governments desire certain outcomes), preference distribution (which governments have the most influence on decision-making), and preference configuration (which alignment of member state preferences can best explain the policy and institutional outcome). Thus, liberal intergovernmentalism views EU integration as the product of the interests of sovereign member state governments and the majority coalitions of these governments within the EU Council. Member state preferences are seen as issue-specific, shaped through bargaining with main societal interest groups, such as the dominant national energy producers and consumers. EU policy outcomes are seen as the product of intergovernmental bargaining processes, where a prime concern for governments is future compliance with the substantive deals reached. As noted by Schimmelfennig and Rittberger (2006), the degree to which governments favor the delegation of sovereignty to supranational institutions depends on the value they place on the issues and substantive outcomes. “The higher the gains of a cooperative agreement for a government, and the higher the risk of non-

compliance by other governments, the higher its readiness to cede competencies to the EU" (Schimmelfennig and Rittberger 2006: 83).

Several issues are problematic for intergovermentalism in light of integration in the energy policy domain. Some are empirical and others are theoretical. First, the development of European energy policy cannot be described as a result of history-making decisions. Indeed, it has been developing without a formal legal community competence in the treaties. Second, liberalization and the establishment of a common market in energy were in line with the interests of neither dominant industry groups (indeed big national champions were very reluctant) nor the key member states (Germany and France were quite reluctant), but proceeded nevertheless. Third, liberal intergovernmentalism does take transnational society into account, but only insofar as it funnels the demands through the domestic political processes of the member states. However, in the empirical world, agents of transnational society, in their attempts to solve problems, may go directly to supranational institutions to push for the preferred policy options. Fourth, intergovernmentalism downplays the role of supranational actors – the European Commission and the European Court of Justice (ECJ) in shaping integration outcomes. Moravcsik bases his argument on the lack of bargaining power of supranational actors. However, he disregards the agenda setting powers of supranational entrepreneurs (Moravcsik 1991). Although Moravcsik admits that member states rely on supranational institutions to solve the second-order problems of control and sanctioning, he does not recognize they can independently exert power and influence the outcome (through Commission infringements proceedings or ECJ Rulings,

for instance). Moravcsik argues that by delegating tasks to supranational institutions, governments effectively remove issues from the influence of domestic politics, which might exert pressure for non-compliance if costs for powerful domestic actors are high (Moravcsik 1998). There is a flaw in this logic: if the dominant domestic groups (commercial interests, i.e.) are reluctant to comply with the EU-level rules, and if liberal intergovernmentalism is right in arguing that negotiation outcomes reflect preferences of dominant groups in key member states, how is it that decisions favored neither by dominant groups, nor by key member states have been made? Why did outcomes not favored by the key member states come into being in the first place?

On a more methodological note, the problem with liberal intergovernmentalism is that it is always possible, ex post, to posit some set of government preferences that reconcile the observed outcomes. Where policy outcomes do not conform to expected preferences, they may be explained as a part of nested games or side payments (Tsebelis and Garrett 2001). Another problem with Moravcsik's theory is that his argument of preference formation, interstate bargaining and institutional choice is strictly sequential. First, preferences are not necessarily fixed throughout the policy cycle. Second, institutional choices do not necessarily follow the substantive bargaining. Analytical separation of substantive bargaining and institutional choice is questionable. Member state governments do not first settle policy issues and then turn to selection of institutional arrangements, but have institutional preferences in addition to policy preferences and make linkages between the two (Schimmelfenning 2004: 82).

Also, liberal intergovernmentalism does not explicitly discuss how external shocks may affect the positions of member states, and to what extent preferences reflect exogenous conditions. And even when it does, liberal intergovernmentalism only takes into account long-standing remote structural factors (i.e. international economic competition) but does not discuss the effects of proximate external events or shocks. Even if liberal intergovernmentalists are right to assume that preferences of member states are heavily weighted toward preserving sovereignty, and delegation of competencies is only acceptable insofar as it strengthens national executives, increasing levels of sensitivity and vulnerability caused by external shocks, especially those that have direct electoral implications, such as energy disruptions, can raise the willingness of governments of the member states to delegate powers to the Community. Governments care more about an efficient response due to short-term decision horizons determined by electoral constraints rather than sovereignty. Governments can scapegoat the EU for unpopular measures and justify the costs of domestic adjustment.

Proponents of supranational governance/institutionalism differ most fundamentally from Moravcsik in their view of supranational institutions as sponsors of integration. From neo-functionalism they picked up the institutional expansion and from Deutsch the importance of transnational transactions (Deutsch 1957). Supranationalism offers a different view, portraying EU-level institutions in more autonomous terms in which they are able to utilize the significant gaps in member state control over the process of European integration in day-to-day policy-making.

The logic of supranational institutionalization unfolds when the convergence of transnational society, supranational organizations and rules gradually but inevitably reduce the capacity of member states to control outcomes (Sandholtz and Stone Sweet 1998). At first, the process that translates human behavior into structures and rules takes place followed by the process of translating structures and rules into political impacts. Supranational institutions become key sponsors of further integration. Supranational agents develop strategies to accomplish the twin goals of deeper integration and the increased institutionalization of authority at the European level. Integration is a two-way process in which the central institutions affect and are affected by the subject interest groups. Nationally constituted groups have specific interests and aims, and are willing and able to adjust their aspirations by turning to supranational means when this course appears profitable and efficient. Governments, faced with declining benefits and rising costs of maintaining national governance structures, react by constructing supranational governance (Sandholtz and Stone Sweet 1998).

An important condition for expanding supranational authority is prior institutional commitments. Institutional and policy change become 'path-dependent' as actors define their preferences within the context provided by supranational institutions, based upon what has occurred in the past (Aspinwall and Schneider 2000; Peters *et al.* 2005; Bulmer 2009). History creates context, which shapes choice. With respect to prior commitments issue-linkages are important as well. Because sectors are so interconnected, previously integrated sectors can have future implications on unintegrated ones as supranational institutions can seize the opportunity and exert

independent influence on the process of integration by establishing linkages between related issue areas. Independent influence by the supranational institutions favors policy solutions that place the locus of interest mediation at the European level, and involve binding EU rules rather than intergovernmental co-ordination. Supranational institutions have the capacity to shape preferences of actors, constrain them and in so doing structure political situations and affect outcomes. Under these conditions, member states have less ability to set priorities independent of the institutional context. In this view, their preferences and actions are more context-driven (March and Olsen 1984; Thelen and Steinmo 1992; Pollack 1997). Thus, for the theory of supranational governance/expansion, the role of transnational exchange is central to generating demands for regulation and governance capacity at the European level (Sandholtz and Stone Sweet 1998). However, without some form of leadership and an arena within which politics unfolds and gives shape to demands, it would be ineffective. The more globalized the issue domain, the more demand it generates in transnational society. As Commission influence depends on its ability to mobilize support among civil society, socio-economic problems enjoy a better chance of becoming supranationalized (Sandholtz and Stone Sweet 1998).

In sum, the theory of supranational governance is based on a self-sustaining logic of institutionalization. An expansion of the tasks or autonomy of supranational organizations creates opportunities for political action, which actors and groups will exploit, thus expanding transnational society. As societal actors adjust their behaviors in response to new supranational rules, these rules can gradually be locked in (Stone

Sweet *et al.* 2001; Pierson 1996). If broader, global trends promote growth of transnational society, there will be a corresponding demand for increased organizational capacity and rules to coordinate and guide interactions (Sandholtz and Stone Sweet 1998: 11). Treaty-based policy domains have the advantage of having a legal basis in the Union's fundamental rules and should move more quickly toward supranational governance than policy areas for which a legal basis is lacking. Conversely, policy domains mentioned in the treaty but lacking cross-border transactions are not likely to move toward supranational governance. This could partially explain the late emergence of common energy policy.

The theory of supranational governance provides useful insights for explaining the emergence of the common energy policy in the EU. It is, however, not immune from shortcomings. Although it brings in the discussion the role of globalization, it insufficiently accounts for how institutional logic may be undermined, strengthened or changed as a result of external shocks. Empirically, it still needs to be explored to what extent transnational interests have been driving the demand for the integration in the energy domain. Sometimes integration is driven by supply rather than demand side forces, which can originate not only from the EU institutions, but also from the member states.

An attempt to bridge the gap between the intergovernmentalists and the supranationalists with respect to main drivers of European integration, has been made with the multi-level governance approach. This approach is based on the assumption that the "various institutions interpenetrate in a complex and messy, but creative,

conglomerate" (Wincott 2002). The laws that are created at the European level result from the interaction between different actors at different levels of governance. According to Peters (1992: 75-123), the policymaking process is influenced by different "games" played between member states and the European Union, between different institutions of the EU, and between different Directorates General (DGs) within the Commission involved in a certain area. This picture is complemented by Matláry (1997), who adds a fourth game, which takes place between the DGs and interest groups from the national and pan-European levels. Among these interest groups trying to influence the policy-making process, are often created or at least financially supported by the European institutions in order to gain backing for their policy proposals (see for instance Cram 1997: 137-138.). Thus, scholars who analyze the EU in terms of "multilevel governance" focus on the process by which the contemporary EU produces policy outcomes. However, they do not aim at explaining how some policy domains, or some outcomes within those policy domains, get more integrated than others. Another pitfall of multi-level governance approach is that they take supranational governance for granted.

There are various gaps in the existing literature on European integration. However, some gaps are common to all approaches, which need to be addressed. First, most of the theoretical approaches do not clearly distinguish between different dimensions of integration outcomes (vertical or horizontal) (for an exception, see Lindberg and Scheingold 1970). Deepening the degree of institutionalization (vertical

integration) does not necessarily lead or follow a change in harmonization of policy instruments, laws or norms across national boundaries (horizontal integration).

Second, nowhere is the old adage that "crisis spells opportunity" more applicable than in the case of European energy policy domain. External shocks have been providing an impetus and redirecting and shifting integration. External shocks are those events and forces – contingency frameworks - that can affect sensitivity (how quickly changes in one country bring costly changes in another and how costly are these changes) and vulnerability (the country's ability to offset these costly effects by making policy changes), increase opportunity costs, change the range of available options and alternative actions (Keohane and Nye 2000). External shocks can shift national preferences by pushing member states to reassess, reevaluate and redefine courses of action and provide the window of opportunity for institutional actors to advance collective interests. The divergence of preferences among the member states due to differences in their energy mix and different patterns of energy dependence on outside energy suppliers does not necessarily hamper integration, sometimes even to the contrary: dependence on outside energy supplies makes the EU as a whole vulnerable. External shocks can exacerbate vulnerability and induce regional cooperation. If and when member states realize advantages of collective power vis-à-vis their suppliers, they become more willing to cooperate and coordinate their actions on the EU level. Alternatively, higher levels of interdependence within the Union can raise the opportunity costs of non-cooperation leading to the integration path.

2.3 Different Paths to Integration: Structure, Agency, Contingency – 3-D of European Integration

The interaction between national, European, and global forces are shaping the integration process. Integration simultaneously internationalizes domestic politics and domesticates international politics. The complexity and multifacetedness of contemporary European integration are manifested in such features of the EU as its changing treaties, the sheer number of policy-making processes, and differing degrees of integration in policy sectors. Integration is a dynamic process that yields divergent outcomes. It is a sophisticated accommodation of national interests via the construction of governance regimes and the consolidation of supranational policy. Michael O'Neill (1996: 144) argues that the process of integration is driven by coexistent, yet contradictory logics such as economic globalization on the one hand and the urge to retain the primacy of national governance on the other. The actors involved in the process operate with different expectations and interests. This means that the theorization of integration requires corresponding eclectism.

So far, scholars have been content to examine "contending" theories of integration (intergovernmental versus supranational approaches), or narrow their explanations to emphasize the impact of either agency or the institutional/structural factors. A well-known and long-standing debate between structure and agency, or opportunity and willingness, or remote and proximate causes, has not been alien to the European integration approaches. Remote structural causes are relatively stable over time. Their origin is often remote on the time and/or space dimension from the outcome to be explained and treated as exogenously given to the actors in most of the

cases (Schneider and Wagemann 2006). Proximate causes do not originate far in the past and are the products of purposeful actions of human agency. These are actor-based and process-oriented events located at the micro-level in structure-agency approaches (Mahoney and Snyder 1999). Structural factors provide for causal depth but fall short of demonstrating the causal mechanisms that link deep, distant causes with an outcome. In contrast, explanations based on agency-driven arguments display causal mechanisms, often, but not necessarily, at the micro level. In the European integration literature the structure-agency dichotomy is not always clear-cut. Sometimes institutions are seen as structural factors, while other times they are perceived as proximate causes of the outcome.

Actor or agency-based explanations emphasize the role of rational and instrumental governments and see integration as a process in which they define a series of underlying objectives and preferences. The integration outcome is a result of aggregated individual actions based on these preferences and reflects bargained agreements concerning cooperation and choice of institutions in which to embed them (Moravcsik 1998; Schimelfenning 2004). Therefore, any explanation of European integration has to take into consideration the actor preferences, motivations underlying the support for or opposition to integration and what happens to those preferences in the process of bargaining.

On the other hand, theories that recognize the importance of structural factors, numerous variants of neo-institutionalism (Hall and Taylor 1996) hold in common the fact that they are responses to pure behavioralist views of policy making, and that they

all emphasize some kind of institutions within which social action is embedded (DiMaggio and Powell 1991; Hollingsworth 2000; Thelen and Steinmo 1992). Indeed, the basic idea is that social action is occurring in institutionally constrained arenas. In the European integration context such structures could be the existing EU rules, institutional balances, and functional-economic interdependencies – the so-called issue-linkages (Stone Sweet *et al.* 2001). Institutions determine how policy objectives will be translated into political outcomes. Institutions provide constraints and opportunity structures for strategic actors to achieve their goals. Their preferences are shaped by evolving structures, norms and rules of the EU rather than exogenously given. Collective actions are not merely the aggregation of individual preference and preferences are subject to change (Niemann 2006).

Integration theories have been looking for basic causes of integration either in purposive behavior of dominant and powerful states and their strategic interaction (liberal intergovernmentalism), self-reinforcing dynamic of integration (neo-functionalism), or transnational societal demand sponsored by supranational rules and entrepreneurs (supranational governance). Scholars have been juxtaposing these competing variables with the aim to come up with one single overarching explanation of integration touching those parts of the elephant that seemed fit for the assumptions of their theoretical framework (Puchala 1972). While scholars have unanimously been admitting the complex nature, various phases or faces of European integration, the 'either- or' approach seemed to be the dominant State of the Art. Would it not be reasonable to acknowledge multiple paths integration can take? The ensuing research is

a modest attempt to reorient the study of the European integration in that direction. Such an approach engages in theory improving rather than disproving exercise and helps develop synergy between different theoretical approaches.

My dissertation questions both structural determinism and agency-centered voluntarism as singular explanations. As Schimmelfennig and Rittberger argue, "a combination of the factors and conditions postulated by different theories of integration may be necessary to account for phenomena of sectoral, vertical, and horizontal integration" (Schimmelfennig and Rittberger 2006: 92). A good causal statement consists in finding the right conjunction of structural, agency-driven and contingency-induced causal conditions. I argue that integration does not necessarily need to follow a single path. There are different paths to integration.

For that purpose, I put forward a set of propositions that rest on contending liberal intergovernmental and supranational approaches to European integration. These propositions correspond to different paths of European integration. I also propose an alternative "punctuated equilibrium path" to integration that brings together structure, agency and external contingency. Instead of assessing the relative importance of a single variable, or claiming the preeminence of one theory over the other, my research evaluates multiple causal recipes to integration with the aim to set ground for a typological theory of European integration.

2.4 Causal Paths to European integration

2.4.1 Liberal Intergovernmental path to European Integration: Convergence of Preferences and Integration as a lowest-common denominator outcome

The decisions on common policies on the EU level are preceded by preference formation domestically. Preferences emerge from a process of domestic political conflict in which issue-specific sectoral interests (usually dominant economic interests), policy adjustment costs and sometimes geopolitical concerns play an important role. Hence, the decision to integrate energy policy should be preceded by pressure from domestic interests and by the overt failure of unilateral policies to achieve regulatory or other kinds of objectives.

Underlying demand for cooperation determined by global competition patterns imposes a binding constraint on negotiations. Negotiations focus primarily on the distribution of benefits, and outcomes are shaped by the relative power of governments and their preferences, in particular the opportunity costs of foregoing agreement (Moravcsik 1993; 1998). Governments will reject agreements that would leave them worse off than unilateral policies. Those who gain the most economically compromise the most on the margin to realize it. Those who gain the least with the highest costs of adaptation impose conditions.

The pattern of preference intensity dictates the relative value each places on an agreement, which in turn dictates the respective willingness to make concessions. The decision to integrate only takes place when they are pareto - improving as compared to unilateral alternatives of dominant member states.

The configurations of domestically determined national preferences define a "bargaining space" of potentially ratifiable agreements (Moravcsik 1993; 1998). Member states will resist policy proposals tabled by the European Commission when these policy initiatives entail considerable costs of adjustments, and different prospects of gaining or losing material benefits. Governments often dispute the scope of common policy, precise nature of policy coordination and harmonization, degree of institutional delegation, and associated side payments.

Therefore, successful integration outcomes depend on the convergence of preferences of key member states. Even when decisions are adopted under a Qualified Majority Voting (QMV) procedure, the key member states will be able to impose conditions or build blocking coalitions. In addition, supranational entrepreneurs show the path of least resistance where they anticipate opposition from the powerful member states and tailor and revise proposals to fit national preferences.

> *Proposition 1 (LI):* Convergence of preferences among the key member states with the strongest bargaining positions determines variation in integration outcome. Integration outcomes are lowest common denominator outcomes.
>
> *Proposition 2 (LI):* Successful integration outcomes result only when the key member states with strong bargaining positions have converging preferences in favor of the proposed policy that extends the degree of institutionalization (vertical integration) or level of harmonization (horizontal integration).

2.4.2 Supranational path to European Integration: Transnational Interest Consolidation, Rule Density and Supranational Entrepreneurship

Transnational interests, the capacity of supranational organizations to pursue integrative agendas, and the structure of European-level rules bind together, within complex systems of mutual interdependence, which determines the course of European integration (Stone Sweet *et al.* 2001).

Supranational policy entrepreneurs (the European Commission) can exercise leadership in different ways. The Commission can define problems, set agenda, advance proposals, mediate compromise and facilitate agreement, mobilize societal interest groups and frame issues in a politically appealing manner (Lindberg and Scheingold 1970; Sandholtz and Stone Sweet 1998; Sandholtz and Zysman 1992; Daviter 2007).

In the policy initiation phase, the European Commission has considerable influence over legislative outcomes because its power to make proposals allows the Commission to set the Council's agenda. In other words, from all the potential outcomes that would generate QMV support in the Council, the Commission can choose the proposal most preferred by the European Commission, usually the one that puts forward more integration. The Commission's role as the institutionalized initiator of policy is reinforced by the importance of cognitive arguments and the complexity inherent to highly technical issues. Due to scarce personnel resources, the Commission is dependent on information from outside sources but it is usually in a position to decide which ideas or interests will feed into the policy process from the outset (Hix 2005: 227). Thus, the Commission is central to deciding which topic will appear on the agenda and how it will be framed.

Supranational entrepreneurs can resort to "splitting the difference" among the member states, exploiting issue-linkages and upgrading the common interests to facilitate agreement in the negotiation phase. Supranational entrepreneurs can augment necessity, urgency, and compulsion and translate pressures into something persuasive by highlighting issue salience (Niemann and Schmitter 2009: 57).

Supranational entrepreneurs can mobilize transnational interests in support of their proposals. Such action may generate outcomes that go beyond the initial intentions of governments. Proximity or expertise with the EU legal and administrative procedures gives supranational policy entrepreneurs comparative advantage in designing solutions and inventing institutional options. So, supranational actors exert independent influence on policy outcomes through agenda setting due to privileged access to information and ideas, through mediating due to recognized neutrality and issue-framing skills, through mobilizing support due to privileged position in transnational society. As Niemann and Schmitter (2009: 56) argue, an issue's failure to climb up the policy agenda may be precisely due to failure of supranational entrepreneurs to arouse interest, mobilize support or convincingly claim authority.

This purposive action of supranational agency is enabled and constrained by discretion, which is determined by existing rule structures. Rules establish institutional context in which actor's interests and strategies take place. Rules can produce the so-called "structure-induced equilibrium" by ruling some alternatives as permissible or impermissible and by structuring the voting and veto power in the decision-making process (Pollack 2004; 2005). The system of rules can constrain as well as empower

actors. For instance, QMV reduces power disparities between member states, widens the range of possible winning coalitions, increases agenda-setting power of supranational entrepreneurs and encourages the higher level of compromise.

Rules affect the degree of power that any set of actors has over the policy outcomes; define their organizational position by establishing institutional responsibilities and relationships with other actors that influence actors' perceptions of their own interests. Thus, rules affect both the degree of pressure an actor can bring to bear on policy and the likely direction of that pressure (Hall and Taylor 1996: 19). In order to understand how agency exercises power, one has to understand the institutional environment in which power operates. It is the combination of these two that defines the integration outcome.

Activation of transnational interests and their organization at the EU level is another constitutive element of supranational integration recipe. A key point for supranational path to integration is that increasing transnational activity creates room for a more prominent role for supranational actors like the European Commission. Transnational interest groups form coalitions to direct their demands to supranational institutions while bypassing the state. There is a pervasively symbiotic relationship between the European Commission and transnational groups. The Commission has an interest in co-opting industry-specific elites into the policy process to help draft new and assess existing legislation. The Commission is both a receptive institution as well as adept at using societal group intermediation strategically in the policy change process, in constructing constellations of stakeholders in policy domains (Mazey and Richardson

2001). As integration advances, more and more interest groups discover that it is in their interest to be consulted and they themselves push for more political voice in Brussels. The incentive structure for transnational interest groups is twofold: either to stop European regulations that could have an adverse effect on their interests, or exploit the opportunity of shaping new European regulations to the disadvantage of other actors unaware of the importance of the new venue or less able to mobilize the necessary resources (Mazey and Richardson 2001).

According to supranational path, integration outcomes depend on the ability and willingness of supranational entrepreneurs to exploit existing EU rules in the given policy domains, and the presence of consolidated transnational interests at the EU level.

As EU rules in a given domain become dense, the potential for conflict between national rules and practices and the interests of transnational society increases and provides more opportunities for supranational entrepreneurs. EU policies may become "locked in" as transnational societal actors adapt to and develop vested interest in the continuation of specific EU policies. Previous decisions provide a new starting point and create an altered context for the member states in the subsequent decisions. Previous policy decisions can create feedback loops as they increase the costs of reversal because societies domestically, in response to EU rules, might have already developed particular skills, made certain investments, or undergone technological change (Pierson 1996).

Proposition 1 (S): Degree of consolidation of transnational interests at the EU level, the density of EU rules in a given domain, and capacity and willingness of

supranational entrepreneurs to advance integration (degree of supranational entrepreneurship) determine variation in integration outcomes.

Proposition 2 (S): Successful integration outcomes result when supranational entrepreneurs are successful in exploiting existing dense rules in a given policy domain and are supported by highly consolidated transnational interests.

2.4.3 "Punctuated Equilibrium" Path to European Integration: Integration as a "Window of Opportunity" Outcome

Time, planning, and policy-making form a complex triangular relationship. Jolts to the policy process, in the form of external shocks, such as a 'focusing event', including a crisis, bring about shifts in authority, or the mobilization of new interests to an issue (Pralle 2006: 989). Pushing an issue on the agenda then depends on how well interests are mobilized, and the ability to secure interest in the issue. Changes in policy emerge after 'critical junctures,' or 'periods of contingency, during which the usual constraints on action are lifted or eased (Mahoney and Thelen 2010: 7). Sometimes these periods of contingency can be cultivated by more distant and indeterminate structural conditions but exacerbated by a focusing event with punctuating effect on the system. In the European integration context, due to differences in extra-regional dependence – changes in the extent to which member states and the region as a whole are subjected to asymmetric constraints by actors outside the region that reduce their capacity for independent decision-making - member states may well find themselves increasingly compelled to adopt common policies. Competition on world markets can sometimes create pressures for integration from above the nation-state. Asymmetric dependencies and competitiveness pressures can raise the demand for multilateral approaches, EU

involvement, and open new opportunities for supranational entrepreneurs, including strengthened competencies and roles of the EU in external negotiations (Sbragia 1998).

Exogenous shocks may produce change in the preferences of member states in several ways: External shocks may reveal deficiencies of unilateral policies and the need for and expedience of policy coordination. Governments can become more receptive to European level solutions as they feel domestic pressure to respond to external shocks in a timely manner, especially if the crisis has a direct and severe impact on domestic constituencies. The short-term horizons of government leaders only contribute to the compromising atmosphere in the EU level negotiations. External shocks will make member states, especially ones with weaker bargaining positions, more amenable to European solutions and package deals as they will be more sensitive and vulnerable, more affected and less capable of responding, and with the highest cost. In addition, the need for unpopular measures and simultaneously the temptation of governments to blame unpopular measures on the EU may rise during the contingency periods. That makes the EU solutions convenient scapegoats.

External shocks can have the effect of creating new coalitions of interests for a common purpose: to design a new political space to respond to the shock. In already existing policy spaces, such shocks can unhinge the perceived efficacy or legitimacy of existing sets of rules and procedures governing interactions. Supranational entrepreneurs can grab the opportunity provided by the external shocks and convince member states that existing rules in the given domain need clarification, or extension to adapt to novel situations exacerbated by the external contingency.

Supranational entrepreneurs can play a crucial role in interpreting and identifying a problem and suggesting possible solutions. Supranational actors can bring about profound institutional change by exploiting existing rules, procedures, and access points when the policy window opens up by the external shocks (Kingdon 1995; Heritier 1997; Mazey and Richardson 2001). External shocks can produce changes in the relative costs of doing things, call for adaptation and provoke a search for organizational alternatives (North 1995).

Changes in the external environment seldom have a clear self-evident meaning. Actors seek ways to interpret and understand crises and shocks. One must determine what the problem is before assessing alternative responses. Therefore, external shocks provide an opportunity for a supranational policy entrepreneur to develop new frames for pushing "pet proposals" on the agenda (Kingdon 1984; 2002). External shocks may contribute to providing new ways of understanding old political problems. Supranational actors can suddenly claim jurisdiction over issues that previously have been decided on the national level. The agenda-setting power of supranational entrepreneurs may become amplified by a crisis. Supranational entrepreneurs get a possibility to re-label and re-contextualize issues in order to embed them in a different choice situation and overcome resistance and deadlock (Baumgartner and Jones 1993).

External shocks punctuate a previously stable situation, and if exploited successfully by supranational entrepreneurs, can be conducive to more integrated policy outcomes. When exogenous shocks are introduced, they may lead not just to a momentary deviation from the normal, with more or less rapid return to status quo, but

rather to the new points of stability, creating different starting points for subsequent decisions (Baumgartner and Jones 1993).

Thus, alternative "punctuated equilibrium" path to European integration brings together external contingency (external shocks), structure (EU rules) and agency (supranational entrepreneurship and member state preferences). I argue that integration outcomes will be defined by the punctuating impact of external shocks that shifts member state preferences towards common European solutions, and open up windows of opportunity for supranational entrepreneurs (the European Commission) to expand existing rules in a given domain and advance integration.

> *Proposition 1 (PE):* The degree of punctuating impact of external shocks, consequent shifts in convergence of key member state preferences towards common European solutions, and the degree of supranational entrepreneurship determine variation in integration outcome.
>
> *Proposition 2 (PE):* Successful integration outcomes result when supranational entrepreneurs are successful in exploiting policy windows opened up by the external shocks and existing EU rules in a given policy domain and permitted by convergence of preferences in favor of proposed solutions.

CHAPTER 3. RESEARCH DESIGN AND METHODOLOGY

3.1 Introduction

European integration is a complex process that takes place at the intersection of forces and events. The present research reorients its interest from *why* to *how* question by looking at the combination of causes, or how things happen. Instead of theorizing about the progression of the integration project as a whole, extensively addressed in the European integration literature, this dissertation seeks to identify recipes for explaining particular policy-making instances. For that purpose, the dissertation surveys not only early research on European integration, but also studies on the EU's public policy and attempts to bridge them. After all, "integration" is nothing more than the cumulative build-up of successful agenda-setting at the supranational level – the composite of thousands of issues being consecutively and – often in parallel – propelled onto the table of policymakers, to be later decided upon (Pollack 2004).

The major theoretical and methodological motivation of the proposed dissertation is to lay the foundations for a typological theory of European integration that allows assessing multiple pathways (equifinality) in the European integration process and examining how various causal conditions combine to produce integration outcomes which vary along two dimensions – degree of institutionalization (vertical integration) and harmonization level (horizontal integration).

According to George and Bennett (2005: 233), typological theorizing is a "development of contingent generalizations about combinations or configurations of variables that constitute theoretical types." Typological theory specifies the generalized pathways through which particular types relate to specified outcomes. Thus, understanding European integration requires examining connections between specific conditions and outcomes, or what Ragin calls causal recipes (Ragin 2008). These combinations of conditions should make sense as causal recipes for an integration outcome to occur. In this dissertation, I look at the configurations of the five causal conditions – supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density, and external shocks to identify causal recipes to integration in the EU's energy domain. These causal conditions are derived from existing literature on European integration and from the theoretical framework discussed in the previous chapter.

The causal recipes also serve to evaluate propositions derived from contending integration theories (liberal intergovernmental and supranational approaches), and an alternative path I suggested in the previous chapter that brings together agency structure, and external contingency. The goal of this testing/evaluation exercise is theory improving rather than disproving and is aimed at developing synergy between different theoretical approaches.

To accomplish these goals, the research employs two methods: Ragin's (2000; 20008) fuzzy set comparative analysis – a pioneering attempt in the European integration scholarship, and a comparative case-study of two contrasting cases.

The next two sections of this chapter discuss these two modes of analysis and their suitability for the research. The last section deals with the operationalization of the five causal conditions and the causal outcome.

3.2 A Configurational Approach and fs/QCA

Addressing the question of under what conditions, and how European integration succeeds in the EU's energy domain, requires theoretical synthesis from the existing theories of European integration. The best way to accomplish this goal is to not simply juxtapose competing variables, but to explore how various factors work together to produce integration.

European integration involves multi-dimensional causal interactions, where different conditions can be combined in different ways to produce similar outcomes (Ragin 2000; 2008, see also Most and Starr 1989). George and Bennett (2005) call this "equifinality," which indicates that the given outcome may result from different combinations of causal conditions.

In the dissertation, I articulate five causal conditions, which in various configurations enable or disable specific empirical connections. The research aims at capturing causal "recipes" – a specific combination of causally relevant ingredients linked to an outcome (Ragin 2008: 9). I define causal condition as a factor conducive or necessary (though itself insufficient) for a conjuncture of conditions that is sufficient for a given outcome. A cause is thus any factor that is an insufficient but conducive or necessary part of a sufficient but unnecessary condition. It is an unnecessary condition because a combination of other conditions can have the same effect (Goertz and Starr

2003). Such conditions are called “INUS conditions.” INUS stands for “insufficient but necessary part of a condition which is itself unnecessary but sufficient for the result” (Goertz 2003: 68; Mahoney 2008). Condition ‘A’ alone is not sufficient, but it is a necessary component of the (combined) condition AB – which itself is not necessary but only sufficient for Y.

As Ragin mentions, the efficient way to approach the issue of causal complexity, both in conceptual and empirical analytic terms, is to make use of the notions of necessity and sufficiency (Ragin 2000). The comparative method is well suited for the task of building new typological theories, synthesizing existing ones and addressing questions concerning the consequences of different combinations of conditions – that is examining situations holistically and explaining outcomes configurationally. The Qualitative Comparative Analysis (QCA) enables a researcher to deal with causal complexity, understood as causation which is equifinal, conjunctural and asymmetric (Berg-Schlosser *et al.* 2008). In this context, Ragin’s (1987) notion of qualitative comparison using Boolean and fuzzy set methods represents a very suitable model for examining European integration, as a phenomenon with “constellations, configurations, and conjunctures.” The qualitative comparative analysis, in general, is well-suited for interpreting an outcome or a process across a limited range of cases. It has an advantage over statistical methods in exploring a phenomenon of causal complexity (Ragin 2008). The fuzzy set analysis is especially useful for studying causal outcomes with variation in the degree of membership in the target set of similar outcomes. This is well-suited for examining integration outcomes of particular policy-making instances,

since each outcome features different degrees of institutionalization (vertical integration) and harmonization (horizontal integration).[1] Likewise, the causal conditions that lead to integration outcomes also vary in terms of intensity in their presence. In order to identify the combination of certain causal conditions conducive to a particular outcome, the researcher needs to specify much more precisely a range of possibilities for key causal conditions. Fuzzy-set calibration makes it possible to specify different degrees of membership for each causal condition, not just dichotomous presence/absence.

I use the fsQCA truth table algorithm (Ragin, Drass, and Davey 2006), to derive solution formulas – causal recipes to integration outcome. I examine whether instances of a specific combination of causal conditions invariably lead to the outcome across the selected cases. This will establish the sufficiency of the causal recipe. The concepts of coverage and consistency are used to evaluate the explanatory power of different causal paths and the jointly sufficient causal conditions (Ragin 2008). Consistency measures provide a numeric measure of to what extent the empirical data support the set theoretic statement that a combination of conditions is sufficient. The coverage parameters, in turn, evaluate how much of the outcome is explained by every single path and by the overall solution term.

The fsQCA method takes full advantage of the gradations of the causal outcomes and causal conditions from full non-membership to full membership in the target set and allows for a structured comparison (Ragin 2008). In sum, fuzzy set analysis by

[1] These two dimensions of integration (vertical and horizontal) will be discussed in the last section of this chapter (operationalization of causal outcome and causal conditions).

studying cases as configuration and examining alternative recipes is an appropriate method for the systematic study of complex phenomenon, such as integration, on the basis of limited number of cases.

3.2.1 Case Selection and Data

The fuzzy set analysis rests on the examination of twelve policy proposals (cases) in the energy domain of the European Union. Limitations of random case selection in small-n research are well known (Collier 1995: 463; King *et al.* 1994: 124). However, to avoid the selection bias, scholars have been advised to select cases on the basis of variation on the independent variables (Geddes 1979). Alternatively, the selection of cases based on the variation of values on the dependent variable has been proposed as a valid option (Collier 1993: 462; Seawright and Gerring 2008), and indeed, highly legitimate for researches aimed at establishing necessary and sufficient conditions in set theoretic relations (Most and Starr 1989; Ragin 2008) and a useful strategy in the constitution of theoretically defined (as opposed to "given") populations (Mahoney and Goertz 2004).

The selected twelve cases represent a meaningful subset of proposals in the energy domain. Indeed, they are representative of various sectors of the EU's energy policy, providing for cross-sectional variation. Such a disaggregation of the integration domain (energy) into discrete decision areas recognizes an important characteristic of the process of integration: the combination of conditions that favors integration in one particular area, does not necessarily spread to another one. Thus, what Haas called the

"autonomy of functional context" can exist even within the same domain for different decision areas (Haas 1968).

Based on substantive knowledge of EU's energy domain and survey of secondary literature, I selected cases with variation in integration outcome ranging from very successful to unsuccessful and cases in between. More can be learned about the jointly sufficient causal conditions conducive to integration outcome by including cases with varying degrees of set membership in the fuzzy set analysis, which calibrates outcomes on the continuum of full membership (integration success) to full non-membership (absence of integration/no success).

Finally, the selected twelve cases account for not only spatial but also temporal variation. This is justified by methodological as well as theoretical considerations. Including cases on policy-making instances in the same policy area in different times contributes to assessing arguments on path-dependency and policy feedback in integration process.

I include the following twelve cases in fuzzy set analysis: The consecutive three energy packages that served as key legislative instruments in liberalization of EU's electricity and natural gas markets since the mid-90s; first Energy Package – Directive 96/92/EC concerning common rules for the internal market in electricity and Directive 98/30/EC concerning common rules for the internal market in natural gas; the Second Energy Package – Directive 2003/54/ EC concerning common rules for the internal market in electricity, Directive 2003/55/EC concerning common rule for the internal market in natural gas; the Third Energy Package - Directive 2009/72/EC concerning

common rules for the internal market in electricity; Directive 2009/73/EC concerning common rules for the internal market in natural gas accompanied with the Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators and Regulation (EC) No 714/2009 and 715/2009 on conditions for access to the network for cross-border exchanges in electricity. I include two cases in the field of EU policy on Renewable Energy Sources: Directive 2009/28/EC on the promotion of the use of energy from renewable sources and its predecessor Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market. Two other cases have been selected from the field of security of energy supply policy of the EU: Regulation (EC) No 994/2010 concerning measures to safeguard security of natural gas supply and its predecessor Council Directive 2004/67/EC. The two final cases are representative of the EU's policies in the sector of energy efficiency: Directive 2012/27/EU on energy efficiency establishing a common framework of measures for the promotion of energy efficiency within the Union and its predecessor Directive 2006/32/EC on energy end-use efficiency and energy services.

The data for the fuzzy set analysis comes from the questionnaire-based elite survey (43 responses) and 52 semi-structured interviews with EU officials and national bureaucrats, energy policy stakeholders (e.g. industrial interest groups organized in European federations and associations) directly involved in policymaking process of the selected twelve cases.[2] This kind of purposive sampling is well-justified. Firstly, these people have substantive knowledge of the cases, which is crucial for the case-oriented

[2] The detailed description of the survey instrument will be presented in Chapter 3.

fuzzy set analysis (Ragin 2008: 86). Reliable substantive knowledge results in finer-grained calibration of fuzzy sets. Secondly, external criteria and "agreed upon standards" for measuring complex concept, such as integration outcome, or similarly complex causal conditions that are largely theoretic constructs, are lacking in European integration studies. In this context, the perceptions of direct participants in the policy-making process and their assessment of the outcome and the causal factors across the selected cases offer reliable data. Finally, elite survey and semi-structured interviews allow produce interval-scale data on all twelve cases for each causal condition and the causal outcome that can be calibrated into fuzzy set scores with direct method - a recommended procedure when conducting fuzzy set analysis (Ragin 2008; Verkuilen 2005; Wagemann and Schneider 2010).

3.3 Comparative Case Study Method

While the fuzzy set analysis produces solution formulas – causal recipes for integration outcome addressing the question "*under what conditions European integration succeeds in the EU's energy domain"*, the "*how"* question also calls for understanding causal mechanisms behind alternative paths to integration. The comparative case-study method based on process tracing technique is well-suited to uncover the causal link or causal mechanism between causal conditions and an outcome in a narrative fashion. In addition, employing two modes of analysis (fuzzy set and comparative in-depth case studies) contributes to the validity of the research through the triangulation of results from different methods for data collection and analysis.

Triangulation can be defined as "using multiple perceptions to clarify meaning, verifying the repeatability of an observation or interpretation" (Stake 2005: 454).

Comparative case-study methodology is well-suited for this dissertation's goal of synthesizing previous contributions and proposing new, more holistic theoretical framework. George and Bennett (2005: 67) consider this method "structured" in that researcher approaches each instance of a historical episode (case) with the same set of research objectives, thereby ensuring standardized data collection and enabling systematic comparison.

The dissertation relies on three well-known comparative case-study techniques: theoretical pluralism, process tracing, and pattern matching. Theoretical pluralism implies combining different theories to explain a particular outcome. The choice of causal conditions to be observed across the two cases is theory-laden. It derives from contending European integration theories and aims at finding more precise causal paths to integration.

To accomplish this, the dissertation employs process tracing technique – a systematic in-depth analysis of each case under consideration. The case-study narratives are structured along the detailed investigation of the five causal conditions leading to a particular causal outcome. Each case study can thus be read as an analytical narrative, a structured set of relevant discrete observations.

Finally, the dissertation offers a comparative analysis of the two cases based on pattern matching technique, which involves systematic comparison of typologies across carefully matched cases (Mahoney 2003; George and Bennett 2005: 180-203). At the

very end of comparative analysis, dissertation discusses whether in-depth case studies validate the results obtained from fuzzy set analysis.

3.3.1 Case Selection and data:

According to George and Bennett (2005) and Gerring (2007), case selection should be guided by the expectation of where a specific phenomenon is to be least or most likely to be detected. Based on the fuzzy set analysis of the twelve cases in the EU's energy domain, I have selected the case, which turned out to be the most successful in terms of integration outcome (vertical integration). This case has been matched with a contrasting case from the same policy field in which integration did not succeed. The logic behind this case selection strategy is to juxtapose the presence/absence of causal paths identified by the fuzzy set analysis to the presence/absence of integration outcome and see whether the findings of the two different modes of analysis validate each other. Thus, 2009 RES directive and its predecessor 2001 RES-E directive have been chosen for in-depth comparative case study.

In order to improve the quality of process tracing, I have collected data from various sources. I have closely examined official documentation of the EU institutions, member states and transnational organizations. This has been complemented by 52 open-ended in-depth interviews with the EU bureaucrats, member state officials from Germany, France, the UK and Poland, as well as representatives of various Brussels-based interest groups. These interviews have been conducted in face-to face meetings

during summers of 2011-2013. Part of the interviews has followed a semi-structured design addressing a predefined set of questions; part consisted of open-ended questions tailored to the special experiences and competencies of each interviewee. All interviews have been conducted on the basis of the principle of anonymity to allow speakers to speak more openly. Interviews have provided valuable insider information regarding positions of the key actors on particular policy proposals, which otherwise would be extremely difficult to obtain.

Finally, I have consulted secondary literature and major media sources. This triangulation of data collection methods have served to verify and falsify information gathered from alternative sources, and consequently, mitigate any bias in data collection.

3.4 Operationalization of Causal Outcomes and Causal Conditions

Variations in the intensity of causal conditions' presence define causal paths to policy-making outcomes that in turn vary along the success/no success continuum. Translating theoretical propositions into combinations of empirically testable conditions requires operationalization of these conditions so that variations in causal outcomes and causal conditions can be observed.

3.4.1 Integration as a Causal Outcome

European integration is a contested concept. Indeed it often overlaps with another concept –Europeanization - in terms of what it embraces. In that respect integration is what Sartori characterizes as "conceptions without specified termination

or boundaries" (Sartori 1970: 1042). Definitions of European integration abound. They include but are not limited to the process of political integration (Deutch *et al.* 1957), process of institutionalization of Europe (Sandholtz and Stone Sweet 1998), process of construction, diffusion, and institutionalization of formal and informal rules, procedures, policy paradigms, styles and ways of doing things (Radaelli 2000). Although these definitions are useful, they suffer from a lack of precision (see Radaelli and Exadaktylos 2010).

To provide more precise conceptualization of European integration that will permit empirical observation of variation in integration outcomes across the twelve cases under consideration, I define integration outcomes along the two dimensions: the degree of institutionalization, or what I refer as vertical integration and harmonization level, referred as horizontal integration.

Vertical integration (degree of institutionalization) refers to the extension of EU tasks into new policy issues, and increase in the authority for supranational institutions to allocate values, in other words, pooling or delegating competencies from member states to the EU level [3] (see Schmitter 2004: 54; Schimmelfennig and Rittberger 2006: 74-75). In EU's day-to-day activities, these are achieved by the adoption of EU's secondary legislation (directives or regulations) that brings new issues under the EU's legal remit, creates binding rules and organizations at the EU level, grants new institutional powers to the Community (the EU), or imposes obligations on member

[3] Schmitter (2004) uses the term "scope" to denote expansion/contraction of the types of issue to be resolved jointly at the EU level and employs term "level" to denote increased authority for regional institutions. Schimmelfennig and Rittberger (2006) use the term "sectoral integration" or "broadening" that refers to a process whereby new policy areas are regulated at the EU level and the term" vertical integration" or "deepening" refers to transfer of competencies to the EU.

states. Policy-making outcome features advance in vertical integration when the Commission or the European Parliament gain new rights or roles, when new European level institutions are created, and binding legal rules, principles and methods are extended. However, one must endeavor to avoid the pitfall of assuming that all binding rules advance integration to the same extent. While certain binding rules instituted by the policy-making instances promote vertical integration and impose obligations and constraints on member states, others clearly do not.

Horizontal integration[4] *(harmonization level)* refers to the transnational harmonization and standardization of diverse national laws, practices, and norms so that internal market can function effectively for the benefit of all (see Puchala 1975). In practice, this is achieved through the EU's secondary legislation instructing member states to harmonize and standardize policy instruments, norms, and laws across national borders. In general, harmonization attempts are often resisted by member states because they require various adaptations, adjustments of domestic laws, regulations and practices that can be costly to implement domestically due to policy or institutional misfit between the prescribed EU model and the domestic rules (Héritier *et al.* 1996; Schmidt 2001; Börzel 2003).

One should not assume, however, that all policymaking outcomes at the EU level are aimed at harmonization. At times, the EU attempts to positively prescribe or impose a concrete model, or policy instrument, to create a level playing field across member states (e.g. attempts to introduce harmonized renewable energy support schemes). At

[4] The meaning of horizontal integration here should not be confused with Schimmelfennig and Rittberger's (2006) use of "horizontal integration" which refers to the extension of the EU acquis beyond the EU's borders ("widening").

other times, the EU encourages regulatory competition leaving member states with enough flexibility and discretion for domestic reforms (see for instance Schmidt 2001).

Integration outcomes of policy-making instances vary in both dimensions: vertical and horizontal integration. However, they do not necessarily co-vary: change in vertical integration, does not imply parallel change in horizontal integration and vice versa. Therefore, integration outcomes are assessed separately along these two dimensions ranging from successful integration (corresponding to full membership in the fuzzy set analysis), to no success (corresponding to full non-membership in the fuzzy set analysis), with a point at which it is difficult to classify outcome (corresponding to the cross-over point of maximum fuzziness in the fuzzy set analysis).

3.4.2 Causal Conditions: Supranational Entrepreneurship

Supranational entrepreneurship denotes the activism of supranational actors in an attempt to get support for their endeavors. Supranational actors have institutional self-interest - stretch their authority as far as they can to further their own agendas - and are usually supportive of more integration (Sandholtz and Stone Sweet 1998). Thus, supranational entrepreneurship denotes a degree to which supranational actors (e.g. the European Commission)[5] engage actively and deliberately in the promotion of new policies, in bringing new issue under the EU's legal remit, and in pushing harmonization across member states.

In this dissertation, I examine the European Commission's supranational entrepreneurship throughout the policymaking process. There are different ways of how

[5] In this dissertation, supranational entrepreneurship refers to the European Commission's efforts.

supranational policy entrepreneurs exert their influence in different phases of policy-making: in policy initiation phase by putting a problem on the EU agenda; in policy formulation phase by mobilizing support of stakeholders through framing strategy and issue-linkages; in the negotiation phase by forming alliances with the supporters and "splitting the difference" between member states to gain their backing for the proposal. And of course, all these elements of policy entrepreneurship are not limited to a particular phase. The European Commission, for instance, often employs framing and mobilization strategies throughout the policy-making cycle.

In the policy initiation phase, supranational entrepreneurship depends on the willingness and capacity of supranational actors (the European Commission) to use effectively its agenda-setting powers that are now a shared and contested competence among several European Union institutions, rather that monopolized by a single actor (Kassim *et al.* 2003). The Commission has considerable leverage on agenda-setting, but it is conditional, not absolute. It depends on its ability to nurture diverse contacts, anticipate and mediate demands, and use its unique policy expertise to advance proposals. By publishing Green and White papers, policy roadmaps and strategies, the European Commission can put an issue on the agenda, present solution formulas, and mobilize various stakeholders by framing an issue in a salient and appealing manner (Princen 2007; 2011).

Once a proposal is drafted, the Commission can initiate dialogues and debates to mobilize transnational societal interest groups. Issue framing and issue linkages are two crucial tools/strategies that supranational entrepreneurs resort to. Issue framing refers

to the supranational entrepreneurs' strategy to generate and manipulate frames that make sense of institutional or policy problems and offer persuasive solutions. Frames can help mobilize cooperation among diverse actors by linking their interests to a set of ideals, models and solutions that permit further integration (Surel 2000; Natorski and Surralles 2008). An issue may be 'initiated' and be placed high on the agenda, but interest may wane unless supranational entrepreneurs are able to maintain it (Cobb *et al.* 1976; Baumgartner and Jones 1993). The European Commission, as a policy entrepreneur, can shape the agenda by emphasizing some issues and de-emphasizing others (Tallberg 2003). Successful entrepreneurship requires right tactics, right frames and right timing to ensure issue receptiveness (Princen and Rhinard 2006). In the policy formulation and negotiation phases, in addition to mobilization and framing strategies, the European Commission can "shirk" within certain limits exploiting cleavages among the member states. The Commission can push through proposals closest to its own preferred policy that can also garner QMV in the Council (Pollack 1997: 129). The European Commission's success in creating the window of opportunity for a preferred policy depends on the one hand on its long-term commitment to a certain issue, and on the other, on its adaptability and readiness to present solutions acceptable to all veto players participating in the decision-making process (Zahariadis 2007).

To sum up, the degree of supranational entrepreneurship is assessed in terms of the European Commission's efforts in the process of problem definition and proposal initiation, the level of ambition enshrined in the proposal, framing strategies, and the Commission's success in mobilizing various stakeholders' support for its proposal.

3.4.3 Causal Conditions: Convergence of Preferences

Preference is a multifaceted concept composed of "interests, norms, identities and interaction orientations" (Scharpf 1997: 63). National preferences are defined as an ordered and weighted set of values placed on future substantive outcomes (Moravcsik 1998: 24). European integration is often viewed as the outcome of the interest-based preferences of sovereign member state governments and the majority coalition these governments form within the European Council (Moravcsik 1998). Those preferences, in the first place, are shaped through domestic bargaining with main societal and industrial interests, such as the dominant national energy producers. The complexity of the concept makes it difficult to apply empirically (Scharpf 1997: 64). A way out of the problem is to alternate preferences of the actors with their positions. Preferences are reflected in a position advanced on each issue by each member state in each negotiation. A position is the stated location of an actor (member state) with regard to one or more policy dimensions (Lynggaard and Nedergaard 2009). Positions can be observed empirically by looking at how an actor is situated on an issue.

Member state preferences are reflected in the issue-specific national positions on the European Commission's policy proposal. Member states positions are often known by the European Commission even before it presents a proposal to the Council. The Commission's proposal defines possible options for action and may often be different from the options desired by the member states. This dissertation shares an important assumption from the literature on European integration and policy-making that the proposals that the European Commission puts forward, generally aim at

advancing more integration, defined in terms of vertical (degree of institutionalization) and/or horizontal integration (harmonization level). Of course, policy proposals vary in terms of ambition level with respect to vertical or horizontal integration they intend to bring about. The member state preferences/positions with respect to the Commission's particular policy proposal can be analyzed along two broad dimensions: objectives and scope of a proposal, and the means or the ways in which to achieve those objectives. The dissertation examines both dimensions separately.

Member state preferences in the European integration context have two important aspects: direction and intensity: Firstly, a member state can either favor or not favor the proposed objective(s), and favor or not favor the means and instruments proposed to achieve the objective(s). Sometimes, a member state can be in favor of the objective(s) of the proposal, but not be in favor of the proposed means or instruments. Secondly, member states' positions vary in terms of intensity – the relative degree of support, or opposition, to the proposed objectives and means of the proposal. So, the position of a member state on the objectives and means of the given proposal can vary from strongly in favor to strongly opposing (not in favor).

As the decision outputs are achieved through negotiations in the Council of the European Union, considerable overlap in the positions of key member states are required in order to arrive at the substantial common accord determined by the balance of common gains and distribution trade-offs among countries (Moravcsik 1998). Even when decisions are adopted under the Qualified Majority Voting (QMV) procedure, as in the case of energy policy, dominant member states will be able to impose conditions or

build blocking coalitions. Supranational entrepreneurs often show the path of least resistance where they anticipate opposition from the powerful member states and tailor and revise proposals to fit national preferences. When the key member states have converging preferences/positions not in favor of the objective(s) and or means presented in the policy proposal, the policy either fails to be adopted (no success), or is revised by the European Commission so that it is acceptable to the key member states in the Council. As a result, policy outcomes represent the lowest-common denominator outcome and reflect the preferences/positions of key member state(s) least in favor of the proposal. Therefore, we have to examine the convergence of the preferences/positions among the key member states.

This dissertation examines the preferences/positions of four key member states: Germany, France, the UK and Poland.[6] These countries are some of the largest member states with the most powerful positions in the EU. They hold most votes in the Council, and are also representative of different cleavages in general (e.g. west-east, leaders and laggards in liberalization of energy markets or renewable energy developments, contrasting energy mixes and energy dependency patterns). They are by far the largest energy users, as well as energy producers in the EU. Germany ranks second in the production of coal after Poland and second in nuclear electricity generation after France.

The dissertation looks at the degree of convergence of preferences/positions among the key member states with regard to vertical and horizontal integration

[6] Poland is included in the analysis where relevant (proposals that were adopted after 2004 – Poland's accession to the EU

separately. The fuzzy set analysis relies on data obtained from an elite survey. The comparative case studies trace positions of key member states by examining their original positions, revealing points of agreement/disagreement, and following the shifts in their positions throughout the policy-making process to identify if and how their positions converged and changed over time.

3.4.4 Causal Conditions: Transnational Interest Consolidation

Formation of transnational interests and their organization at the EU level can affect the integration process and policy outcomes. There are various transnational interest groups that organize themselves at the EU level into European associations and federations to participate in shaping the new European rules and regulations and exert influence of the EU policy making. These interests transcend national boundaries. As integration advances, transnational interest mobilization at the EU level also rises since they find it necessary to participate in shaping EU legislation. Transnational interests have two types of incentives: either to stop European regulations that could have an adverse effect on their interests, or exploit the opportunity of shaping a new European regulation to the disadvantage of others unaware of the importance of the new venue or less able to mobilize the necessary resources (Mazey and Richardson 2001). To succeed in their efforts, transnational interest groups have to mobilize into a coherent group and present unified position against other potential transnational groups that operate at the European level. The higher the degree of transnational interest group consolidation, the better their chance to get their position reflected in the policymaking outcome. On the other hand, when transnational interests are fragmented, the extent

of pressure they can exert on policy process diminishes correspondingly. Formation of a unified position on a specific issue entails a cumbersome consensus-building process and sometimes ends up with failure.

The dissertation examines transnational interest consolidation by looking at the degree of cohesion among the positions of transnational interest groups and the extent of their united lobbying at the EU level under the umbrella of the respective European association and federations with respect to the European Commission's proposals.

3.4.5 Causal Conditions: Rule Density

Rules facilitate exchange and create opportunities for collective action. Rules that govern the passage and implementation of legislation in the EU define the discretion of supranational actors vis-à-vis member states, each other and other EU institutions. Formal rule structures play an important role in the process of European integration. They specify what is permitted and what is not. For instance, the existence of provisions in the treaties of the European Union (treaty basis) determines whether a policy domain exists and delineates competencies between the Community and member states (exclusive, shared, or no competence for the EU). Creation of new legal basis for energy domain in the Lisbon Treaty might directly affect the production of secondary legislation. This can give more discretion to the European Commission because competence does not only comprise new objectives, but also provides new rights and more treaty provisions to guide with (Fligstein and Mcnichol 1998).

The choice of legal basis determines voting rules. Voting rules and procedures determine organizational capacity and inter-institutional relations (e.g. QMV versus

unanimity, co-decision versus cooperation). Selecting a legal basis for a directive can, therefore, become a contentious issue, especially when the European Commission proposes a directive or regulation dealing with issues for which an explicit legal basis is missing from the EU Treaties (energy domain before the Lisbon Treaty). In such cases, the Commission has to rely on a legal basis from related policy areas. The choice of a particular treaty provision as a legal basis for a proposed policy initiative can greatly affect the integration outcome: some treaty provisions in some areas where the EU already has extensive competencies can provide supranational actors with more discretion and allow far-reaching policy outcomes.

In addition to a legal basis, existence of formal and binding rules in a particular policy domain may affect integration outcome as well. Pre-existing rules make it hard to undo the policy and may create a dynamic that facilitates the adoption of further rules (Jordan and Lenschow 2010; Pierson 1996). Pre-existing rules in a specific policy area can lead to policy feedback loops and 'lock-in' and embed issues in "joint decision traps" (Scharpf 2007). The higher the density of the existing EU rules, the higher the feedback effect on the subsequent policy outcomes. Thus, rule density in this dissertation refers to the choice of legal bases and their implications for policy outcomes, as well as the varying degree of impact that the pre-existing domain-specific rules (if and when applicable) may have on integration outcomes.

3.4.6 Causal Conditions: External shocks

Changes in, and pressures from, the external environment may affect behavior of national and supranational actors. External shocks are those events outside the EU

that punctuate the equilibrium in the EU system. External shocks, though they can constitute an obstacle to further integration, generally encourage or provoke it (Tranholm-Mikkelsen 1991). Those proximate contingencies can serve as critical junctures and exacerbate long-term structural conditions, such as EU's energy dependence, or EU's relative position in global competition. Global competition/energy dependency patterns can be important long-standing structural exogenous conditions pinpointing to the difficulty of isolating joint regional deliberations from a context of global socioeconomic dependence. External shocks can contribute to opening up policy windows that can be skilfully grabbed by policy entrepreneurs to push their pet proposals (Kingdon 1995). External shocks can also contribute to a change in perceptions of a particular problem (i.e. energy dependence) among national policymakers, shift national preferences/positions on a given issue and provide window of opportunity for institutional actors to pursue collective interests. External contingencies can contribute to increased sense of sensitivity and vulnerability, and make member states rally together to find common solutions and rely increasingly on the new central institutions to increase collective bargaining power vis-à-vis the outside world (Schmitter 1996: 165).

It is a difficult task to tease out the causal effect of external events or crises on integration outcomes. Often monumental events that many take as critical points in the policy developments are chimeras; they are the events that symbolize the policy change but happen well after the issue has been redefined. Other times, they appear to be

those proximate contingencies that open opportunities for supranational entrepreneurs to seize the moment of turbulence and advance integration projects.

This dissertation examines the impact of external shocks, such as a focusing event or crisis outside the EU (if any) on policymaking instances under consideration. The survey method for collecting data is particularly apt here, since external shocks in the first place change perceptions of policymakers and stakeholders. Comparative case-studies help reveal any such impact of external shocks through utilizing process-tracing techniques.

CHAPTER 4. WHAT LEADS TO EUROPEAN INTEGRATION: A FUZZY-SET QUALITATIVE COMPARATIVE ANALYSIS

4.1 Introduction

This chapter examines under what conditions European integration succeeds in the domain of energy policy through exploring the twelve EU legislative proposals in various sectors of energy policy. These cases include the so-called three consecutive "energy packages (directives)" aimed at liberalization of the electricity and gas sectors, two renewable energy directives of 2001 and 2009, two energy efficiency directives of 2006 and 2012, the security of supply directive of 2004 and the regulation of 2010. The chapter helps to assess propositions presented in the theoretical chapter from the holistic understanding of integration processes. The results of this chapter contribute to evaluating my argument that integration in the EU energy policy domain proceeds under the conjunction of structural conditions, such as pre-existing domain-specific EU rules, external contingencies (i.e. focusing events) pressing for the common solutions at the EU level that are skillfully exploited by supranational entrepreneurs (the European Commission) and/or permitted by the convergence of preferences (positions) among the key EU Member States. In this chapter I examine five causal conditions identified in the previous chapters in order to set ground for a typological theory of European integration: supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density, and external contingency. The combination of these

conditions forms “recipes” to explain causal complexities leading to European integration in the energy domain. The findings largely support my argument and cast doubt on studies that emphasize the preeminence of either structure or agency to explain European integration.

The chapter contains four sections. Before we start the fuzzy set comparative analysis of the twelve cases, the reader needs to have a historical and institutional background on the emergence of EU energy policy. In the first section of this chapter, I will provide a brief overview of the EU energy domain with respect to the selected twelve cases. In the second section, I will present data obtained from an elite survey and semi-structured interviews with EU and member state officials and other policy stakeholders. In the third section, I will first briefly discuss the suitability of a configurational approach to explaining European integration and then examine the process of calibrating the five causal conditions and the outcome drawing on data obtained from the survey and semi-structured interviews. In the fourth section, I will present the solution formulas of the fuzzy set analysis and discuss derived causal recipes to European integration. Finally, I will briefly conclude with the key findings of the chapter.

4.2 Emergence of the EU Energy Policy: Historical and Institutional Background

Until the mid-1990s, energy policy was largely neglected within the European integration process. In 1968, the European Commission in its “First Guidelines for a Community Energy Policy” outlined an energy policy and offered some specific measures to create a common market in the energy sector. However, the Council of

Ministers could only agree on very general principles (Black 1977: 166). The 1980s and early 1990s also witnessed several failed attempts in the energy domain. The European Commission's proposal to include an energy chapter in the Maastricht Treaty was dropped as was a carbon/energy tax due to strong opposition from the member states (Buchan 2009).

Since the mid-1990s, a number of important EU initiatives have been proposed to strengthen the supranational influence on energy policy (Matláry 1997). Community actors made the best use of powers they possessed in related areas, especially in the internal market and the environmental realms. The adoption of the Single European Act (SEA) greatly facilitated the supranational entrepreneurship of Community actors (European Commission). The introduction of the new decision rule in the Council based on the Qualified Majority Voting (QMV) and strengthening of the European Parliament's role with the extension of the co-decision procedure, gave more leeway to the supranational actors, who have increasingly been linking energy issues to three general perspectives: the EU's internal-market program in which competition policy played a key role; the EU's common environmental policy; and the security of supply in which external relations with the energy suppliers was crucial. The last decade saw an increasing number of proposals, directives, and regulations dealing with these various dimensions of the common European energy policy.

The idea of an Internal Energy Market (IEM) was launched in the late 1980s and the first electricity and gas market directives (the so-called "First Energy Package") appeared in 1996 and 1998 respectively. Since then, the European Commission has been

making intensified efforts to deregulate electricity and gas markets. These efforts reached a high point in 2003 with the adoption of the "Second Energy Package," directives aimed at the full opening of the gas and electricity markets for all customers by 2007 and the legal unbundling of supply and transmission functions. However, due to the lack of overlapping interests between member countries in the energy sector, as some experts and scholars argue (Kusku 2010), the adopted directives have on many occasions represented watered down versions of the European Commission's original proposals. Even when adopted, the directives were not followed up by adequate harmonization of provisions. For instance, the European Commission had always preferred mandatory ownership unbundling of upstream and downstream activities, and proposed this as a part of the so-called "Third Energy Package" directives adopted in late 2000s. The Third Package resulted in a considerable increase in the degree on institutionalization. However, it did not succeed in introducing a fully harmonized model of ownership unbundling as a result of a series of compromises in the face of opposition from the dominant member states (Boschek 2009).

In the mid-2000s, the efforts to establish a common energy policy became more integrated. The European Commission, at the invitation of the Council, prepared a Green Paper that outlined a comprehensive general strategy for obtaining "sustainable, competitive, and secure energy" (European Commission 2006a). This became the basis for the prominent 20/20/20 strategy with three ambitious goals: reducing greenhouse gas emissions by 20 percent, increasing the share of the renewable energy by 20 percent, and reducing overall energy use in the EU by 20 percent. The European

Commission followed up with the so-called "Energy and Climate Package" presenting concrete measures for achieving these goals. In line with the 20/20/20 strategy, the European Commission presented a new directive on the promotion of the renewable energy, which introduced significant changes to the previous directive of 2001. The directive 2001/77/EC, adopted after several years of negotiations, set an overall EU-level target of 22 percent electricity from renewables by 2010. However the target was only "indicative"[7] and non-binding. In addition, the directive failed to establish integrated policy instruments. The proposed instrument of Tradable Renewable Electricity Certificates (TREC) was turned down by the Member States (Toke 2008; Lauber and Schenner 2011). The new directive, 2009/28/EC, established more ambitious and binding overall as well as national targets for the member states. The directive also widened the scope of the policy as it included the electricity, heating, and transport sectors. The directive imposed obligations on member states to develop National Action Plans. Although the directive represented an important upgrade in the degree of institutionalization, it was not equally successful in terms of the level of harmonization of policy instruments. The mandatory introduction of a trading system was again opposed by the member states and was not included in the final text of the directive (Wettestad *et al.* 2012: 72).

In June 2005, the European Commission introduced a Green Paper on energy efficiency and declared energy efficiency to be on the top of the agenda. However, energy efficiency has been somewhat overshadowed by renewable policies, the EU's

[7] Indicative targets are targets set by the EU that lack binding character and serve as recommended benchmarks

Emissions Trading (ETS), and energy security of supply. At any rate, the directive 2006/32/EC on energy end-use efficiency and energy services adopted in 2006 was a significant development. The directive replaced the 1993 SAVE directive and set the groundwork for future proposals geared towards energy efficiency policy. The directive obliged member states to develop national energy efficiency action plans (EEAPs), asked member states to set indicative energy savings targets and to make sure that final energy consumption is measured and paid by the consumer. Although the scope of the directive was quite broad, it was very modest in setting binding targets for the member states and in establishing coordinated and harmonized measures (Dupont and Oberthur 2011).

In June 2011, the European Commission proposed a new directive to step up member states' efforts to use energy more efficiently at all stages of the energy chain – from the transformation of energy and its distribution to its final consumption. According to the directive, each member state should set an indicative national energy efficiency target, based on either primary or final energy consumption, primary or final energy savings, or energy intensity (Directive 2012/27/EU). The energy efficiency obligation scheme required member states to set targets at least equivalent to achieving new savings of 1.5 percent of the annual energy sales to final customers of all energy distributors or all retail energy sales companies. In addition, member states should ensure that starting from 1 January 2014, 3 percent of the total floor area of heated and/or cooled buildings owned and occupied by each central government is renovated each year to meet at least the minimum energy performance requirements. Thus, the

directive is quite ambitious in terms of targets and had a broad scope. However, the European Commission did not succeed in introducing individual binding targets or harmonized measures and instruments. In any event, the directive represents an important improvement compared to the previous one.

The energy security policy area has undergone a rapid evolution throughout the last decade. For much of the 1990s, the relative significance of energy supply security was somewhat overshadowed by concerns over the environmental consequences of energy use. This reordering of priorities was perhaps not surprising as the salience of climate change, as a policy issue, increased on the one hand, and energy prices remained at very low levels compared with the 1970s on the other hand. The re-emergence of supply security concerns did not happen overnight. The European Commission produced a Green Paper on energy supply security as early as 2000 (European Commission 2000a). However, the debate on the security of the energy supply only entered a new phase at the beginning of 2006. The disruption of gas supplies to the EU as a result of a dispute between Russia and Ukraine over gas prices at that time served as a wake-up call for the European Union (Interview with Vinois 2012). The dispute, along with subsequent reductions in supply due to a fiercely cold winter in Russia and Eastern Europe, appeared to feed a sense of vulnerability about an increasing reliance on energy imports. In 2000, the Commission's 2000 Green Paper "Towards a European strategy for the security of supply of energy policy" initiated a broad debate about a common European energy policy resulting in several legislative pieces. The idea of a common energy policy was also approved at the Hampton Court

Summit in London in October 2005 at an informal meeting under the UK's presidency. From the 1990s onward, the European Commission has underlined the cost-effectiveness of harmonizing energy security supply policies at the supranational level instead of administering them nationally (Surrey 1992: 27). However, the relative weight of the energy security issues in the EU's energy domain has gained a new momentum as a result of the Russia-Ukrainian crises in 2006 and later in 2009, as well as heightened vulnerability in relation to rising energy dependence. The upgrade of the security of supply directive from 2004 by the regulation on measures safeguarding security of the gas supply in 2010 attests to the increased importance of energy security. The regulation is based on Article 194 of the Lisbon Treaty and places security of the gas supply in the context of an integrated and interconnected internal market and the spirit of solidarity. This was the first time that the Lisbon Treaty article served as a legal basis for EU legislation in the energy field. Being directly applicable, the regulation aims to ensure that member states and gas market participants take effective action well in advance to prevent and mitigate the potential disruptions to gas supplies through the new rules. The regulation also contains the obligation of member states to notify the Commission of their existing inter-governmental agreements with third countries with regards to energy supply and infrastructure and to inform the Commission about the new ones when they are concluded. The regulation has obviously been much more ambitious in terms of its policy scope, the degree of institutionalization, and coordination efforts compared to its predecessor directive.

4.3 Elite Survey on the EU Energy Policy

Questionnaires have long been a primary means of gathering data on political behavior, attitudes and perceptions (Bernard 2000). As Pasek and Krosnick (2009) argue, the questionnaire-based measurement offers tremendous efficiencies and convenience for researchers since many explanatory variables thought to drive political behavior are subjective phenomena that can only be measured via people's perceptions and description of their own thoughts. Ragin (2008) stresses the importance of the researcher's substantive knowledge of cases and external "agreed upon" criteria for the calibration of fuzzy sets and recommends using interval-scale indicators of concepts for fine-grained calibration of fuzzy set membership for the proposed causal conditions and causal outcome (Ragin 2008: 85). Therefore, elite questionnaires and semi-structured interviews represent a useful data gathering strategy for obtaining systematic data when dealing with highly contested concepts (e.g. integration) for which no "agreed upon" standards of measurement exist. In addition, if properly designed, the questionnaire can provide interval-scale data that can be directly transformed into fuzzy-set membership scores through the process of transparent calibration (see Ragin 2008).

4.3.1 Stakeholders of Elite Survey and Semi-Structured Interviews

I used purposive sampling when conducting semi-structured interviews and distributing the questionnaire. According to Bernard (2000), purposive samples are effective for the intensive study of a few cases. My sample group consisted of energy policymakers at the EU and national level, and other energy policy stakeholders, such as

representatives of various interest groups. These are people who have been directly involved in the elaboration and decision-making of the selected energy policy proposals under consideration. Therefore, their perceptions of particular concepts and issues offer more reliable substantive knowledge and measurement criteria than single researcher's interpretation.

Semi-structured interviews are considered to be effective for collecting systematic data from high-level bureaucrats and elite members of a community who are accustomed to the efficient use of time. Semi-structured interviews allow both interviewer and respondent to follow new leads in addition to the set of predetermined questions (Bernard 2002). I conducted fifty two semi-structured elite interviews with bureaucrats of the EU institutions (officials from the European Commission, the European Parliament, and the Council Secretariat) directly involved in the process of elaboration or decision-making of the selected energy policy proposals, as well as member state civil servants at the Permanent Representations to the EU and national ministries in four key member states: Germany, France, the UK, and Poland. The sample group also included energy policy stakeholders, such as representatives of various interest groups (e.g. national and European Associations and federations of organized industrial, consumer, or green groups, as well as transnational NGOs). All participants have been asked to respond to a pre-determined set of questions (see Appendix A) followed with additional open-ended questions to let respondents express themselves in their own words, at their own pace. Due to limited resources, it was not possible to interview more than fifty two respondents. As a substitute to semi-structured

interviews, I have also distributed the questionnaire by email entailing the same questions to seventy policymakers and policy stakeholders based in Brussels as well as national capitals. Forty three people responded to the survey. The response rate constituted 61 percent. Overall, ninety five respondents answered the questionnaire.

4.3.2 Elite Survey Instrument

Respondents were asked to select from a list of the twelve EU energy proposals those cases with which they were most familiar and answer the questions in reference to the selected cases. The questionnaire consisted of fourteen questions aimed at producing interval-level data for each of the five causal conditions (supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density, and external contingency) and the causal outcome – integration. As discussed in the theoretical chapter, I conceptualized integration along two dimensions: the degree of institutionalization (vertical integration) and the level of harmonization (horizontal integration). Therefore, I asked survey participants to rank each causal condition in relation to the objectives of the EU energy proposal aimed at institutionalization (such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU), as well as in relation to the harmonization of policy instruments, measures, standards across member states. The last two questions (questions 13 and 14) asked respondents to rank integration outcomes along these two dimensions.

I developed a ranking scale from 0 to 10. According to Bernard (2002) ranking scales are powerful data generators and rank ordering produces valuable interval-scale

data. To cut down on the conceptual or definitional ambiguities associated with scales and ensure uniform interpretation of scale meanings, I attached verbal labels to each interval-scale[8]: 0-1 (none); 2-4 (low); 5 (difficult to rank); 6-8 (medium); 9-10 (high). The interval-scales were devised to reflect qualitative categories in fuzzy set: full membership (9-10), full non-membership (0-1), partially in (6-8), partially out (2-4) and cross-over point of maximum fuzziness (5) (Ragin 2008).

The major limitation of an elite survey is that the people directly involved in the decision-making process may be unwilling to give an honest answer or will only provide answers that represent the official position of the institution they represent (George and Bennett 2005). To address this issue, the survey respondents were guaranteed full anonymity.

4.3.3 Elite Survey Results

The questionnaire (questions 13 and 14) asked respondents to rank the two dimensions of integration outcome: the degree of institutionalization (such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU - vertical integration), and the level of harmonization (such as harmonization of policy instruments, measures or standards across member states – horizontal integration), introduced by the selected directive/regulation. On vertical integration 63 percent of the respondents ranked the causal outcome on the interval scale 9-10 (high) in the RES09 case and 59 percent in Pack 3EL case; the

[8] On this question, please see Alwin 1992, Krosnick and Berent 1993. Krosnick and Berent (1993) recommend putting verbal labels on all rating scale points to clarify their intended meanings, which increases the reliability and validity of ratings.

integration outcome was ranked on the interval-scale 6-8 (medium) by 59 percent in Pack2EL, by 78% in Pack3G, by 71 percent in SOSR10 and 56 percent in EED12 case. The variable was ranked on the interval scale 2-4 (low) by 82 percent in Pack1EL, 85 percent in Pack1G, 60 percent in Pack 2G, 79 percent in RES01, 60 percent in SoSD04 and 67 percent in EE06. For more details, please refer to Figure 4.1.[9]

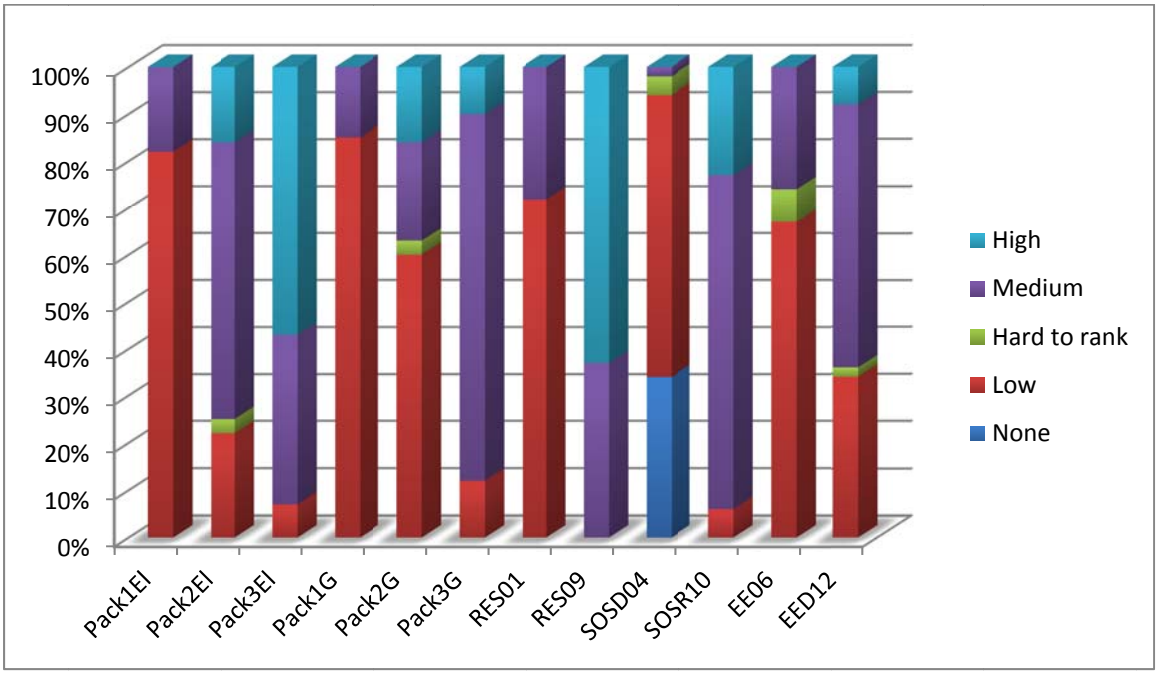

Figure 4.1 Causal Outcome: Degree of Institutionalization (vertical Integration)[10]

[9] In the narrative, I am only reporting the responses of rank intervals that occur most frequently – the mode – as a measure of central tendency. The modes will be used as a survey-based raw scores that will be transformed into the calibrated fuzzy scores for the fuzzy set analysis.

[10] Note: Pack1EL stands for the Directive 96/92/EC concerning common rules for the internal market in electricity (Energy Package I); PackEl2 stands for the Directive 2003/54/EC concerning common rules for the internal market in electricity (Energy Package II); Pack3EL stands for the Directive 2009/72/EC concerning common rules for the internal market in electricity and accompanying Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation (EC) No 714/2009 and 715/2009 on conditions for access to the network for cross-border exchanges in electricity (Energy Package III); Pack1G stands for the Directive 98/30/EC concerning common rules for the internal market in natural gas (Energy Package I); Pack2G stands for Directive 2003/55/EC concerning common rule for the internal market in natural gas (Energy Package II); Pack3G stands for the Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas and accompanying Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation (EC) No 714/2009 and 715/2009 on conditions for access to the network for cross-border exchanges in gas (Energy Package III); RES01 stands for the Directive 2001/77/EC on the promotion of electricity produced from renewable energy sources in the internal electricity market; RES09 stands for the Directive 2009/28/EC on the promotion of the use of energy from renewable sources; SOSD04 stands for the Directive 2004/67/EC concerning measures to safeguard security of natural gas supply; SOSR10 stands for the Regulation (EC) No 994/2010 concerning

With respect to horizontal integration, it is noteworthy that none of the survey participants ranked the causal outcome on the interval scale 9-10 (high) in any of the twelve selected cases. Only one case (Pack 3EL) was ranked as medium by 53 percent of respondents. Only one case (SoSD04) was ranked on the interval scale 0-1 (none) by 56 percent of the respondents. All other cases were ranked on the interval scale 2-4 (low) by the majority of the respondents. For detailed results, refer to Figure 4.2.

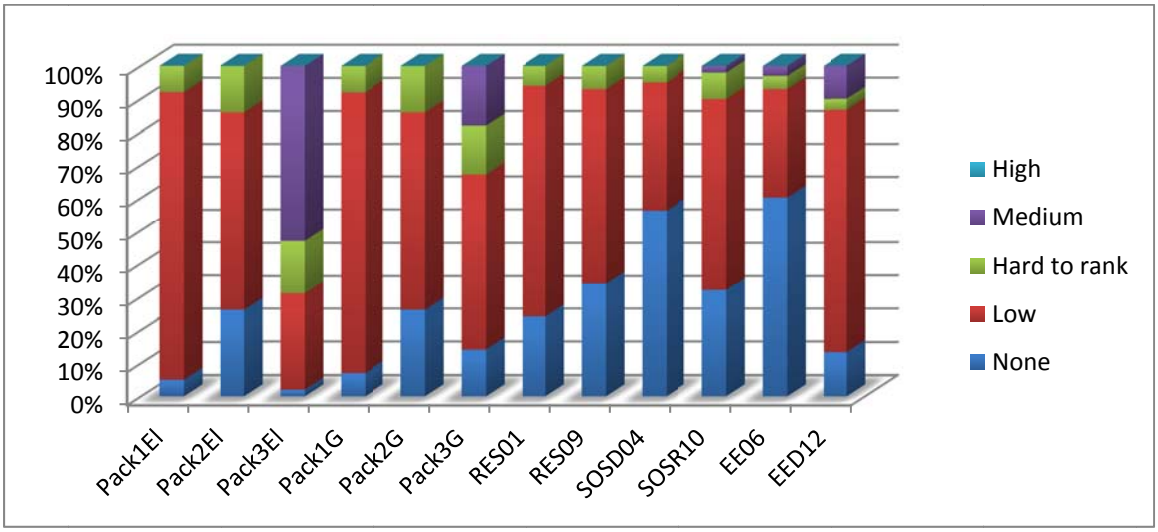

Figure 4.2 Causal Outcome: Level of Harmonization (horizontal integration)

The questionnaire (questions 1 and 2 in Appendix A) asked respondents to rank the degree of the European Commission's policy entrepreneurship throughout the process of proposal development in terms of its effort and success in raising the issue on the EU agenda, and mobilizing stakeholders' support on the objectives of the proposal, such as the creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU (vertical integration). The second question asked respondents to rank the degree of supranational entrepreneurship with

measures to safeguard security of natural gas supply; EE06 stands for the Directive 2006/32/EC on energy end-use efficiency and energy services; EED12 stands for the Directive 2012/27/EU on energy efficiency establishing a common framework of measures for the promotion of energy efficiency.

respect to the harmonization of policy instruments, measures, standards across member states (horizontal integration). Eighty-five percent of the survey participants ranked supranational entrepreneurship on the interval-scale 9-10 (high) in the RES09 case with respect to vertical integration, while with respect to horizontal integration 78 percent of respondents ranked supranational entrepreneurship on the interval scale of 6-8 (medium) in the RES09 case. The other case where a majority of respondents ranked the supranational entrepreneurship on the interval scale 9-10 (high) in reference to vertical integration was the SOSR2010 case. With respect to harmonization of policy instruments (horizontal integration), 71 percent of respondents ranked the supranational entrepreneurship on the interval-scale of 6-8 (medium). The supranational entrepreneurship with respect to vertical integration was ranked on the interval scale 2-4 (low) by majority of the respondents in four cases: Pack1EL, Pack2EL, SoSD04 and EE06. In six other cases the supranational entrepreneurship was ranked as medium by the majority of the respondents with respect to vertical integration. With respect to horizontal integration supranational entrepreneurship was ranked on an interval-scale 6-8 (medium) by the majority of respondents in 8 cases (All three electricity packages, Pack 3G, RES 01, RES09, S0SR10 and EED12). Eighty-five percent of respondents ranked supranational entrepreneurship as low in Pack1G and 60 percent in case of Pack2G. In two other cases (SoSD04 and EE06) 60 and 67 percent of the respondents ranked it low. For detailed results, refer to Figures 4.3 and 4.4 below.

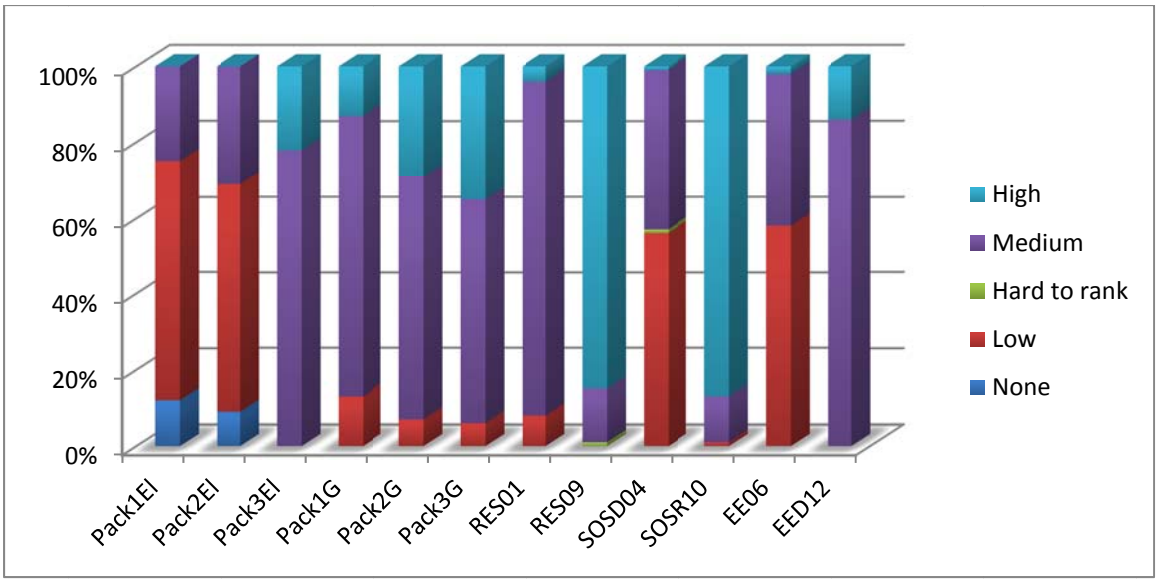

Figure 4.3 Supranational Entrepreneurship (vertical integration)

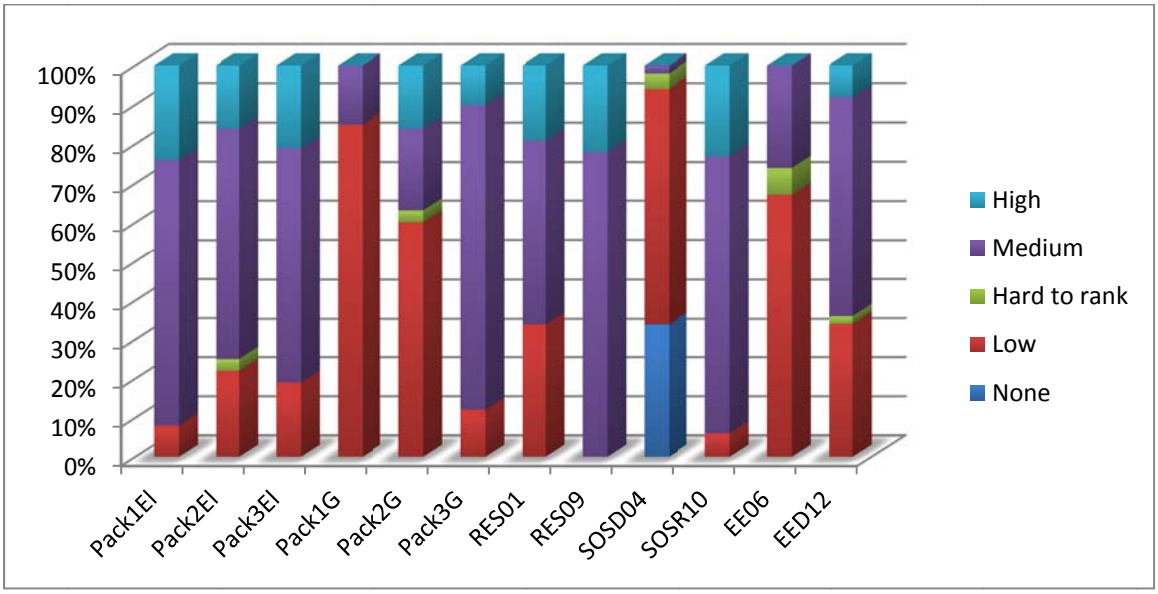

Figure 4.4 Supranational Entrepreneurship (horizontal integration)

Questions 3 and 4 (see Appendix A) asked respondents to rank the degree of convergence among the positions of the key member states (France, Germany, the UK, and Poland) in favor of the objectives of the Commission's proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from

member states to the EU (vertical integration), and in favor of the harmonization of policy instruments, measures, standards across member states (horizontal integration) respectively. For the results, refer to Figures 4.5 and 4.6 below.[11]

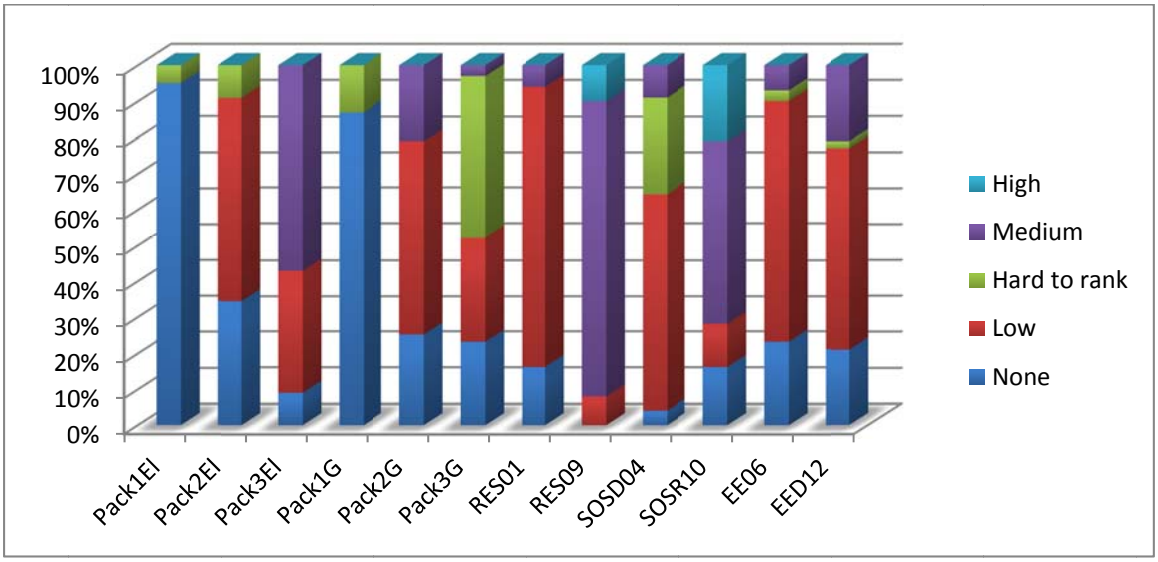

Figure 4.5 Convergence of Preferences (vertical integration)

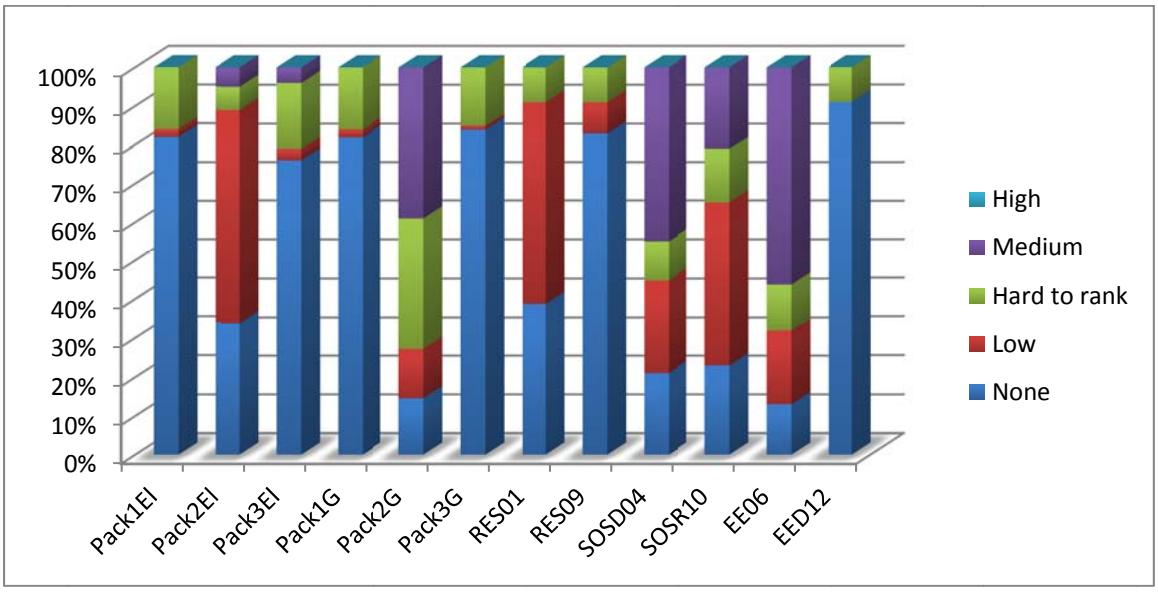

Figure 4.6 Convergence of Preferences (horizontal integration)

[11] For the sake of space, I present the survey results on the rest of the causal conditions in a graphical form.

Questions 5 and 6 (see Appendix A) asked respondents to rank the degree of consolidation of transnational interest groups organized at the EU level (European federations/associations) that were in favor of the objectives of the Commission's proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU (vertical integration), and in favor of the harmonization of policy instruments, measures, standards across member states (horizontal integration) respectively. For the results refer to Figures 4.7 and 4.8 below.

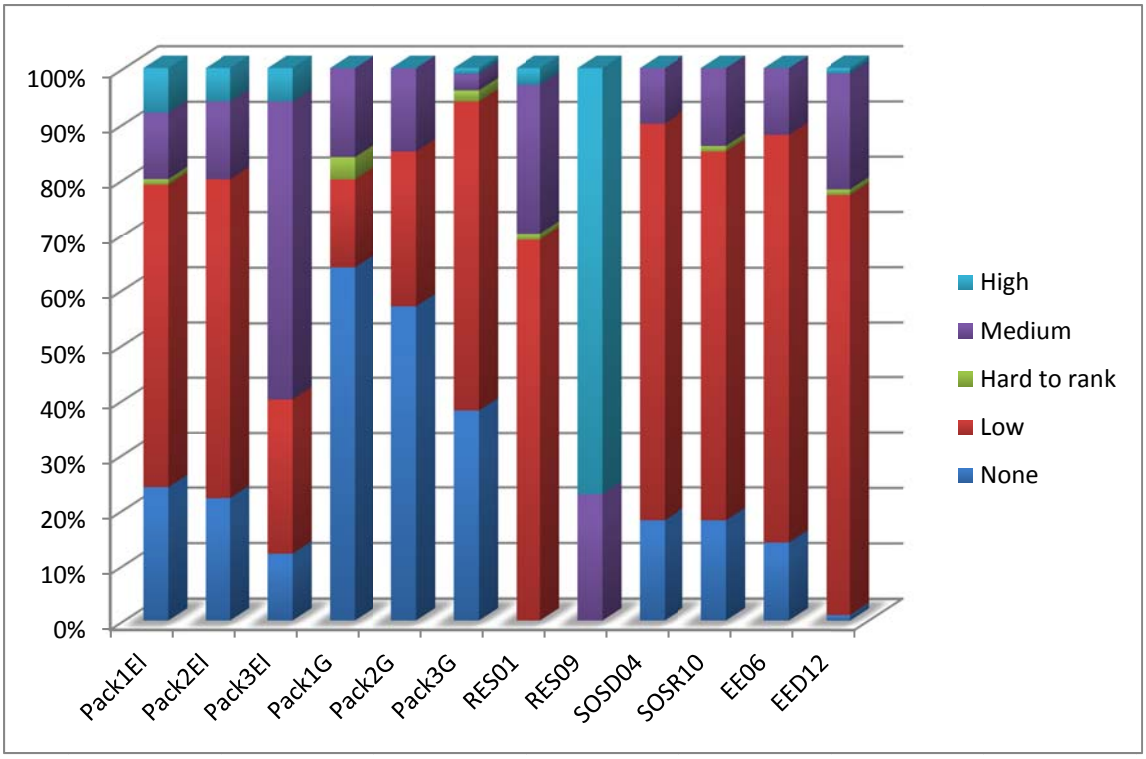

Figure 4.7 Transitional Interest Consolidation (vertical integration)

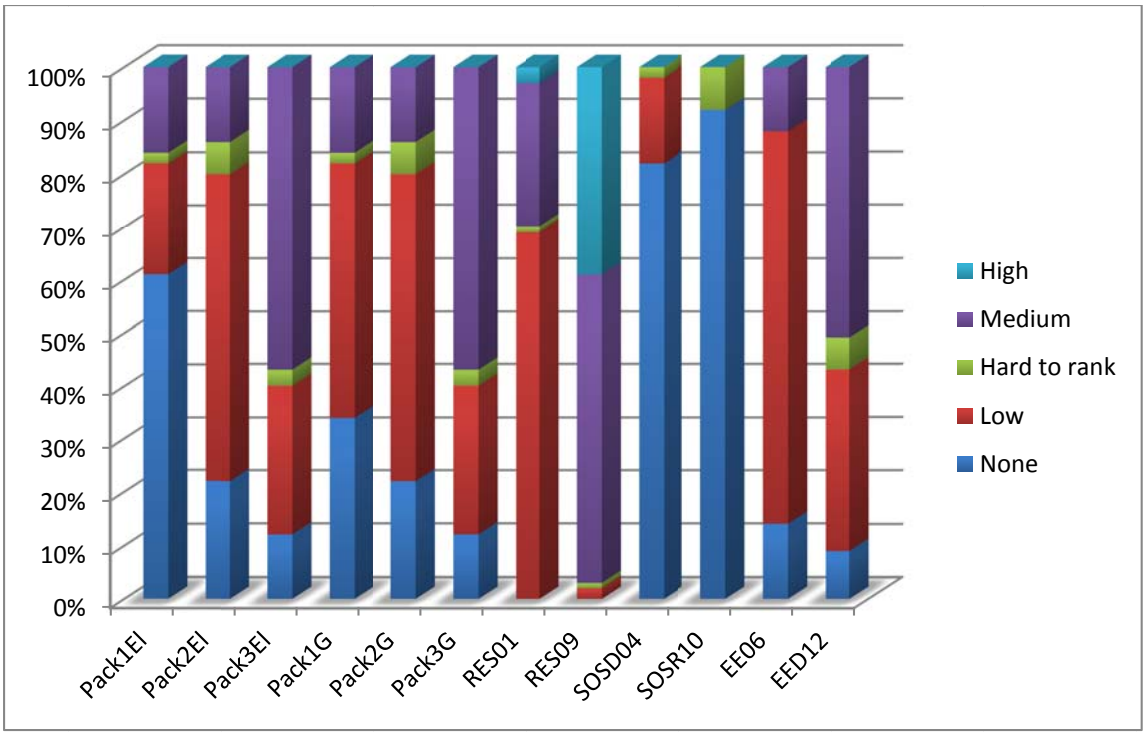

Figure 4.8 Transitional Interest Consolidation (horizontal integration)

Questions 7 and 8 (see Appendix A) asked respondents to rank the impact of the Treaty Legal Basis of the adopted proposal in terms of increasing the discretion of the Community (vertical integration), and on the harmonization of policy instruments, measures, standards across member states (horizontal integration) respectively. Questions 9 and 10 asked respondents to rank the impact of the existing EU rules within the same policy domain on vertical and horizontal integration respectively. These two rankings (impact of treaty legal basis and already existing domain-specific EU rules) have been incorporated together and presented as a single causal condition – Rule Density. For the results refer to Figures 4.9 and 4.10 below.

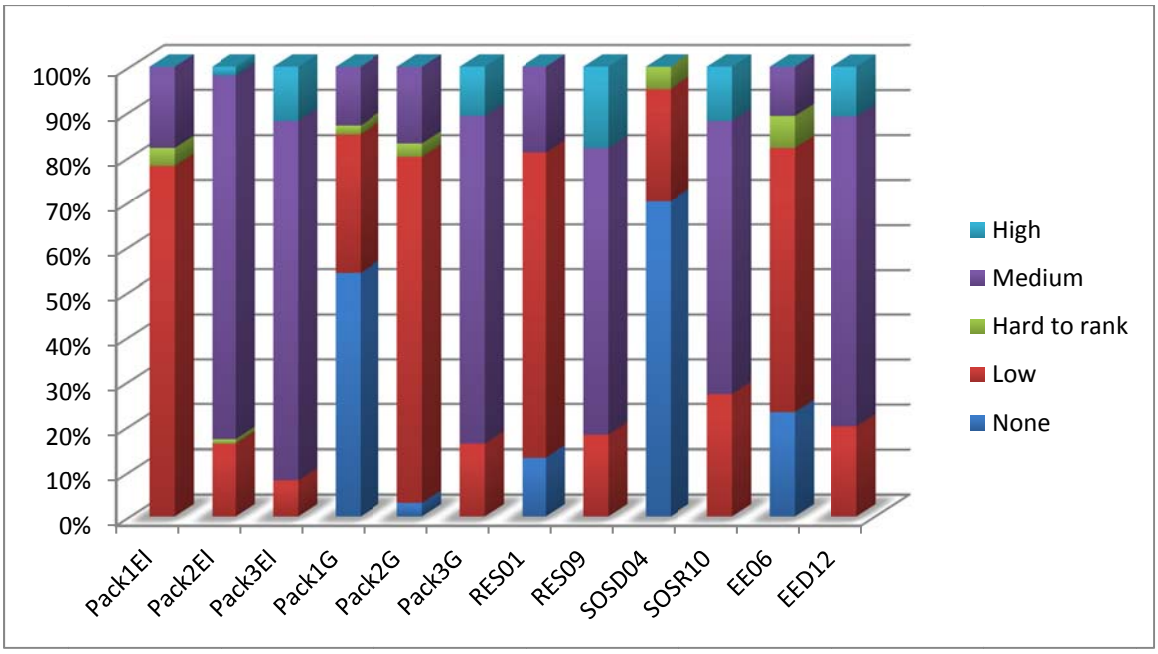

Figure 4.9 Rule Density (vertical integration)

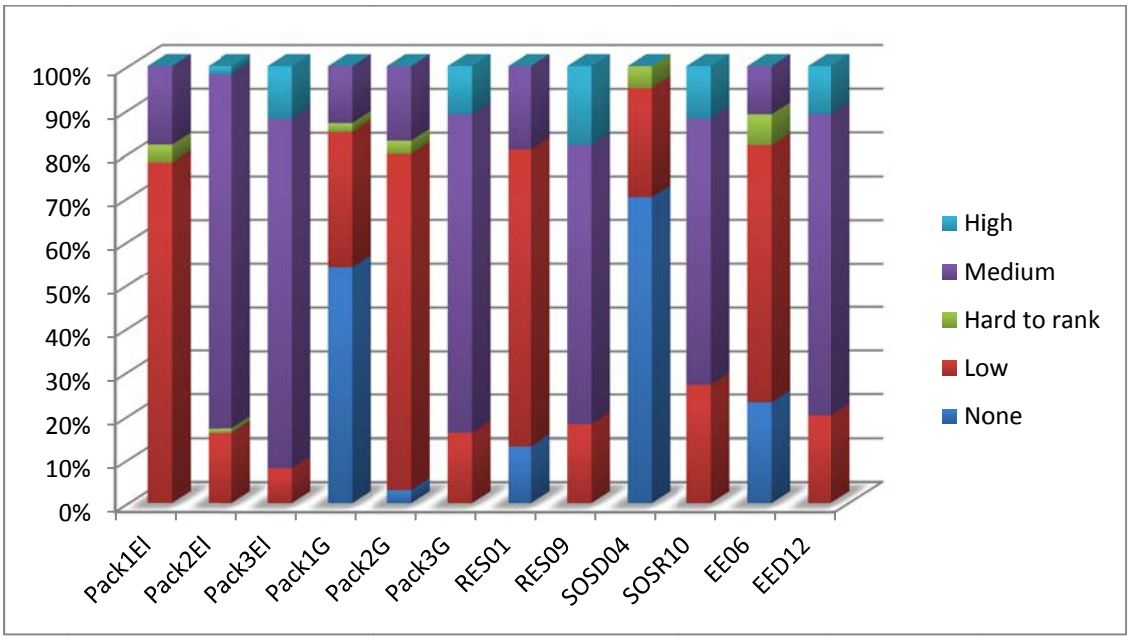

Figure 4.10 Rule Density (horizontal integration)

Questions 11 and 12 (see Appendix A) asked respondents to rank the impact of an external shocks, such as a focusing event or crisis outside the EU (if any) on the objectives of the proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU (vertical integration), and on the harmonization of policy instruments, measures, standards across member states (horizontal integration) respectively. The respondents were asked to specify the external shocks/focusing event outside the EU referred to in their responses. The three focusing events outside the EU ranked to have medium or high impact on integration outcome were specified by respondents: Russian Ukrainian Gas Crises of 2006 and 2009 (for the Third Energy Packages, SOSR10 and RES09); the Fukushima accident (for EED12 directive), and the Copenhagen International Climate Talks (for RES09 directive). For the survey results refer to Figures 4.11 and 4.12 below.

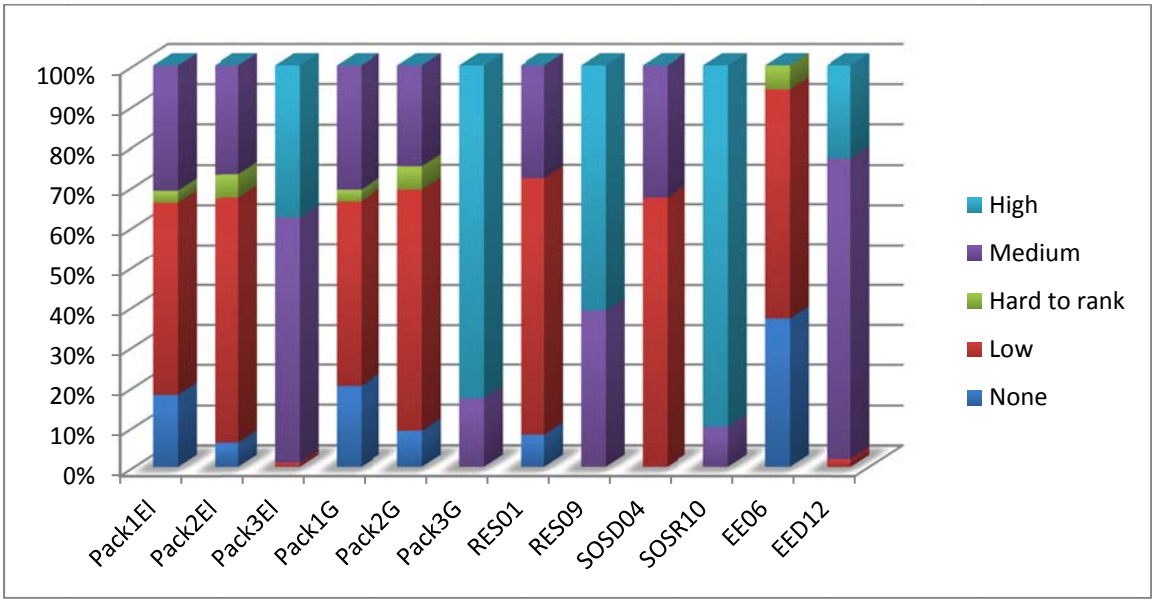

Figure 4.11 External Shocks (vertical integration)

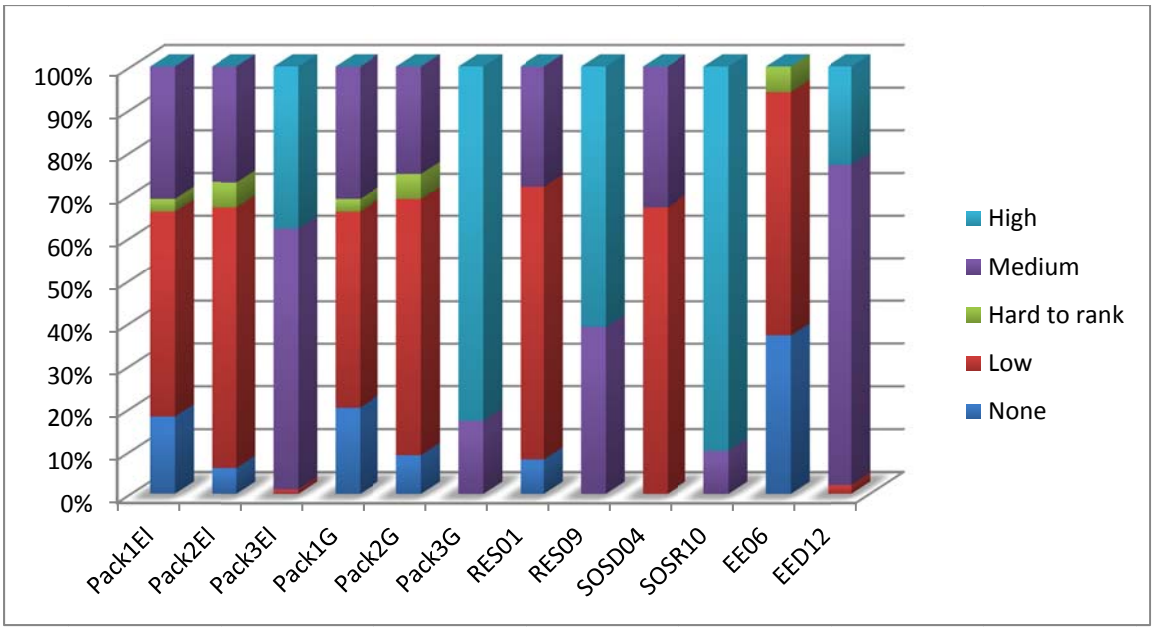

Figure 4.12 External Shocks (horizontal integration)

Before we move to the calibration process of the data obtained from the elite survey, a few words are due on the configurational approach of the fuzzy set analysis.

4.4 The Configuration Approach and Calibration in Fuzzy Set Analysis

The configurational approach is suitable for understanding complex causal relationships, as in the process of European integration. The configurational approach allows the researcher to think in terms of recipes, which means to think holistically and understand causally relevant conditions as intersections of forces and events (Ragin 2008: 109). In contrast to the net-effect analysis, which focuses on estimating the "context-independent net effect" of separate independent variables on the variations in outcome, the configuration approach focuses on how different conditions combine and whether there is only a single combination or several different combinations of causal

conditions (causal recipes) capable of generating the same outcome (Ragin 2008: 114). Thus, the five causal conditions identified in this study are viewed as case-oriented conditions that either all together or in separate groups can form configurations to explain integration outcome.

One of the major challenges in existing studies on European integration is the lack of uniform conceptualization of the highly contested and multi-dimensional concept of European integration. Researchers agree that there are variations in integration outcomes. However, they have difficulty capturing this variation in a consistent and systematic manner. The fuzzy set qualitative comparative analysis, by permitting gradations in the degree of set membership, can circumscribe uncertainties and ambiguities associated with the measurement of variation in integration outcomes (see Rihoux and Ragin 2008).[12]

In addition to the qualitative anchors of full membership (1.0) and full non-membership (0.0), fuzzy set calibration requires the crossover point (0.5), which demonstrates maximum ambiguities (fuzziness) between the two ends. Deciding qualitative breakpoints is the primary task in a fuzzy set calibration process (for description of the calibration process see Ragin 2008, chapter 5). The three qualitative anchors (full membership, full non-membership, and crossover point) distinguish between relevant and irrelevant variation, while varying degrees of fuzzy membership scores between full membership and full non-membership (1.0-0.0) place the cases in

[12] Fuzzy set QCA is an appropriate method for studies aimed at establishing necessary and sufficient conditions in set theoretic relations rather than explanation of variance in large-N analyses. (see, for example, Goertz, Gary and Harvey Starr. 2003. Introduction: Necessary condition logics, research design, and theory, pp.1-23 in G. Goertz and H. Starr, eds., Necessary conditions: Theory, methodology and applications. Lanham, MD: Rowman & Littlefield; and Goertz, Gary. 2003. Cause, correlation, and necessary conditions, pp.47-64 in G. Goertz and H. Starr, eds).

positions relative to each other (Ragin 2008). The researcher's decision on qualitative breakpoints, as Ragin (2008) recommends must conform to the researcher's conceptualization, definition, and labeling of the set in question, reflecting both theoretical and substantive knowledge that should provide "standardized context for the interpretation of scores" (Ragin 2008: 78).

4.4.1 Calibration of Integration Outcome and Causal Conditions for Fuzzy Set Analysis

Ragin (2008) sketches two techniques for calibrating interval-scale variables as fuzzy sets: direct and indirect. In this study, I will employ the first method- direct calibration. According to this method, the three qualitative breakpoints (full membership, full non-membership, and the crossover point) are used to transform the original interval-scale values to fuzzy membership scores. Table 4.1 illustrates both raw and calibrated fuzzy scores of integration outcome (vertical integration) for all twelve cases. The raw scores come from the data obtained from the elite survey described in the previous section, in which respondents were asked to rank the integration outcome for each case on the interval-scale from 0 to 10. In each case the mode (the most frequent rank order) was assigned as a raw (uncalibrated) interval-scale value. For instance, in the RES09 case, the mode of the responses on the question which asked respondents to rank vertical integration was 9. Therefore, the integration outcome (vertical integration) in RES09 case has a raw score of 9 in Table 4.1. I calibrated all raw scores into fuzzy scores using the fs/QCA program (Ragin, Drass and Davey 2006).[13] I set the three qualitative anchors to be used by the program when transforming raw scores

[13] See Ragin's (2008:104) practical appendix on using fsQCA to calibrate fuzzy sets with direct method through "compute" command

into the calibrated fuzzy scores: interval-scale value 9 (fully in) corresponds to the fuzzy set threshold for full membership (0.95), interval-scale value 1 (fully out) corresponds to the fuzzy set threshold for full non-membership (0.05), interval-scale value 5 (cross-over) - the value of the interval-scale variable where there is maximum ambiguity as to whether a case is more in or more out of the target set – corresponds to crossover point (0.5) of the fuzzy set. In Table 4.1, the Fuzzy Score column shows the fuzzy scores for integration outcome (vertical) in each case. Among twelve cases, the RES09 case posits the full membership in the fuzzy set (0.95). Below the crossover point (0.5) are Pack1EL, Pack1G, Pack2G, RES01, SoSD04 and EE06, which, in terms of their calibrated fuzzy scores, are closer to non-membership in the set condition of vertical integration.

Table 4.1 Degree of Institutionalization (vertical Integration): Fuzzy-Set Calibration

Cases	Raw Score	Fuzzy Score
	Integration (vertical)	Integration (vertical)
Pack 1EL	4	0.32
Pack2El	6	0.68
Pack3El	9	0.95
Pack1G	3	0.18
Pack2G	4	0.32
Pack3G	8	0.9
RES01	3	0.18
RES09	9	0.95
SoSD04	2	0.1
SoSR10	8	0.9
EE06	3	0.18
EED12	7	0.82

Note: Integration (vertical) outcome is calibrated with fully in (9), fully out (1), and cross-over (5) points that correspond to three qualitative anchors: threshold for full membership (0.95), threshold for nonmembership (0.05), and crossover point (0.5).

Table 4.2 illustrates the calibration of the second dimension of the integration outcome – the level of harmonization (horizontal integration) – using the same procedure. Among the twelve cases, none of the cases posits the full membership in the fuzzy set. The only case that is above the crossover point (0.5) is Pack3El.

Table 4.2 Harmonization level (horizontal Integration): Fuzzy-Set Calibration

Cases	Raw Score	Fuzzy Score
	Integration (horizontal)	Integration (horizontal)
Pack 1EL	2	0.1
Pack2El	3	0.18
Pack3El	6	0.68
Pack1G	2	0.1
Pack2G	3	0.18
Pack3G	4	0.32
RES01	2	0.1
RES09	3	0.18
SoSD04	1	0.05
SoSR10	4	0.32
EE06	1	0.05
EED12	4	0.32

Note: Integration (horizontal) outcome is calibrated with fully in (9), fully out (1), and cross-over (5) points that correspond to three qualitative anchors: threshold for full membership (0.95), threshold for nonmembership (0.05), and crossover point (0.5).

Tables 4.3 and 4.4 illustrate the calibration of the five causal conditions explaining European integration outcome, vertical and horizontal respectively. Reflecting my theoretical framework, these causal conditions represent agency-driven, external contingency, or structural causal conditions affecting integration outcome. Ragin also recommends to "identify not only the factors that seem connected to the outcome as proximate causes but also the conditions that provide contexts for the operation of these proximate causes" (Ragin 2000: 122).

Table 4.3 The Causal Conditions (vertical integration) and Fuzzy-set Calibration

Cases	SUPRENTR		CONVPREF		TRANS		RULE		EXTSHOCKS[14]	
	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score
Pack1El	3	0.18	0	0.02	2	0.1	4	0.32	2	0.1
Pack2El	4	0.32	2	0.1	4	0.32	6	0.68	3	0.18
Pack3El	8	0.9	6	0.68	6	0.68	8	0.9	8	0.9
Pack1G	6	0.68	0	0.02	1	0.05	1	0.05	2	0.1
Pack2G	7	0.82	3	0.18	1	0.05	4	0.32	3	0.18
Pack3G	8	0.9	5	0.5	2	0.1	6	0.68	9	0.95
RES01	6	0.68	4	0.32	4	0.32	2	0.1	4	0.32
RES09	9	0.95	8	0.9	9	0.95	7	0.82	8	0.9
SoSD04	4	0.32	3	0.18	2	0.1	1	0.05	3	0.18
SosR10	9	0.95	7	0.82	3	0.18	7	0.82	10	0.98
EE06	4	0.32	4	0.32	3	0.18	2	0.1	2	0.1
EED12	8	0.9	4	0.32	4	0.32	8	0.9	8	0.9

Note: The causal conditions are calibrated with fully in (9), fully out (1), and cross-over (5) points that correspond to three qualitative anchors: threshold for full membership (0.95), threshold for nonmembership (0.05), and crossover point (0.5).

Table 4.4 The Causal Conditions (horizontal integration) and Fuzzy-set Calibration

Cases	SUPRENTR		CONVPREF		TRANS		RULE		EXTSHOCKS	
	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score	Raw Score	Fuzzy Score
Pack1El	6	0.68	0	0.02	1	0.05	4	0.32	2	0.1
Pack2El	6	0.68	4	0.32	2	0.1	6	0.68	3	0.18
Pack3El	8	0.9	0	0.02	6	0.68	8	0.9	8	0.9
Pack1G	4	0.32	0	0.02	3	0.18	1	0.05	2	0.1
Pack2G	4	0.32	6	0.68	3	0.18	4	0.32	3	0.18
Pack3G	7	0.82	0	0.02	6	0.68	6	0.68	9	0.95
RES01	7	0.82	2	0.1	4	0.32	2	0.1	4	0.32
RES09	8	0.82	0	0.02	6	0.95	7	0.82	8	0.9
SoSD04	3	0.18	6	0.68	0	0.02	1	0.05	3	0.18
SosR10	6	0.68	3	0.18	0	0.02	7	0.82	10	0.98
EE06	4	0.32	6	0.68	4	0.32	2	0.1	2	0.1
EED12	8	0.9	0	0.02	6	0.68	8	0.9	8	0.9

Note: The causal conditions are calibrated with fully in (9), fully out (1), and cross-over (5) points that correspond to three qualitative anchors: threshold for full membership (0.95), threshold for nonmembership (0.05), and crossover point (0.5).

[14] Note: Abbreviation SUPRENTR stands for supranational entrepreneurship; CONVPREF stands for convergence of preferences; TRANS stands for transnational interest consolidation, RULE stands for rule density; EXTSHOCKS stands for external contingency/shocks.

The five causal conditions presented in Tables 4.3 and 4.4 are: supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density, and external shocks. Similar to calibrating integration outcome, the raw scores have been calibrated into fuzzy scores.

4.5 Results of the Fuzzy Set Analysis: What Leads to European Integration?

Tables 4.5 and 4.6 show the summary of the calibration processes presented in the previous section using a truth table format. Each column demonstrates the fuzzy membership scores of the five causal conditions and the causal outcome (vertical integration in Table 4.5 and horizontal integration in Table 4.6). Truth tables are useful tools to discipline the process of learning about cases. Fuzzy-set based truth tables represent "statements about the corners of the vector space formed by the fuzzy-set causal conditions" (Ragin 2008: 125-130).

Table 4.5 Fuzzy Set Truth Table (vertical integration)

	Causal Conditions					Outcome
Cases	SUPRENTR	CONVPREF	TRANS	RULE	EXTSHOCKS	INTEGRATION
Pack1El	0.18	0.02	0.1	0.32	0.1	0.32
Pack2El	0.32	0.1	0.32	0.68	0.18	0.68
Pack3El	0.9	0.68	0.68	0.9	0.9	0.95
Pack1G	0.68	0.02	0.05	0.05	0.1	0.18
Pack2G	0.82	0.18	0.05	0.32	0.18	0.32
Pack3G	0.9	0.5	0.1	0.68	0.95	0.9
RES01	0.68	0.32	0.32	0.1	0.32	0.18
RES09	0.95	0.9	0.95	0.82	0.9	0.95
SoSD04	0.32	0.18	0.1	0.05	0.18	0.1
SosR10	0.95	0.82	0.18	0.82	0.98	0.9
EE06	0.32	0.32	0.18	0.1	0.1	0.18
EED12	0.9	0.32	0.32	0.9	0.9	0.82

Table 4.6 Fuzzy Set Truth Table (horizontal integration)

	Causal Conditions					Outcome
Cases	SUPRENT	CONVPREF	TRANS	RULE	EXTSHOCKS	INTEGRATION
Pack1El	0.68	0.02	0.05	0.32	0.1	0.1
Pack2El	0.68	0.32	0.1	0.68	0.18	0.18
Pack3El	0.9	0.02	0.68	0.9	0.9	0.68
Pack1G	0.32	0.02	0.18	0.05	0.1	0.1
Pack2G	0.32	0.68	0.18	0.32	0.18	0.18
Pack3G	0.82	0.02	0.68	0.68	0.95	0.32
RES01	0.82	0.1	0.32	0.1	0.32	0.1
RES09	0.82	0.02	0.95	0.82	0.9	0.18
SoSD04	0.18	0.68	0.02	0.05	0.18	0.05
SosR10	0.68	0.18	0.02	0.82	0.98	0.32
EE06	0.32	0.68	0.32	0.1	0.1	0.05
EED12	0.9	0.02	0.68	0.9	0.9	0.32

Utilizing the fs/QCA 2.0 program developed by Ragin, Drass, and Davey (2006), I have conducted an fsQCA analysis to examine causal conditions for integration outcomes using the Truth Table Algorithm. Tables 4.7 and 4.8 show the solution formulas after conducting the fsQCA analysis for vertical integration outcomes (Table 4.7) and horizontal integration outcomes (Table 4.8). Each row produces solution formulas with different levels of complexity. Here the complex solution allows no counterfactual cases in the analysis, whereas the parsimonious solution includes all possible (easy and difficult) counterfactual cases (see Ragin 2008, chap. 9). The counterfactual cases indicate the absence of empirical cases caused by the limited diversity in the study of naturally occurring social phenomenon (Ragin 2000; 2008). These solution formulas represent the "endpoints of a single continuum of possible results" that at one end privileges complexity and at the other end parsimony (Ragin 2008: 168). It is the different level of tolerance on counterfactual cases that

differentiates these solutions. Between the complex and parsimonious, the intermediate solution includes only easy counterfactual cases. Therefore, the intermediate solution is a superset of the most complex solution and a subset of the most parsimonious solution. Ragin (2008) recommends using intermediate solutions due to their strength in interpretation.

The last two columns of Tables 4.7 and 4.8 indicate the coverage and consistency scores of each solution formula. Consistency and coverage are the measures evaluating the set relations between causal conditions and outcome, similar to the statistical significance and strength of coefficient in net-effects analysis. Set-theoretic consistency represents "the degree to which the cases sharing a given combination of conditions agree in displaying the outcome in question;" Set-theoretic coverage represents "the degree to which a cause or causal combination accounts for instances of outcome" (Ragin 2008: 44-45). When the consistency level of a solution formula satisfies the cutoff point then we can evaluate the relative strengths of each causal path (or recipe) to the outcome, using coverage scores. As the reader can see from Tables 4.7 and 4.8, I chose frequency and consistency cutoffs (1/1) and (1/0.8) in accordance with Ragin's (2008: 143-144) recommendations: choose frequency (1 or 2) when having a relatively small number of cases (here 12 cases) and choose the upper level (0.87 and up) consistency. In the case of horizontal integration, I chose a consistency cutoff of 0.8 due to a very limited number of positive cases. Based on the consistency scores, the coverage column in Tables 4.7 and 4.8 measures both raw and unique coverage of each solution formula.

Finally, each group of solutions (Complex, Intermediate, and Parsimonious) has its own combined solution coverage and consistency values.

Table 4.7 Fuzzy Set Solution Formulas: Vertical Integration

Solutions	Causal Recipes	Coverage (Unique)	Consistency
Complex	SUPRENT*~TRANS*RULE*EXTSH	0.51 (0.08)	1.00
	SUPRENT*CONVPREF*RULE*EXTSH	0.57 (0.17)	1.00
	~SUPRENT*~CONVPREF*~TRANS*RULE*~EXTSH	0.28 (0.11)	1.00
	Solution Coverage and Consistency	0.80	1.00
Intermediate	EXTSH*RULE*~TRANS*SUPRENT	0.51 (0.08)	1.00
	EXTSH*RULE*CONVPREF*SUPRENT	0.57 (0.17)	1.00
	EXTSH*RULE*SUPRENT	0.51 (0.20)	1.00
	Solution Coverage and Consistency	0.80	1.00
Parsimonious	RULE	0.87 (0.87)	0.98
	Solution Coverage and Consistency	0.87	0.99

Note: Frequency / Consistency Cutoffs: 1.00 / 1.00;

Assumptions for Intermediate solution: Causal conditions (absent or present)

Table 4.8 Fuzzy Set Solution Formulas: Horizontal Integration

Solutions	Causal Recipes	Coverage (Unique)	Consistency
Complex	SUPRENT*~CONVPREF*~TRANS*RULE*EXTSH	0.79 (0.79)	0.83
	Solution Coverage and Consistency	0.79	0.83
Intermediate	EXTSH*RULE*~TRANS*~CONVPREF*SUPRENT	0.79 (0.79)	0.83
	Solution Coverage and Consistency	0.79	0.83
Parsimonious	*~TRANS*EXTSH	0.81 (0.81)	0.66
	Solution Coverage and Consistency	0.81	0.66

Note: Frequency / Consistency Cutoffs: 1.00 / 0.8

Assumptions for Intermediate solution: Causal conditions (absent or present)

4.5.1 Causal Recipes: Joint-Sufficient Conditions for Integration Outcome

In Table 4.7, the intermediate solution identifies three different causal recipes for vertical integration outcome. Figure 4.13 summarizes the consistency and coverage scores of these three causal recipes using XY-plots.

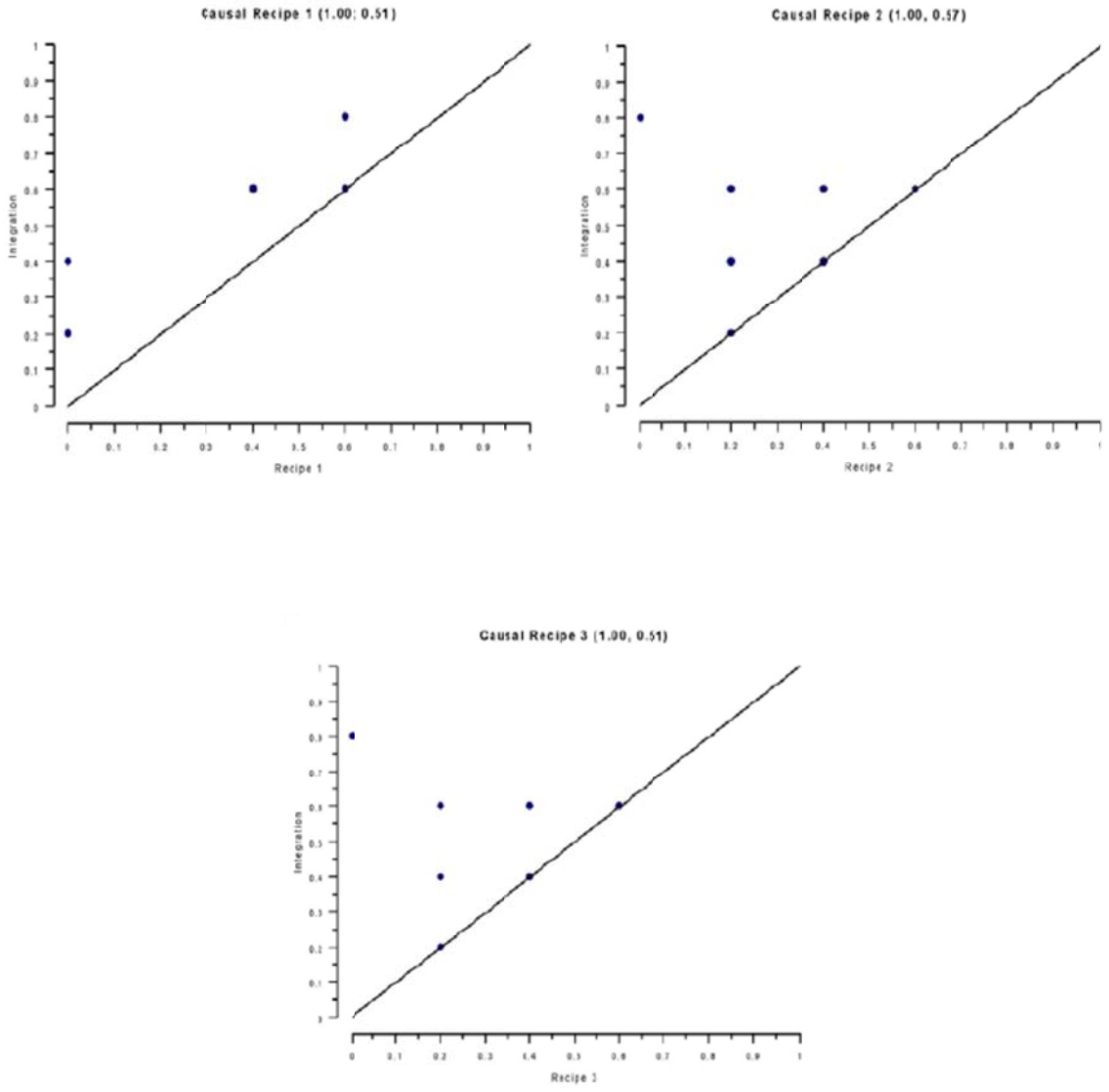

Figure 4.13 Jointly Sufficient Conditions for Integration Outcome

The figure demonstrates the jointly sufficient causal conditions for the causal outcome under causal complexity. The dispositions of cases on the left side of the main diagonal line indicate that each causal recipe, as a combination of causes, is sufficient (or nearly sufficient) for the outcome to occur. The consistency scores in each XY-plot evaluate the sufficiency for each causal recipe. Here sufficiency requires the causal conditions to be less than or equal to the outcome. This means that the causal conditions together become a subset of the outcome. In the figure, all three causal recipes demonstrate perfect consistency scores (1).

In terms of coverage, recipes 1 and 3 cover slightly more than half of the cases (51 percent) whereas recipe 2 covers little bit more, 57 percent of cases. As a whole, the intermediate solution covers 80 percent of the cases with a consistency level of 1.00. Each causal recipe explains different causal pathways to an integration outcome to which we now turn.

4.5.2 Alternative Paths to Integration Outcome in the EU Energy Domain

Table 4.9 summarizes the findings from my fuzzy set analysis. The configurations in each causal recipe demonstrate what leads to the integration outcome. Together, recipes 1, 3 (vertical integration) and 4 (horizontal integration) demonstrate distinctive paths to integration in the EU energy domain.

Table 4.9 Causal Recipes: Multiple Paths to Integration Outcome in the EU Energy Domain

Recipes	Configurations	Cases Covered	Coverage
Recipe 1	EXTSH*RULE*~TRANS* SUPRENT	S0SR10; Pack3G; EED12	0.51 (0.08)
Recipe 2	EXTSH*RULE*CONVPREF* SUPRENT	RES09; Pack3EL; SoSR10	0.57 (0.17)
Recipe 3	EXTSH*RULE*SUPRENT	Pack3G; SoSR10; EED12	0.51 (0.20)
Recipe 4 (Horizontal Integration)	EXTSH*RULE*~TRANS*~CONVPREF*SUPRENT	SoSR10	0.79 (0.79)

Recipe 1 (EXTSH*RULE*~TRANS*SUPRENT), recipe 3 (EXTSH*RULE*SUPRENT), and recipe 4 (EXTSH*RULE*~TRANS*~CONVPREF*SUPRENT) are very similar in that they all emphasize the importance of external contingency (external shocks), rule density and supranational entrepreneurship as jointly sufficient conditions for integration outcome. When these three causal conditions are present, integration outcome is present regardless of transnational interest consolidation and convergence of preferences among key member states present or absent. Recipe 1 as well as recipe 3, each separately, covers half of the successful cases (cases with fuzzy-set membership scores higher than 0.5). Recipe 1 and recipe 3 both cover three out of six successful cases (S0SR10; Pack3G; EED12). Recipe 4, which posits external shocks, rule density and supranational entrepreneurship as jointly sufficient conditions for horizontal integration outcome regardless of presence or absence of consolidated transnational interests and convergence of member state preferences, only covers one case (SoSR10). It is also

noteworthy, that recipe 3 (EXTSH*RULE*SUPRENT) is the most parsimonious out of these three causal paths and has the same raw coverage as the more complex recipe 1 and higher unique coverage (0.20) compared to recipe 1 (0.08).

Recipe 2 (EXTSH*RULE*CONVPREF*SUPRENT) in Table 4.9 informs us that an alternative path does exist to integration. Instead of an absence from the configuration, the second path to integration emphasizes the importance of convergence of preferences among key member states in combination with external shocks, rule density and supranational entrepreneurship. Recipe 2 also covers three out of six successful cases (RES09; Pack3EL; SoSR10) and has higher raw coverage than recipe 1 and recipe 3 (0.57) and higher unique coverage (0.17) than recipe 1. It is noteworthy that recipe 2 covers RES09 and Pack3El cases that have the highest fuzzy scores on vertical integration outcome (0.95). We could interpret this result as an indication that jointly sufficient causal conditions that can lead to the most successful integration outcome should entail convergence of member state preferences.

4.6 Conclusion

In this chapter I have conducted a fuzzy-set comparative qualitative analysis of EU's twelve legislative proposals in the energy domain, based on data obtained from an elite survey and semi-structured interviews. This chapter's investigation of the five causal conditions contributes to the preliminary steps in developing a typological theory of European integration. As a form of causal recipe, different configurations of conditions explain how integration succeeds in the EU's energy domain. Four intermediate solutions show the existence of two different causal paths to integration

outcome. In one path, external shocks, rule density and supranational entrepreneurship are jointly sufficient conditions for the integration outcome. In the other path, convergence of key member state preferences together with the three causal conditions from the previous path are jointly sufficient for integration to occur.

As the findings of this chapter demonstrate, the two most successful cases in terms of vertical integration, the renewable energy directive of 2009 and the third energy package aimed at the liberalization of electricity markets, are covered by this path. This indicates that the convergence of positions of key member states in favor of the Commission's proposal that aims at creating binding rules at the EU level, or transferring competencies to the Community can lead to more successful vertical integration outcome. However, the findings of this chapter do not support the liberal intergovernmental path discussed in the theoretical chapter: external shocks, supranational entrepreneurship and existence of dense EU rules in the given domain are all crucial parts of the causal recipe together with the convergence of member state preferences.

The findings of this chapter do not completely support the supranational path to integration analyzed in the theoretical chapter either. As the solution formulas of the fuzzy-set analysis have shown, integration in the energy domain can succeed when the European Commission can display a high degree of supranational entrepreneurship by exploiting existing EU rules in the energy domain and external contingencies, regardless of the presence or absence of consolidated transnational interests supporting the European Commission in its efforts.

Most importantly, the findings of this chapter largely support the "punctuated equilibrium" path to integration proposed in the theoretical chapter, which underlines the importance of external contingencies (external shocks) together with structural condition (existence of dense EU rules) and agency by the supranational entrepreneurs and/or key member states.

Both causal paths to integration in the EU's energy domain resulting from fuzzy set analysis support my argument that integration in the EU's energy policy domain proceeds under the conjunction of structural conditions, such as dense EU rules in a given policy domain, and external contingencies pressing for the common solutions at the EU level that are successfully employed by supranational entrepreneurs (the European Commission) and permitted by the convergence of preferences among major EU Member States (see Table 4.10).

Table 4.10 Evaluation of Causal Paths to Integration

Liberal Intergovernmental Path	CONVPREF	Not supported by the findings
Supranational Path	SUPRENT *RULE*TRANS	Not supported by the findings
"Punctuated Equilibrium" Path	EXTSH*RULE*CONVPREF*SUPRENT	Supported by the findings

Thus, a fuzzy-set qualitative comparative analysis of the EU's twelve legislative proposals in the various sectors of energy policy has confirmed that there is equifinality in the European integration process, and that different causal paths can lead to an

integration outcome. The next challenge is to identify how the causal conditions that together constitute a causal path interact to lead to an integration outcome, or in other words, what are the causal mechanisms behind alternative paths to integration. In the next two chapters I attempt to explore this by process-tracing two contrasting cases in the EU's energy domain: 2001 RES-E directive that did not result in a successful integration outcome, and RES2009 directive – the most successful case in terms of vertical integration out of the twelve cases analyzed in this chapter.

CHAPTER 5. RENEWABLE ENERGY DIRECTIVE OF 2001

5.1 Introduction

The primary goal of this and the next chapter is twofold. First, both chapters process-trace the five causal conditions to identify how these conditions came together to produce a particular integration outcome. The second objective of the two in-depth case studies is to see whether a different mode of analysis (qualitative process-tracing) validates the findings derived from fuzzy set analysis. For that purpose, the next two chapters will look at the two contrasting cases within the same field of the EU's energy domain: the results of the fuzzy set analysis have identified the renewable directive of 2009 as the most successful case (with the highest fuzzy set membership score) in terms of vertical integration, while the RES-E 2001 directive in the same field did not succeed in this integration outcome. Systematic comparison of the two contrasting cases within the same policy field along all causal conditions contributes to assessing the validity of different causal paths to integration outcome found as a result of fuzzy set analysis. In contrast to fuzzy set analysis, which relied solely on the elite survey data, in the case studies to follow I utilize multiple data sources: official documents of EU institutions and member state public agencies, position papers of transnational organizations, open-ended interviews and personal conversations with the EU bureaucrats, member state officials, representatives of various interest groups, experts as well as news sources and

secondary material, such as articles, books and policy papers by academics and experts in the field. The data triangulation contributes to more reliable findings.

In chapter 5, I process-trace the development of 2001 RES-E directive. The first section provides the reader with a historical and institutional context preceding the elaboration of the directive. The following five sections are structured along the five causal conditions: supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density and external contingency/shocks. In the last section, I discuss the integration outcome brought by the 2001 RES-E directive in terms of the degree of institutionalization (vertical integration) and harmonization level. At last, I summarize the main points of the chapter.

5.2 Background: Emergence of Renewable Energy in the EC Energy Policy

The oil shocks in the early 1970s led many European countries to invest in renewable energy research and development (R&D) and prompted the European Community's interest in renewable energy. European dependence on imported oil became an issue that the Council echoed in its resolution of 1974 concerning Community energy policy objectives for 1985. The Council set an objective of reducing energy imports from 50 percent to 40 percent by 1985 and underlined the major role of coal, nuclear power and natural gas for the achievement of this objective. Despite cursory remarks on the need to invest in research and development of renewable energy sources, the resolution was the first Council document to acknowledge the long-term perspective for RES in replacing traditional forms of energy (Council 1975). It was not until a decade later that Council again reiterated its general commitment to increase

the share of RES in its resolution of 1986 concerning new Community energy policy objectives for 1995 in response to the communication presented by the European Commission (Council 1986).

Despite dwindling oil prices, this was an important concern for the European Commission amidst intensifying international discussion on global warming and GHG emissions reduction. Since the late 1980s, the European Commission has presented RES as one of the main instruments to the solution of climate change problems (European Commission 1988). In addition to environmental and security of supply considerations, the European Commission envisioned a new developmental model based on positive 'ecolo-economic' relationships. Investment in environmentally friendly technologies would give the Community the "first mover advantage" and result in increased exports, competitiveness and employment – a particularly relevant issue in light of rising competition from the United States and the "Asian tigers" (European Commission 1993).

Aiming to establish the EU as a leader in global environmental talks at the 1992 Rio Summit, the European Commission proposed binding renewable targets and several directives dealing with the safety and environmental impact of wind turbines, licensing of small hydro, and technical specifications of biofuels for diesel engines (Hildingsson *et al.* 2010: 108-109). However, the member states rejected all initiatives of the Commission except the requested R&D support for renewables. The Council's decision of 1993 specified the details of the ALTENER program – a specific EU financial instrument for renewable promotion. ALTENER constituted the very first element in the implementation of the EU's RES policy aimed at supporting the development of

renewable energy technologies that have not yet reached the stage at which they could compete against traditional industry. ALTENER, for the first time, proposed an indicative RES target: increase the share of RES of total energy demand from around 4 percent in 1991 to 8 percent in 2005 (European Council 1993).

Apart from external context and European Commission's efforts, internal institutional developments also created a favorable ground for the first seeds of Community's policy on RES. The Single European Act in 1986 with the new article 100a introduced an explicit Community competence to regulate environmental matters in the context of internal market developments and provided explicit legal basis for European environmental policy (Lenschow 2005). The EU's voice in environmental policy was further reinforced with the Maastricht and Amsterdam Treaties. The Maastricht Treaty in 1993 extended QMV to the environmental matters, established the co-decision procedure for most environmental policies and granted more influence to the EP in the environmental policy field. This was an important procedural change in EU rules that stimulated a new policy dynamic in the environmental and energy domains in general, and for the EU RES policy in particular (McGowan 1996; Matláry 1997).

Although the liberalization agenda was the predominant driver in the early 1990s, environmental issues and climate change gained in importance in the run-up to the Kyoto summit in 1997 as the European Commission, and in particular DG Environment, was increasingly keen to establish itself as a global leader in climate change policy (Skjærseth and Wettestad 2008).

Influenced by the international negotiations, the so-called CoP1, on CO2 emissions reduction that took place in Berlin in 1995, the European Commission in its Green Paper of 1996 suggested doubling the share of renewable energy to 12 percent in the EU's gross inland energy consumption by 2010 through a number of measures, the most important of which was a Community-wide framework for RES based on a system of renewable energy credits obliging electricity suppliers to purchase credits covering a certain percentage of its electricity (European Commission 1996). The goal of the document was to initiate a discussion on the most effective strategy for supporting the development of RES.

In the follow-up White Paper "Energy for Future: Renewable Sources of Energy," the European Commission reiterated the need to set the 12 percent target for RES in the energy mix by 2010 that should be "a political, and not a legally binding tool" (European Commission 1997: 9-10). The twelve percent figure was accompanied with a figure for renewable electricity. The Commission suggested that electricity production from renewables could grow significantly from present 14.3 percent to 23.5 percent by 2010, if appropriate measures were taken (European Commission 1997: 43; Rowlands 2005). The White Paper also proposed a variety of measures to be adopted at the Community and national level across different policy sectors and envisaged the new directive proposals on "fair access for RES to the electricity market" and the "promotion of biofuels in the transport sector" (European Commission 1997: 8).

The Energy Council agreed that the 12 percent target represented a "useful guideline" and asked the Commission to elaborate proposals aimed at removing barriers

for the wider deployment of RES and for facilitating trade of green electricity (Council 1998: 4). The European Parliament was more ambitious than the Council or even the Commission. The EP underlined its position as a strong supporter of RES policy and called for the share of renewables in the EU's primary energy mix to be increased to 15 percent by 2010 with binding national undertakings on national overall goals and targets for each type of energy (European Parliament 1998).

It took the European Commission several years to come up with the proposal for a directive on RES. In May of 2000, the European Commission tabled a proposal for the so-called RES-E directive, which translated the 12 percent RES target in the EU's energy mix presented in its 1997 White Paper into the overall EU-target for the share of RES in the EU electricity gross consumption of 22.1 percent by 2010 (European Commission 2000b). However, the 22.1 percent target was less than the 23.5 percent target previously mentioned in the Commission's White Paper and strongly supported by the European Parliament, RES associations and environmental groups. The indicative nature of the target as suggested in the proposal aligned more with the position of the Council than that of the European Parliament or the RES associations that called for mandatory national objectives (Cordes 2000). During the directive negotiations several member states questioned even the indicative targets listed in the annex to the directive proposal (Council 2000a).

However, the fiercest debate concerned the appropriate measures and instruments through which member states were supposed to achieve set targets (Interview with the European Commission official 2011). Since it was not realistic to

combine 15 different support schemes, the European Commission suggested introducing a European-wide quota system to be managed at the European Union level. In light of severe opposition of some big member states (Germany, Spain), the European parliament and RES associations, the European Commission finally gave up on the European-wide support scheme and left it to member states to decide on their own what support scheme they wished to implement at the national level.

So, the concern about Community's energy dependence, the emergence of transnational issues, such as climate change, as well as the expansion of the Community competence in the field of environmental policy contributed to new initiatives of the EU's RES policy and resulted in the RES-E Directive of 2001 on the promotion of electricity produced from RES after several years of negotiation involving debates on the definition of RES, nature and level of targets and the harmonization of national support systems. It set overall indicative target of 22 percent from electricity from RES by 2010, and included individual targets for each member state. The European Commission was eager to introduce a European-wide support scheme, but member states resisted both harmonization of national support systems and a common system. The time was not ripe for harmonization and no agreement could be reached at that point (Lauber 2007).

5.3 Supranational Entrepreneurship

The European Commission is the most important actor in the EU policymaking process. The European Commission claims to act for the common good. However, as all other international organizations, the European Commission as well has a goal to survive and extend its competencies (Cram 1997: 28). The European Commission enjoys

the exclusive competence to initiate policy in many policy fields and, therefore, it can effectively keep or extend its competencies by providing solutions to different problems even if the member states do not task the Commission to take action. “EU institutions are not just passive venues waiting for issues and demands from other political actors to come their way, but active players who try to promote issues themselves by taking initiatives and developing policy debates” (Princen 2007: 30). The Commission can be viewed as a policy entrepreneur that takes advantage of the window of opportunity to take action (Kingdon 1994; Zahariadis 2007). The Commission bureaucracy often has much deeper expertise on the issues it deals with and is ready to use the window of opportunity as soon as it opens up for a particular policy. Policy expertise and institutional persistence can provide them with certain informational advantages vis-a-vis both competing agenda setters and the Council of Ministers in a setting of incomplete information (Kiewiet and McCubbins 1991).

The European Commission, as a policy entrepreneur, is not only waiting for the window of opportunity to open up, but is also precipitating in its emergence. By publishing Green and White papers, policy roadmaps and strategies, the European Commission can put an issue on the agenda, present a wide array of measures that should be taken to solve it, mobilize various stakeholders by framing an issue in a salient and appealing manner (Princen 2007; 2011). The ability to mobilize the support of stakeholders on a particular policy proposal is an important aspect for the successful supranational entrepreneurship by the European Commission. The influence of supranational institutions is greatest in situations where those institutions possess clear

translational constituencies of interest groups, which can act to bypass the member governments and/or to place pressure directly on them (Pollack 1997).

In addition to mobilization and framing strategies, the European Commission has another leverage to influence member states to agree on a policy that may not fully reflect their interests but is preferred over a "default condition" of no policy at all (Scharpf 2006). The European Commission has the right to withdraw its proposal if changes and revisions introduced by the Council and the Parliament during the negotiation stage on the draft proposal of the Commission are not acceptable. This gives the Commission means for 'bureaucratic shirking' to push through proposals that does not fully represent interests of member states and is inimical to member state preferences (Pollack 1997: 129). The European Commission can shirk within certain limits exploiting cleavages among the member states and push through proposals closest to its own preferred policy that can also garner QMV in the Council (Pollack 1997: 129). The success of the European Commission in creating the window of opportunity for a preferred policy depends on the one hand on its long-term commitment to a certain issue and on the other on its adaptability and readiness to present solutions acceptable to all veto players participating in the decision-making process (Zahariadis 2007).

In the ensuing section, I will process-trace the development of the 2001 RES-E directive in light of the extent of supranational entrepreneurship by the European Commission. I will pay particular attention to the important components to supranational entrepreneurship: European Commission's efforts in the process of

problem definition and proposal initiation, to the level of ambition enshrined in the proposal, framing strategies and to the Commission's success in mobilizing various stakeholders' support, including member states.

5.3.1 Setting an Agenda: Problem Definition and Policy Initiation

On 20 November 1996, in the run-up to Kyoto, the European Commission stepped up its efforts to put renewable energy on the EU agenda and released a Green Paper on renewable electricity in the Union, entitled 'Energy for the future: renewable sources of energy' (European Commission 1996). Green papers generally "propose the first ideas for discussion in a specific field where a Community action might be envisaged, often presenting a range of alternative approaches" (McGiffen 2001: 29). The aim of the Green Paper was to stimulate wide consultation and discussion with all interested parties and Community institutions and put forward a more detailed Community Strategy with Action Plan by mid-1997 based on the feedback from various stakeholders. The European Commission underscored the need for attaining a significantly higher share of renewable energy in EU's energy balance for complying with the international commitments concerning environmental protection in light of upcoming Kyoto obligation regarding Co2 and other greenhouse gas emissions reduction, for improving security of supply in light of forecasted increase in energy dependence on imports to 70 percent, as well as for economic competitiveness in light of employment creation and improved RES-technology export potential for European renewable energy industry (European Commission 1996).

In the Green Paper, the European Commission called for a common EU policy on renewable energy and proposed an indicative target of 12 percent RES share of gross inland consumption by 2010 that meant doubling of the RES contribution to the EU's energy balance – "a clearly ambitious, and yet realistic objective" (European Commission 1996). It should be clear that a Community target implied that the Community as a whole, rather than individual member states, should aim to increase the percentage of RES in the energy mix. Without outlining specific details, the European Commission also sneaked in an idea about a prospective harmonized Community framework for promoting RES based on a market approach by mentioning the possibility of introducing tradable renewable energy credits at an EU-wide scale that would prevent market distortions arising from similar measures applied by individual member states (European Commission 1996). A broad public debate followed focusing on the RES targets and the type and nature of measures that could be undertaken at Community and member states' levels. The Commission organized two conferences during the consultation period where those issues were extensively discussed (Interview with the Commission official 2011). Meanwhile, the European Commission also adopted a negotiating position for the upcoming Kyoto conference that argued for 15 percent greenhouse gas emissions reduction target for industrialized countries by the year of 2010 from the 1990 level (European Commission 1997). The Council in its resolution on the Green Paper invited Commission to prepare an action program and present a strategy for renewable energy and confirmed indicative targets as a guideline for

ambitious objective of doubling the overall share of RES in the Community by 2010 (Council 1997).

After receiving comments from various institutions and parties, the European Commission published the White Paper in November 1997 with more detailed suggestions. The Commission also proposed to follow-up with a directive in 1998 that would provide a harmonized framework for member states to ensure that renewable energies make up a sufficient contribution to overall electricity supply, both at the EU and at national level (European Commission 1997: 15, 34). The European Commission again underscored the need to set the 12 percent target for RES in the energy mix by 2010 that should be "a political, and not a legally binding tool" (European Commission 1997: 9-10). This time, the 12 percent figure was accompanied with a figure for renewable electricity. The Commission suggested that electricity production from renewables could grow significantly from the present 14.3 percent to 23.5 percent by 2010, if appropriate measures were taken (European Commission 1997: 43). The White Paper also called for a market approach stating liberalization "can form the basis for a dynamic and secure role for renewables so long as adequate market-based instruments are provided" (European Commission 1997: 15). The Commission suggested establishing a working group involving Commission and member state representatives to monitor the measures undertaken and evaluate the impact of energy policy decisions at all levels with regard to the use of RES, whereas member states would be asked to report to the working group about their contribution to the 2010 target and on how they intend to promote renewables sector by sector (European Commission 1997: 14). In this manner,

the European Commission tried to carefully introduce reporting obligations on member states regarding their national targets and measures already in its White Paper. Most importantly, the White Paper envisaged the new directive proposals on “fair access for RES to the electricity market” and the “promotion of biofuels in the transport sector” (European Commission 1997: 15).

In addition to the White Paper, the Commission sponsored the so-called TERES II study on possible future scenarios for the RES development. These scenarios predicted the contribution of renewable energy sources to gross inland energy consumption to be between 9.9 percent and 12.5 percent by 2010 European Commission 1997). It is noteworthy that the European Commission took the higher figure predicted by these scenarios when suggesting the 12 percent indicative target in its White Paper.

The Energy Council agreed that the 12 percent target represented a “useful guideline” and asked the Commission to elaborate proposal aimed at removing barriers for the wider deployment of RES and for facilitating trade of green electricity (Council 1998: 4). The Energy Council supported the Commission’s emphasis on renewable energy as a key to reach the Kyoto target (ENDS 1998a).

Thus, the European Commission was able to generate wide discussions on possible ways of RES promotion. As a policy entrepreneur, it was quite successful in putting the RES issue on the European agenda and preparing the ground for the legislative action.

5.3.2 Formulating the Proposal: Not so Ambitious?

In 1998, the European Commission drafted a proposal for the directive requiring member states to produce at least 5 percent of their electricity from RES. The proposed quota was not very ambitious but would still require a big increase in countries with lower than average share of RES (ENDS 1998b). The draft directive intended a Union-wide shift to more deregulated power markets insisting on a "transition towards more competition and trade-based system" for renewable support, while limiting the ways in which EU member states could support renewables[15]. This meant the Commission was eager to demand that countries with subsidy or fixed-price based schemes (i.e. Germany with FIT) adapt their support system to make them more compatible with the free market within the transition period until 2010 (ENDS 1998b). Thus, the draft directive envisaged the harmonization of RES support policies so that national schemes were mutually acceptable in all member states (European Commission 1998).

[15] At that time there were two types of support schemes operating in the member states: feed-in Tariffs (FIT) and tendering system. In FIT RES-E is supported via guaranteed fixed prices, coupled with a purchase obligation by the utilities. The price is set as a percentage of the electricity price actually sold by the utility to final - usually industrial - customers. RES-E- producers receive a fixed proportion of this final price. The levels of the guaranteed prices may vary considerably from country to country. (Germany, Denmark, Spain and Italy offered the highest prices to -RES-E producer). The fixed tariff may be modified from time to time by the appropriate regulatory authority to reflect, for instance, falling prices due to technological progress. The tariff may also be supplemented with subsidies from the state (e.g. Denmark) where a subsidy per kWh delivered to the grid is paid to independent producers.

In the tendering system (e.g. UK, Ireland), the member state decides on the desired level of RES, in accordance with public policy choice of the source mix (wind, biomass, solar, waste, etc.). State places a series of tenders for the supply of the electricity, which would thereafter be supplied on a contract basis. The electricity is then sold by the authority responsible for organizing the tender at market prices, financing the difference between sale and purchase price through a non-discriminatory levy on all domestic electricity consumption. According to the European Commission, this system allows member states decide the level of RES, the mix between different RES sources, their growth rate over time, and the level of long-term security offered to producers over time (European Commission 1999: 14).

In addition to these two systems, some member states supported RES-E in the form of voluntary green pricing schemes (the Netherlands and Sweden). In green pricing schemes, consumers can voluntarily opt to pay a premium for renewable electricity (European Commission 1999).

The draft directive met fierce resistance from the German government influenced by Germany's wind-power industry, which has profited from the German feed-in-tariff (FIT) system of fixed pricing to develop the largest installed wind power capacity in the world and saw the proposed competition and market-based funding scheme favored by the European Commission as a real threat to FIT. Particularly problematic for the German government was the second objective of the proposal: ensuring that renewable energy support schemes do not create trade barriers in the context of Europe's rapidly liberalizing electricity supply market (Interview with the German official, Ministry of Economy, 2012). German political pressure and nearing of the end of the incumbent Commission's term on September 1999 has forced the European Commission to shelve the draft directive altogether and announce further consultations with the energy ministers of member states (ENDS 1999a).

The European Wind Energy Association (EWEA) and a coalition of European environmental groups were discontented with the of the directive and criticized the German government for killing a directive that could have actually been used to protect FIT and give a level playing field to develop RES to full maturity and become more competitive within the transition period, which they argued, was long enough (ENDS 1999b). They called for a stalled EU directive on renewable energy to be resurrected without limiting renewables support schemes and with the stronger national binding targets (8 percent by 2005 rising to 16 percent by 2010) if EU's Kyoto commitments were to be met and a market lead in RES technology were to be maintained. The coalition agreed that a single EU system for supporting renewables was a desirable goal

in principle, but argued that market liberalization should not jeopardize systems that had proved successful in boosting renewable energy (ENDS 1999b).

The European Commission in April 1999 came forward with the working document instead, which outlined various options for promoting RES and setting rules for support schemes. The European Commission reiterated in the working document that if a situation with a range of support schemes across Europe were allowed to continue, it appears likely to result in "distortion of trade and competition in increasingly liberalizing European electricity market" (European Commission 1999: 4). The Commission assessed direct support schemes presently existing in the member states in terms of their compatibility with the basic Community rules on internal market and state aids, their ability to provide a stable regulatory environment, their efficiency and political administrative consequences. The Commission clearly favored quota-based system over a feed-in-tariff option as a possible future European support scheme for the RES. In its assessment, the European Commission concluded that whilst a fixed feed in tariff might be considered an appropriate mechanism to ensure low-level market take-off, it may suffer from a number of important disadvantages in the medium term, and therefore, the move from a fixed tariff approach towards one based on trade and competition is at some stage inevitable (European Commission 1999: 23). More importantly, the European Commission laid out two possible routes for achieving internal market in the area of renewable energy: *Gradual* achievement of an internal market through continued application of EU Treaty rules, particularly rules on state aids that would be applied with regards to support schemes in member states. Under this

option each member state would continue to freely choose the support scheme regarded as most appropriate, however subject to Treaty rules on state aid that would progressively lead to the development of a single market. Alternatively, the European Commission suggested a *proactive* creation of a single market through the adoption of a basic Community framework in the form of a directive that would ask member states to adjust their direct support schemes for renewal generated electricity so that, after an appropriate transitional period, different schemes were sufficiently compatible with one another and permit effective trade and competition (European Commission 1999). As one of the European Commission bureaucrats noted, the Commission clearly preferred the latter option that would provide more regulatory certainty and avoid consequences of legal action under the state aid rules to the national support schemes that might have discouraged new investment in RES. However, with the former option, the European Commission was giving a "warning signal" to member states that it would still "chase" after their national support schemes in case they decided to deter the proactive course of action (Interview with the European Commission official 2011).

Eventually, in May 1999, the EU energy ministers agreed to give a political backing to the development of a directive as long as it explicitly allowed national governments to steer the development of national support schemes and formally asked the Commission to submit a proposal on RES promotion. However, they gave no clear message on whether or not they would back binding targets (ENDS 1999c). The Commission, in turn, promised to adopt a proposal before the end of its term in September, but at the end of the day failed to do so.

Later in the fall of 1999, the European Commission under an incoming energy and transport Commissioner Loyola de Palacio elaborated a new proposal, which was criticized for the absence of binding national targets for increasing the share of RES while imposing restrictions on member states' rights to limit support schemes to national suppliers (ENDS 1999d). The first point was objected to by the renewable industry and green groups, and the second point was not particularly welcome by some of the member states (Interview with the European Commission official 2011). As a result, the formal adoption of the draft directive was postponed again, already for the second time.

Since the European Commission lost hope for instantly publishing a formal draft directive, Loyola de Palacio presented a short summary of proposed measures in December of 1999 and asked EU energy ministers, as well as other stakeholders, to provide feedback. The Commission's proposal included an option for a binding EU-level target, or a requirement for member states to set national targets consistent with the EU's objective of doubling the share of RES. That would mean burden-sharing and differentiated targets for each member state.

The Finnish Presidency of the EU at that time expressed the position of the Council that envisaged national targets "in terms of improvement rather than absolute" (ENDS 1999d). It was pretty obvious that member states were not ready for binding national targets set by the EU.

On the other hand, the European Parliament as well as the European renewable energy industry and environmental groups called for the legally binding minimum

national targets to be set so as to achieve doubling the share of RES in total EU energy consumption by 2010, while arguing for maximum flexibility for member states over national support schemes (European Wind Energy Association 1999). In the report drafted by the Green MEP Claude Turmes in March 2000, the European Parliament also warned the European Commission about potential risks of the planned revisions to EU rules on state aids with regard to renewable support schemes. The report argued that instead of treating RES support schemes as straightforward subsidies under the state aid rules, the Community should view them in a special manner (European Parliament 2000). This was an important point in the report, because the Commission had already issued a warning to Germany about a possible challenge to its FIT scheme that was considered as an illegal subsidy by the Commission (ENDS 1999d).

Finally, in May 2000, the European Commission published its long-awaited proposal for a directive on renewable energy sources. The basic objective underlying the draft directive was to create a framework which would facilitate the medium-term significant increase in renewable generated electricity ("RES-E") within the EU. The Commission ended up proposing a draft law with no binding national targets for increasing RES. Instead the proposal contained indicative targets for member states that were designed to enable the EU to double the proportion of “green” energy from 6 percent to 12 percent in primary energy supply by increasing the share of renewable electricity from 14 percent to 22 percent by 2010. The European Commission in the preamble of the proposal recognized that binding targets could facilitate the achievement of 12 percent objective and ensure that RES makes a significant

contribution towards the attainment of the EU's Kyoto commitments. However, the Commission, at the same time, acknowledged that there were "good arguments for maintaining a large degree of flexibility for member states, enabling them to identify the strategy best suited in light of national circumstances" (European Commission 2000b: 3-4). The European Commission, in the draft directive, tried to find a middle ground (Rowlands 2005). So, the draft proposal reiterated the indicative objective of 12 percent for RES in the gross inland consumption as set out in the White Paper in 1997 and endorsed by the Council in 1998. In addition, the 12 percent share of RES in the gross inland consumption has been translated into a specific share of 22.1 percent of RES in electricity consumption (European Commission 2000b: 3). This figure, though, was lower than 23.5 percent proposed in the White Paper. The Commission claimed that while the draft directive still aimed for consumption of RES generated electricity to be at 675TWH in 2010, because of increase in the estimates of total electricity consumption by 2010, this number would correspond to lower 22.1 percent share for RES instead of 23.5 percent (European Commission 2000b).

The European Commission turned a deaf ear to the requests of the European Parliament, renewable industry and green groups concerning ambitious binding national targets. The Commission seemed to bow down to the Council's concerns. The new Commissioner responsible for the Directive—Loyola de Palacio—was reported to have preferred binding targets, but apparently she had to drop this idea in the face of firm resistance from member states (Frost 2001: 17).

The European Commission's ambition to create a harmonized Community wide support scheme for RES was diluted as well. The draft directive proposed to leave existing national financial support schemes for renewables intact for five years on the grounds that the European Commission lacked sufficient evidence and experience to decide for one particular system. However, the European Commission's draft law stated that a harmonized EU system remained the Community's objective and promised to propose a harmonized system by 2005, after thoroughly studying schemes currently in place in EU member states. The European Commission also reserved the right to propose mandatory national targets in the future in case member state's indicative targets turned inconsistent with the overall EU target (European Commission 2000b). The draft directive put an obligation on member states to report annually on their progress in terms of target achievement, as well as adaptation of direct price support schemes to the principles of the internal market in the medium term. The directive proposed the harmonization of rules for national schemes within five years and outlined procedures for detailed EU monitoring of national progress in RES policy. Furthermore, the Commission proposed certification of origin of electricity produced by RES. The draft directive required member states to introduce a system for the certification of origin of RES-E, the so called guarantees of origin (GOs). The rationale was that these green certificates could become tradable securities in the future that would facilitate the transition to market-based support schemes (ENDS 1999d; Interview with the European Commission official 2011). The draft law also asked member states to review planning and administrative procedures to reduce regulatory barriers for RES. The European

Commission abstained from introducing harmonized mandatory rules on sharing the costs of electricity transmission. However, the draft directive imposed obligation on system operators to grant priority to renewable energy generators (European Commission 2000b: 8).

The proposal for the directive on renewable energy, elaborated through a slow, drawn-out process and shelved twice, finally marked an uneasy compromise between the EU member states, majority of which have opposed binding national targets, and the renewable industry, environmental groups and the European Parliament that repeatedly requested targets to be mandatory in order to have real effect. Even though the European Commission opted for the proactive route of legislative action outlined in its working paper of 1999, the level of ambition enshrined in the final proposal was substantially diluted. Both binding targets and the issue of harmonized support schemes were side-stepped for the moment.

In parallel, the European Commission resorted to the gradual route of internal market creation for renewable energy relying on the EU Treaty rule on state aid, especially once it realized that the introduction of the harmonized support scheme in the directive was not realistic at that stage. The Commission presented a revised version of the Community guidelines on state aid for environmental protection to ensure the compliance of national RES support schemes with the state aid rules of the Treaty. Furthermore, the European Commission challenged the German FIT scheme, insisting that it was "potentially disruptive to the EU's single market" (ENDS 2000a). In this manner, the European Commission tried to circumvent the Council with the help of the

ECJ and exploiting the Treaty rules. The Commission had taken a similar approach in the process of liberalization of electricity markets when it relied on Treaty rules on competition and decisions of the ECJ. However, this time, the European Court of Justice refuted the Commission's arguments with its ruling in the Preussen-Electra case, which stated that Germany's feed-in law did not constitute state aid (Kuhn 2001).[16] As a result, the European Commission's effort to derail feed-in schemes in favor of market-based instruments failed as well.

The European Commission's entrepreneurship efforts in the proposal formulation stage of the policy-making process were not as successful as in the policy initiation phase. The Commission's draft proposal was shelved twice in face of strong pressure from the renewable industry and green interest groups on the one hand, and resistance from member states on the other. Despite pursuing the proactive route of legislative action laid out in the working paper of 1999, the European Commission turned out not to bold enough to suggest either binding measures or harmonized support scheme against the will of member states.

5.3.3 Mediating Negotiations: Framing Strategy and Mobilization of Stakeholders

After the adoption of the draft proposal by the European Commission, pursuant to Article 251(2) and Article 95 of the Treaty, in accordance with the steps of the co-decision procedure, the Commission forwarded the proposal to the European

[16] A leading German electric utility launched what proved to be an ultimately unsuccessful challenge to the FIT. This challenge, made under EU competition law, failed in 2001 when the European Court of Justice held that the law did not involve state aid, arguing that the government at no stage had control over the funds that paid for the extra cost of renewable generation and which flew directly from the consumers to the utilities, which in turn passed them on to the generators (European Court of Justice 2001).

Parliament and the Council for consideration. The draft directive generated mixed responses from the European Parliament and the member states, especially with regard to the three most contentious issues: definition of renewable energy sources, level and nature of targets, and support schemes for RES. This sub-section will discuss each of them in light of European Commission's entrepreneurship efforts to survive the draft directive through the negotiation and co-decision stage, facing a pressure from the Council on the one hand, and from the European Parliament on the other.

In the draft proposal, the European Commission mentioned wind, solar, geothermal, wave, tidal and biomass, and hydro-only if generated in power plants smaller than 10 MW - as renewable sources of energy. The Commission's definition of renewable power was somewhat vague: "electricity generated by plants using only renewable energy sources, including the part of electricity produced from renewable energy sources in hybrid plants using conventional sources of energy, in particular for back-up purposes" (European Commission 2000b: 3) Based on the presented definitions, three issues turned out to be contentious in the negotiation state: what does biomass include, whether or not large hydroelectric power plants should benefit from the RES support schemes, and the role of renewable sources in hybrid plants.

The European Commission defined biomass more narrowly, including only products and waste from agriculture and forestry in the definition. In the report, after the first reading, the European Parliament suggested to incorporate biodegradable by-products of the pulp and paper industry and the biodegradable fraction of separated municipal wastes, and clearly exclude environmentally harmful substances, such as

wood preservatives (European Parliament 2000) The European Commission took into account the EP's suggestions and reflected them in its amended proposal for a directive (European Commission 2000c). The Council, in its common position, put forward a much broader definition for biomass, which counted biodegradable fraction of industrial and municipal waste without exclusively demanding that waste should be separated (Council 2001). In response, the EP reiterated in its recommendations for a second reading, that non-separated waste cannot be treated as RES (European Parliament 2001). However, on this point, the European Commission disregarded the EP's position and in the final proposal included a broader definition of biomass proposed by the Council (European Commission 2001).

With respect to electricity produced in hydroelectric installations, the European Commission displayed some inconsistency. In the draft proposal, the Commission underlined that only electricity produced in installations with an installed capacity below 10 MW would be considered as coming from renewable sources. However, electricity from large hydro power plants would still count towards the RES-E target of a given country (European Commission 2000c). Such formulation implied that large hydro power would not benefit from the introduced support schemes for RES. The Council was not satisfied with this formulation and in its common position got rid of such differentiation between large and small hydroelectric power plants ensuring that member states could subsidize large hydro power plants under their support mechanisms designed for RES (Council 2001). The European Commission, once again, revised its original proposal to reflect Council's concerns.

The other issue that came to be contentious concerned the definition of hybrid plants, more specifically whether electricity generated during biomass co-firing could be regarded as a renewable source of energy. According to the European Commission's definition, to be regarded as RES-E, electricity had to be generated in plants using only renewable energy sources, but conventional sources of energy could also be used "particularly for back-up purposes." The European Parliament advocated more restricted definition of hybrid plants limiting the use of conventional sources "for back-up purposes only" (European Parliament 2000). The Council, again, came up with a broader definition and in its common position stated that "the proportion of electricity produced from renewable energy sources in hybrid plants also using conventional energy sources" can be counted as coming from renewable energy sources (Council 2001). So, the European Commission tried to find a middle ground between the Council and the EP, but even when its opinion was in line with the EP's position (i.e. exclusion of large hydro plants from support schemes, limitation of the role of biomass co-firing in hybrid plants), the European Commission went on a compromise on many definitional issues with the Council not to risk the fate of the entire directive.

As we have already seen, setting targets for renewable energy source was a controversial issue from the very beginning. The controversy with respect to RES targets entailed two dimensions: the level and the nature of targets. The European Parliament, early on, advocated for the higher target of at least 15 percent share of RES in the EU's inland energy consumption to be divided among member states and broken down by different sectors (i.e. electricity, heating and cooling, transport) (European Parliament

1997). However, the 15 percent target as well as sectoral targets was too ambitious for the Council (Interview with the European Commission official 2011). Therefore, it never found its way in the Commission's draft proposal. In the draft proposal presented to the EP and the Council, the European Commission converted the overall 12 percent target of RES in energy mix into 22.1 percent share of RES in the gross electricity consumption. This was a strategic decision by the European Commission. As one of the Commission bureaucrats involved in the elaboration of the directive mentioned, the Commission hoped that those member states, which had already designed national support schemes for electricity generated from RES (i.e. Germany, Spain, Denmark), would back up Commission's proposal (Interview with the German official, Ministry of Economy, 2012).

The European Parliament was ready to push for more ambitious targets and suggested 23.5 percent of RES share in the gross electricity consumption, 1.4 percent higher than the one proposed by the Commission, arguing that an expected rise in energy efficiency would facilitate to achieve a higher share of RES in electricity consumption. With respect to the nature of the national targets, the European Parliament asked for the binding minimum national targets for the share of RES-E in electricity consumption, stating that only legally binding targets would be able to guarantee that member states take all necessary efforts to develop renewable sources of energy. In addition, EP argued that member states should set targets for production of RES-E to utilize potential with regard to sustainable energy as fully as possible (European Parliament 2000: 22).

In the amended proposal, however, the European Commission disregarded EP's suggestions. The Commission again referred to 22.1 percent RES-E indicative target to be achieved by 2010 based on the national targets that should be of indicative nature as well. The European Commission realized that 22.1 percent target was already more ambitious than member states initially desired (Lauber 2005). A majority of member states in the Council ensured that only indicative RE-E targets were set. The European Commission only succeeded in keeping a future reference to mandatory targets in the final version of the directive. According to the Article 3(4) of the directive, the European Commission can bring forward mandatory targets if three years after the entry into force of the directive the national indicative targets turn out to be inconsistent with the overall 12 percent target and the 22.1 percent indicative share of electricity produced from renewable energy sources in total Community electricity consumption (European Commission 2001: 3).

The Council adopted individual national targets suggested by the European Commission for member states with only minor changes. Only three member states (the Netherlands, Portugal and Finland), out of fifteen, demanded to reduce their national targets. Sweden and Austria requested to include a note in the directive acknowledging that the achievement of their national targets was conditional on climate factors that could affect the productivity of their hydro power plants (European Commission 2001: 8).

Overall, the European Commission's policy entrepreneurship was partly successful on the issue of targets. The Commission's suggestions, though not as

ambitious as the EP would like, were adopted by the Council with relatively slight changes (Rowlands 2005: 970)[17]. But the European Commission did not succeed in persuading member states to set binding targets and left the issue of mandatory targets as a future possibility. However, even an indicative target of 22.1 percent share of RES in electricity consumption derived from the overall 12 percent target of RES in EU's energy mix was already a step ahead.

The most contentious issue throughout the entire process of policy elaboration on RES concerned, however, not the objectives, or how much RES-E should be generated, but the means, or how the development of RES should be supported.

The European Commission was affected by neoliberal worldviews, and therefore, viewed support for renewable electricity as a source of market distortion and favored the so-called market-based instruments over command and control regulation. In its early papers, even before the drafting process of the RES-E directive had begun, the European Commission framed the problem and presented a solution from a perspective focusing on the fulfillment of the recently liberalized electricity market, viewing the existence of different support schemes as "likely to result in distortion of trade and competition" (European Commission 1999: 4). This is hardly surprising since within DG Energy the subdivision of Competition and Internal Market was in charge of the question. DG Competition also argued strongly in favor of market-based instruments,

[17] Six of the Union's 15 member states have qualified their target in some manner. Several of them pointed that the percentage target is a function of overall electricity demand, and therefore, should the estimate for overall demand be incorrect, then the target should no longer apply. Austria and Sweden noted the weather-dependent nature of hydropower (note that hydropower accounts for a significant contribution of RES in these countries). Luxembourg requested that all of the electricity produced by its municipal waste incinerator needs to be counted as renewable to be able to reach its assigned target (European Commission 2001:8).

such as Tradable Green Certificates (TGC) that would conform to Community rules of state aid.[18] Other supporters of Commission's official frame and offered solution - an EU-wide harmonization of support schemes based on TGC - included EURELECTRIC on behalf of the traditional electricity industry and the European Wind Energy Association (EWEA) dominated by British and Danish interests at that time. They all advocated quantity-based instruments, which implied either tender systems such as the non-fossil fuel obligation (NFFO) in the UK, a leader member state in liberalization, or quota and TGC systems (Lauber and Schenner 2011: 514). Price-based systems, such as feed-in tariffs existing in Germany, were referred to as regulation and considered disruptive to the internal market (European Commission 1998).

Thus, from the very outset of the process, the European Commission was clearly keen on harmonization of support schemes, and preferably in the form of the tradable certificates model, arguing that with increased competition on energy markets, regulatory policy measures such as feed-n tariffs had to be replaced by more market oriented measures (European Commission 1996: 34), the position that was repeated in the White Paper (European Commission 1997; Rowlands 2005).

The very early draft proposal for the directive developed by the Commission in February 1999 emphasized that support schemes applied in member states should be based on the competition between the producers of renewable electricity and should enable trade between producers and consumers in the internal market; the exemptions

[18] Under TGC scheme, the RES-E generators can sell their green power for the price they can get in the electricity market, but they can also sell accompanying 'green certificates' to suppliers who need the certificate to show they have fulfilled their obligation. Thus, RES-E producers' income is dependent on market price of green certificates and market price of electricity (Buchan 2009: 145).

from these rules would only apply until 2010 (European Commission 1999: 56). In reality, this actually implied the abolition of feed-in tariff support system in member states such as Germany, Spain, and others that already had such schemes in place with considerable success rates (Interview with the German official, Ministry of Environment 2012). The proposal was dropped due to controversy within the Commission, which eventually paralyzed it on this issue (Hirschl 2008: 349). And even if the proposal was adopted by the Commission, it would never get Council's approval, as some big member states, namely, Germany and Spain, strongly committed to FIT were already expressing their discontent. They argued that member states should be able to choose their own support schemes, referring to the principle of subsidiarity (Interview with the German official, Ministry of Environment 2012; Interview with the European Commission official 2011).

After the failure to adopt the draft proposal, a change in the position of the Commission was becoming obvious. In its 1999 Working Paper, the European Commission reviewed various support mechanisms and presented a number of options for potential inclusion in the prospective directive, with tradable certificates still being the preferred model (European Commission 1999). The European Commission downplayed the merits of the FIT, such as long-term stability to investors and technology differentiation according to the maturity. On the other hand, Commission heavily criticized FIT for being too rigid to stimulate enough competition between generators, politically difficult to adjust in time, and therefore, incompatible with liberalized electricity market and environmental state aid regulations (European

Commission 1999: 16, 25). In contrast, quantity-based support schemes were praised for steering investments to the most efficient technologies and reducing costs. The European Commission argued that the harmonized EU-wide support scheme based on the Tradable Green Certificates, as a market-based policy instrument, would be most compatible with liberalized electricity market. Competition under a TGC scheme would accelerate innovation (dynamic efficiency), lower prices, thereby preventing excess profits and promoting lowest-cost technologies (static efficiency). The consequence would be a faster deployment of RES-E (effectiveness) at lower costs (cost-efficiency) (European Commission 1999). Furthermore, the European Commission hinted that there was no alternative to TGC at some stage "the move from fixed tariff approach towards one based on trade and competition" would be inevitable (European Commission 1999: 17). Thus, the European Commission clearly focused on economic arguments in light of energy market liberalization and used 'competition', 'cost-efficiency', and 'market-based' as key words in its pro-TGC framing strategy (Lauber and Schenner 2011). In the working paper, the European Commission was less explicit and direct about harmonization of support schemes on TGC model than previously. However, its preference for market-based instruments was easily discernible.

The European Commission's arguments and framing strategy, supported by some stakeholders (i.e. conventional industry represented by the Eurelectric) met resistance from others. The European Parliament and national renewable energy associations, though sympathetic to a common pan-European approach, were not flattered with the tradable certificates system. Instead, they were strongly supporting

FIT schemes – so far the most effective in Europe in terms of adding renewable electricity capacity (European Parliament 2000, Interview with German Wind Energy Association Representative 2012). They argued for the right of member states to freely choose the support mechanism, countervailing the European Commission's 'internal market' frame with 'subsidiarity' frame that was in line with the position of majority of member states in the Council (European Parliament 2000; Interview with the EWEA representative 2011).

The other important factor was the change of the European Commission. The new energy Commissioner, Loyola de Palacio, who occupied her post in fall of 1999, was inclined to take less radical and more gradual and cooperative position on the issue – give member states freedom of choice concerning the support schemes. In addition, the new Commissioner put a newly founded Renewable Energy Division within the DG Transport and Energy in charge of the RES directive. The new division was less ideologically motivated and more technically-oriented (Interview with the European Commission official 2011). This also contributed to the change of the tone in the draft proposal officially adopted by the European Commission in May 2000.

In the draft directive presented to the EP and the Council, the European Commission concluded that there was "insufficient evidence to provide, at this stage, for the introduction of a harmonized Community-wide support scheme" (European Commission 2000b: 2). Instead, the proposal tasked the European Commission to "monitor the application of support schemes in member states with the intention to present a report, within five years, on the experience gained with the application and

the co-existence of different support schemes, and if necessary, propose a Community framework with regard to support schemes for electricity produced from renewable energy sources that should be compatible with the principles of internal electricity market, be as efficient as possible in terms of cost, and include sufficient transitional periods for national support systems (European Commission 2000b; Rowlands 2005). The proposal also required member states to issue guarantees of origin (GOs) – a certificate showing whether the electricity was from renewable sources – to enable producers of electricity from renewable energy sources demonstrate that the electricity they sell is produced from RES (European Commission 2000b: 7-8).[19] Introduction of Guarantees of Origin (GOs) was an important element in the proposal in light of future Community-wide trading of RES. At this point, the GOs were for disclosure purpose only. However, this was a technical procedure on which a future mandatory EU-wide scheme could be based (Boasson and Wettestad 2013: 87). Thus, the European Commission's 'internal market' frame could still find its way in the directive. The possibility of a Community framework was indeed strongly related to an internal market frame.

Since the draft directive entailed no direct market or harmonization scheme at this point, the major discussion with regard to support schemes concerned the length of a transitional period that would be sufficient to adapt national support schemes and maintain investor confidence, if the Commission made a proposal for a prospective Community-wide framework on the basis of its monitoring report in 2005. The

[19] Introduction of this procedure enabled electricity utilities to offer securities to customers who would pay a little extra for green electricity. In this way the consumers contributed financially to the production of the renewable energy, but they were not guaranteed that they themselves would be supplied with the electricity generated by a particular source or plant (Wettestad and Boasson 2012: 87).

European Commission did not specify the timeframe for 'sufficient transitional period' in the draft directive (European Commission 2000b).

The European Commission's internal market frame was strongly contested by the European Parliament. The EP also wanted to dilute the Commission's emphasis on economic criteria, with respect to how any future proposal would eventually be evaluated, and focus more on environmental criteria, more specifically, on the effectiveness of support schemes to add RES capacity in the EU (Rowlands 2005: 972). The EP also criticized TGC-based systems for leading to geographical concentration of RES investments in areas most endowed with RES potential that in turn might induce local opposition to new developments (European Parliament 2000). In the report adopted by the EP's ITRE Committee after the first, and later, after the second reading, the EP suggested amendments to the Commission's proposal, including the possibility of extending transitional period for support schemes to 10 years, thereby enabling successful national support schemes to continue during this period. The EP argued that longer transitional periods were necessary to be able to compare different systems and only then decide on the appropriate model for harmonized scheme, as well as to ensure certainty for investors (European Parliament 2000).

In response to the EP's amendments, the European Commission presented an amended proposal in which it partially took into consideration the EP's suggestions. More particularly, the European Commission specified transitional period as 'up to 10 years' (Recital 16, amended proposal of 2001) and added environmental criteria to the

internal market criteria for the evaluation of support schemes for the purpose of proposing prospective Community-wide system (European Commission 2001).[20]

The Council's position on support schemes, as reflected in the Common Position on the Commission's proposal, was not a surprise. Member states from the beginning considered that it was too early to decide on a Community-wide framework, in view of the limited experience with national schemes and the current relatively low share of price supported electricity produced from renewable energy sources in the Community (Council 2001). The 'subsidiarity' frame put forward by the European Parliament and national renewable energy industry was appealing to many governments that wanted to retain national support schemes, particularly pro-FIT Germany and Spain (Interview with the German official, Ministry of Environment, 2012). Regarding GOs, the member states insisted that such certificates should only be used for disclosure purposes only and should not oblige member states to count GO's purchased from other member states towards the fulfillment of a national targets (Council 2001). On the question of transitional period, the Council shared EP's concerns. In the Common Position, the Council suggested 'at least seven years' as a sufficient transitional period, the timeframe that appeared in the final text of the directive (Council 2001).

Except for the three most relevant and contentious issues that we have discussed (RES definition, targets and support schemes), there were several other

[20] The amended draft directive stated that "proposal should be compatible with the principles of the internal electricity market, take into account the characteristics of the different technologies, be efficient and simple, and include sufficient transitional regimes **of up to 10 years** to maintain investors' confidence and avoid stranded costs In evaluation criteria, the progress in internalizing external costs, high degree of utilization of electricity from RES, as well as lower prices for the public and a level playing field for market operators were also included" (European Commission 2001:6).

elements in the Commission's proposed directive, which got watered down by the Council. The issue of grid access for RES was one of such components. In the existing situation, where the electricity system was dominated by few companies responsible not only for the production, but also transport and distribution, it was obvious that RES generators would be disadvantaged with inappropriately high fees and technical requirements to feed in electricity to the grid. The European Parliament has been arguing that network/grid operators should have been obliged to give priority access to RES generators and provide the requisite infrastructure, as part of the process of equal treatment with other forms of energy production, while the connection costs should have been borne by operators of renewable energy plants (European Parliament 1998; 2000). The European Commission was largely in line with the EP. The first draft proposal presented by the Commission contained an obligation for operators of the transmission and distribution network to guarantee priority access to electricity grid for electricity generated from RES (European Commission 2000, Art. 7(1)). However, in its Common Position on the Commission's proposal, the Council considerably watered down this obligation on priority access and made it optional for member states to implement it and conditional on the reliability and safety of the electricity grid and its capacity (Council 2001). Eventually, the Council and the EP, unwilling to delve into the conciliation procedure after the second reading, reached an agreement to oblige operators of transmission and distribution system to guarantee the transmission and distribution of the RES-E while taking into account the reliability and safety of the electricity network (Directive 2001/77/EC, Art. 7).

The European Commission's effort to remove bureaucratic barriers in the development of RES was bogged down by the Council as well. In the draft proposal, the European Commission required member states to streamline their procedures and reduce regulatory and non-regulatory barriers in nine areas (European Commission 2000). The Council accepted only three of these areas and Commission's request to introduce a fast-track planning procedures for RES producers was devoid of mandatory character in the final directive (Directive 2001/77/EC).

So, the European Commission's framing strategy based on 'internal market' frame to introduce a harmonized market-based RES support scheme did not prove successful. The 'subsidiarity' frame used by FIT supporters turned out to be more appealing for the member states. The Commission's mediation efforts to maintain the common RES framework in the final version of the proposal had failed. The Commission was not able to mobilize the support of the Council that was not yet ready to cede control over national support mechanisms, nor the support of the European Parliament that was in general backing the idea of common framework, though not the market-based system suggested by the Commission.

5.4 Convergence of Preferences

European integration is often viewed as the outcome of the interest-based preferences of sovereign member state governments and the majority coalition these governments form within the European Council (Moravcsik 1998). Those preferences, in the first place, are shaped through domestic bargaining with main societal and industrial interests, such as the dominant national energy producers. During the decision-making

at the EU level, preferences are reflected in the issue-specific national positions that each government advances on the policy proposal proposed by the European Commission throughout the negotiation process, and often in the pre-negotiation stage of proposal elaboration. The positions of member state governments can be affected by their earlier political choices, preferences/positions of other actors (i.e. other member state governments, the European Parliament, the European Commission), and the institutional set-up of the system in which decision-making takes place.

In the EU policy-making context, for the energy policy domain, possible options for action is limited by any proposal tabled by the European Commission since this institution is responsible for drafting a policy proposal. As a result, options that member states have to choose from may be different from what they would be satisfied with. In that case, each member state will choose the option that is closest to its national preference/position, or alternatively propose a new option. However, in order for the new option to be viable, it needs to be closer to the position of other member states as well. As the decision outputs are achieved through negotiations in the Council of the European Union, a considerable overlap in the positions of key member states are required in order to arrive at the common position. There is a generally accepted rule of thumb that if two of the key countries in the EU are against something, then it will not proceed (Peterson and Bomberg 1999: 54). Even when decisions are adopted under the Qualified Majority Voting (QMV) procedure, as in the case of energy policy, dominant member states will be able to impose conditions or build blocking coalitions. Supranational entrepreneurs often show the path of least resistance where they

anticipate opposition from the powerful member states and tailor and revise proposals to fit national preferences.

In the context of the EU day-to-day policies (such as our case of RES Directive), the positions of the member states, and correspondingly, the convergence of their preferences/positions with respect to a particular policy proposal can be analyzed along two broad dimensions: objectives and scope of a proposal, and the means or the ways in which to achieve those objectives. Position of a member state with respect to the proposed objectives and the means can be characterized in terms of two features: direction and intensity. A member state can either favor or disfavor the proposed objective(s), and favor or disfavor the means and instruments proposed to achieve the objective(s). Sometimes, a member state can be in favor of the objective(s) of the proposal, but not be in favor of the proposed means or instruments. Second feature of the member state's preference/position is its intensity – the relative degree of support, or no support, to the proposed objectives and means of the proposal. So, the position of a member state on the objectives and means of the proposal can vary from strongly in favor to strongly opposing (not in favor).

As we have discussed in the theoretical chapter, according to liberal intergovernmental path to integration, the necessary condition for the policy to be adopted (and for that matter, the integration to succeed) is that key member states (with strong bargaining positions) have converging preferences/positions in favor of the policy proposal. In that case, the integration outcome will depend on the extent of vertical (i.e. binding rules at the EU level, ceding competencies to the EU) and/or

horizontal integration (degree of harmonization) that proposed objective(s) and/or means and solutions can bring about. Correspondingly, when key member states have converging preferences/positions not in favor of the objective(s) and or means presented in the policy proposal, the policy either fails to be adopted (integration failure), or gets revised by the European Commission so that it is acceptable to the key member states in the Council. Following this logic, policy outcomes represent the lowest-common denominator outcome and reflect the preferences/positions of key member state(s) least in favor of the proposal. As a result, the integration outcome can be watered down substantially, even to the point of minimal or no integration.

According to liberal intergovernmental expectations, the higher the gains from the proposed policy for a government, or higher the costs of non-agreement (i.e. higher the costs of not having a common objective(s), or harmonized solutions), as well as higher the risks of non-compliance by other governments, the higher the readiness of a member state to support the proposed policy and the policy outcome, and correspondingly the extent of vertical integration (i.e. more binding rules at the EU level, ceding competencies to the EU) and/or horizontal integration (more harmonization) that a particular outcome entails.

In this section, I will examine the preferences/positions of key member states (Germany, France, the UK)[21] on the objectives and means of the Commission's proposal on RES directive focusing on direction and intensity of their preferences/positions. At the end of the section, I will discuss the extent of convergence between their positions.

[21] Poland's position is not considered here, as it only joined the European Union in 2004 and did not have a say during the elaboration and negotiation of the proposal for the RES directive.

5.4.1 Different RES Strategies in Germany, the UK and France

All key three countries - Germany, the UK and France – developed different renewable strategies and had different situations in terms of the role of RES in the energy mix.

Until the 1980s, the electricity supply structure in Germany was dominated by very big utilities, mostly relying on coal and nuclear generation. They considered small and decentralized forms of generation, such as renewable energy, uneconomic and foreign to the system. The German government, particularly the Ministry of Economy (BMWI), ruled by Social Democratic Liberals (till 1982) and later by Conservative Liberals (till 1998) supported the coal and nuclear industry (Jacobsson and Lauber 2006).

Following the oil crisis of 1979-1980, German energy self-sufficiency has been declining and the overall share of energy imports has been rising, reaching 58 percent in 1995 (IEA 2002). Dwindling domestic gas production and reliance on imported (mostly Russian) natural gas, accompanied with German public reluctance to rely on nuclear energy after the Chernobyl Accident of 1986 and the Federal government's decision in 1990 to slow down on coal production due to the enlarged price gaps between domestic and imported hard coal, has called attention to the security of supply issue.

In parallel with heightened energy security concerns, since the late 1980s, increasing attention has been devoted to the environmental protection, and particularly to climate change and reduction of greenhouse gas emissions. In 1990s, The German government announced the goal of cutting CO2 emissions by 21 percent (compared to 1990 levels) within the EU burden-sharing agreement under the Kyoto Protocol (IEA

2002: 38), followed by a comprehensive National Climate Protection Program (German Government 2000). Renewable energy, in light of achieving energy security and climate protection goals, has becoming popular since then.

The first major step in the promotion of renewable energies was the 1991 Electricity Feed Law, which obliged power companies to buy electricity generated from wind, hydropower, biomass and solar energy at a rate which for wind and solar cells amounted to 90 percent of the average tariff for final customers (Jacobsson and Lauber 2006; StrEG 1990). An alliance of engineering research communities, small-scale cooperative ventures of some 3500 owners of small hydropower plants and the Green party (later supported by Social Democrats) put forward the Electricity Feed-in Law. The alliance strongly supported feed-in scheme that was offering reliable support for various technologies and not just to the most profitable ones (Meyer 2003: 671; Bechberger and Reiche 2004: 248). The law was easily adopted despite the opposition of utilities, which were not entitled to receive any benefits under this law if they invested themselves in the in the new technologies (Scheer 2001 cited in Lauber 2005). With the adoption of the Stromeinspeisungsgesetz (StrEG) in 1990, Germany launched feed-in schemes, relying on politically decided electricity prices, differentiated for various technologies. This led to the rapid development of renewable energy industry and offered substantial financial incentives to investors. In 1991, Enercon, currently the largest German producer of wind turbines, had already produced its first 500 kW wind turbine, the largest available for sale at that time. The Feed-in Law stimulated RES market expansion

from about 20MW in 1989 to about 490 MW in 1995 (BWE 2000), and also resulted in politically stronger wind industry (Jacobsson and Lauber 2006).

The energy utilities, supported by the Ministry of Economy, realizing that the StrEG might herald the first step towards a new energy system that favored small and decentralized generation, lobbied for the replacement of feed-in tariff with a quota system that would fix quantity of electricity to be generated from RES, allow utilities to pick specific RE technologies, run their own installations and shut out competitors (Jacobsson and Lauber 2006:). However, they failed to mobilize political support against FIT (Interview with the German official, Ministry of Economy, 2011).

With a Red-Green Coalition of SPD and Green Party coming to power in 1998, the RES acquired stronger political support. To achieve the newly announced target of 12.5 percent of RES share in electricity market by 2010, the new government launched 100.000-roof program, providing backing to the struggling photovoltaic sector (German government 1998). At this time, the German wind turbine industry had grown to be the second largest in the world and exhibited great dynamism (Bergek and Jacobsson 2003).

With liberalization launched by the European Union's first electricity directive, the price of electricity went down, and consequently, profits for wind industry owners. Fearing the loss of a dynamic home market and green jobs, the Green Party and the environmental wing of the SPD argued for the reformed Renewable Energy Sources Act (EEG) that would have extended coverage to additional renewable sources, such as photovoltaic, and revise the feed-in tariff formula to reflect the costs of each technology to provide long-term certainty for both developers and users (IEA 2002: 94). A key

industrial association VDMA (Equipment and Machinery Producers) joined the ranks of FIT supporters—again demonstrating the increasingly broad legitimacy of renewables (Jacobsson and Lauber 2006).

The Federation of German Industries and the opposition parties (conservative CDU/CSU and the Liberals) strongly opposed the law. However, opposition was internally divided on number of issues and could not come up with a viable alternative. They argued for more competition and sometimes for state subsidies instead of passing on costs to final customers (Bechberger and Reiche 2004).

In 2000, the Feed-in Law was replaced by the Renewable Energy Source Act (EEG). Under the new law, the rates of feed-in tariffs were guaranteed for up to 20 years, thereby providing favorable conditions for investments in ‘‘green’’ electricity production over the long term (Hirschl 2000 *et al.* 2002; Frondel *et al.* 2010). EEG also introduced much higher tariffs for electricity from photovoltaic panels, and an annual digression of the feed-in tariffs for all kinds of RES (Hinsch 2000: 11). As a result, both wind and solar industry development was greatly stimulated.

Due to the early introduction of a favorable feed-in-tariff with the Electricity Feed-in Law of 1990 and the subsequent Renewable Energy Law of 2000 (with a target for doubling the share of renewable energy in the electricity market from 5 to 10 percent by 2010) Germany doubled the share of RES from 1990s to 2000s from 3.4 percent of primary energy consumption to 7.3 percent. In 2000, Germany was a world leader in the wind power production and the leader in installed solar electricity capacity in Europe (IEA 2002: 91). The FIT turned out to be the most effective instruments in

supporting the development of RES that was based on German tradition to place emphasis on new market entrants against concentrated market power of incumbents (Jacobsson and Lauber 2006).

In the United Kingdom, unlike Germany, market ideas gained hold and the traditional electricity producers (utilities) had a primary role in renewable energy development and no substantial small-scale renewable industry emerged (Mitchell and Connor 2004). Compared to Germany, the role of renewables has been relatively modest. It focused on large-scale hydroelectric capacity in the North Scotland.

From late 1960s, the discovery of large reserves in the North Sea enabled the country to meet most of demand for gas and oil through domestic sources. The coal industry that was the heart of the UK's energy economy for many decades, has been in relative decline in the post-war period, but still constituted a substantial share in the energy mix. The UK has also been a significant producer of non-fossil fuel energy in the form of nuclear energy. Prior to the energy crisis of 1970s, primary consideration in the UK's energy policy was to maintain national control over the exploitation of its energy resources (Cook and Surrey 1977). Starting from 1980s, the government's approach to energy policy shifted towards more competition and private enterprise. The energy policy of Mrs. Thatcher's neoliberal Conservative government involved the privatization of state owned energy companies and the opening up of markets to encourage competition (Helm *et al.* 1989).This period of privatization was concurrent with the period of low energy prices, diminishing the motivation of utilities to invest in capital-

intensive technologies, such as nuclear and switching to gas-fired power generation (Surrey 1996).

The New Labor party, under the leadership of Tony Blair, pledged a commitment to an environmentally friendly policy, especially to climate change. This has been reflected in the government's approach to energy policy that sought to encourage renewables (Politt 2010). Renewable energy policy review was undertaken to consider what would be necessary and practical to achieve 10 percent of the UK's electricity supply from renewables by 2010 (Department of Trade and Industry 1999). RES were viewed as contributing to the government's commitment to sustainable development, as well as bringing new opportunities for business and growth (Department of State and Industry 1999: 2).

The inception of the renewable energy program in 1999 was a side effect of a Non-Fossil Fuel Obligation (NFFO), which was originally designed as a way for financing the extra costs of nuclear power in the post-privatization period forcing electricity suppliers to buy nuclear power at higher than market price in auctions for non-fossil fuel power (Helm 2003). To avoid problems with the European Commission that might see this as a discriminatory subsidy to the nuclear industry, NFFO was extended to non-fossil fuel generation more generally defined and a portion was allocated to support renewable energy (Mitchell and Connor 2004). The scheme involved awarding contracts to supply electricity from various renewable technologies according to a competitive bidding system. The winner of a tender would be the company that offered to sell electricity at the lowest price. The winner would be given a contract to construct a

certain amount of capacity. Tendering led to a situation in which all projects were to be implemented at once with a long break between them. Bidders tended to minimize their estimates of the actual delivery cost of the project due to the least cost nature of the auction. As a result, relatively small portion of the total contracts were actually put into operational schemes since speculative bids often proved unprofitable to implement (Mitchell and Connor 2004).

Thus, unlike German fixed price-based feed-in tariff, UK's NFFO scheme was a hybrid market-interventionist system that permitted short-term price and market factors to shape important long term strategic choice regarding patterns of technological development (Politt 2010). The stop and go character of the system hindered the development of a viable wind energy industry in the UK. However, market liberalization policies ensured that the UK would easily meet its Kyoto commitment without any further action. In line with the UK's emphasis on the use of market-based instruments, government's New and Renewable Energy consultation paper of 1999 proposed a new quota-based long-terms instrument – Renewable Obligation Certificates (ROCs) scheme – to be operational from 2002, providing an incentive for an annually increasing proportion of electricity to be supplied from RES and establishing a trading scheme (Politt 2010).

France, unlike Germany and the UK, hardly engaged in renewable energy development at all. The share of renewables in TPES was below 7 percent in 2000, mainly from combustible renewables, such as incineration of municipal and industrial wastes, biogas, noncommercial wood use, and from hydroelectricity (IEA 2000). France

had relatively low ambitions regarding RES due to the specificity of France's energy mix and its energy policies.

France is poor in resources compared to better endowed Germany and the UK. However, France has the highest share of nuclear power in the EU, with 40 percent share in TPES and 75 to 80 percent in electricity generation. The nuclear program was built up essentially to address the security of supply concerns that were foremost in the national and international debate after the two oil crises. Since early 1990s, France has been the largest net electricity exporter (Meritet 2011).

The electricity market in France has been dominated by the fully vertically integrated, state-owned power company Electricité de France (EDF) that was created through the Nationalization Act in 1946 together with its gas industry counterpart Gaz de France (GDF). EDF has been enjoying statutory monopoly in electricity transmission and de-facto monopoly in electricity generation (around 91 percent in 1997). This is why France has consistently argued against EU energy policy of market liberalization that was perceived as a threat to large state-owned companies.

When climate change became an issue in the wake of Kyoto negotiations, nuclear power contributed significantly to France's favorable position with respect to carbon emissions with low per-capita and per-GDP carbon emissions. Under the Kyoto Protocol and the EU burden-sharing mechanism, France has committed to stabilize its greenhouse gas emissions at 1990 levels compared to German target of 21 percent and the UK's 12.5 percent (Meritet 2011: 162).

However, due to continued growth of fossil energy demand, particularly in the transport sector, France had to come up with some measures to meet its climate commitments. This was actually the first time that the government introduced measures in relation to renewable energy promotion. The National Program to Combat Climate Change entailed long-term policies targeting supply side, such as development of renewables. The program introduced a requirement for EDF to purchase renewable energies. The purchasing requirements were based on standardized contracts spanning for 15 years co-developed and approved by the government between EDF and renewables suppliers aimed at avoiding investment costs. Such contracts for hydroelectricity, cogeneration, and household waste incineration were approved in 1997, 1998 and 1999. A similar standard contract for photovoltaics was approved in 1999. Other RES support measures included a program to install 20,000 solar-thermal water boilers on the French islands launched by EDF and the so-called EOLE wind program that aimed to install 250 to 500 MW of new wind capacity by 2005. "Electrification Gap" program was initiated to electrify isolated areas in France (especially in the DOM) using renewable energies. Renewable energies have suffered from the principle of geographic uniformity of tariffs, an important element of the public service principle that has been an inalienable feature of French energy policy. The notion of public service has been defined as "any activity the accomplishment of which must be ensured, provided, regulated and controlled by the government because this activity is indispensable to the realization and development of social interdependence" (IEA 2009). In the electricity sector that meant the obligation of

supply and the equal treatment of customers. This policy has created distortions in the energy market and eliminated niche markets for renewables in France's overseas territories where they would be economic by imposing the same price as in metropolitan France, regardless of costs (IEA 2000).

Overall, France's approach to energy policy has been characterized with a tendency to seek sufficient independence in policy-making, including from supranational EU. This tendency to maintain autonomy in deciding over means and instruments has also been reflected in its position on RES directive.

5.4.2 Convergence of Preferences/Positions on Policy Objectives and Instruments

By the time the European Commission proposed the directive for RES, climate change was an issue on the agenda in all three member states. Therefore, Germany, UK and France supported the major objective proposed by the European Commission in the draft directive: doubling renewable energy's contribution to Europe's gross energy consumption from its current share of 6percent to 12percent in 2010 and facilitating its access to the internal electricity market that would help meet the Kyoto commitments on the reduction of CO2 emissions. Indeed, they gave a political backing to the development of a during the Energy Council meeting in May 1999.

After the European Commission presented its draft directive in 2000, positions of these key member states converged on the issue of RES definition. They argued for a broader definition of RES in particular with regards to biomass and hydropower to enlarge the choice of RES that could be used to achieve the targets. This was particularly important for France and the UK due to a significant portion of biomass and hydropower

in their RES break down. So, they had a firm position that large hydropower should have been eligible to benefit from the RES support schemes and insisted that "biomass" shall mean the biodegradable fraction of products, waste and residues from agriculture, forestry and related industries, as well as the biodegradable fraction of industrial and municipal waste (Council 2001). The European Commission, in face of the united front of key member states on this matter, revised its original proposal to reflect their common position (Interview with the European Commission official 2011).

Despite the fact that the European Commission proposed more ambitious targets that some of the member states (i.e. France) wanted, majority of the member states in the Council, including three key member states, clarified their position that the national targets to be set by member states for the future consumption of electricity produced from RES should be of an indicative nature. They referred to the subsidiarity principle while arguing that indicative rather than mandatory targets would be more appropriate (Minutes of the Council 2001). That the French and British aligned their stance on subsidiarity issue is not surprising, as the sovereignty over energy resources and autonomy in energy policy has been the hallmark of energy policies of both member states.

Preferences/positions of the key member states were less uniform with respect to the means and instruments for achieving objectives. Since feed-in tariffs turned out to be the most effective instrument in supporting the development of renewable energy and a strong renewable industry has begun to emerge, the German government was strongly opposed to the Commission’s proposals from late 1990s to harmonize the

support scheme for RES-E on the basis of the quota system (Interview with the German officials, Ministry of Economy, Ministry of Environment, 2012). The UK, as it relied on market-based system and was a strong supporter of the EU's energy market liberalization policy, backed the Commission's idea of a harmonized trading scheme based on market-based instruments (Interview with the official, Permanent Representation of the United Kingdom to the EU 2011; Jacobsson and Lauber 2006). The French position was more ambivalent regarding the nature of the future harmonized scheme, since it was reluctant to see any centrally governed harmonized RES support mechanism in the first place (Interview with the French official, Ministry of Sustainable Development 2013). Germany, supported by Spain, saw a threat to the further functioning of the well-established FIT scheme in the Commission's initial idea of introducing quota-based system based on the trading of Green Certificates/Guarantees of Origin. The UK, together with other member states supportive of harmonized trading schemes (i.e. the Netherlands, Sweden) emphasized the problems that different national support systems could pose for level playing field competition among electricity companies in the EU energy market (Jacobsson and Lauber 2006). Germany, backed up by other pro-FIT member states, focused on two points in its argumentation: First, Germany underlined the proven effectiveness of FIT, a strong position FIT would give to RES-E generators vis-a vis incumbents and new employment and export industry potential (Hirschl 2008: 348). The second argument turned out to be more appealing for other member states, especially France, and even the UK, which was initially supporting the Commission's idea. The coalition of the FIT support group, led by Germany, invoked

the issue of subsidiarity and questioned the EU's competence to impose an EU-wide support scheme (Lauber and Schenner 2011). Eventually, Germany's argument that national solutions would better serve national industrial interests won over liberalization and internal market based arguments. As a result, no strong member state pressure existed to develop a harmonized support scheme. Indeed, all member states agreed that no harmonization was necessary at that stage give the limited experience with national support schemes. This position was later reinstated in the Council's common position of the draft proposal (Council 2001). The perspective of massive resistance in the Council led the European Commission to back down. The draft proposal contained no harmonized framework for RES. The Council in its common position also clarified that the mutual recognition of guarantees of origin as proof of RES-E would not have implications in terms of fulfillment of national obligations or the right to benefit from national support schemes. Thus, member states again agreed with Germany and pro-FIT advocates on the issue of GOs. On the question of grid access, that was particularly important for France because of its very slow progress in liberalization of its vertically integrated electricity sector, the Council's common position stated that "due to technical constraints or the organization of distribution systems, it is not always possible to provide priority access *stricto sensu* to transportation and distribution of electricity from RES while nevertheless guaranteeing the transmission and distribution of this electricity" (Council 2001: 8).

Thus, by the time the European Commission officially presented its proposal for the directive, the positions of the key member states were closely aligned and

converged at a point where they would not favor binding targets (vertical integration), or a common harmonized support scheme for RES (horizontal integration). Overall, much of the Commission's proposal survived since it was already a watered down version compromised to the common position of member states. If the European Commission insisted on its original idea on a quota-based harmonized scheme, member states that were against it from the beginning – Germany (10 votes), France (10 votes), Spain (8 votes) and Austria (4 votes) - would be able to block the proposal under the QMV that requires 26 votes to block the proposal (Interview with the Council official, Council Secretariat 2012).

5.5 Transnational Interest Consolidation

There are various transnational interest groups that organize themselves at the EU level into European Associations and Federations to participate in shaping the new European rules and regulations and exert influence of the EU policy making. They not only react to the already tabled proposals, but also push the policy-making process in a direction that corresponds to their interests. To succeed in their efforts, transnational interest groups have to mobilize into a coherent group and present unified position against other potential transnational groups that operate at the European level. The higher the degree of transnational interest group consolidation, the better is their chance to get their position reflected in the policymaking outcome. In this section, I will discuss the role of two major transnational interest groups and the degree of their activism and consolidation in the process of RES directive elaboration.

The renewable energy industry and renewable activists entered the European policy making process during the discussion over the RES-E directive in the late 1990s. As early as 1996 the newly founded German wind power association (BWE) began its lobbying activities in Brussels. National niche organizations relating to wind power, biomass, etc. that were already organized in Brussels-based associations also joined. These groups mobilized under the common umbrella of the European Renewable Energy Council (EREC). International environmental non-governmental organizations, such as Greenpeace, also took an active role. After the formulation of internal drafts by the Commission's DG Energy, Spanish MEPs initiated the European Forum for Renewable Energy Sources (EUROFORES), initially having renewable energy companies as well as MEPs as members (EUROFORES 2010; Hirschl 2008). All these actors supported greater EU involvement in renewables. They argued for ambitious and binding targets, requiring all countries to increase the share of renewables by two percentage points annually and by eight percentage points by 2010 (ENDS 2000b).

However, initially internal disagreement existed as to which EU steering method was better for achieving the objectives of the directive: technology development that fostered national feed-in schemes or more market-based approaches (ENDS 1999b). This was a major issue of contention between the German and Spanish wind energy associations that felt threatened by the Commission's plan to harmonize support schemes for electricity from renewable sources on the basis of a quota system, on the one hand, and the European Wind Energy Association (EWEA), on the other. During the early stages of proposal discussion, the EWEA was a London-based organization chaired

by the British representative. Until EWEA's move to Brussels in 1999, the organization failed to take a clear stand on the issue as it could not reconcile differences in the German and Spanish versus British and Danish wind industry positions (ENDS 1999b; Interview with the EWEA representative 2011). When the first version of the Commission's directive got shelved due to the resistance of the German and Spanish governments, representatives of Danish and British wind energy associations criticized the German government: "The German government is inexperienced and acted out of fear….Renewables are the new kid on the block, and we needed a directive to give us a level playing field while we develop to full maturity and be more competitive" (Soren Krohn in ENDS 1999b). After moving to Brussels, the German representative replaced the British chairman and EWEA took a unified position strongly opposing the Commission's plan to introduce a quota-based system (Interview with EWEA Representative 2011).

A coalition of the renewable energy industry and European environmental groups lobbied the European Commission to revive the stalled EU directive with stronger national binding targets without limiting renewables support scheme. They argued that without the directive entailing legally binding targets, EU would not be able to deliver on its Kyoto commitments and maintain its market lead in renewable technology (EREC 1999). The group also advocated the flexibility for the EU member states to implement whatever renewable support schemes they wanted. "We agreed with the European Commission that a common framework for supporting renewables was a desirable objective in principle, but made our position clear that market

liberalization objective should not endanger national support schemes that already proved successful in boosting RES"- EWEA representative mentioned during the interview (Interview with EWEA representative 2011). The German Wind Energy Association (BWE) was particularly active in advocating flexibility for member states to decide on support schemes. The European Renewable Energy Federation together with the World Wildlife Fund and the BWE presented a paper in response to a request for feedback on the directive made by the EU Energy Commissioner Loyola de Palacio in December 1999 after the draft directive was shelved the second time (ENDS 2000c).The paper advocated the setting of legally binding minimum national targets so as to achieve 23.5 percent share of RES in total EU energy consumption by 2010. It also proposed that the EU should explicitly permit direct price support schemes as compensation payments to renewable energy producers, as well as tax differentials (ENDS 2000c).

In parallel, another transnational interest group from the conventional energy industry – of which the electricity industry was most active – started to mobilize at the European level. The most influential actor representing their interests at the EU level was EURELECTRIC, an association of national electricity associations. In general, Eurelectric accepted the need to take action against global warming. However, it was much less ambitious concerning CO2 emissions reduction (Eurelectric 1998). Eurelectric supported the emergence of pan-European, market-based support mechanism. German utilities, one of the Europe's largest electricity producers, advocated the development of a green certificate scheme (Rowlands 2005). The German utilities in collaboration with Eurelectric called for a European-wide market-based renewable energy system as a

cost-effective alternative to the FIT (Eurelectric 2004). Their arguments were very much in line with the Commission's arguments that feed-in tariffs may be effective at the initial stage of developing RES, but FIT is the distortive support mechanism hindering the development of liberalized electricity market (Eurelectric 2000).

The Commission, in turn, encouraged the increased involvement of the utilities. The European Commission even sponsored several pilot projects to figure out the possible design of the European green certificate (Mayer 2003: 670). In addition, the European Commission supported the creation of Renewable Energy Certificate System (RECS), an organization for the promotion of a pan-European market scheme (ENDS 2000c).

Despite their efforts the electricity industry mobilized under the umbrella of Eurelectric could not win over better consolidated renewable industry and green groups, partly because few utilities invested much in renewable energy by that time and stakes were not that high. The decision of the European Court of Justice, which dismissed the claim brought by the German utility Preussen-Electra arguing that the feed-in scheme contradicted the EU regulation on state aid, marked a final blow for the electricity industry. European Renewable Industry, in turn, could not succeed in making the European Commission include binding minimum national targets in the draft directive. Overall, neither the electricity nor the renewable industry was consolidated enough to have a strong stamp on the directive, perhaps because the issue was too novel to have well-articulated interests and positions.

5.6 Rule Density

Rules that govern the passage of legislation in the EU are important as they determine the competence of the Community vis-à-vis member states and the discretion of supranational organizations in a specific domain. Treaty rules also prescribe the voting procedure and define inter-institutional relations in the policymaking process. The choice of a legal basis for a particular directive, therefore, can have important implications on the decision-making outcome. Selecting the legal basis for a directive can become a contentious issue, especially when the European Commission proposes a directive to deal with issues for which an explicit legal basis in missing from the EU Treaties (i.e. energy domain before the Lisbon Treaty) and, therefore, has to rely on legal basis for related policy areas. In addition to a legal basis, existence of formal and binding rules in a particular domain can also affect the policymaking outcome. Pre-existing rules can make it hard to undo the policy and can also create a dynamic that facilitates the adoption of further rules (Jordan and Lenschow 2010; Pierson 1998). In other words, pre-existing rules in a particular policy area can lead to policy feedback loops and 'lock-in' and embed issues in "joint decision traps" (Scharpf 2007). In this section I will discuss the choice of legal basis and its implications for the RES directive, as well as pre-existing rules in the domain of renewable energy.

5.6.1 Legal Basis

Before the adoption of the Lisbon Treaty, the EU lacked a formal legal basis for energy policy. Initially, the European Commission, however, was able to skillfully use

internal market related treaty provisions for initiating proposals in the energy domain. The Single European Act in 1986 ended the informal status of Community's environmental policy. The new Article 100a introduced an explicit Community competence to regulate environmental matters in the context of internal market development and Article 130 r-t provided an explicit basis for European environmental policy (Lenschow 2005). While under the SEA QMV and the then newly introduced cooperation procedure with the EP was restricted to internal market issues, the Maastricht Treaty in 1993 established QMV and the co-decision procedure for most environmental policies and granted more influence to the EP in this policy field. This was an important procedural change and stimulus for European energy policy in general (Matláry 1997), and for the RES policy in particular.

When the European Commission proposed the draft directive, it used Art 95 (formerly Article 100), which allowed the Community to "adopt the measures for the approximation of the provisions….. in member states….with the aim of progressively establishing the internal market without internal frontiers in which the free movement of goods, persons, services and capital is ensured" (Article 95 and Article 14 of TEEC). This is not surprising given the Commission's objective to introduce a harmonized framework for the RES support and given its market-based attitude with emphasis on Community-wide trade for the RES. In addition, Article 95 prescribed to act in accordance with the procedures referred to in Article 251 – that meant with the Qualified Majority Voting in the Council and with the active involvement of the European Parliament (co-decision).

The choice of legal basis was questioned by the Council's Legal Service. It argued that Article 175 (formerly article 130) would be the appropriate legal basis for the directive because it would contribute predominantly to environmental objectives, such as GHG emissions reductions, and not to market harmonization (Council 2000). The rationale behind the Council's position was that Article 95 would give more discretion and leeway to the European Commission to introduce prospective harmonized Community-wide RES support scheme. The Article would also impose reporting obligations on member states (after the adoption of a harmonized measure) to notify the Commission and justify the grounds if member state "deemed it necessary to maintain national provisions on grounds of major needs relating to the protection of the environment or the working environment" (Article 95(4-5)). After having verified whether or not national provisions are a means of arbitrary discrimination or a disguised restriction on trade between Member States and whether or not they constitute an obstacle to the functioning of the internal market, the Commission would have the prerogative to approve or reject the national provision.

The Council has retained article 175, paragraph 1 of the EC Treaty as the legal basis, contrary to the Commission's proposal based on article 95. Article 175(1) referred to objectives of Article 174 and authorized the European institutions to adopt measures aimed at "preserving, protecting and improving the quality of the environment; prudent and rational utilization of natural resources; and promoting measures at an international level to deal with regional or worldwide environmental problems"(Article 174 and 175 (1)).

Interestingly, there was another option for the choice of a legal basis. Since the aim of the directives was the increase of the share of energy from renewable sources in total energy consumption, which undoubtedly had an impact on the energy mix in the member countries, the European Commission could rely on article 175 (2c) as the legal basis. Article (175 (2c) provided the EU with the option to adopt “measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply" (Article 175 (2c). However, this article would require unanimity in the Council and only consultation with the European Parliament, whereas Article 175(1) required Qualified Majority Voting and the co-decision of the European Parliament, which shared many of the interests of the European Commission.

Although the European Commission did not succeed in its attempt to base the directive on the far-reaching internal market article (Article 95), the choice of article 175(1) as the legal basis for the adoption of the directive (as opposed to 175(2c) significantly strengthened the role of the supranational actors in the process of negotiations over the directive. From the legal perspective, under QMV, the law could have been adopted even if some member states disagreed with its content, and more importantly, the agreement of the European Parliament was essential for the adoption of the directive. That influenced the course of the debates about different aspects of the directive (i.e. level of targets) which took place between 1997 and 2001.

As for the pre-existing domain-specific rules in the area of renewable energy sources, there was no existing legislation at the EU level. Therefore, the RES 2001

Directive cannot be characterized as a "lock-in" or "joint decision trap" result of pre-existing rules in the RES policy domain.

5.7 External Contingencies/Shocks

External Contingencies are those particular events outside the EU, or in other words, external shocks that can punctuate the equilibrium in the EU system and have important implications on the policymaking outcomes. Those proximate contingencies can serve as critical junctures and exacerbate long-term structural conditions, such as EU's energy dependence, or EU's relative position in global competition. External shocks can contribute to opening up policy windows that can be used by policy entrepreneurs to push their pet proposals (Kingdon 1995). They can also contribute to a change in perceptions of a particular problem (i.e. energy dependence) among national policymakers, shift national preferences/positions on a given issue and provide window of opportunity for institutional actors to pursue collective interests. In this section, I will discuss whether any external features have affected the policymaking process of the directive and the outcome.

Throughout the development of energy policy at the EU level, the need for a common energy policy has been presented as a part of a solution formula in light of increasing energy dependence, environmental challenges, such as climate change, and EU's global competitiveness. The relative importance of these problems has varied over time as dictated by external events.

From the very beginning, the EU's energy policy has been sparked by the international oil crisis of the early 1970s, which contributed to the realization among

Community member states of the increased role of electricity. The Council's resolution of 1974 "concerning measures to be implemented to achieve the Community energy policy objectives" underlined that the role of electricity, as the form of energy consumed by the final consumers, should be increased to lower the consumption of imported hydrocarbons. However, renewable sources of energy did not deserve particular attention at that time. The resolution stated that the electricity supply of member states "shall be based chiefly on nuclear energy for high-capacity power stations, in addition to the contribution made by solid-fuel power stations (Council 1974). The oil embargo showed that the supply of energy resources cannot be taken for granted. However the immediate EU response was surprisingly weak and did not affect the EU RES policy process until after several decades. With the global recession of the 1980s and dwindling oil prices, energy dependence on outside supply lost its relative importance. Environmental issues were gaining importance in light of Chernobyl catastrophe and international discussions on global warming. The issue of security of supply and energy dependence made a return in 1990s in the wake of instability in the Middle East (Gulf War) and Russia (dissolution of the USSR). In addition, the EU's dependence on imported coal was on the rise due to the reduction of subsidies for the domestic coal production. Overall EU energy dependence increased from around 42 percent in 1985 to almost 49percent in 1999 (EUROSTAT 2002).

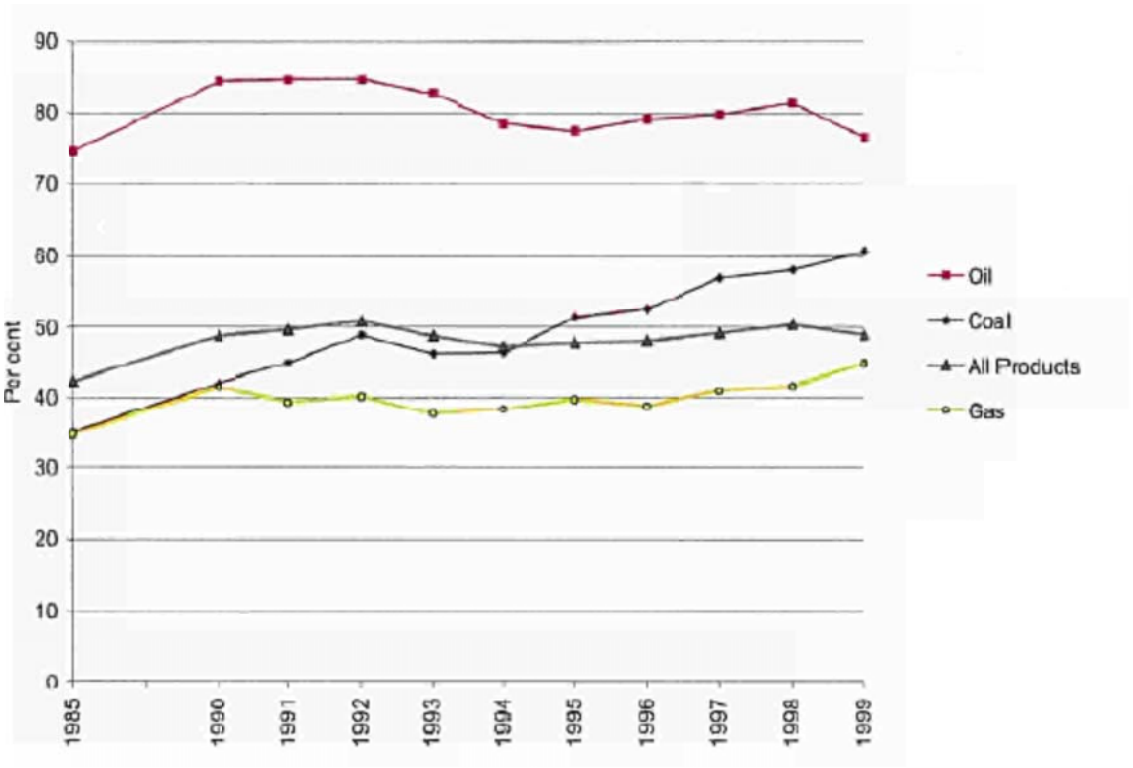

Figure 5.1 EU Energy Dependence 1985-1999

Source: EUROSTAT, Energy and environment indicators 1985-2000

In parallel to the elaboration of the RES directive, the European Commission presented a Green Paper on the Security of Energy Supply in 2000, in which it stressed the need for the diversification of supply and suggested development of renewable sources of energy as one of the elements of the solution (European Commission 2000b: 39). The Commission's draft directive on RES recognized the positive impact of RES on security of supply, as one of the important contributions of renewable energy. However, from 1985 to 1999 oil and gas prices were low at all times with the exception of a short-lived hike during the first Gulf War in 1991. Consequently, the security of supply concern underlying import-dependent Europe was not perceived as a pressing problem to create urgency for reform, including in the area of renewable energy.

The Kyoto Protocol of 1997 on climate change with its emissions reduction targets was the most important reference point in the preamble of the directive. As the directive states, "Community recognizes the need to promote renewable energy sources as a priority measure given that their exploitation contributes to environmental protection and sustainable development ….makes it possible to meet Kyoto targets more quickly" (Directive 2001/77/EC: 1). The Kyoto commitment was an external contingency that the European Commission, together with RES industry, tried to use as an incentive for the development of RES policy. But the Commission was not able to exploit this external contextual factor to achieve stronger centralization or harmonization of RES policy at the EU level. The Kyoto Protocol does not focus specifically on RES and cannot explain why the EU should meet climate challenge with RES. Therefore, this line of argument did not prove persuasive for member states.

Overall, external contingencies, or a focusing event, that could affect vulnerability of member states, exacerbate the perceptions of the EU's energy dependence or environmental challenges, and necessitate the adoption of binding RES targets (vertical integration), or harmonized RES support schemes (horizontal integration) were absent.

5.8 Integration Outcome

5.8.1 Degree of Institutionalization (Vertical Integration)

After several years of elaboration and negotiation, the RES-E directive was officially published in October 2001. The first important point that needs to be mentioned when evaluating the outcome is that the scope of the directive was limited

to the role of renewable energy in electricity generation. The directive did not cover renewable heating and cooling, even though the 1997 White Paper identified the strategic importance of renewable heating in achieving the 2010 target.

In terms of the extent of institutionalization, which in this dissertation refers to the creation of binding rules and organizations at the EU level and delegation of new institutional powers (competencies) to the Community, the directive cannot be considered as a successful integration outcome. The directive set an overall EU-level target of 22 percent electricity from renewables in the energy mix by 2010, but only made this target indicative, not binding. Furthermore, the national targets for member states were also made non-binding, having only indicative nature. Introduction of mandatory targets was put off to future. According to Article 3(4) of the directive, mandatory targets can be brought forward by the Commission if the national indicative targets and the 12 percent overall target are not met (Directive 2001/77/EC: 3). Instead, the directive imposed reporting requirements on member states to publish a report every five years beginning from 2002 setting national indicative targets for future consumption of electricity produced from renewable energy sources in terms of a percentage of electricity consumption for the next 10 years, and outlining the measures taken or planned, at national level, to achieve these national indicative targets.

The directive also required member states to take necessary measures to ensure that transmission system operators and distribution system operators in their territory guarantee the transmission and distribution of electricity produced from renewable energy sources. However, this obligation was made conditional on the reliability and

safety of the grid that member states would be able to refer to escape the obligation. Priority access for RES-E to the grid was made optional, not mandatory, for member states, as well as the requirement for transmission system operators and distribution system operators to bear the costs of grid connection.

5.8.2 Level of Harmonization (Horizontal Integration)

With regard to the second dimension of integration outcome – harmonization level – the directive failed to achieve common, or even coordinated, policy instrument. Attempts to create a harmonized RES support scheme proved unsuccessful. Guarantees of Origin were introduced, but only for disclosure purposes to verify the energy source. GOs were explicitly distinguished from tradable green certificates. Recital 10 of the directive stated that "This Directive does not require member states to recognize the purchase of a guarantee of origin from other member states or the corresponding purchase of electricity as a contribution to the fulfillment of a national quota obligation. ….the guarantees of origin do not by themselves imply a right to benefit from national support mechanisms established in different member states."

Instead, the directive tasked the Commission to assess the success, including cost-effectiveness, of national support systems and if necessary, draft a proposal for a Community-wide framework for RES support mechanism. However, the prospective proposal on harmonization of supports schemes could only be drafted by the Commission in 2005, and even in that case, transition time of seven years was foreseen before such harmonization would take effect (Directive 2001/77/EC).

One could argue that the directive entailed an indirect mechanism to push for harmonization in the Article 4, which subjected the RES support schemes to state aid rules, namely Articles 87 and 88 of the Community Treaty. This would enable the Commission to intervene against feed-in tariffs if considered in breach of Community rules on state aid. However, the ECJ ruling on Preussen-Electra case, in which the ECJ did not find FIT in violation of state aid rules, prevented such a possibility of indirect meddling in national support schemes (Lauber 2007).

Overall, the integration outcome cannot be classified as a success either in terms of institutionalization or harmonization. Neither binding RES targets, nor harmonized support scheme could be achieved by the RES-E directive of 2001.

5.9 Chapter Summary

It took several years to elaborate, negotiate and finally adopt the directive on the promotion of electricity produced from renewable energy sources. Policy entrepreneurship by the European Commission was successful in raising the issue of RES on the EU agenda and paving the way for the important piece of legislation aimed at development of RES.

The objective of 12 percent share of energy from renewable sources in the gross EU consumption, later translated into 22.1 percent share of renewable energy in total Community electricity consumption by 2010, remained unchanged over the long period of negotiations. However, facing resistance from member states, the Commission's entrepreneurship efforts to make these targets binding failed, as well as its half-hearted attempt to introduce binding minimum national targets as requested by the EP and

renewable industry. In the proposal formulation phase, the European Commission was under pressure from two sides: renewable industry, green interest groups and the EP calling for binding targets, on the one side, and member states resisting mandatory targets, on the other side. In addition, there was an internal disagreement within the Commission itself. As a result, the Commission's draft proposal was shelved twice.

When the draft proposal was finally adopted by the Commission, it lacked binding targets. All targets were to be of indicative nature. Furthermore, the European Commission backed off on its initial idea to introduce harmonized EU-wide support scheme based on market instruments. European Commission's framing strategy relying on 'internal market' frame to justify the introduction of a harmonized scheme based on tradable green certificates has been surpassed by 'subsidiarity' argument of Feed-in tariff advocates arguing for member states' right to choose freely their national support instruments. The draft directive was a watered down version, compromised to fit the preferences of key member states in order not to endanger the fate of the whole directive.

The European Commission's entrepreneurship in policy formulation and negotiation phases has largely failed. The Commission has not succeeded in mobilizing the support of the Council either for binding targets or a harmonized support scheme. It also failed to impose mandatory obligation on member states regarding RES priority access to the grid, as well as regarding the introduction of a fast-track planning procedures for RES producers.

One important element in the policy-making process that can affect the integration outcome is the choice of legal basis for the directive. The European Commission did not succeed in its attempt to base the directive on the far-reaching internal market article (Article 95) that would give more discretion and leeway to the European Commission to introduce prospective harmonized Community-wide RES support scheme. The Council insisted on using Treaty Article 175 (1) referring to environmental policy objectives. In addition, there was no pre-existing legislation on RES at the EU level that the European Commission could refer to and exploit for its entrepreneurship purposes.

Three key member states, Germany, France, and the UK, due to different energy resource endowments, structurally different energy mixes and different energy policy priorities, have developed different approaches to renewable energy sources. Yet, all three supported the major objective of increasing RES share proposed by the European Commission in light of the Kyoto commitments on the reduction of CO2 emissions. However, by the time the European Commission presented the draft directive, the positions of the key member states were closely aligned and converged at a point where they would not favor binding targets (vertical integration), or a common harmonized support scheme for RES (horizontal integration).

The European Commission, forced to drop the harmonization idea, attempted to circumvent the Council, with the support of the ECJ, through the indirect and gradual route of internal market creation for RES by exploiting EU Treaty rules on state aids against direct price support schemes (i.e. FIT) also turned futile. Unexpectedly for the

Commission, in the dispute between Preussen-Electra and Schleswag, the Court made a political decision to choose environmental benefits from the development of RES over the rules of common market.

In its endeavors, the European Commission has been supported by one group of transnational interests: conventional electricity industry (utilities) under the umbrella of Eurelectric. Despite their efforts, Eurelectric could not win over better consolidated renewable industry and green groups, partly because few utilities invested much in renewable energy by that time and stakes were not that high. European Renewable Industry, on its turn, could not succeed in making the European Commission include binding minimum national targets in the draft directive. Both groups have been active, but neither electricity nor renewable industry were consolidated enough to have a strong stamp on the directive, perhaps because the issue was quite new for the transnational interest groups to develop well-articulated interests and positions.

Finally, in terms of external contingencies, no external shock, or a focusing event, was present that could intensify the perceptions of the EU's energy dependence or environmental challenges, have a disturbing impact on member states' vulnerability and consequently push them adopt binding RES targets or harmonized support schemes. The Kyoto obligation was an external factor that the European Commission often referred to. However, it has not been a sufficient incentive to allow stronger institutionalization or harmonization of RES policy at the EU level.

Hence, the result of five-year long negotiations was a directive with the outcome that cannot be classified as a success either in terms of vertical or horizontal integration.

Neither binding RES targets, nor harmonized support scheme could be achieved by the RES-E directive of 2001. The directive entailed targets as ambitious as member states were ready to accept at that time. This was perhaps to be expected since there were no pre-existing domain specific rules at the European level, no external contingencies that could provide window of opportunity for the supranational entrepreneur to advance its "pet proposals." With three key member states having a converging stance not in favor of increased institutionalization or harmonization, the degree of European Commission's policy entrepreneurship could at best be assessed as moderately successful. In any event, the legislative output predetermined the central elements of the subsequent policy debate: targets beyond 2010, a Community framework for the support of RES and additional legislative measures for RES-H/C. In that regard, the RES-E directive was an important step forward.

The reader will more clearly discern that in the next chapter, which discusses the successive 2009 RES directive following the same analytic structure. At the end of the following chapter, I conduct a comparative analysis of the two cases with a contrasting integration outcome. After comparing the two cases along all five causal conditions, I present my conclusions derived from the in-depth case studies in relation to the findings of the fuzzy-set analysis and my overall theoretical framework.

CHAPTER 6. RENEWABLE ENERGY DIRECTIVE OF 2009

6.1 Introduction

The chapter process-traces the successful case of vertical integration in the field of EU's renewable energy. In the first section, I present a brief historical overview of the period in between the prior 2001-RES-E directive and the new directive on renewable energy that came into force in 2009. In the next five sections, I process-trace the elaboration and adoption of the directive looking at the five causal conditions - supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density and external contingency/shocks – to explore the causal mechanism that resulted in successful vertical integration and not so successful horizontal integration. After discussing the integration outcome attained by the directive along these two dimensions, I summarize the key points of the chapter. Finally, I draw a systematic comparison between the two cases in the field of EU's renewable energy, followed by concluding remarks on the findings that I obtained from the two different methods of analysis.

6.2 Background: Post-2001 RES-E Period

The RES directive of 2001, to some extent, predefined the future course of action with regard to RES policy. Since the directive only included targets for 2010, post-2010 targets would naturally be the key element of successive policy debates. Even more so, as only few member states (Germany, Denmark and Hungary) met their specific targets before 2007 and the EU was still short of its overall indicative target of 22 percent RES-E (European Commission 2006a). In addition, the RES 2001 directive dealt only with electricity. Therefore, the new legislation that would extend to other sectors (e.g. heating and cooling) seemed necessary, since in many member states the support for RES was disproportionately skewed in favor of RES-E and only increased the share of electricity from RES. Other resources, such as for instance biomass co-firing, were utilized inefficiently to produce electricity instead of using it more effectively for local heating purposes.

In parallel to deliberations on how to cope with the aftermath of the RES-E directive, the Lisbon Strategy, an effort to promote high tech job growth was proving to be a failure already by 2004. This was a serious concern for President of the European Commission, Jose Manuel Barroso, one of the most prominent proponents of the Lisbon Agenda. As one of the representatives from Brussels-based NGO has mentioned, "Barroso has remained empty-handed once the Lisbon Agenda got totally bogged down. If he wanted a second term as the Commission's President, he needed to support an issue of high salience. At that time, climate change proved to be such an issue, supported by Germans and Brits both of which aspired to act as leaders in international

climate negotiations. So, from climate-sceptic he turned into climate-convinced" (Interview with an expert, Center for European Studies, Brussels; see also Jänicke 2011). Upcoming enlargement was an important consideration as well, as most of the Eastern European countries lacked any RES experience.

In January 2004, the European Commission, supported by the German Federal Ministry of Environment (BMU) and the European Renewable Energy Council organized the "European Conference for Renewable Energy - Intelligent Policy Options." The conference was an important event for initiating a policy discussion on post-2010 targets. The conference conclusions mentioned an EU-wide RES target of at least 20 percent of gross inland energy consumption by 2020 as a desirable target, and urged the EU institutions to start a political process for setting ambitious RES targets (Conference Conclusions 2004). The European Parliament, on its turn, called upon the Commission and the Council "to make all necessary efforts to reach a target of 20percent for the contribution by renewable energy to total domestic energy consumption in the EU by 2020" (European Parliament 2005). The EP, especially EUROFORES members, has been pushing strongly for including heating, cooling and transport sectors in the future directive (European Parliament 2006).

In December 2005, the European Commission, as tasked by the RES-E directive, published an evaluation report on support schemes for RES-E (European Commission 2005). The major objective of this report was to comply with Article 4 of the RES-E directive, which called for an assessment of national schemes and possibly follow-up with a proposal for a Community framework with regards to support schemes. At that

time, market-based instruments such as Tradable Green Electricity Certificates (TREC) under a quota obligation had been implemented in seven member states (including. the UK, Sweden, Italy, and Belgium). Typically, this instrument fixes a quantity of RES to be achieved and facilitates this by issuing Green Certificates that can be traded. On the other hand, technology-specific support measures coupled with the obligation of distributors to purchase renewable electricity at fixed prices – the FIT or premiums – had been implemented in 19 member states. Two frontrunner countries in developing wind power capacity, Germany and Spain, had FIT schemes. Germany also accounted for 86 percent of current installed PV capacity in the EU, an unusual figure for comparatively dark Germany, reflecting subsidy rather than sunshine (Buchan 2009: 138).

Thus, when the time arrived for the European Commission to table the evaluation report on national support schemes, it was facing a dilemma: the architecturally most apt system (quota obligations) for the whole EU appeared to be less effective in actually increasing green power than the system (FIT) less suited to the EU scale (Buchan 2009). In the evaluation report of 2005, the systems based on tradable green certificates were not only found to be less cost-efficient and less effective at the actual RES deployment, but also to minimally contributing to technological innovation. The European Commission concluded that the track record of FIT and quota obligations were too short to make a proper comparison and "the Commission does not regard it appropriate to present at this stage a harmonized European system" (European

Commission 2005: 16). The Commission gave itself another two years to answer the question.

In 2006, the European Commission in its energy Green Paper from March 2006 announced a prospective RES Road Map that would consider post-2010 targets and the nature of such targets (European Commission 2006a: 12). The Spring Council of 2006 also welcomed this idea. The Council considered increasing the RES share in the EU to 15 percent by 2015 and invited Commission to proposed a set of actions, which should serve as a basis for the future Action Plan to be adopted during the Spring European Council in 2007 (Council 2006: 15). Out of two central issues – targets and harmonization of support schemes – it was target-setting that dominated the agenda during the policy initiation phase, more specifically, the nature of the target: whether targets should be binding or indicative and whether targets should be overall or sectoral.

6.3 Supranational Entrepreneurship

In this section, I will process-trace the development of 2009 RES directive in light of the degree of supranational entrepreneurship undertaken by the European Commission. I will pay particular attention to the important components of supranational entrepreneurship: the European Commission's efforts in the process of agenda-setting and proposal initiation, the level of ambition of the proposal, the Commission's framing and mobilizing strategies in the policy formulation phase, as well as the Commission's success in mobilizing various stakeholders' support, including member states', during the proposal negotiation phase.

6.3.1 Setting an Agenda: Policy Initiation – the Issue of Binding Targets

The European Commission started to prepare ground for the new RES directive that would include binding RES targets when it published the Green Paper in 2006. The paper did not specify targets, but the Commission underlined that the choices of one member state regarding its energy mix had an impact on the energy security of other member states and pointed out that it would be necessary to set objectives regarding EU's overall energy mix (European Commission 2006a).

Similar to the RES-E directive, the various DGs in the Commission had different opinions regarding targets. The GHG-target was a key priority for the DG environment, which was reluctant to see the separate RES target. It argued that the EU-wide carbon trading system would be sufficient to achieve GHG reductions. DG TREN, on the other hand, considered the RES-E directive as a necessary and effective instrument for carbon emissions reduction and advocated for the new RES targets. However, Barroso's strong interest in climate issues, and consequently in ambitious RES policy, was a decisive factor in overcoming disagreement within the Commission (Interview with an expert, Center for European Studies, Brussels, 2011).

In the policy initiation phase, publication of the Renewable Energy Roadmap played a key role in the Commission's agenda-setting on binding RES targets. In the Roadmap, the Commission was arguing that "the absence of legally binding targets for RES at the EU level, the relatively weak EU regulatory framework for the use of renewables in the transport sector, and the complete absence of a legal framework in the heating and cooling sector, means that progress is to a large extent the result of the

efforts of a few committed member states (European Commission 2006: 5). The Commission proposed establishment of a mandatory overall 20 percent RES of energy consumption in the EU by 2020 that could produce a more even development of RES across sectors and across countries.

To ensure political receptiveness of binding targets, the European Commission framed the issue in a politically appealing manner and tried to tie it with stated policy priorities and commitments of policy-makers. Climate change and security of supply were two key frames during policy initiation used by the Commission. In the Roadmap, the Commission stressed the importance of RES for the reduction of GHG emissions and for Europe's energy security to strengthen EU's resilience in the event of external shocks (European Commission 2006b). Both climate change and security of supply frames employed by the Commission were politically appealing. Climate change was appealing because of upcoming Copenhagen Climate Talks in which the EU was seeking to play a leading role. The security of supply frame was appealing in light of the gas dispute between Russian and Ukraine that left Europe in a black-out for several days in January 2006 and served as a focusing event, bringing attention to the EU's energy vulnerability owing to its heavy reliance on Russian natural gas (Natorski and Surralles 2008). Therefore, the European Commission had a good reason to expect that framing the need for binding renewable targets in terms of climate change and security of supply concerns would ensure favorable reception.

The Commission also concluded that it would be easier to gain support for one binding target for all energy sources and sectors, than to develop separate binding

targets for electricity, heating, cooling and transport. As one of the Commission officials mentioned, “a single overall binding target would give member states more freedom to steer the development of RES, and less hassle in the negotiation process. We thought that negotiating one target would be easier than negotiating several different targets” (Interview with the European Commission official 2012).

Thus, the European Commission’s proposal was more ambitious than proposals supported by member states: a 20 percent of RES share instead of 15 percent, binding instead of indicative targets, and with a longer term vision – 2020 instead of 2015. The Commission, however, gave up the sectoral approach that the EP advocated in its resolution, which also called for overall 25 percent share of RES in primary energy consumption by 2020 (European Parliament 2006). Taking into account the past experience of the RES-E directive with indicative targets, it was the Commission’s strategic decision to go for the overall RES target rather than sectoral targets, as proposed by the EP and the RES industry.

The European Commission made an impact assessment and came to the conclusion that 20 percent overall target for RES would be an optimal figure. In addition, setting a 20 percent target of RES increase, together with other climate-energy objectives – 20 percent reduction in greenhouse gas emissions and 20 percent reduction in energy consumption (efficiency) – would give a clear political message ’20-20-20 by 2020’ (interview with the European Commission official 2011).

The European Commission, however, knew that it would not be an easy task to persuade member states to accept binding targets. By the time the Commission

suggested binding targets, only Germany and Denmark supported the Commission's proposal (ENDS 2006). The Commission had yet to prove its skills as a policy entrepreneur by selling its proposal and mobilizing winning coalition behind it (Pallis 2006). The Commission chose the right timing for proposing binding targets and then successfully exploited this window of opportunity. Several factors provided this window of opportunity for the Commission's successful policy entrepreneurship on binding targets.

In light of the Stern Review in Britain (Stern 2006), and the Intergovernmental Panel on Climate Change Report (IPCCR 2007), both of which offered pessimistic assessments of the severity of the damage being done by climate change, the Commission rightly expected that no European leader would say 'no' to the ambitious RES policy presented as an important element of the solution to climate challenge. This expectation was reinforced by the informal Hampton Court Summit under the UK's Presidency in 2005, during which European leaders stressed the importance of an integrated approach to climate change, energy and competitiveness objectives, and underlined the importance of having a common European energy policy (Hampton Court Summit Press Release 2005). The dispute between Russia and Ukraine in January 2006, when Russia cut off all gas supplies to Europe passing through Ukrainian territory was an external shock that provided another window of opportunity for the Commission to advance the issue of binding targets. It was a strategic decision of the Commission to present the target as part of the Energy Policy for Europe to be adopted by the Council. The proposal for Energy Policy for Europe also included provisions on the security of

supply that was one of the key priorities for the new EU member states, including the biggest newcomer Poland. Inclusion of the binding RES target in the package increased the chance of the binding target to be adopted by the leaders who would reject mandatory targets if proposed separately.

Another consideration in the timing of European Commission's proposal was the incoming German Presidency in the first half of 2007. The European Commission knew that Germany would support ambitious, binding RES targets and expansion of renewable energy (Interview with the German official, Ministry of Economy, 2013). The German Presidency program gave a clear signal that it would support ambitious climate-energy policy (Presidency of the Council Program 2007). There seemed to be a perfect alignment between the European Commission's RES Road Map objectives and the German Presidency's agenda. So, the Commission could count on Germany, the European Parliament, and the RES industry, which was becoming increasingly active on the EU arena.

Responding to the call made by the European Council of March 2006 (Council Document 7775/1/06 REV10) the Commission presented its Strategic European Energy Review in January 2007. As part of the Review, the Renewable Energy Road Map set out a long term vision for renewable energy sources in the EU. It proposed that the EU establish a binding target of 20percent for renewable energy's share of energy consumption in the EU by 2020, and a binding 10 percent target for the share of renewable energy in transport petrol and diesel.

In the beginning of 2007, the Council meeting of energy ministers agreed on the 20 percent overall target and differentiated overall national targets. However, due to resistance from three key member states (France, the UK and Poland) with regard to 20 percent binding targets, it was left to the upcoming Spring European Council to decide on the nature of the target, as well as on national sectoral targets (Power in Europe 2007).

In addition to the frequent meetings of the Commission high-level officials, including Barroso, with top-level officials in various member states aimed at "selling" the binding targets, the European Commission also tried to exploit the public support when in Spring of 2007 it published the Eurobarometer survey results showing a strong public backing for the climate and energy package (European Commission 2007).

In March 2007, the European Council, led by Germany, reached a landmark agreement on overall binding 20 percent RES target for the EU by 2020, along with targets of 20 percent reduction in greenhouse gas emissions, and a 20 percent increase in energy efficiency (European Council 2007). As one of the high-level Commission official mentioned, some leaders thought that 20 percent binding target referred to the share of RES in electricity sector (not the whole energy sector) and this confusion made it easier to reach an agreement (Interview with the European Commission official 2011).

Adoption of an overall binding target was only a part of the job. The more difficult task was to break the overall target down into differentiated national targets. The European Council requested the Commission to enshrine this target in a new comprehensive directive in which the Commission would also propose individual

differentiated targets for member states, as well as the share of biofuels for transport in each member state. The leaders gave the following guidance to the European Commission: "Differentiated national overall targets should be derived with member state's full involvement with due regard to a fair and adequate allocation taking account of different national starting points and potentials, including the existing level of renewable energies and energy mix, and, subject to meeting the minimum biofuels target in each member states", leaving it to member states to decide on national targets for each specific sector of renewable energies (electricity, heating, cooling biofuels) (European Council 2007; Buchan 2009: 141).

Thus, the European Commission policy entrepreneurship efforts proved successful in the policy imitation phase. Due to politically appealing issue framing and apt timing for the proposal, the skillful exploitation of windows of opportunity opened up by Russian-Ukrainian gas crisis, upcoming Copenhagen talks, the German Council Presidency, and active stakeholder mobilization efforts, the European Commission finally achieved what it could not attain in RES-E directive several years before.

6.3.2 *Formulating the Proposal: Ambitions Compromised Again?*

After the 2007 Spring Council's political agreement on the overall 20 percent binding target for RES, the Commission had the task of translating the political commitment into a legislative proposal. The Commission was faced with several challenges. The key challenge was to allocate national contributions to the overall target in a fair way while "taking account of different national starting points and potentials, including existing level of RES and energy mix (Council 2007: 21; Johnson, Neuhoff *et al.*

2008). In addition to the national binding targets, the Commission had to deal with the question of sectoral (including the binding 10 percent target for biofuels in transport sector) and interim targets, address the most contentious issue of support schemes, tackle grid access issue, administrative and planning procedures and biofuels sustainability criteria during the process of proposal formulation.[22]

Following the 2007 Council decision on the 20 percent overall binding target, the Commission was facing the tricky job of breaking down this target into mandatory national targets. The key issue was to decide on the methodology that the European Commission would employ for calculating national targets. Initially, DG energy informally proposed an option of distributing the 20 percent among the member countries on the basis of the potential for the development of renewable sources of energy in each country to ensure the production of RES at "the lowest possible costs." But member states that already had large shares of RES and the ones with financial problems immediately rejected this approach (Boasson and Wettestad 2013). The new member states, especially Poland, reacted very negatively since the potential-based approach would result in much higher targets for the new member states (Interview with the Polish official, Ministry of Economy, 2012).

The European Commission realized that this option would not gain support from the member states and decided to combine a 5.5 percent flat rate increase of the share of RES in the energy mix in each member state with the GDP per capita-based

[22] In this dissertation, however, I discuss in detail the two most contentious issues: the binding targets and support schemes

distribution. This calculation resulted in higher targets for old member states[23]. For instance, the UK ended up with 13.7 percent increase, whereas Romania with only 6.2 percent (Buchan 2009: 143). This formula contributed to a fair distribution of the overall RES target among member states according to their economic strength as well as starting conditions. This approach did not require member states to derive their RES share from national production. The European Commission was planning to combine this approach to national targets with the introduction of an EU-wide support scheme that would allow member states to invest in renewable energy in countries with better potential (Boasson and Wettestad 2013: 89). The European Commission continued its policy entrepreneurship on the issue of national binding targets with stakeholder mobilization efforts. It organized numerous high-level meetings and visits with the policy-makers from member states to explain the economic rationale behind these targets and gain support for the prospective RES proposal that would be presented as a part of the climate and energy package. The Commission's efforts proved quite successful as only few member states claimed their targets to be too ambitious when the draft directive got published.

As early as 2006, the European Parliament raised the issue of sectoral targets. A very pro-active MEP from the Green Alliance, Claude Turmes, called for separate binding targets for RES in electricity, heating, cooling and transport sectors. The European Parliament supported Turme's request in its 2007 resolution on the RES Road Map

[23] In the case of the countries with higher GDP per capita, the "early starter's bonus" was included. This bonus was granted to countries in which the share of renewable energy increased by more than 2percent between 2001 and 2005. In these countries one third of the increase during this period was deducted from their target by 2020 (European Commission, 2008: 84-86).

(European Parliament 2007, par 5). The RES industry also welcomed this idea (Proceedings of the 3rd Session of the Amsterdam Forum, 22 Nov. 2006). The Council's statement from March 2007 asked the European Commission to request member states to include sectoral targets and measures in the National Action Plans that every member state would be obliged to develop according to the prospective RES directive (European Council 2007: 21).

The European Parliament has been even more insistent on binding interim targets. It repeatedly argued that as the timeframe for meeting 2020 targets was too long, the binding interim targets were necessary to induce decision makers in member states to take measures before it was too late. The EP requested the inclusion of mandatory minimal interim targets and penalties (in case targets were not met) in the action plans of member states to be reviewed every three years by the Commission (European Parliament 2006; 2008). However, the European Commission ignored the EP's request and never referred to binding interim targets in its proposal. Instead, in the draft directive the European Commission requested member states to include sectoral targets and indicative trajectory in their National Action Plans tracing a path towards the achievement of their targets by 2020 (European Commission 2008). It was only for the transport sector that the European Commission proposed sectoral target of at least 10 percent renewables by 2020 for each member state. The European Commission's approach was to leave member states with the discretion to adjust the allocation to the individual sectors as long as this would not compromise overall target achievement (Schöpe 2010).

The issue of target-setting was closely linked to the question of support schemes, around which much more contentious discussions took place, first within the European Commission and later among member states and other stakeholders. In contrast to the 2001 RES-E directive drafting process in which the European Commission could rely solely on theoretical advantages and shortcomings of various support mechanisms, by 2007 several assessments of the experience with national support schemes had already existed (e.g. European Commission 2005; Mitchell *et al.* 2006). According to these evaluations, FIT appeared to be more cost-efficient and effective than market-based certificate trading schemes (European Commission 2005).

Yet, in the Renewable Energy Road Map, the European Commission argued that the support scheme for RES should be compatible with the internal energy market. Even though the Commission pointed out that maintaining national support schemes until the internal market becomes fully operation might be necessary, it underlined that the harmonization of support schemes remained a long-term goal (European Commission 2007: 7). Soon after the Spring Council 2007, the European Parliament tabled a resolution on the RES Road Map in which it argued that national support schemes should be maintained to ensure investor confidence (European Parliament 2007). The renewable energy industry and member states with successful FIT systems (i.e. Germany and Spain) were in line with the EP's position.

The Commission started to view FIT as equally a market-based instrument – explicitly in the second evaluation report of 2008 - with the designation of 'price-based market instruments' and TGCs as 'quantity—based market instruments (European

Commission 2008: 5). This shift was perhaps partly caused by the sobering results of electricity market liberalization, weakening the argument that any support scheme should to be compatible with it (Lauber and Schenner 2011: 519) and partly due to the pressure from Germany, the RES industry and the EP (Interview with the European Commission official 2012). So, the Commission, in the Working Document presented along with the draft RES directive in January 2008, reiterated that "harmonization of support schemes remains a long-term goal on economic efficiency, single market and state aid grounds, but the harmonization in the short-term is not appropriate" (European Commission 2008: 7).

Despite unpopularity of market idea in many member states and among stakeholders (RES industry), some high-level Commission officials, supported by utilities, tried to introduce a pan-European green certificate scheme that would shift competence from member states to the EU level, and lead to the eradication of existing FIT schemes (European Commission 2007; Boasson and Wettestad 2013). In DG TREN of the European Commission a small circle led by the Deputy Chief of the Cabinet, Christopher Johns and the economist Peter Vis, who was previously in charge of ETS scheme in DG Environment, persisted in pushing a full-fledged EU certificate market based on GOs. However, not everybody supported a market approach in DG TREN (Boasson and Wettestad 2013: 91). Disagreements between the DG TREN and other DGs also surfaced on the relative merits of GO trading and the national FIT systems, as well as whether the promotion of the internal market should trump the safeguard of national interests and industries. DG Competition with market efficiency in the internal

market being its primary policy concern argued in favor of GO trading. DG Environment and DG ECOFIN also supported the trading idea. They would have like to see the harmonized certificate system that they believed would be less expensive. DG TREN appeared to be the least market oriented (Nilsson *et al.* 2009: 4457).

In September 2007, TGC-based harmonization supporters among top Commission officials, persuaded Energy Commissioner Piebalgs to introduce RES trading enabling member states to buy or sell TGC in other member states in the form of Guarantees of Origin (GOs) without the attendant physical electricity and to count this towards their own targets (Massy 2007: 51). This was supported by GO trading proponents, including the UK and major utilities such as E.ON and Vattenfall (Toke 2008; Nilsson *et al.* 2009). The UK was a key ally of the European Commission in favor of a Community-wide trading mechanism. Due to the meager results in meeting the RES-E indicative target of 10 percent, the UK saw the EU-wide trading scheme as a means to achieve its target in the most cost –efficient way (Interview with the British official, UK's Permanent Representation to the EU 2012). Commission officials skeptical of an EU-wide GO trading system made sure that the internal draft of the directive would leak in December 2007, shortly before the Commission was to launch the climate package. The German and Spanish governments together with the European Renewable Energy Council (EREC) engaged in intense lobbying of the Commission (Boasson and Wettestad 2013). They wrote to Commissioner Pielbags arguing that the proposal would put a very successful development of renewables at risk (Toke 2008).

In light of upcoming parliamentary elections in 2009, the European Commission wanted the RES directive to be adopted in early 2009. Because of the time pressure the European Commission was more willing to accommodate the interests of FIT advocates (Toke 2008; Interview with the European Commission official 2012). In the face of strong resistance from the pro-FIT coalition, the Commission in January 2008 presented a milder, but somewhat ambiguous version of the draft directive, opening up for certificate trade but not establishing a Pan-European scheme (European Commission 2008). According to the proposal, companies in different member states would be able to trade the guarantees of origin for RES-E. That would enable producers of electricity from renewable sources in one country to benefit from the support scheme in another member state. The amount of energy represented by the GOs could be counted towards the target achievement of that member state in which it benefitted from the support scheme. This would lead to competition between support schemes in the EU member states[24].

Even though, the proposal included trading based on GOs, FIT defenders succeeded in introducing a clause that provided for the possibility of national opt-outs from trading (Toke 2008: 3003). According to the Article 9 (2) "member states may provide a system of prior authorization for the transfer of guarantees of origin… if such system is likely to undermine the achievement of the environmental objectives underlying the support scheme, or to ensure that national targets are met" (European

[24] A producer of RES-E in country A could sell its GOs for a certain amount of energy in country B to benefit from country B's support scheme. This would on the one hand lead to job creation in county A, but on the other, the costs of its development would be paid by electricity consumers in country B, and the amount of electricity would be counted towards the fulfillment of country B's renewable energy targets.

Commission 2008: 7). The Commission proposed to allow only those countries that have achieved their indicative trajectory of interim targets to trade GO certificates. Even then the member states may refuse authorization if they feel this will undermine their support mechanisms (European Commission 2008: 27). Prior authorization would give the states possibility to veto green certificate transaction. Renewable generators would not be free to go "subsidy shopping around Europe" (Buchan 2009: 149).

The Commission's draft directive did not explicitly aim at a harmonized Pan-European certificate trading scheme. However, the FIT supporters still saw a threat to their national FIT schemes. They argued that because certificates were defined as "tradable goods," the national support schemes could have been regarded as a distortion of the internal market rules (Neuhoff *et al.* 2008; Boasson and Wettestad 2013). If the European Court of Justice was to rescind the opt-outs, even this proposal would have permitted certificates trading to endanger national FIT schemes (Fouquet and Johansson 2008: 4090). The FIT supporters also feared that if the European Court of Justice, on the basis of the EU competition legislation, obliged member states to extend their national support schemes to all applicants, including the ones from outside the country, that would result in uncontrolled inflows and outflows of green power (in the form of GOs) aimed at exploiting the differences in feed-in tariff levels between various EU states (Boasson and Wettestad 2012: 91). That might attract too many applicants to the most generous feed-in schemes and drain the RES production from member states with less generous tariffs. Uncontrolled trade in the long run would make it hard for governments to set their own tariff levels. This, in turn, would raise uncertainty on

future income streams and hurt independent RES companies that depend on bank loans for their sources of finance (Toke 2008; Buchan 2009: 146). This prospect of de-facto harmonization has been viciously resisted by heavyweight renewable states (Germany and Spain), the European renewable industry and the European Parliament during the negotiation phase (Buchan 2009; Interview with the European Commission official 2012).

One other less contentious, but still an important issue in the proposed draft directive was grid access for RES. The European Commission, in the Renewable Energy Road Map, pointed out the necessity to strengthen grid infrastructure and introduce transparent rules for effective development of RES (European Commission 2006). The European Parliament agreed with the European Commission when it emphasized that the transparent, fair and priority access to the grids is essential (European Parliament 2007). The draft directive obliged member states to take "the necessary steps to develop grid infrastructure to accommodate the further development of electricity production from renewable energy sources" (European Commission 2008, Article 14(1).

To sum up, the European Commission's policy entrepreneurship in the formulation phase was quite successful with respect to binding national targets. Due to the Commission's stakeholder mobilization efforts, most of the member states were ready to accept overall mandatory national targets without further discussion. As for the European Commission's ambitious objective to introduce harmonized Pan-European support scheme on the basis of GO trading, the Commission's initial versions of the draft proposal got watered down in the proposal formulation process. The time pressure to

get the proposal adopted before the new EP elections in 2009, played into the decision of the European Commission to accommodate the interests of the FIT supporters. The resulting compromise diminished the Commission's original ambitions with regard to harmonization of RES support schemes. However, the compromise also helped reduce the level of controversy in subsequent deliberations in the Council and the EP during the negotiation phase (Nilsson *et al.* 2009).

6.3.3 *Mediating Negotiations: Framing Battles*

In January 2008, the European Commission presented the draft directive "on the promotion of renewable energy sources of energy" replacing the two existing directives: RES-E directive of 2001 and 2003 directive on the promotion and use of biofuels and other renewable fuels for transport. This proposal formed the part of a larger climate and energy package that also included a regulation on an updated Emissions Trading System (ETS II), provisions on energy efficiency, and support for developing carbon capture and storage technologies. The Commission considered ETS and RES as complimentary in reaching greenhouse gas reduction targets.

The proposed RES directive contained national targets for RES, targets for renewable energy in transport, provisions on trade in GOs, grid access and administrative measures, and sustainability criteria for biofuels (European Commission 2008). The issue of national targets and GO trading deserve particular attention as the two most important elements of this complex directive. Unsurprisingly, negotiations over the GO trading and the steering methods for RES proved to be one of the most contentious issues in the negotiation phase.

The reactions to the national overall targets that the Commission presented in the draft proposal were mixed. The Council considered targets as very ambitious and some member states, such as Poland, claimed them as "too ambitious" and wanted further discussions on the target levels (Interviews with the Polish official, Ministry of Economy 2012; Interview with the European Commission official 2013). However, the French Presidency persuaded member states not to open up the issue for the discussion. "We did not want to jeopardize the entire directive. If we opened up the issue of national targets for political discussion, this would definitely endanger the fate of the directive. I think everybody understood that" (Interview with the French official, Permanent Representation of France to the EU 2012). In the end, the Council accepted binding national targets presented by the Commission with only one revision: the target for Latvia was reduced from 42 percent to 40 percent in the final directive (Annex 1, Directive 2009/28/EC). So, instead of objecting to national targets, member states decided to challenge the Commission on their autonomy in how to reach these targets. Therefore, during the proposal negotiations, member states focused on the issue of national support schemes, GO trading and flexibility mechanisms.

The European Parliament's Committee on Industry, Research and Energy, which was responsible for the dossier, in its report on the Commissions' proposal, suggested introduction of mandatory interim targets for member states (European Parliament 2008). The EP also insisted on imposing "proportionate penalties" on member states if they failed to meet their interim targets (European Parliament 2008: 58). The European Commission ignored the EP's request and instead of mandatory interim targets member

states were asked to present indicative trajectory in their National Action Plans on how they were planning to achieve their overall 2020 targets. With respect to penalties, member states that would fail to achieve targets resulting from the trajectory, would be obliged to present an updated action plan stating how they would catch up with the indicative trajectory (Directive 2009/28/EC, Article 4(4)). Overall, the issue of national targets was a smooth sailing compared to the debate on RES support scheme.

The European Commission's ambition to introduce an EU-wide harmonized support system dated back as early as the first RES-E Directive of 2001. In its proposal for the new RES directive, the European Commission hoped to achieve this objective through a massive expansion of the functions of guarantees of origin (GOs) (Schöpe 2010). Trading in GOs was the central mechanism in the proposal to ensure that the RES targets would be reached in a cost-efficient manner across the EU. The starting point was that each producer of RES electricity or RES heating/cooling would be entitled to a GO for the respective volume of renewable energy and these GOs would be freely tradable across the EU. Under the Commission proposal, the GOs would have served as an instrument of proof for national target achievement and could have been used to claim benefits from the national support system (Schöpe 2010). The European Commission, under the influence of FIT supporters, however, included a number of prerequisites and qualifications. According to the Article 9(2) of the proposal, member states, under certain conditions, were granted the opportunity to restrict the transfer of GOs to and from their country, the so-called "opt-out" (European Commission 2008). For example, only those countries that met their indicative trajectory of target

achievement would be allowed to sell their GOs on the basis of 'prior authorization'. Legal experts however suggested that it was uncertain whether these limitations would comply with internal market rules, in that the "limitation of trade must be proportionate to the object aimed at, and justified in that he same objective cannot be achieved by another means that is less hindering of trade" (Johnston *et al.* 2008; Schöpe 2010). The proposal was still too 'free trade' for heavyweight renewable states fearing possible far-reaching legal consequences of GOs, RES industry and the European Parliament (Buchan 2009; Interview with the representative of the German Renewable Energy Association 2012).

In the European Parliament Claude Turmes, the vice-president of EUROFORES and the Green Party representative became the rapporteur for the directive. From the first parliamentary reading in the ITRE committee it became apparent that the EP was of a negative opinion with respect to the GO-related provisions of the Commission' proposal. Turme's Memorandum, drafted in May 2008, argued that "EU-wide renewables certificate market is not the way forward. Such a scheme would not only undermine the existing national support schemes, but also potentially generate h30 billion in windfall profits for traders and generators by moving from the technology-specific average price support schemes to a marginal market where the most expensive marginal renewable certificate would set the price''(Turmes 2008: 2; Buchan 2009: 150). Turmes was successful to mobilize supporters and get Parliament's backing (Boasson and Wettestad 2013: 91-92). Soon after his report, the European Parliament adopted a resolution on the Commission's proposal in which it suggested that GOs were to be used

for “disclosure purposes only” and not confer on its owner the right to benefit from a national support scheme in another country. Instead the EP proposed to introduce “transfer accounting certificates (TACs)” that would permit RES energy producer to benefit from the support scheme in another member state provided there was an agreement between these respective member states. The European Parliament also suggested the introduction of “joint support schemes” that would allow a number of member states to cooperate in reaching their RES targets. In addition, the EP mentioned “statistical transfers” that member states could make among themselves to help in target achievement (European Parliament 2008). As we shall see, the EP’s objections regarding the Commission’s proposal were largely shared among the member states.

The Energy Council in February 2008, the Environmental Council in March 2008 and the European Council of Spring 2008 underlined that the necessary flexibility in target achievement must not compromise effective national support schemes (Schöpe 2010). It was quite obvious that the proposed GO trading did not enjoy support in the majority of member states. Unsurprisingly, many member states were worried about the situation in which the country offering the highest price for a unit of energy from renewable sources would be flooded by the guarantees of origin and would have to pay for energy produced somewhere else (Interview with the German official, Ministry of Economy 2013).

To gain sufficient support for the draft directive, the European Commission, in alliance with some member state (e.g. the UK, Sweden) supportive of its proposal, conventional electricity industry represented by the Eurelectric, and energy traders

organized under the umbrella of EFET, engaged in a framing battle with the opposing coalition of FIT defenders (Lauber and Schenner 2011). The European Commission shifted its framing strategy. It combined old economic arguments (cost-efficiency, competition, and compatibility with a liberalized electricity market) with a new line of argumentation based on 'flexibility'. One of the top officials of the Energy Commissioner's Cabinet mentioned "We are not going to tell governments what systems to put into place. We are just allowing a bit more flexibility" (Vis cited in Massy 2007: 53). In the beginning, the flexibility argument enjoyed the support of several member states such as Denmark, the Netherlands, Belgium, Malta, Luxembourg, Austria, some Eastern European states and, of course, most importantly, the UK (Toke 2008: 2003).

The German and Spanish governments, supported by European and national RES associations, members of the European Parliament and Green NGOs, responded with an argument which did not question the need for more flexibility but objected to a system based on GO trading. 'Non-trading flexibility' became a key term. As Lauber and Schenner (2011: 522) point out, "by only slightly changing the keyword… they succeeded in addressing the official problem definition by proposing a different solution serving the same purpose." Similar to the framing strategy used during the negotiations of 2001 RES-E Directive, opponents of the Commission's proposal re-framed the issue as one of subsidiarity. They insisted that the promotion of renewable energy was not only about pursuing renewable investments anywhere in the EU at lowest costs, but that it was also about local or national benefits renewable energy provided to employment

and to stimulating technological progress. They argued that a trading system in which any distributor could sell GOs for export would undercut quota fulfillment (EREC 2007). They also insisted that an EU-wide trading system would produce extra costs and large windfall profits for incumbent utilities at the expense of small and medium-sized enterprises through greater insecurity of investment (Toke 2008; Lauber and Schenner 2011: 522). So, they framed the issue in a way that shifted the discussion away from the question of which support scheme was the most appropriate towards the question of which level of control was most appropriate.

'Subsidiarity' and 'non-trading flexibility' soon appeared to win over the European Commission's arguments. Opponents of the Commission's proposal mobilized wide support in the Council, even among the member states with quota systems, such as the UK and Poland, but skeptical of European integration (Lauber and Schenner 2011: 522). The radical shift in the UK's position marked a final blow to the European Commission's GO trading. In the summer of 2008, Germany, the UK and Poland tabled a joint proposal that clearly stated that the authority to choose and shape national support systems should remain with the member states, while introducing instruments for 'non-trading flexibility:' a joint support scheme, statistical transfer, and joint projects. These options would permit bilateral cooperation, but it would be up to member states to decide whether to apply these mechanisms (Boasson and Wettestad 2013: 92). This alternative proposal by the trio of big member states was very similar to the report of the European Parliament drafted by Turmes a month before and served as a basis for the subsequent negotiations between the Council and the EP. In December

2008 the Council and the European Parliament passed the directive under the first reading. The final directive abandoned the proposed common policy instrument of GO trading. The guarantees of origin were to play the role suggested by the Parliament, namely that of a proof that a certain amount of energy was produced from renewable sources of energy. GO trading was replaced by a voluntary system whereby a member state that has reached its interim RES targets can sell or trade excess renewable credits to another member state based on statistical values or so-called ‘‘statistical transfers’’ (Nilsson *et al.* 2009: 4458). There was no reference whatsoever concerning the possibility of harmonizing the support schemes in the future.

The European Commission’s efforts to mobilize support for the original proposal’s GO trading had failed. The Commission lost in the framing battle and had to accept the alternative proposal. Since the Commission’s key interest was a successful outcome of the negotiations on the entire climate and energy package, the European Commission’s decision not to insist on GO trading and flexibility mechanism might be characterized as a smart strategic choice, especially in light of the time pressure created by the upcoming EP elections.

Finally, a brief note is due on the issue of grid access. The draft directive obliged member states to take “the necessary steps to develop grid infrastructure to accommodate the further development of electricity production from renewable energy sources” (European Commission 2008, Article 14(1). The European Parliament argued that the operators of the transmission and distribution systems should also be obliged “to bear the full costs for grid reinforcements related to the extension of large scale and

small scale renewable energies." The Council did not accept the requirement to make the transmission and distribution grid operators pay for the enforcement of the electricity grid. In the final version of the directive member states were merely given the *possibility* of obliging grid operators to cover the full cost of the modernization of the electricity grid, which significantly weakened this element of the directive (Directive 2009/28/EC). However, the directive article dealing with the access to the grid put producers of electricity from renewable sources in a rather good position providing them either with priority access or guaranteed access to the grid. Considering the differences between the EU member states, the final version of that article was probably as ambitious as it could get at that time.

Overall, the European Commission as a policy entrepreneur was definitely much more successful in setting mandatory national targets and with regards to grid access issues than in introducing a harmonized EU-wide RES trading on the basis of GOs. The European Commission's supranational entrepreneurship effort aimed at harmonized RES scheme proved to be in vain, for the second time.

6.4 Convergence of Preferences

In this section, I will examine the preferences/positions of key member states (Germany, France, the UK and Poland) on the objectives and means of the Commission's proposal on RES 2009 directive focusing on direction and intensity of their preferences/positions. At the end of the section, I will discuss the extent of convergence between their positions.

6.4.1 Domestic Context and Renewable Energy

Germany's renewable portfolio has been built rapidly due to the FIT system. FIT has led to the deployment of large quantities of wind, biomass, small hydro and photovoltaic capacity. A feed-in scheme regulated by the "Renewable Energy Sources Act (EEG) from 2000 (later revised several times), offered operational support on the basis of technological criteria. RES prices were adjusted to the costs of the different renewable energy sources. RES enjoyed a guaranteed access to the grid (Jacobsson and Lauber 2006). The operation of the feed-in schemes led to the emergence of the strongest renewable energy industries, primarily equipment producers for wind and photovoltaic energy, in the entire EU. Total final energy from RES has increased by almost 1 percent since 2002. According to Eurostat data, the share of RES-E generation went from 8.2 percent in 2003 to 15.4 percent by 2008 (Eurostat 2011). German renewable energy output grew at an annual rate of 12 percent between 2000 and 2006 (IEA 2007: 65). So, Germany was able to meet its indicative target as mandated by the RES-E directive of 2001 well ahead of schedule. Germany's Renewable Energy Sources Act (EEG), which was modified in 2004 had already set ambitious targets to increase the percentage of renewable energy sources in power supply to at least 12.5 percent by 2010 and to at least 20 percent by 2020 (EEG 2004). If this trend continued, 21 percent of German energy would be sourced from RES by 2020, exceeding by 3 percent the mandatory target of 18 percent proposed by the Commission's RES proposal (Toke 2008).

The "Black-Red" Grand coalition of 2005-2009 supported ambitious RES targets for 2020: at least 20 percent of electricity generation and at least 10 percent of the total energy supply (Duffield and Westphal 2011: 173). Because of their own ambitious objectives and success in RES development, Germany became the European Commission's principal ally on an overall EU target, as well as binding national targets. Germany's strongly supportive position with respect to the endorsement of binding 20 percent overall EU target during the 2007 Spring Council, and later, with respect to mandatory national targets was conditioned several factors. First, Germany had an interest to expand the market for its growing RES industry. Introducing ambitious energy/climate targets into EU legislation would create additional demand for RES technology and provide excellent opportunity for Germany's export-oriented industry. Second, German leadership wanted to 'upload' its national standards and solutions to the EU level to reduce regulatory adjustment costs in subsequent 'downloading' of EU rules. The more a European policy fits a member state's domestic context, the lower the adaptation costs in the implementation process (Börzel 2002). Third, Germany sought a leadership role in global climate change negotiations (Jänicke 2011). Coupled with its leadership in renewable technology exports, ambitious and unified EU targets would give Germany a stronger position to become a "trend-setter" in international climate politics and exert more influence on other players (e.g. the US and China) in the upcoming Copenhagen talks and in setting post-Kyoto objectives (Cox and Dekanozishvili forthcoming). Therefore, Chancellor Merkel aligned with the European Commission to push forward the 20/20/20 initiative and put RES binding targets on the

EU agenda. Holding the Council Presidency in the first half of 2007 provided an important institutional platform for Germany to help the European Commission to persuade member states during the 2007 Spring Council to adopt the 20 percent binding target of RES share in the EU's energy consumption by 2020" (Interview with the German official, Ministry of Economy 2013).

However, Germany's support for ambitious renewable energy targets has been conditioned on being able to maintain its FIT scheme (Duffield and Westphal 2011: 177). Thus, Germany strongly resisted the Commission's proposal on the EU-wide trading of RES certificates. The German position was that TREC systems tended to favor incumbent companies (large utilities) by generating windfall profits and market concentrations rather than promoting technological diversification and independent power producers (Jacobsson *et al.* 2009). German officials from the Ministry of Environment believed that the new RES companies in Germany would suffer and target fulfillment would be jeopardized if the Commission's proposal was adopted: "The question was where the RES plants would be built, where the jobs would be created. RES potential would not be built in Germany, local ownership would be lost, FIT systems would collapse as electricity companies in quota-based countries would buy up GOs from low-cost generation to fulfill their corporate and national targets, while leaving FIT member states with more expensive options" (Interview with the German official, Ministry of Environment 2012). The German Ministry of Economy, on the other hand, was concerned with the loss of cost control: "We shared criticism of the Ministry of Environment regarding the European Commission's proposal, however, for different

reasons. It would not be possible to keep cheap wind power in Germany; wind industry would be attracted out of Germany to member states with more generous tariffs. On the other hand, we would experience excessive inflow of producers in PV sectors because of generous German tariff. Overall, we would lose control over the costs" (Interview with the German Official, Ministry of Economy 2013). Despite some differences, the German government had a unified position during the negotiations in Brussels, which was strongly in favor of binding targets, but strongly opposing the Commission's proposal on GO-based certificate trading.

In the beginning of the 2000s, the British government announced its ambitious climate change policy. The government set itself a target of 60 percent CO2 reductions by the year 2050 (Secretary of State for Trade and Industry of the United Kingdom 2003). The Stern Review of 2006, initiated by the British government, drew the attention to the challenge of climate change not only in the UK, but also at the European level. Two years later, the Climate Change Act upgraded the previously adopted target of 60 percent CO2 reductions to 80 percent by 2050, and aimed at 34 percent reductions by 2020 (Department of Energy and Climate Change 2008).

Despite its ambitious climate targets, the UK was a laggard in the development of renewable energies. The British government had failed to develop any meaningful wind industry in spite of favorable weather conditions. Unlike Germany, the UK was behind the schedule in meeting RES-E directive indicative targets (European Commission 2007). The share of RES-E generation over consumption grew from 2.8 percent to 5.6 percent in 2008 (Eurostat 2011). The gap between the UK's ambitious climate change

objectives and a slow development of RES was partly due to an inefficient support scheme, and partly due to the UK's focus on nuclear energy as the main non-fossil source of electricity.

Since 2002, the UK introduced a RES support mechanism based on renewable obligation – a quota with tradable certificates (RO). The RO scheme is a 'market-based' system involving trade in renewable obligation certificates (ROCs). Electricity suppliers are obliged to fulfill the quota obligation. The UK quota obligation has often been analyzed as a prime example for the high-risk nature of quota systems, in terms of volume, price and balancing risk (Mitchell *et al.* 2006). Until 2009 the scheme was technology neutral - only relatively low-cost RES-E technologies were supported, whereas higher cost technologies such as photovoltaic were not competitive under the quota scheme and were therefore also prevented from market integration (Wood 2011). Undifferentiated support for all kinds of RES has been a major disadvantage of the quota scheme. Among the renewable energy sources, wind power has been the dominant RES-E technology and the main investors/producers have been the major utilities, the ex-monopoly companies (Stenzel and Frensel 2008). The RO system has under-achieved in relation to its quantitative target: in 2007 the RES-E amounted to 4.9 percent (15.9 TWh), compared with the target of 7.9 percent (or 25.6 TWh). The RO scheme has been criticized for being too costly. ROC system has been producing just a 0.3 per cent increase in the annual renewable energy as a contribution to total final energy consumption (DBERR 2007). A key problem with the RO instrument is that the future price of ROCs as well as future price of electricity is uncertain. This means that

investors are facing greater risks than in FIT system. This increases the cost of RES projects compared to FIT system where prices paid to renewable generators are fixed beforehand for 15-20 years (Toke 2005; Mitchell *et al.* 2006). In terms of RES-E target achievement, the UK was predicted to be generating around 6.5 percent of its final energy from RES in 2020 in the best scenario case that would leave the UK 8.5 percent short of its EU RES directive target - 15 percent from RES by 2020 (Toke 2008).

So, due to its commitment to climate change, the UK was generally supportive of the European Commission's efforts to promote renewable energy that the UK considered as an integral part of the its strategy to deliver on climate change and wider energy policy goals (Parliament of the United Kingdom 2008). The UK's strong concerns about energy security after having become a net importer of gas, reinforced by the 2006 and later 2009 gas supply cut-offs to Europe due to the dispute between Russia and Ukraine, only contributed to the UK's positive attitude towards the RES. Some of my respondents from the European Commission recollected that the UK was favorably disposed to the European Commission's RES Roadmap. However, the UK initially was very skeptical and not in favor of the Commission's proposal on setting binding targets for the development of 2020 (Interview with the European Commission official 2012; 2013). Leaked government papers revealed that British officials were opposed to the setting of mandatory targets on the grounds that they would undermine the carbon price and hinder the effectiveness of the EU's Emissions Trading System (ETS). Also, national binding targets proposed by the Commission would be very difficult for the UK to meet (McGown 2011: 205). It was estimated that a 15 percent target would require

an approximately ten-fold increase in the proportion of renewable energy in the UK over little more than a decade (Parliament Committee Proceedings 2008). In addition, for the UK the RES was about handling climate change and not about promoting certain technologies. However, before the Spring Council of 2007 the UK changed its position and supported the binding 20 percent RES target by 2020 as suggested by the European Commission. As one of the high-level Commission bureaucrats from the DG energy has mentioned during an interview, the UK's approval of the 20 percent target in final energy consumption was thanks to Tony Blair's confusion: "Blair, for some reason, through that the 20 percent overall EU target was referring to electricity, not the total energy consumption" (Interview with the European Commission official 2012).

With respect to the means on how to achieve RES targets, the UK's position was very much in line with the European Commission's proposal. The UK was a key ally for the Commission officials in favor of a Community-wide trading mechanism in the beginning. Initially, the UK was a strong supporter of GO-based trading: "Minister welcomes the principle of standardizing and enhancing the role of Guarantee of Origin Certificates to allow them to be transferred between member states, and does not believe that this should impact on national support systems for promoting renewables" (Parliament of the UK 2008). The UK government actively lobbied the European Commission to favor trade in RES and pointed to the need to influence key member atates' views, namely France, Germany, Italy and Poland (Internal briefing paper, not dated). The UK feared a tripling of its electricity prices if it would need to increase RES binding targets until 2020 with high amount of home-grown RES (Toke 2008). An EU-

wide trading mechanism was seen by the UK as a means to achieve flexibility and thus reduce costs. According to the internal briefing paper for UK ministers prepared by officials from the UK Department for Business, Enterprise and Regulatory Reform, "from a UK point of view, given the concern on not undermining the EU ETS, and the difficulties of making large increases in renewable investment domestically, we would tend to favour options with maximum flexibility over what and where investments can be made to minimise costs" (Internal briefing paper, not dated).

Despite its initial vigorous support of the European Commission's proposal, the UK joined the alternative proposal drafted by Germany, Spain and Poland in the summer of 2008 that stripped the GOs off trading quality. The UK's radical shift was crucial moment in the negotiation phase and it actually determined the fate of the proposal (Interview with the European Commission official 2012). The UK's objective was to have a flexible mechanism at the EU level that would allow investment in RES outside the UK and contribute towards the national target and not necessarily the harmonized EU trading system. The UK was also convinced by the 'cost-related' arguments of FIT supporters. As Boasson and Wettestad (2013) argue, due to the absence of strong British utilities, UK policymakers were not exposed to strong domestic pressure for green certificates. "British renewable energy enthusiasts had repeatedly called for the introduction of feed-in systems, due to the disappointing achievement of the market scheme" (Mitchell and Connor 2004 cited in Boasson and Wettestad 2013: 92). The British energy regulator Ofgem also sided with them and argued against an EU-wide certificates scheme referring to high costs and technology-neutral approach (Ofgem

2008; Interview with the European Commission official 2012). All of these factors contributed to the drastic shift in the UK's position. So, unlike Germany, the UK was initially against binding targets but supportive of EU-wide certificates trading. However, in the middle of negotiations, the UK's position on support schemes converged with that of Germany, Poland and other opponents of the European Commission's proposal.

The French energy sector has traditionally been dominated by a high share of nuclear power, while progress in developing renewable energy has been very slow, and the proportion of energy derived from RES actually fell in 1997-2004 (European Commission 2007). Due to the large hydro resources, France started from a substantial share of RES-E, which was 14.8 percent in 1990 and slightly decreased to 14.4 percent in 2008 (ENTSO-E 2011). France is one of few countries in the EU, where the share of RES-E in the electricity mix decreased from 17.8 percent to 13.5 percent over the period of 1995-2009 (Eurostat 2011). France was lagging behind its RES-E directive indicative target of 21 percent, achieving only around 14 percent by 2010 (European Commission 2007). According to experts' estimation, France's share of energy from renewables would only increase to 17 percent by 2020 in the best scenario case, well under 23 percent target allocated by the RES directive proposal (Toke 2008).

Since 2001, RES-E has been supported under a feed-in system paid for 15-20 years depending on the technology and public tenders for larger projects above 12 MW. The promotion of renewable energies is mainly realized by a system of obligation to buy electricity from renewable sources at favorable rates (feed-in tariff). This obligation derives from Article 10 of law n°2000-108 as well as from specific orders for the

different RES technologies, especially the regulations on the feed –in tariff, which contain specific rules for the various RES sources (DG Energy Report 2011). Ineffective RES support mechanisms and number of bureaucratic barriers led to the sluggish development of RES in France (DG Energy Report 2011). In addition, French energy policy is heavily influenced by EdF, whose 84 percent of shares are government-owned. And EdF has never been a supporter of RES (Interview with an expert, Renewable Energy Association of France 2013).

Despite ineffective renewable energy policy, the French government, and especially French president Nicolas Sarkozy, appeared as a big supporter of EU's climate change related ambitions and accordingly the European Commission's Energy and Climate Package. This is not that surprising given France's interest in nuclear energy. French policy makers influenced by the powerful nuclear industry expected that the CO2 emissions reduction by 2020 could muster other countries to invest in nuclear energy that would bring profitable contracts to the French nuclear industry, especially largely state-owned Areva (Interview with an expert, Renewable Energy Association of France 2013). Another important factor that determined the French position during the negotiations was its upcoming EU presidency. Negotiations on the package started right when France assumed the EU presidency (second half of 2008). France made the climate and energy package a top priority during its Presidency and wanted to get the package adopted until the end of its presidency. "Sarkozy himself was very active. He perhaps wanted to play a leader's role, and the lack of agreement over the most important piece of legislation negotiated during the French presidency of the European Union could be

damaging to Sarkozy's image as an effective leader" (Interview with the European Commission official 2012).

France also had a favorable situation domestically. The "Grenelle de l'environnement" process was ongoing, which called for an ambitious increase in RES in line with the EU RES targets.[25] The French national assembly also supported ambitious RES objectives: "These goals indeed correspond to the scale of the climate warming challenge and strengthen Europe in its leadership role in the framework of the international agreements before the deadline of the Copenhagen conference of December 2009" (National Assembly, motion on a resolution on the energy-climate package, November 2008). So, Sarkozy supported the European Commission's 20 percent overall RES target for the EU by 2020 during the 2007 Spring Council for reasons different from Germany's desire of having ambitious RES goals at the EU level.

When the European Commission presented mandatory national targets in its proposal for the RES directive, the French government had some hesitation, but the French Permanent Representation in Brussels convinced policymakers in Paris to agree on binding targets. "As a result of internal debates it was concluded that without binding targets there will be no boost for RES development" (Interview with the French official, Permanent Representation of France to the EU 2012). The French Presidency also decided not to open up the issue of mandatory national targets for the further discussion. "We would never succeed to have an agreement if some member states

[25] The Grenelle de l'environnement, instigated by Nicolas Sarkozy in the summer of 2007, was an open multi-party debate in France bringing together representatives of national and local government and organizations (industry, professional associations, non-governmental organizations) with the goal of unifying a position on public policy on ecological and sustainable development issues over the following five-year period., is to define the key points of public policy on ecological and sustainable development issues over the following five-year period.

objected the level of their national binding targets. We, as a presidency, emphasized two points: annex of the proposed directive with mandatory targets should not be reopened, and all texts were to be held as a package. This would help to progress in negotiations as some member states were willing to compromise on some parts of the package in order to get concessions on the other parts" (Interview with the French official, Permanent Representation of France to the EU 2011). So, French presidency by not letting open up the issue of targets during negotiations used the power of agenda exclusion (Tallberg 2003).

With respect to support schemes, France was in favor of maintaining autonomy in deciding RES instruments, but its major objective was to get the package adopted: "If the European Commission's proposal on trading of green certificates was accepted, we would lose control over the process of RES development. However, as a Presidency, we focused on mediating the negotiations, organizing bilateral meetings with other member states and holding trialogue meetings between the Council, the EP and the Commission. We were sympathetic to the proposal put forward by Germany, Spain, Poland and the UK, but we had to stay neutral. Our key aim was to reach the agreement until the end of our Presidency" (Interview with the French official, Permanent Representation of France to the EU 2012).

Overall, the French position on binding national targets, as well as on RES support schemes was in line with the positions of other key member states. France's major concern was to get the entire package adopted, especially because of its high stakes in the ETS component of the package.

The Polish government has not been ambitious about the deployment of renewable energy sources. By the time Poland joined the European Union in 2004, the RES share was around 1.5 percent. The share of RES-E generation in gross final energy consumption reached 4.2 percent in 2008 (Eurostat 2011). Renewable energy has been considered a goal set by the European Union rather than a viable source for electricity production (DG Energy Report 2011). Power generation in Poland has been dominated by coal (93.4 percent). However, because of international obligations to reduce CO2 emissions the use of coal has been expected to become more expensive. The second most important energy source has been natural gas, mostly imported from Russia (Lang 2007 cited in Poblocka *et al.* 2011). The rising prices for coal and the dependency on Russian supply constituted a serious issue for Poland in terms of energy security. Therefore, nuclear power has gained in importance in the Polish energy mix.

In 2005, Poland introduced technology-neutral quota-based obligation and a system of tradable green certificates, similar to the UK RO system, to support RES-E generation. The key idea behind the support scheme was to gradually stimulate the demand of RES-E and at the same time to facilitate competition between RES-E producers (EnerCEE, 2011). The quota obligation could also be fulfilled by paying a fee calculated annually according to a statutorily set formula and published by the Regulator (Art. 9a par. 2-4 Energy Law Act). The Polish electricity market has for a long time shown a permanent shortage of RES-E. Hence, the “substitution fee” set by the regulator has been the main driving factor determining RES-E income from selling certificates. As a consequence, the price for certificates in Poland has been mainly

determined by regulation rather than by the market, similar to a feed-in system (Obersteiner 2008 cited in Poblocka *et al.* 2011).

The Development Strategy of Renewable Energy Sector elaborated in 2001 set the goal of a14 percent share of renewable energy in the energy mix by 2020. However, due to the expected increase in the consumption of electricity by 2020, Poland was expected to reach 9 percent share of energy from RES (Kopaczewska 2007). During the 2007 Spring European Council president Kaczynski reluctantly agreed to the EU's 20 percent target by 2020. But when the European Commission allocated 15 percent mandatory national RES target by 2020, the Polish government and conventional industry expressed their dissatisfaction, arguing that the target was too ambitious and pushed for opening up the issue for discussion (Council 2008, Interview with the Polish official, Ministry of Economy 2012). However, the Polish government did not succeed in lowering the national mandatory target proposed by the European Commission. In the climate and energy package negotiations, the major Polish priority was to improve its chances of getting special treatment for its coal-based utilities in the ETS (Boasson and Wettestad 2013: 92). Poland focused on opposing some elements of the ETS directive (i.e. introduction of the full auctioning of the CO2 emissions) and was ready to make concessions during the negotiations of the RES directive to gain compromise on the ETS directive (Interview with the French official, Permanent Representation of France to the EU 2012). Eventually, Poland accepted the mandatory national target of 15 percent RES share as suggested in the Commission's proposal against its will.

Regarding the EU-wide trade of GOs, the Polish government opposed the European Commission's proposal besides the fact that Poland had quota-based RES support scheme. Although the system of internationally tradable guarantees of origin could help Poland develop renewable energy industry and create jobs in this sector at the expense of electricity consumers in the countries with more generous tariffs, the government appeared to be concerned not with the costs of RES development, but with the growing possibility for RES industry to compete with conventional energy companies. So, in response to the European Commission's proposal, Poland allied with Germany and Spain, later joined by the UK, to force the Commission abandon its objective of introducing tradable GOs (Boasson and Wettestad 2013). Indeed, the alliance succeeded in pushing through their solution that eventually made its way into the directive. Overall, the Polish position was not in favor of the proposed directive, neither in terms of the binding national targets, nor the support mechanism suggested by the Commission. On the latter Polish position converged with that of other key member states, whereas on the issue of target level Poland had to acquiesce to the target it considered too ambitious.

6.4.2 Convergence of Preferences/Positions on Policy Objectives and Instruments

By the time the European Commission proposed the 20 percent binding target for RES, climate change was an issue on the agenda in three key states, Germany, the UK and France. Poland only relatively recently having joined the EU, was never a prominent supporter of ambitious climate or renewable policies. Germany and France both supported the European Commission's 20 percent overall RES target for the EU by

2020, albeit for different reasons as discussed earlier. The UK was initially skeptical and not in favor of the Commission's proposal on setting binding targets. However, before the Spring Council of 2007, the UK changed its position and supported proposed targets. Though reluctantly, Poland also agreed to accept the overall binding target. So, Germany was strongly in favor of the binding target; France was supportive as well; the UK became supportive only at the later point; the Polish position diverged from these three member states but finally agreed on binding targets.

With respect to mandatory national targets that the European Commission proposed in the draft directive after the 2007 Spring Council, Germany was again strongly in favor of the proposal. The French government hesitated in the beginning, but after the internal discussions was persuaded not to question mandatory national targets. The UK was concerned that the national targets would be hard to meet, but still supported binding national targets. The Polish position again was different and not in favor of the binding national targets, but used the RES target as a bargaining chip to gain concessions on other elements of the climate and energy package.

Preferences/positions of the key member states with respect to the means and instruments for achieving objectives were far from aligned. In May–June 2008, member state governments remained split on the issue of GOs. Germany strongly resisted the Commission's proposal on the EU-wide trading of RES certificates. France was in favor of maintaining autonomy in deciding RES instruments, and the French position was generally in line with the German one, but France, as Council Presidency tried to remain neutral since its major objective was to get the package adopted. The Polish

government opposed the European Commission's proposal besides the fact that Poland had quota-based RES support scheme. The Polish position was in line with the German position and indeed they together tabled an alternative proposal. The UK's position in the beginning was opposite to the German and Polish anti-GO trading position and strongly in favor of the Commission's proposal on Community-wide support scheme. However, things started to shift against GO trading. The national positions in the Council meeting minutes reveal that even trading-friendly countries, most importantly the UK, were turning around and becoming uncertain about the merits of the system. The UK changed its opinion, partly in response to domestic voices about looking into FIT, and fears that certificate markets if harmonized across the EU might make certificates very expensive (Nilsson *et al.* 2009). So, in the middle of negotiations, the UK's position on support schemes converged with that of Germany, Poland and other opponents of the European Commission's proposal. The UK joined the alternative proposal drafted by Germany, Spain and Poland in the summer of 2008 that stripped the GOs off trading quality.

Thus, the positions of the key member states were more aligned on the issue of binding targets (vertical integration) than on harmonization of support schemes (horizontal integration). With respect to policy instruments, the UK's position was the complete opposite of the German and Polish positions (also from the more neutral French position). But in the middle of negotiations the UK's position changed dramatically and converged with the German and Polish positions. As a result, the

European Commission was forced to give up the pan-European framework for RES trading.

6.5 Transnational Interest Consolidation

Similar to the 2001 RES-E directive policymaking process, two major transnational interest groups were active at the EU level trying to take part in shaping the new RES directive by exerting influence on the EU policy makers. These two groups again were utilities (conventional energy sector) represented by the umbrella organization at the EU level – Eurelectric, and renewable energy industries represented by EREC, EREF and European associations of national renewable industries, such as EWEA (European Wind Energy Association). In this section, I will discuss the role of these two transnational interest groups and the degree of their mobilization and consolidation in the process of RES directive elaboration.

Since the adoption of the RES-E directive in 2001, the European renewable industry has been growing. Germany was the leading country with a significant RES industry. In spite of the high annual growth rates, the renewable industry could not yet compete with the conventional electricity industry in terms of economic strength (Boasson and Wettestad 2013: 90). However, the renewable industry developed a very strong presence in Brussels. EREC was an umbrella organization for all niche organizations. EREC developed very close ties with technology-oriented officials in the European Commission's DG TREN, as well as the European Parliament. RES industry strengthened its lobbying capacity since the time the first RES-E directive was

elaborated (Interview with the representative from German Wind Energy Association 2013; Boasson and Wettestad 2013).

The renewable energy industry, under the EREC's umbrella, mobilized itself on the European scene to influence the renewable energy policy at the EU level as early as 2004, a date when the European Commission was supposed to table its report in accordance with the 2001 RES-E directive. EREC prepared a policy document which suggested setting a 20 percent renewable target for Europe by 2020, and 34 percent RES target for electricity sector (EREC 2004). After the European Commission presented its RES Road Map, EREC in line with the European Parliament, more specifically EOROFORES group, supported a binding target of 25 percent RES share by 2020, but eventually welcomed the agreement of the 2007 Spring Council on 20 percent RES target by 2020 (Interview with EREC representative 2012).

In addition to ambitious long-term RES targets, the renewable industry was a strong supporter of the sectoral approach. They had the EP's backing on that issue. "At first, we argued for a separate directive for heating/cooling sector to close the gap between this sector and RES-E and asked for at least 25 percent overall EU target by 2020 allocated among member states based on binding national targets" (Interview with EREC representative 2012). However, the European Commission in its Road Map presented the 20 percent overall target with no mention of sectoral targets. Dissatisfied with the absence of sectoral targets, the RES industry, together with environmental NGOs and the European Parliament, repeated their call for sector-specific RES policy objectives (Massy 2007). Eventually, the adopted directive only obliged member states

to present an indicative trajectory in their National Action Plans outlining how they plan to achieve mandatory national targets (Directive 2009/28/EC). So, sectoral targets that RES industry and the European Parliament actively advocated for did not find way in the final version of the 2009 RES directive.

The RES industry was strongly consolidated and became united with the MEPs, the Commission officials and member state representatives against the Commission's proposal to harmonize the support schemes on the basis of the quota mechanism. Shortly before the European Commission published the report, as required by the 2001 RES-E directive, about the possibility to establish a community-wide support scheme in 2005, EREC's position paper underlined that there were serious distortions in the conventional power market and considered it too early to harmonize different national support schemes for renewable energy (EREC 2005). The RES industry shared the view of the European Parliament and pro-FIT member states that a pan-European green certificate scheme would raise investment uncertainty, and that the utilities would get unjustified profit (Interview with the representative from the German Wind Energy Association 2013). The RES industry aimed at a long-term regulatory framework. EREC representing equipment producers and manufacturers that would benefit from binding targets, and small producers that would have difficulties dealing with liberalized market, in alliance with other lobbyists including EREF (an organization for independent power producers of renewable electricity), the European Photovoltaic Industry Association (IPIA), the European Wind Energy Association (EWEA) and the most important

environmental NGOs in Brussels, (e.g. Greenpeace) vigorously opposed the creation of pan-EU market for GO certificates.

National wind energy associations united under the EWEA were the most active supporter of FIT schemes and the strongest opponents of the harmonized support scheme based on quota obligations. The EWEA believed that harmonization of the renewable energy support scheme and liberalization of trade of electricity from renewable sources of energy based on the mechanism of green certificates would lead to a situation in which countries importing renewable energy would benefit from support schemes introduced in another country without bearing the costs of the scheme. Therefore, trade with electricity produced from renewable sources would only make sense if all countries were given the same obligations and addressed a number of differences such as various costs of grid connection, different electricity prices, fiscal measures, etc. (Interview with the German official, Ministry of Environment 2012). The RES industry argued that trading, or 'flexibility' as it was framed by the European Commission, should have been restricted to those member states that had already met their targets (Toke 2008: 3003). "They were very good at getting their point across the European Commission against the use of GO-based trading" (Nilsson *et al.* 2009: 34). The disagreements within the Commission provided a strong incentive for lobbying, and the final weeks of proposal preparation up until 23 January 2008, when the proposal was formally published, saw an unprecedented lobby effort from interest groups and member states (Nilsson *et al.* 2009). The consolidated effort of the RES industry bore the fruit. As the representative of the German Wind Energy Association has mentioned,

after the intensive discussions with the European Commission the draft has undergone major changes as a result of the new understanding in the Commission: “The RES industry was consolidated. Everybody agreed that mix of national and EU certificate system could not work together and if the European Commission insisted on its proposal, the whole RES industry would launch the campaign against it. Even voluntary overarching certificate system would not fly; it would undermine target achievement. And there was a convergence of positions between us and the German government. So, the European Commission understood that legislation in the suggested form could never be passed. In the end of 2008, after Germany, Spain, Poland and the UK tabled an alternative proposal, there was an agreement among the most of the stakeholders that voluntary cooperation mechanism was the way forward” (Interview with a representative from the German Wind Energy Association 2012).

Thus, the RES industry was well-mobilized and consolidated. They also acted strategically when forming strong ties with the European Parliament, the Commission officials who had more technology-oriented outlook, the member state representatives opposed to the pan-European trading.

In the period preceding the adoption of the 2001 RES-E directive electricity producers had already taken up market thinking. To ensure growth they were Europeanizing their activities and developing into big conglomerates through a series of mergers and acquisitions. By 2008, there were few potential acquisition candidates in Europe. Investment in RES began to be considered as one of the possibilities for further growth (Boasson and Wettestad 2013: 89-90). Therefore, when the European

Commission began its work on the new RES directive, utilities got activated on the European scene to influence the policy development in accordance with their interests.

These interests included the majority of transnational electricity corporations, represented by Eurelectric, the European Federation of Energy Traders (EFET) and Renewable Energy Certificate System (RECS). All three groups generally supported, or at least did not openly oppose renewable energy development as many member companies were already investing in RES (Toke 2008). However, they considered the target of 20 percent share for RES in overall EU energy consumption as very ambitious and challenging. Although they did not overtly contest the targets, Eurelectric, EFET and RECS underlined the importance of a market-based mechanism and 'flexibility' for achieving ambitious targets (Interview with Eurelectric representative 2011; Toke 2008). Pro-market oriented Eurelectric believed that the EU Emissions Trading Scheme (ETS) should be the main instrument and the similar mechanism of green certificates for RES could be a reasonable option to support renewable energy, while creating "level playing field" for different sources of energy to compete on the market (Eurelectric 2007).

All three groups were strongly in favor of GO certificate trading. They mostly mirrored the interests of giant companies (e.g. E.ON, RWE, Vattenfall) that could benefit from windfall profits as the price of GOs would be determined by the marginal costs of the most expensive RES technology (Johnson *et al.* 2008; Toke 2008). This system would allow big incumbent electricity suppliers to buy certificates and be in control of income stream for renewable energy developers that would depend on suppliers for contracts (Toke 2008).

Eurelectric and its allies presented a nuanced position: instead of explicitly demanding a harmonized market for RES, they argued for giving a choice between FIT and GO trading. Their nuanced position was the result of the consolidation problem. It was difficult to form a unified strong position due to diverging interests that the umbrella organizations have represented in terms of power technologies, or nationalities (Nilsson *et al.* 2009; Toke 2008). There were members of Eurelectric (e.g. Iberdola – a Spanish electricity company) that supported FIT and contributing to the lack of a unified position in Eurelectric (Toke 2008). As for the EFET and RECS, they both presented pro-trading positions, but were dissatisfied with the "opt-out" clause and prior authorization provisions of the Commission's proposal. Therefore, instead of supporting the proposal, they criticized it (EFET 2007).

Thus, the traditional electricity industry organized under the umbrella of the Eurlectric, EFET and RECS could not consolidate enough to present a unified position. Nor did they behave strategically to establish the necessary alliances with outside actors, as the better consolidated RES industry did with the MEPs and the member states.

6.6 Rule Density

The choice of a legal basis for a particular directive can significantly affect the decision-making outcome, and therefore, can be a subject of discussion. This is particularly true for policy areas for which the EU Treaty lacks explicit legal basis and for which the legislation is usually adopted based on the provisions in related policy fields. When there are pre-existing EU rules (secondary legislation) regulating a given policy

area, the subsequent rules in the same policy area can be affected by them, including the choice of a legal basis for future legislation. According to Pierson's (1996) path-dependency logic, later policy decisions will be conditioned by earlier ones. Pre-existing domain-specific rules can affect competence distribution and steering method of subsequent rules in that domain, as well as shape actor's interest perception (Pierson 1996; Fligstein 2008). Previous rules may serve as model for subsequent ones and determine their emergence and character of the outcome through policy feedback.

In this section I will discuss the choice of the legal basis and its implications for the RES directive, as well as pre-existing rules in the domain of renewable energy.

6.6.1 Legal Basis

The European Commission proposed the draft directive on the basis of Article 175 (1) of the Treaty that gives the Community power to act to preserve, protect and improve quality of environment, protect human health and make prudent and rational use of natural resource, in combination with Article 95, which deals with the internal market. In general, a single legal base was preferred, but the Commission claimed the use of a dual base to be appropriate as the directive contained provisions based on different parts of the Treaty. Most of the parts of the proposed directive fell under the Article 175 (1) (environment). Only those articles (15, 16, and 17) of the proposal that imposed binding obligations on member states regarding the sustainability of biofuels were proposed under Article 95 (internal market). One could easily argue that the sustainability criteria themselves obviously pursue an aim of environmental protection and should have been proposed under the environmental legal basis. However, the

European Commission preferred to suggest using the internal market basis for the part of the proposed directive that dealt with biofuels criteria. The Commission justified its choice of legal basis by arguing that because the proposed provisions of the directive aimed for a complete harmonization of biofuels criteria to prevent member states from adopting measures which would obstruct trade in biofuels or raw materials, the internal market was an appropriate legal basis. The Commission considered that the provisions of harmonized standards for biofuels sustainability fell under Article 95 (European Commission 2008). Both legal bases required the use of co-decision procedures and the support of a qualified majority of member states in the Council. It should be noted, that the previous 2001 RES-E directive was likewise adopted on the basis of Article 175(1) of the Treaty.

However, Sarkozy, in his competency as the then President of the Council, insisted that the whole energy-climate package, including the RES directive, had to be adopted based on the unanimity rule (Guéguen and Iosif 2008). Arguably, some aspects of the Package, such as the establishment of binding renewable energy targets, had a direct impact on the energy mix in the member states and could be based on article 175(2), which would require unanimous agreement in the Council and only consultation with the European Parliament. The UK also supported the adoption of the directive based on Article 175(2), which provided the EU with the option to adopt measures significantly affecting a Member State's choice between different energy sources and the general structure of its energy supply (Interview with the European Commission official 2012). In response, the European Commission argued that the proposed

directive would not significantly affect member states' choice between different energy sources or the general structure of their energy supply, and therefore not fall under Article 175 (2), because renewable energy is a close substitute for conventional energy supplied through the same infrastructure and logistics system and all member states had already used renewable energy and decided to increase RES share (European Commission 2008).

Eventually, Sarkozy decided to adopt the directive based on unanimous political agreement of member states, while formally the whole package would still be adopted on the basis of Article 175(1) requiring QMV. From the legal point of view, this was controversial, but from the political point of view, this was a strategic choice. This deprived reluctant member states of the possibility to complain that they were forced into implementing the directive adopted according to an improper legal basis. On the other hand, unanimous agreement, though informal, would prevent inclusion of unsolicited provisions in the directive.

In any event, formally basing the directive on article 175(1), which required QMV, and co-decision from the European Parliament had important implications for the outcome. Using this article as a legal basis provided more of a role and discretion for actors other than the Council (e.g. EP). Full involvement of the European Parliament, which supported ambitious targets and defended national FIT schemes, put an important stamp in making of the directive.

6.6.2 Pre-existing Domain Specific Rules

There is no doubt that without the previous RES-E directive there would not have been the RES 2009 directive. The earlier RES-E directive determined the central elements of the subsequent policy debate: targets beyond 2010, a Community framework for the support of RES and additional legislative measures for RES-H/C. In that regard, the RES-E directive can be seen as policy-internal path dependency. The RES-E directive imposed an obligation on member states to introduce a support scheme for electricity from renewable sources. This gave rise to the creation of a new RES industry with high stakes and a strong presence in Brussels, whose consolidated activism was crucial in the achievement of the compromise at the European level during the negotiations over the RES directive of 2009. In addition, the initial steering method adopted by frontrunner member states (Germany, Spain, Denmark) proved successful and effective. This partly determined the success of pan-European trading opponents to block a shift towards harmonized market-based instrument. In addition, RES-E indicative targets did not prove to be enough incentive for the RES development. This contributed to the understanding that for RES growth legally binding targets were necessary. So, ineffectiveness of indicative targets in 2001 directive helped the adoption of mandatory targets in 2009 directive, and correspondingly had a positive effect in terms of creating binding rules at the EU level (vertical integration). The 2001 RES-E directive, particularly Article 4, called for an assessment of national RES support schemes after a four year period and provided the European Commission with the possibility of introducing a proposal for a Community framework with regard to support schemes. In other words,

the RES-E directive set the path for future direction of Community's action and embedded the issue of RES support schemes. Thus, the EU's renewable policy development shows that even when there is no explicit legal basis for the given policy area, the existence of domain-specific rules can affect future decision outcomes through policy feedback.

6.7 External Contingencies/Shocks

As discussed earlier, external contingencies can punctuate the equilibrium in the EU system and have important implications on the policymaking outcomes. External events can become critical junctures and exacerbate long-term structural conditions, such as EU's energy dependence, or EU's relative position in global competition. External shocks can create convenient opportunities for supranational entrepreneurs to use the international backdrop to promote their own ideas and interests. They can also contribute to a change in the positions of national government, by shifting national preferences on a given issue and provide window of opportunity for EU actors to exploit them strategically for advancing collective interests. In this section, I will discuss whether and how external contingencies have affected the RES directive policymaking process and outcome.

Contextual factors played a crucial role in the initiation and adoption of the 2009 RES directive. Barroso's priority on energy and climate was largely determined by external contingencies. Upcoming international climate talks to be held in Copenhagen in 2009 and the Russian-Ukrainian gas crisis in 2006 were two external contingencies that created a political momentum to initiate the discussions on the new RES directive,

put the issue on the agenda and prevented major opposition against the European Commission's proposal.

When the Kyoto Protocol entered into force, the negotiations over the post-Kyoto agreement were due to start. The agreement on post-Kyoto emissions reduction targets was expected during the CoP meeting in Copenhagen in 2009 (Jänicke 2011). The Stern review initiated by the British government in 2006 and the fourth assessment report of Intergovernmental Panel on Climate Change (IPCC) published in 2007 - both of which offered pessimistic assessments of the severity of the damage caused by climate change, unveiled the urgency of taking action against global warming. While the Stern report accentuated the economic argument to take measures against global climate change, the fourth IPCC assessment report underlined the urgency to act by publishing the most recent scientific evidence (Stern 2006; IPCC 2007: 5).

Once the failure of the Lisbon agenda became apparent, the European Commission, and especially president Barroso, was looking for an issue of high salience to regain the trust of the European institutions. Climate change provided the chance to link a popular issue with a reframed Lisbon Agenda (Interview with the European Commission official 2012; Interview with the expert, Brussels-based NGO 2011). The European Commission had argued that ambitious RES policy at the EU level would make it possible for the EU to act as a global climate leader. The European Commission exploited the external factor of upcoming international negotiations to initiate discussion on the new RES directive and push the issue on the EU agenda. The European Commission's RES Road Map made a strong reference to climate change and EU's

leadership ambition on global level (European Commission 2006b). It is also noteworthy that the RES directive was just one component of the energy and climate package. Another important component was a new directive on the EU ETS, which was directly linked to the Kyoto's burden-sharing mechanism. The salience of climate change in light of the Stern review and upcoming Copenhagen talks provided a strategic opportunity for the European Commission to 'venue shop.' As Princen (2007: 12) argues, "a key feature of the focus on venues is that it enables one to look for moments of 'issue internationalization', i.e. where national collective action problems can become international [Community] ones." The timing of the Commission's proposal was apt due to the concurrent rise of attention to the issue of climate change in key member states. Leaders of all three key member states – Germany, the UK and France – were giving signals that climate change was a priority (Eberlein 2012). The European Commission had good reason to expect that framing the need for binding renewable energy targets as a problem of climate change would ensure a favorable reception and would not be in the interest of any European leader to go against any proposal to address climate change. The European Commission rightly hoped that the German presidency would be a reliable ally to facilitate the political agreement on the binding RES target at the EU level. Indeed, the adoption of the 20-20-20 targets at the EU spring summit of 2007 proved that the European Commission's strategy was right.

Russian-Ukrainian gas dispute of 2006 was another external contingency, a focusing event, which brought attention to the EU's energy vulnerability owing to its heavy reliance on Russian natural gas. Focusing events can change perception of a

problem among policy-makers. The EU's energy dependency on outside suppliers is a long-standing external contingency. Growing dependency rate represents a change in EU's international standing in global energy market. However, it is often due to proximate causes, focusing events that exacerbate this long-standing structural condition. Indeed, since 2000, the EU saw rising energy dependency with the inclusion of new member states, higher import rates of natural gas and dwindling fossil fuel resources in the North Sea. EU-27 dependency on imported energy reached 53.9 percent in 2009. This marked an increase of 9 percent points from 1999 (see Figure 6.1). Increasing demand from China and other developing economics on fossil fuels led to price hikes that in turn increased costs of natural gas imports, whose price was linked to the price of oil. But the major issue was not the price of natural gas but the reliability of its main exporter to the EU. New worries over the security of gas supplies came with the growing influence of Russia in European energy supplies after state-controlled Gazprom acquired several European wholesale companies (Wettestad 2011). The European Commission's 2006 Green Paper forecasted that the EU's energy import dependency would rise from 50percent in 2005 to 70 percent over the next two decades under the business as usual scenario (European Commission 2006a). But it was the Russian cut-off of the gas supplies to Europe as a result of gas dispute with Ukraine that heightened the security of supply and energy dependency concerns and revealed the need for diversification of energy sources. It was a wake-up call for the policy makers in the EU (Interview with the European Commission official 2012). In Kingdon's terms, the crisis opened the problem stream (Kingdon 2002). The window of opportunity was there and

it was up to the policy entrepreneurs to seize the opportunity. The European Commission promoted energy security as an added value of RES in addition to its contribution to hitting Europe's over-arching 20 percent emission reduction goal. In the RES Road Map, which was the part of the Strategic European Energy Review, the Commission underlined the role of RES in increasing the share of domestically produced energy, diversifying the fuel mix, diversifying the sources of energy imports and increasing the proportion of energy obtained from politically stable regions. The Commission estimated that if the EU achieved 20 percent deployment of renewables, the annual reduction in fossil fuel demand could reach 252 Mtoe from 2020 onwards (European Commission 2006b: 3).

Referring to the security of supply concern in the aftermath of the Russian gas cutoff in January 2006 seemed to be an appealing way to frame the issue (Natorski and Surralles 2008). It reinforced the view that the more ambitious overall binding targets for indigenous renewable energy at the EU level would reduce import dependencies as well as the view that the most effective way of achieving short-term results would be to continue with the differentiated support systems as a model for policy learning across member states (Wettestad 2012). As the security of supply concerns had been on the rise and occupied the minds of EU policy-makers, the preoccupation with the internal market took a back seat. This shift weakened the position of those supporting the European Commission's original proposal for tradable certificates. As the overarching EU agenda moved away from internal market efficiency to issues of security,

competitiveness and innovation, it played further into the hands of those advocating against harmonization (Toke 2008).

A few words are due on the impact of the global financial crisis. One could easily expect that the financial crisis might have negatively affected the adoption of the climate and energy package. The crisis definitely played out on the part of those member states that would prefer to give up on a climate and energy package. However, key member states had already given their political backing to the climate and energy package and reiterated their commitment during the European Council in the fall of 2008 (European Council 2008). Strong advocates of the package in the European Commission as well as member states argued that financial crisis revealed the need to reach agreement on the climate and energy package as soon as possible (Interview with the European Commission official 2012). Overall, the financial crisis cannot be considered to have a significant impact, either positive or negative on the outcome of the RES directive.

Thus, two external contingencies – upcoming international climate negotiations in Copenhagen and the Russian-Ukrainian gas crisis – opened up a policy window that the supranational entrepreneur (the European Commission) exploited skillfully in the RES directive policymaking. The Russian cut-off of gas supply was a focusing event that had an important impact on the perceptions of policymakers in member states with regard to security of supply and the vulnerability of energy dependence on external suppliers. This provided an opportunity for the European Commission to present the

ambitious RES targets as a solution formula for addressing not only climate challenge but also security of supply concerns.

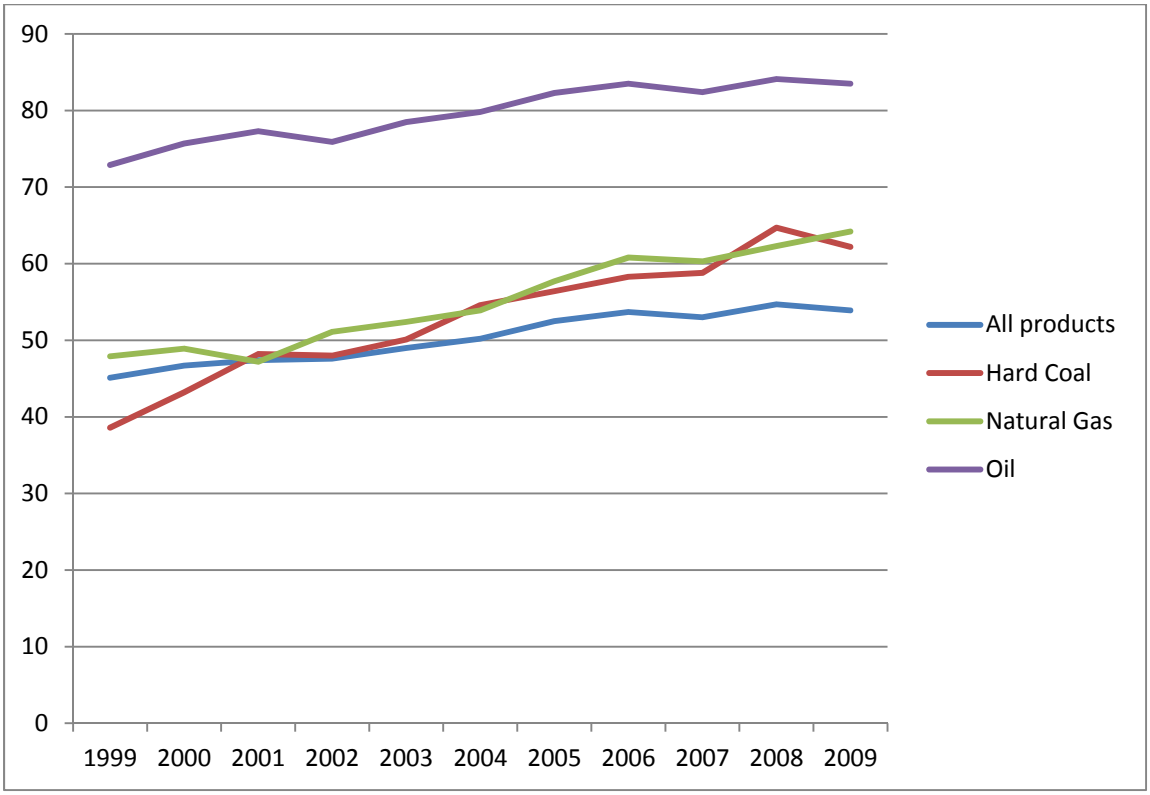

Figure 6.1 Energy Dependency EU-27 (%)

Source: EUROSTAT: Energy, Transport and Environmental Indicators 2011

6.8 Integration Outcome

6.8.1 Degree of Institutionalization (Vertical Integration)

In December 2008, the European Commission and the Council and the European Parliament reached political agreement on a new RES directive, which constituted a part of the climate and energy package, within less than a year after the European Commission tabled the draft proposal. The 2009 RES Directive was officially published in April 2009. The Directive 2009/28/EC established a common framework for the promotion of energy from renewable sources. Most importantly, it set mandatory

national targets for the overall share of energy from renewable sources in gross final consumption of energy and for the share of energy from renewable sources in transport. The directive laid down rules for three flexible mechanisms aimed at facilitating the achievement of national targets (statistical transfers, joint projects and joint support schemes between member states), as well as for administrative procedures and access to the electricity grid for energy from renewable sources. The directive also established sustainability criteria for biofuels and bioliquids (Directive 2009/28/EC).

The first important point that needs to be mentioned when evaluating the outcome is that the directive brought more issues under the EU's legislative remit, targeting different sectors, including electricity, heating/cooling, and bio-fuels for transport, and thus expanding the scope of the directive. For instance, the directive obliged member states to ensure that by 31 December 2014 their building regulations required the use of minimum levels of energy from renewable sources in new buildings and in existing buildings that were subject to major renovation. This requirement could also be fulfilled through district heating and cooling produced using a significant proportion of renewable energy sources (Directive 2009/28/EC).

In terms of the extent of institutionalization (vertical integration), which in this dissertation refers to the creation of binding rules and organizations at the EU level and delegation of new institutional powers (competencies) to the Community, the directive can be considered as a successful integration outcome.

A key achievement of the new EU RES directive was the introduction of both binding and more ambitious RES targets. It introduced mandatory overall 20 percent EU RES target in gross final consumption, not just electricity, broken down into legally binding national RES targets for 2020 (Article 3). In addition, the directive obliged each member state to ensure that the share of energy from RES in all forms of transport in 2020 is at least 10 percent of the final consumption of energy in transport in that member state (Article 3). The directive also strengthened the obligation of member states to ensure that the operators of the electricity grid provide either guaranteed or priority access to the electricity grid for RES. The directive also requested member states "to take the appropriate steps to develop transmission and distribution grid infrastructure, intelligent networks, storage facilities and electricity system, in order to allow the secure operation of the electricity system as it accommodates the further development of electricity production from renewable energy sources (Article 16). The directive imposed binding obligations on member states regarding the sustainability of biofuels and other bioliquids (Article 17, Article 18).

In addition to legally binding targets, the directive imposed extensive reporting obligations on member states and provided supranational institutions (the European Commission) with substantial mechanisms to monitor, control and redirect the national policies. The directive required member states to develop National Renewable Energy Action Plans in which they were asked to present an indicative trajectory tracing path towards the achievement of their final mandatory targets (Preamble 18, Article 4). On the other hand, it tasked the Commission to issue a highly detailed template for national

action plans that member states are required to follow. Article 4 of the directive obliged member states to adopt national renewable energy action plans by 30 June 2010. Apart from extensively defining how they planned to implement each element of Directive 2009/28/EC, member states were also required to include estimated sectoral targets for the share of renewable energy in the transport, electricity and heating and cooling sectors in 2020. Furthermore, the directive required member states to send to the Commission a forecast document indicating the estimated excess production or deficit of energy from renewable sources in comparison to the targets set for each member state. If a country did not expect to meet its target, the directive obliged member state to inform the Commission about the expected level of the deficit. Article 22 obliged member states to submit a report to the Commission every two years on the progress in the promotion and use of energy from renewable sources.

Article 23 of the directive provided the European Commission with extensive monitoring power. The Commission shall monitor the origin of biofuels and bioliquids consumed in the Community and the impact of their production. The Commission was tasked to evaluate the implementation of the directive by member states, in particular with regard to cooperation mechanisms, in order to ensure that those mechanisms enable member states to achieve the binding national targets. The Commission is also tasked to present a Renewable Energy Roadmap for the post-2020 period, and if appropriate present a proposal to the EP and the Council for the period after 2020. This provision is particularly important in terms of policy continuity as it creates grounds for the subsequent round of policymaking on renewable sources of energy.

6.8.2 Harmonization level (horizontal integration)

With regard to the second dimension of integration outcome – harmonization – the directive achieved little progress (see also Wettestad *et al.* 2012). The mandatory introduction of a trading system based on GO certificates, as initially proposed by the European Commission, was dropped. Instead, the directive established three types of voluntary "flexibility mechanisms" designed for facilitating cross-border support of RES without affecting national support schemes (Preamble). First, statistical transfer mechanisms allow member states to arrange for statistical transfer to other member states, so that renewable energy produced in one country can be counted towards the target of another (Article 6). Second, the member states can collaborate in the planning process of the joint projects and count a certain portion of RES from other member states towards their target – the so-called joint project mechanism (Article 7). Finally, under the joint support scheme member states can voluntarily decide to join or partly coordinate their national support schemes and count a certain amount of energy produced from RES produced in the territory of one member state towards the national overall target of another member state (Article 11). These three mechanisms may facilitate various kinds of cross-border collaboration. However, it is up to the member states to decide how they employ these mechanisms and whether this will underpin the development of a pan-European green certificate scheme or more technology-oriented steering methods (Boasson and Wettestad 2013). So, in terms of the means or instruments for achieving RES binding targets, the directive again failed to create harmonized RES support scheme.

Finally, with respect to the harmonization level introduced by the directive it should be noted that the directive prevents member states from adopting certain measures which would obstruct trade in biofuels or raw materials. In this regard, the directive aims for a harmonization of biofuels sustainability criteria in order to ensure that no criteria adopted individually by member states may constitute an obstacle to trade between member states.

Overall, the integration outcome of the 2009 RES directive can be classified as a success in terms of institutionalization, since it introduced legally binding targets, imposed extensive reporting obligations on member states and provided supranational institutions (the European Commission) with extensive possibilities to control national RES policies. In terms of harmonization, however, the directive did not succeed, leaving member states free to decide which financing scheme to develop for renewable energy. One of the Commission officials succinctly summarized the success achieved by the directive: "The 2009 RES directive is a big step forward. Legally binding targets decided at the EU level now have a direct impact on national energy mixes of member states. So, in terms of promoting renewables the directive was a real success; in terms of harmonized RES policy and fully functioning internal market it was not. Nevertheless, it is a seed in soil on how cooperation and flexibility could function in the future" (Interview with the Commission official 2012).

6.9 Chapter Summary

Insufficient progress in RES development several years after the 2001 RES-E directive was adopted helped the European Commission to push for more ambitious

and binding targets. The RES-E directive and its reporting requirements had already put post-2010 targets on the agenda. This policy feedback of the existing domain-specific rules (RES-E directive) set the stage for the discussions on the new RES directive that was supposed to deal with the flaws of the previous policy outcome. The ineffectiveness of indicative targets in the 2001 directive helped the adoption of mandatory targets in 2009 directive, and correspondingly had a positive effect in terms of creating binding rules at the EU level (vertical integration). A policy window was opening up due to two external contingencies – upcoming international climate negotiations in Copenhagen and Russian-Ukrainian gas crisis. Upcoming international climate talks was an important variable since the leaders of key member states (Germany, the UK and France), striving for the EU's leadership role in upcoming international climate negotiations to be held in 2009, gave their backing to an ambitious climate policy objective at the EU level. Russian cut-off of the gas supply in January 2006 was another external contingency, a focusing event that influenced the perceptions of policymakers in member states on their vulnerability due to rising energy dependence on external suppliers. This provided an opportunity for the European Commission to present the ambitious RES targets as a solution formula for addressing not only climate challenge but also security of supply concerns. Both climate change and security of supply frames employed by the Commission to advance ambitious and binding RES targets were politically appealing and contributed to the Commission's successful supranational entrepreneurship in the policy initiation phase during which target-setting dominated the agenda. The binding overall 20percent RES target, instead of separate sectoral targets, was the European

Commission's strategic choice to give member states sufficient flexibility to allocate their national resources.

In addition to skillfully exploiting the policy window opened up by external contingencies and framing the RES issue in politically appealing manner, the European Commission used its strategic alliance with the incoming German Presidency to facilitate the unanimous adoption of the binding targets at the European Council. The political agreement on the binding 20 percent target achieved during the European Council summit in the spring of 2007 provided a very strong mandate for the European Commission to go ahead with the formulation of the draft directive with two central issues: mandatory national targets for each member state and the RES support schemes based on green certificate trading.

The European Commission's policy entrepreneurship proved successful with respect to binding national targets. Due to the Commission's stakeholder mobilization efforts, the member states were familiar with the national targets before their publication, and most of them were ready to accept overall mandatory national targets without further discussion. The decision of the French presidency not to open up the issue of national targets for further discussion prevented major debates on national targets in the Council. Positions of three key member states, Germany, the UK and France eventually converged in favor of the Commission's proposal on mandatory national targets. The reluctant Polish government was also bought into the agreement at the expense of concessions on other elements of the climate and energy package.

While the European Commission policy entrepreneurship proved successful on the issue of national targets, its ambitious objective to introduce harmonized pan-European support scheme on the basis of GO trading largely failed. The European Commission had to dilute its original proposal due to the strong opposition from member states seeking to defend their national support schemes (Germany and Spain). Lack of a unified position within the European Commission itself also hindered the Commission's policy entrepreneurship on the issue of support schemes. The time pressure to get the proposal adopted before the new EP elections in 2009, also played into the decision of the European Commission to accommodate the interests of FIT supporters. The European Commission acknowledged that the trading instrument would have difficulties to be accepted not only in the Council but also in the European Parliament, which was aligned with well-consolidated interest groups in renewable energy in defending existing national support schemes. Arguments of the pro-FIT coalition based on 'Subsidiarity' and 'non-trading flexibility' soon appeared to win over the arguments of the European Commission supported by the conventional electricity industry and the UK. However, the conventional electricity industry mobilized under the umbrella of Eurelectric, and energy traders organized in EFET could not consolidate enough to present unified position. Nor did they behave strategically to establish necessary alliances with the outside actors, as the better consolidated RES industry did with the MEPs and the pro-FIT member states. So, the European Commission's policy entrepreneurship on the GO trading and flexibility mechanism did not succeed. The radical shift in the UK's position marked a final blow to the European Commission's

proposal. Once the position of the British government converged with the German and Polish positions against the pan-European trading, the Commission lost its main ally in the Council. For France, as for the Council Presidency, the major goal was to reach agreement on the directive before the end of its Presidency term. It stayed neutral, but facilitated the agreement on the alternative proposal. As a result, the European Commission was forced to give up the pan-European framework for RES trading. The European Commission's key interest was a successful outcome of the negotiations on the entire climate and energy package. Therefore, the Commission made a strategic choice not to insist on GO trading and focus on the major objective: binding national RES targets. Although a binding overall RES target had already been politically agreed at the Spring Council 2007, it would have been very unlikely that the RES directive proposal, which was to translate 20percent overall target into mandatory national overall targets, would have been accepted by a majority of member states if the GO trading mechanism had been maintained.

In its endeavors the European Commission has been supported by one group of transnational interests: the conventional electricity industry (utilities) under the umbrella of Eurelectric and energy traders organized under EFET. However, they could not win over the better consolidated renewable industry and green groups. First, the RES industry had stronger incentives against the proposed pan-European trading. Second, they built stronger outside alliances with the MEPs and the key member states. Third, unlike the traditional electricity industry, they had a much clearer and unified position. While the consolidated RES industry under the umbrella organizations, such as

EREC and EWEA, created momentum for a European policy framework and served as important allies for the European Commission in pushing binding targets, the same transnational interests played out against harmonized instruments.

Overall, the European Commission's supranational entrepreneurship facilitated by external contingencies and existing domain-specific rules (2001 RES-E directive) proved successful when the positions of key member states converged in favor of the Commission's proposal and when the European Commission was supported by the well-consolidated transnational interests (RES industry). As a result, the 2009 RES directive with the binding RES targets was a successful outcome in terms of institutionalization. On the other hand, the European Commission's supranational entrepreneurship did not prove successful when the positions of key member states converged against its proposal on GO- based trading and when the well-consolidated transnational interests (RES industry) played out not in favor of the Commission's preferred instrument. As a result, the directive did not succeed in terms of harmonization, leaving it up to the member states to decide on the support scheme for RES development.

6.10 Comparative Analysis

Whilst the empirical knowledge generated in the two case studies is an important contribution to the literature on European energy policy in general, and the European renewable energy policy, in particular, this section goes one step further to bring together the main results from these two case studies and draw comparative conclusions by assessing the five causal conditions identified in my theoretical framework. The comparative analysis is structured along the causal conditions:

supranational entrepreneurship, convergence of key member state preferences, transnational interest consolidation, rule density and external contingencies. This section aims to find the conjunction of causal conditions that leads to successful integration outcome by comparing two contrasting cases: the RES-E 2001 directive, which did not result in successful integration outcome, and RES 2009 directive, which did result in successful integration outcome, at least in terms of institutionalization (vertical integration).

Supranational Entrepreneurship

In the 2001 RES-E case, policy entrepreneurship by the European Commission was successful in raising the issue of RES on the EU agenda and paving the way for the important piece of legislation aimed at development of RES. However, facing resistance from member states, the Commission's entrepreneurship efforts to make the target of 12 percent share of energy from RES in the gross EU consumption, later translated into 22.1 percent share of renewable energy in total Community electricity consumption by 2010 binding failed. The European Commission's half-hearted attempt to introduce binding minimum national targets did not succeed either. Furthermore, the European Commission backed off on its initial idea to introduce harmonized EU-wide support scheme based on market instruments. The European Commission's framing strategy relying on the 'internal market' frame to justify the introduction of a harmonized scheme based on tradable green certificates was been surpassed by the 'subsidiarity' argument of feed-in tariff advocates arguing for member states' right to choose freely their national support instruments. As a result, the draft directive was a watered down

version, compromised to fit the preferences of key member states in order not to endanger the fate of the whole directive. In addition, the European Commission did not succeed in its attempt to base the directive on the far-reaching internal market article (Article 95) that would give more discretion and leeway to the European Commission to introduce prospective harmonized Community-wide RES support scheme. The Commission did not succeed in mobilizing the support of the Council either for binding targets or a harmonized support scheme. Despite successfully raising the issue of renewable energy on the EU agenda, the European Commission's supranational entrepreneurship in policy formulation and negotiation phases largely failed.

In the case of 2009 RES directive, the European Commission skillfully exploited the policy window opened up by external contingencies and framed the RES issue in a politically appealing manner to mobilize stakeholders' support. The European Commission used its strategic alliance with the incoming German Presidency to facilitate the anonymous adoption of the binding targets at the European Council in the policy initiation phase. The European Commission also showed strong supranational entrepreneurship in the formulation phase with respect to binding national targets. Due to the Commission's stakeholder mobilization efforts, most of the member states were persuaded to accept overall mandatory national targets without further discussion**.** In contrast to the 2001 RES-E case, the European Commission's policy entrepreneurship this time proved successful in introducing ambitious and binding overall 20percent RES target in the EU's gross energy consumption, as well as in setting mandatory national targets for individual member states.

However, similar to the 2001 RES-E case, the European Commission's policy entrepreneurship effort aimed at introducing a harmonized pan-European support scheme on the basis of GO trading did not succeed. First, in the formulation phase, the European Commission was forced to dilute its original proposal due to the strong opposition from member states seeking to defend their national support schemes (Germany and Spain). And later, in the middle of negotiations, after losing the support of the major ally in the Council – the British government – the European Commission had to accept the alternative proposal put forward by the group of member states that opposed the Commission's preferred instrument. To sum up, the supranational entrepreneurship by the European Commission was much stronger in the policymaking process of the 2009 RES directive than in the case 2001 RES-E directive.

Convergence of Preferences

On the Commission's proposal for the 2001 RES-E directive the positions of the three key member states – Germany, France and later the UK - were closely aligned by the time the draft directive was to be adopted by the Council. Germany's argument that national solutions would better serve national industrial interests won over liberalization and internal market based arguments initially supported by the UK. As a result, the Council reached the common position that no harmonization was necessary at that stage given the limited experience with national support schemes. The positions of three key member states converged at a point where they would not favor binding targets (vertical integration) or a common harmonized support scheme for RES (horizontal integration).

By the time the European Commission proposed binding targets in its proposal for the 2009 RES directive, preferences of the key member states underwent a major change: Germany was strongly in favor of the overall binding 20 percent RES target as well as mandatory national targets; France was supportive of binding targets largely due to its objective to adopt the directive before the end of its Council Presidency term; the UK became supportive, albeit at the later point; the position of the recently joined Poland diverged from these three member states. The Polish government was against the binding targets but finally gave its reluctant support with the hope to gain concessions on the other parts of the climate and energy package. So, at the end, the positions of key member states converged in favor of the Commission's proposal on the issue of RES binding targets. This was a very different case from the 2001 RES-E directive, in which the convergence of key member states' positions against the binding targets hindered the success in vertical integration.

With respect to policy instruments, the UK was initially strongly in favor of the Commission's proposal, while Germany and Poland strongly opposed the introduction of pan-European trading based on GO certificate trading. However, in the middle of negotiations, the UK's position changed dramatically. It converged with the German and Polish positions. So, at the end of negotiation phase, all key member states (including France, which tried to remain neutral because of its term as a Council Presidency) aligned against the Commission proposal on harmonized support scheme. Thus, in both cases – 2001 RES-E and 2009 RES directives – preferences of the key member states converged, yet not in favor of policy harmonization.

Transnational Interest Consolidation

Two transnational interest groups became activated on the European level to influence the content of the 2001 RES-E directive. The traditional electricity industry mobilized under the umbrella of Eurelectric. The RES industry was represented by the EREC. National niche organizations relating to wind power, biomass, etc. that were already organized in Brussels-based associations, such as EWEA, also joined the group. The RES industry was better consolidated than the traditional electricity industry supporting the European Commission's proposal on harmonized RES support scheme, yet not enough to have a strong stamp on the directive. Overall, both groups have been active, but none of them could develop well-articulated interests and positions.

Similar to the 2001 RES-E directive policymaking process, the same transnational interest groups were mobilized at the EU level trying to take part in shaping the new 2009 RES directive by exerting influence on the EU policy makers. These two groups again were utilities (conventional energy sector) represented by the umbrella organization at the EU level – EURELECTRIC, and renewable energy industries represented by EREC, EREF and European associations of national renewable industries (e.g. EWEA). However, in contrast to the previous time, the RES industry developed a strongly consolidated position in favor of RES binding targets and against the pan-European trading suggested by the European Commission. The traditional electricity industry organized under the umbrella of the Eurelectric, EFET and RECS could not consolidate enough to present unified position: instead of explicitly demanding a harmonized market for RES, they argued for giving a choice between FIT and GO trading.

Thus, in the 2009 RES case, the RES industry managed to present itself as an active and consolidated transnational interest group.

Rule Density

Since the EU lacked a formal legal basis for energy policy before the adoption of the Lisbon Treaty in 2009, both directives had to be based on Treaty provisions dealing either with the environment or the internal market domain. The European Commission's decision to adopt the 2001 RES-E directive on the basis of far-reaching Article 95 (internal market) was rejected by the Council. Eventually, the directive was adopted under the environmental legal basis (Article 175(1)), which required qualified majority voting in the Council and co-decision with the EP. The European Commission avoided the other option of adopting the directive on the basis of Article 175(2) that would require unanimity in the Council and only consultation with the EP. Thus, choosing article 175(1) as the legal basis for the adoption of the directive (as opposed to 175(2c) significantly strengthened the role of the supranational actors in the process of negotiations over the directive. Under the QMV, the directive could have been adopted even if some member states did not give their consent. Therefore, the choice of legal basis certainly had an impact on the decision outcome.

The 2009 RES directive was adopted under the double legal basis. The same environmental legal basis (Article 175 (1) was used for the RES targets and support scheme. However, provisions of the 2009 RES directive that imposed binding obligations on member states regarding the sustainability of biofuels were based on Article 95 of the Treaty (internal market). Using Article 175(1) as the legal basis provided for the full

involvement of the European Parliament and enabled the EP to put its stamp on the decision outcome.

In terms of the pre-existing domain-specific rules in the area of renewable energy sources, there was no existing legislation at the EU level in the renewable energy domain when the RES 2001 Directive was adopted. Therefore, the impact of pre-existing domain specific rules was none. The 2001 RES-E directive, however, had a significant impact on the subsequent policymaking process through the policy feedback mechanism. The 2001 RES-E directive provided the European Commission with the prerogative of developing a new legislation in several years based on the assessment of the RES-E directive achievements. Thus, the RES-E directive set the path for future direction of Community's action and had a direct effect on the RES 2009 directive outcome.

External Contingencies/Shocks

Although the EU's energy dependence on outside sources of energy supply and environmental issues, such as climate change, were becoming more important in 1990s, no external shocks or a focusing events that could affect vulnerability of member states, exacerbate the perceptions of the EU's energy dependence and necessitate the adoption of binding RES targets (vertical integration), or harmonized RES support schemes (horizontal integration) were present to have a significant impact on the 2001 RES-E directive outcome.

On the other hand, external contingencies played a crucial role in the initiation and adoption of the 2009 RES directive. Upcoming international climate talks to be held

in Copenhagen in 2009 and Russian-Ukrainian gas crisis in 2006 were the two external contingencies that created a political momentum for the new RES directive. They opened up a policy window that the supranational entrepreneur (the European Commission) exploited to present the ambitious RES targets as a solution formula for addressing not only climate challenge but also security of supply concerns. Thus, external contingencies had a significant impact on the RES 2009 directive.

Integration outcome

In terms of the degree of institutionalization (vertical integration), which in this dissertation refers to the creation of binding rules at the EU level and delegation of new institutional powers (competencies) to the Community, the 2001 RES-E directive cannot be considered as a successful integration outcome. The directive set an overall EU-level target of 22 percent electricity from renewables in the energy mix by 2010, but only made this target indicative, not binding. The national targets for member states were also made not mandatory. In addition, priority access for RES-E to the grid was optional, not mandatory requirement for member states.

Whereas the 2001 RES-E directive only dealt with electricity sector, the RES 2009 directive brought more issues under the EU's legislative realm. It expanded the sectoral scope targeting by including electricity, heating/cooling, and bio-fuels for transport. The directive introduced both binding and more ambitious RES targets. It introduced mandatory overall 20 percent EU RES target in gross final consumption, not just electricity, broken down into legally binding national RES targets for 2020, and

mandatory RES target of 10 percent in transport sector. The directive also strengthened the obligation of member states to ensure that the operators of the electricity grid provide either guaranteed or priority access to the electricity grid for RES. The directive imposed binding obligations on member states regarding the sustainability of biofuels and other bioliquids. In addition to legally binding targets, the directive imposed extensive reporting obligations on member states and provided the European Commission with extensive monitoring power. Thus, the integration outcome of the 2009 RES directive can be classified as a success in terms of institutionalization (vertical integration).

With regard to the second dimension of integration outcome – harmonization level (horizontal integration) – both directives failed to create a harmonized RES support scheme. However, the 2009 RES directive achieved some progress in harmonization of biofuels sustainability criteria.

Table 6.1 Mapping of Causal Conditions and Causal Outcome

	Supranational Entrepreneurship	Convergence of preferences on proposal		Transnational interest consolidation	Rule Density	External Shocks	Outcome	
		Objectives (binding targets)	Means (harmonized support scheme)				vertical	horizontal
2001 RES-E	medium	Not in favor	Not in favor	low	low	low	low	low
RES 2009	high	In favor	Not in favor	high	medium	high	high	low

Looking at Table 6.1, we see how the results of the comparative analysis of these two cases, in parallel to the fuzzy set analysis presented in Chapter 4 can shed some light on the conjunction of causal conditions that leads to successful integration outcome. In other words, the results help us to capture causal "recipes" – a specific combination of causally relevant ingredients linked to an outcome (Ragin 2008: 9).

First of all, the examination of the causal conditions and the causal outcome through process-tracing technique based on multiple data sources reveals a very close match with respect to the classification of the causal outcome in the fuzzy set analysis of survey-based data. The last two columns of Table 6.1 show how successful the outcome was in terms of vertical and horizontal integration in each case. The results correspond to the fuzzy scores of set membership for integration outcome along both dimensions in both cases: the 2009 renewable directive resulted in enhanced vertical integration, while achieving little progress on harmonization. The RES-E 2001 case did not succeed in attaining either vertical or horizontal integration. The same is true for the classification of all five causal conditions. The results obtained from case studies, with respect to the degree of presence or absence of the causal conditions, are congruent with the fuzzy scores for the set membership of the causal conditions in both cases. The next step is to evaluate the causal recipes obtained from the case studies and see if our findings from the two modes of analysis validate each other.

The results of comparative analysis show that supranational entrepreneurship alone is not a sufficient condition for successful integration outcome, as demonstrated by the 2001 RES-E case. When the preferences of the key member states converged

against binding target (vertical integration) and harmonized RES support scheme (horizontal integration) the Commission's supranational entrepreneurship did not prove sufficient for successful integration outcome. However, it should be noted that the absence of domain-specific EU rules (rule density), well-consolidated transnational interests and/or external shocks might have as well contributed to unsuccessful integration outcome. The 2001 RES-E case study can validate the findings from the fuzzy set analysis only inasmuch as it does not invalidate them. The combinations of the causal conditions identified by the fuzzy set analysis as jointly sufficient for the integration were absent in the RES-E case, which did not result in successful integration.

The RES 2009 case has shown that the European Commission's supranational entrepreneurship facilitated by external contingencies and rule density (existing domain-specific rules) led to a higher degree of institutionalization (vertical integration) when the positions of key member states converged in favor of the Commission's proposal and when the European Commission was supported by the well-consolidated transnational interests (RES industry). On the other hand, when the positions of the key member states converged not in favor of the harmonized trading scheme for the RES, supported by the well-consolidated transnational interests (RES industry) against the Commission's proposal, the outcome achieved little progress in terms of harmonization level (horizontal integration). Thus, the convergence of preferences among the key member states played a crucial role in "defeating" the Commission's harmonization attempt in both cases. So, we can draw two key points from the study of the RES2009 directive. First, we can identify a distinct causal path with all five causal conditions being

present and jointly sufficient to successful vertical integration. Second, we could argue that convergence of preferences against the Commission's proposal on harmonization of policy instruments and/or pressure from the consolidated transnational interest groups hindered horizontal integration.

These findings offer two important implications for the fuzzy set analysis presented in Chapter 4. The findings validate one of the causal paths to integration derived from the fuzzy set analysis - EXTSH*RULE*CONVPREF*SUPRENT – in which convergence of key member state preferences together with the supranational entrepreneurship, rule density and external shocks are jointly sufficient for integration to occur. With respect to an alternative recipe 4 from the fuzzy set solution formulas - EXTSH*RULE*~TRANS*~CONVPREF*SUPRENT – for horizontal integration, while the results of the case studies attest to the importance of supranational entrepreneurship, rule density and external shocks, they also reveal the crucial role that convergence of preferences can have for integration outcome. Fuzzy-set causal path, on the other hand, offers a causal recipe, which posits convergence of preferences being present or absent. This discrepancy can lead us to ponder upon the convergence of preferences as a permissive condition for successful harmonization.

However, as fuzzy set analysis demonstrated, there is equifinality in European integration. Different configurations of causal conditions – causal recipes –can lead to the same effect. Inclusion of more case studies in the future research endeavors will definitely yield stronger conclusions. Yet, the findings obtained from both fuzzy set analysis and comparative in-depth case studies support the major argument of this

dissertation that integration in the EU's energy policy domain proceeds under the interplay of agency, structure and external contingency.

CHAPTER 7. CONCLUSION

The primary goal of this study is to understand under what conditions and how European integration succeeds through examining twelve cases of EU legislative pieces in energy policy domain. While the existing European integration theories explore *what* is European integration, or *why* European integration takes place, this study takes a configurational approach to examine *how* various causal factors come together to generate integration. The configurational approach allows different combinations of conditions to elicit causal recipes for European integration and enables this study to lay the foundations for a typological theory of European integration. Instead of studying European integration by looking at the progression of the integration project as a whole, this dissertation examines integration outcomes of particular policy-making instances along two dimensions of vertical (institutionalization) and horizontal (harmonization) integration.

The study draws on the two dominant and contending European integration theories to derive liberal intergovernmental and supranational paths to European integration and assess/test them through two different methodological approaches: a novel fuzzy set qualitative comparative analysis of twelve EU energy directives in various sectors of EU energy policy followed by a comparative in-depth case-study of two contrasting cases of 2001 and 2009 EU renewable energy directives.

Most importantly, I suggest an alternative "punctuated equilibrium" path to European integration that synthesizes two contending approaches and also brings in the external contingency as a necessary component in the causal recipe. The "punctuated equilibrium model" speaks to the underlying argument of the dissertation that integration unfolds under the conjunction of structure (dense EU rules in a given domain), agency (by supranational policy entrepreneurs or by states acting according to their preferences) and external contingency (external shocks).

Overall, by synthesizing the existing theories in European integration literature and drawing insights from the EU policy-making and public policy research, my broad theoretical framework based on structure, agency and external contingency and corresponding "punctuated equilibrium" model to European integration is expected to serve as a building block for a typological theory of European integration and persuade the reader that integration outcomes may be achieved via different trajectories. The key findings of the dissertation can contribute to that purpose.

Indeed, the findings largely support my broad theoretical framework and cast doubt on studies that emphasize the preeminence of either structure or agency to explain European integration. By analyzing different configurations of five causal conditions – supranational entrepreneurship, convergence of preferences, transnational interest consolidation, rule density and external contingency – fuzzy set analysis produced four intermediate solutions that show the existence of two different causal paths to integration.

The findings demonstrate that external shocks, rule density and supranational entrepreneurship jointly lead to the integration outcome. Alternatively, the analysis reveals another causal path to integration, in which convergence of key member state preferences combined with external shocks, rule density and supranational entrepreneurship leads to successful integration. Interestingly, the two most successful cases in terms of vertical integration (the renewable energy directive of 2009 and the third energy package aimed at the liberalization of electricity markets) are covered by this path. This may signal that particularly successful integration outcomes requires the convergence of member state preferences in favor of the Commission's proposal that aims at creating binding rules at the EU level, or transferring competencies to the Community. The case study of the RES 2009 directive reinforces the importance of convergence of member state preferences by showing that the European Commission's supranational entrepreneurship facilitated by external contingencies and rule density (existing domain-specific rules) led to a higher degree of institutionalization (vertical integration) when the positions of key member states converged in favor of the Commission's proposal. On the other hand, when the positions of the key member states converged not in favor of the harmonized trading scheme for the RES the outcome achieved little progress in terms of harmonization level (horizontal integration). Comparative analysis of the two cases also shows that the lack of convergence of preferences among the key member states in favor of the Commission's proposal played a crucial role in "defeating" the Commission's harmonization attempt in both cases.

Overall, the findings from fuzzy set analysis and comparative case studies validate EXTSH*RULE*CONVPREF*SUPRENT path to integration, in which convergence of key member state preferences together with the supranational entrepreneurship, rule density and external shocks are jointly sufficient for integration to occur. With respect to an alternative EXTSH*RULE*~TRANS*~CONVPREF*SUPRENT path for horizontal integration, while the results of the case studies attest to the importance of supranational entrepreneurship, rule density and external shocks, they also reveal the crucial role that convergence of preferences for integration outcome. So, the fuzzy-set causal path, which posits convergence of preferences being present or absent, is only partially validated. Based, on this inconsistency between the findings from two different modes of analysis, we can speculate that convergence of preferences is a permissive condition for successful harmonization.

What do the findings tell us about the causal paths derived from contending European integration theories and an alternative "punctuated equilibrium" path?

Firstly, the findings do not support the liberal intergovernmental path which posits integration outcomes as the results of the convergence of preferences among the key member states. As the findings show, external shocks, supranational entrepreneurship and existence of dense EU rules in the given domain are all crucial parts of the causal recipe as well.

The findings do not support the supranational path to integration either. The fuzzy set analysis shows that external contingencies are a required element of the causal recipe together with the European Commission's supranational entrepreneurship in

exploiting existing EU rules in the energy domain. Furthermore, the presence of consolidated transnational interests is not decisive, contrary to the supranational arguments, to achieve integration. The comparative case studies also attest that when the positions of the key member states converged against binding target (vertical integration) in the 2001 RES-E case and harmonizing the RES support scheme (horizontal integration) in both RES-E and 2009 RES cases, the Commission's supranational entrepreneurship did not prove sufficient for successful integration outcome. However, it should be noted that the absence of domain-specific EU rules (rule density), and/or external shocks might have as well contributed to unsuccessful integration outcome in the 2001 RES-E case.

With respect to the "punctuated equilibrium" path that speaks to the broader theoretical framework of the dissertation, the findings provide supporting evidence. Both causal paths to integration in the EU's energy domain resulting from fuzzy set analysis support my argument that integration in the EU's energy policy domain proceeds under the conjunction of structural conditions, such as dense EU rules in a given policy domain and external contingencies pressing for the common solutions at the EU level that are successfully employed by supranational entrepreneurs (the European Commission) and permitted by the convergence of preferences among major EU member states (see Table 4.10).

Overall, the findings support the major claim of this dissertation that there are different paths to integration and that integration in the EU energy policy domain proceeds under the conjunction of structural conditions, such as pre-existing domain-

specific EU rules, external contingencies, such as focusing events outside the EU, and skillful supranational policy entrepreneurs, such as the European Commission, and permitted when the positions of the key member states converge in favor of the proposed policy objective or policy instruments.

What are the implications of the findings of this study to the European integration theories? Most importantly, the intergovernmentalist claim that member state preferences determine the speed and character of European integration versus the supranational claim that European integration is a self-reinforcing rule creation process in which supranational entrepreneurs take the lead is not useful. The findings of the dissertation buttress both claims. While the key EU member states with strong bargaining positions acting together can block the adoption of undesired proposals, the findings show that there have been policymaking instances when the European Commission skillfully exploited opportunities opened up by external crisis, and managed to expand existing rules in a given domain towards more integrative outcomes. The RES2009 case offers important evidence in this respect. Governments that would happily avoid any binding targets concerning the share of RES as demonstrated by several preparatory Energy Council meetings, still agreed to take far-reaching steps and took on binding obligations. This has two major implications for liberal intergovernmentalism. Firstly, preferences are not pre-determined and fixed; they change in the process of negotiations. Shifts in member state positions can happen as a result of external crisis, as demonstrated by the punctuating impact of Russian-Ukrainian gas crisis in two cases: 2009 renewable energy directive and 2010 security of

gas supply regulation. Second, factors other than just member state preferences need to be taken into consideration when analyzing policymaking outcomes. It should be acknowledged that negotiations constitute only one of many phases through which the European Commission can exert its influence. Agenda-setting and policy initiation phases are important stages as well, in which the European Commission enjoys considerable leverage. For instance, when preparing a draft of a directive, the Commission already knows what member states would be ready to approve and what could be offered by the Commission to make them ready to accept more than they otherwise would. This knowledge is later used to mobilize the support for the acceptance of a directive during the negotiations in the Council. The Commission can also present a proposal as part of a larger package that significantly increases the number of possible trade-offs to some reluctant member states, as demonstrated by the 2009 RES case. This leads to the creation of policy-linkages and formulation of a policy in a way that makes it difficult for member states to veto it. Finally, the European Commission can strategically set an agenda for a particular policy. One of such strategies is to present a proposal when a country with interests similar to those of the Commission holds the EU presidency. This can contribute to shifting the negotiations in the direction preferred by the Commission. This is what happened in the case of the obligatory 20% target for the share of energy from renewable sources until 2020, which was proposed by the Commission shortly after Germany took over the presidency of the European Union.

On the other hand, supranationalists should be careful not to overlook a central position of member states and the fact that those instances when power is transferred to the EU level generally tend to be those backed by member states. The findings from the RES case illustrate that convergence of positions among the key member states on the binding RES targets was crucial. So, convergence of preferences among key member states, although not the single most important factor as claimed by liberal intergovernmentalist, can still be a permissive condition. An interesting question for the future research is to investigate what happens when the preferences of the key governments are diffuse due to weak or fragmented domestic constituencies, or failure to aggregate numerous bureaucratically disparate proposals into an integrated national preference. Under what conditions would supranational entrepreneurs be more likely to seize this opportunity and push forward more integrative outcomes?

Thus, the major implication of the dissertation findings is that they lend support to the configurational approach synthesizing different theoretical approaches for analyzing increasingly complex EU policymaking and its integration outcomes. 'Either or' approaches to European integration should be replaced by more holistic theory of European integration that can accommodate multiple paths to integration. This dissertation is expected to have an added value in that respect.

The theory and analysis developed in this research informs the understanding of how integration succeeds in the EU's energy domain. Although the study is limited to the energy field, I believe that the proposed theoretical framework and a novel method of fuzzy set analysis in European integration scholarship can successfully be applied to

other EU policy fields, such as environmental or transport domains, and prove useful for future cross-sectional comparative studies of integration outcomes in different policy fields.

Another research endeavor, which would validate and at the same time further develop the findings, is to examine more cases in the EU energy domain. This is particularly relevant since the EU has put forward subsequent proposals in some of the sectors covered in this dissertation (e.g. renewable energy). Including more in-depth case studies would also enhance the validity of the findings and provide valuable empirical knowledge in some sector of the EU energy domain, similar to the two renewable energy case studies in the present research.

Despite the novel methodological effort contributing to the European integration literature, there are some important constraints in the analysis which may require further development. First, it is important to note that the credibility of fuzzy set analysis critically relies on its calibration process. Ragin (2008) stresses that calibration process should never be a mechanical process; it should always be based on the researcher's substantive and theoretical knowledge. Yet, at the same time Ragin (2008) strongly recommends utilizing external criteria for the calibration process in order to achieve transparent and systematic analysis. Due to the lack of literature in European integration studies using fuzzy set methods, my fuzzy set calibration process largely imitates the recommended processes and examples used by Ragin (2008; Rihoux and Ragin 2008). Therefore, the qualitative anchors which did not have explicit external

criteria in the literature had to be calibrated on my interpretation of the data obtained from elite surveys and semi-structured interviews.

Another methodological challenge lies in the number of causal conditions and the limited number of cases. If too many causal conditions are introduced into a recipe, the results can become overly complex. With five causal conditions and twelve cases, some of the paths which lead to the outcome capture only one case and that creates problems for coverage and consistency analysis (Schneider and Wegemann 2004). This challenge can be overcome in the future research by including more cases – more policy proposals within the energy domain.

In addition, there is always an element of interpretation and bias when we seek to explain directly unobservable phenomenon. Among the most problematic tasks are identifying member state preferences and impacts of external shocks. This requires the interpretation of a complex and contradictory documentary record. Therefore, quality and representativeness of sources is a key. Data triangulation strategy has been pursued to cross-check the reliability of data. Internal governmental reports and minutes), corroborated memoirs provided during interviews by the participants archived and published oral histories have been consulted. However, caveats still remain. It was not always possible to assemble a comprehensive primary-source record (archives remain closed, minutes remain classified, politicians remain in office and issues remain sensitive).

Besides these limitations, this study is expected to bring integrative cumulation as it synthesizes existing theoretical approaches in order to understand the dynamics of

European integration. On the methodological front, employment of fsQCA on twelve EU energy proposals is a pioneering attempt in European integration field and brings valuable addition to the existing qualitative studies of European integration. In addition, the dissertation contributes to better understanding of under-researched EU energy policy-making. Finally, the dissertation can be insightful for the EU and national policymakers in their efforts towards developing a common European energy policy.

REFERENCES

Aspinwall, M. D. and Schneider, G. (2000) 'Same menu, separate tables: the institutionalist turn in political science and the study of European integration', *European Journal of Political Research* 38 (1): 1-36.

Baumgartner, F. R. and Jones, B.D. (1993). *Agendas and Instability in American Politics,* the University of Chicago Press: Chicago and London.

Baumgartner, F.R. and Jones, B.D. (2009) *Agendas and Instability in American Politics,* Chicago, IL: University of Chicago Press.

Bechberger, M. and Reiche, D. (2004) 'Renewable energy policy in Germany: pioneering and exemplary regulations', *Energy for Sustainable Development* 8(1): 25-35.

Bergek, A. and Jacobsson, S. (2003) 'The emergence of a growth industry: a comparative analysis of the German, Dutch and Swedish wind turbine industries', in S. Metcalfe, and U. Cantner (eds.), *Change, Transformation and Development*, Physica-Verlag, Heidelberg, 197-228.

Berg-Schlosser, D., De Meur, G., Rihoux, B. and Ragin, C.C. (2008) 'Qualitative comparative analysis (QCA) as an approach', in B. Rihoux, B. Benoīt and C. Ragin (eds.), *Configurational Comparative Methods: Qualitative Comparative Analysis (QCA) and Related Techniques*, Thousand Oaks/London: Sage.

Bernard, R. H. (2000) [2002] *Research Methods in Anthropology: Qualitative and Quantitative Approaches,* Alta Mira Press.

Birchfiled, V. L. and Duffield, J. S. (2011) *Toward a Common European Union Energy Policy: Problems, Progress, and Prospects*. Palgrave: Macmillan.

Black, R. A. (1977) 'Nine governments in search of a common energy policy', in H. Wallace, W. Wallace and C. Webb (eds.), *Policy-making in the European Community*, New York: John Wiley&Sons.

Boasson, E.L. and Wettestad, J. (2013) *EU climate policy: industry, policy interaction and external environment,* Ashgate Publishing Company.

Börzel, T. A. (2002) 'Member state responses to Europeanization', *Journal of Common Market Studies* 40(2): 193-214.

Boscheck, R. (2009) 'The EU's third internal energy market legislative package: victory of politics over economic rationality?' *World Competition* 32(4): 593-608.

Buchan, D. (2009) *Energy and climate change: Europe at the crossroads*, Oxford: Oxford University Press.

Bueno de Mesquita, B., Smith. A., Siverson R. M and Morrow, J. D. (2003) *The Logic of Political Survival*. Cambridge: MIT Press

Bulmer, S. (2009) 'Politics in time meets the politics of time: historical institutionalism and the EU timescape', *Journal of European Public Policy* 16 (2): 307-24.

Cobb, R., Ross, J.K. and Ross, M.H. (1976) 'Agenda building as a comparative political process', *American Political Science Review* 70 (1): 126–38.

Collier, D. (1993) 'The comparative method', in A.W. Finifter (ed.), *Political Science: state of the discipline II,* Washington, DC: American Political Science Association, 105-19.

Collier, D. (1995) 'Translating quantitative methods for qualitative researchers: the case of selection bias', *The American Political Science Review* 89(2): 461-466.

Cook, P. L. and Surrey, A. J. (1977) *Energy Policy, strategies for uncertainty,* Martin Robertson, London.

Cordes, R. (2000) 'De Palacio refuses to bow to pressure over renewables', *European Voice* 6, 17.

Council of the European Communities (1975) 'Council Resolution of 13 February 1975 concerning measures to be implemented to achieve the Community energy policy objectives adopted by the Council on 17 December 1974', Official Journal C153.

Council of the European Communities (1986) 'Council Resolution of 16 September 1986 concerning new Community energy policy objectives for 1995 and convergence of the policies of member states', Official Journal C 241.

Council of the European Union (1993) 'Council Decision of 13 September 1993 concerning the promotion of renewable energy sources in the Community (Altener programme)(93/500/EEC). OJ L 235, 18/09/1993, 41-44.

Council of the European Union (1997) Council Resolution n° 8522/97 of 10 June 1997.

Council of the European Union (1998) 2092nd Council meeting – ENERGY – Brussels, 11 May 1998. 8357/98 (Presse 136).

Council of the European Union (2000) 'Opinion of the Legal Service: Proposal for a Directive of the European Parliament and of the Council on the promotion of electricity from renewable energy sources in the internal electricity market 13133/00'.

Council of the European Union (2001) 'Common position adopted by the Council on 23 March 2001 with a view to the adoption of Directive of the European Parliament and of the Council on the promotion of electricity produced from renewable energy sources in the internal electricity market', 5583/1/01 REV 1, Brussels, 27 March 2001.

Council of the European Union (2001) 'Directive 2001/77/EC of the European Parliament and of the Council of 27 September 2001 on the promotion of electricity produced from renewable energy sources in the internal electricity market', OJ L 283, 27/10/2001, 33-40.

Council of the European Union (2006) 'Brussels European Council 23/24 March 2006, Presidency Conclusions', 7775/1/06 REV1, 18 May 2006. Council of the European Union, Brussels.

Council of the European Union (2008) 'Press release: 2854th Council meeting Transport, Telecommunications and Energy,' Brussels, 28 February 2008, 6722/08 (Presse 45).

Council of the European Union (2007) 'Brussels European Council, 8-9 March. Presidency Conclusions', 7224/1/07 REV 1.

Cox, R. H. and Dekanozishvili, M. (forthcoming) 'Leadership and German Efforts to Shape European Renewable Energy Agenda', in J. Tosun, S. Schmitt and K. Schultze (eds.), *Energy Policy Making in the EU: Building the Agenda*, Springer UK.

Cram, L. (1997) *Policy making in the European union: conceptual lenses and the integration process*, London: Routledge.

Daviter, F. (2007) 'Policy framing in the European Union', *Journal of European Public Policy* 14(4): 654-66.

Deutsch, K. W. (1957) *Political Community and the North Atlantic Area*, Princeton: Princeton University Press.

DiMaggio, P. J. and Powell, W.W. (1991) *The New Institutionalism in Organizational Analysis*, Chicago/ London: The University of Chicago Press.

Dougherty, J. E. and Pfaltzgraff, R. L. Jr. (2001) *Contending Theories of International Relations,* New York: Harper and Row Publishers.

Duffield J.S. and Westphal, K. (2011) 'Germany and EU energy policy: conflicted champion of integration?', in V.L. Birchfield and J.S. Duffield (eds.), *Toward a Common European Union Energy Policy,* Palgrave, Macmillan, pp. 169-187.

Dupont, C. and Oberthür, S. (2011) 'Insufficient climate policy integration in the EU energy policy: the importance of the long-term perspective', *Journal of Contemporary European Research* 8(2): 228-247.

Eberlein, B. (2012) 'Inching towards a common energy policy: Entrepreneurship, incrementlalism, and windows of opportunity? ', in J. Richardson (ed.), *Constructing a Policy-Making State? Policy Dynamics in the European Union,* Oxford: Oxford University Press, pp. 147-170

EFET (2007) 'Towards an EU target of 20% renewable power production by 2020 -ideas for the reform and harmonisation of renewable energy support schemes in EU States', http://www.efet.org/Download.asp?File=6552.

Egenhofer, C. and Behrens, A. (2011) 'Does Europe need a comprehensive energy policy?', *Intereconomics* 3, pp. 124-142.

ENDS (1998a) 'Energy ministers give their day to green issues', 12 May.

ENDS (1998b) 'EU to harmonize renewables support schemes', 18 March.

ENDS (1999a) 'Plans for EU renewable energy law shelved', 9 February.

ENDS (1999b) 'Strong EU energy law demanded', 28 April.

ENDS (1999c) 'EU ministers request renewables framework', 12 May.

ENDS (1999d) 'Commission bids to salvage renewables directive', 3 December.

ENDS (2000a) 'German renewables support 'not a state subsidy', 27 October.

ENDS (2000b) 'MEPs demand strong renewable energy support', 31 March.

ENDS (2006) 'EU must get real on energy-climate policies', 24 November.

ENDS (2008) 'MEPs back beefed-up renewable energy law', 11 September.

ENTSO-E (2011) 'Scenario Outlook and System Adequacy Forecast 2011 – 2025'.

EREC (2004) 'Renewable energy target for Europe: 20% by 2020', Brussels. http://www.erec.org/fileadmin/erec_docs/Documents/Press_Releases/EREC_targets_final_19_01.pdf (accessed May 24, 2013).

EREC (2005) 'Position paper on the future of support systems for the promotion of electricity from renewable energy sources', January 2005, Brussels.

EREC (2007) 'Renewable energy technology Road Map up to 2020', Brussels.

Eurelectric (2000) 'Gets 2 Report,' 6 November.

Eurelectric (2005) 'Integrating electricity markets through wholesale markets: Eurelectric roadmap to pan-European market', Ref. 005-308-0010, Brussels.

Eurelectric (2007) 'Position paper-review of the EU emissions-trading directive (2003/87/EC) and the linking directive (2004/101/EC),' Brussels

Eurelectric (2008) 'Reaching EU RES targets in an efficient manner: Benefits of trade', Brussels

EUROFORES (2010) 'II. Inter-Parliamentary meeting. Madeira, Portugal 12-14 May. www.eurofores.org/index.php?id=46 (accessed April 2013).

European Parliament (1997) 'Resolution on the communication from the Commission on Energy for the Future: Renewable Sources of Energy - Green Paper for a Community Strategy', (COM(96)0576 C4-0623/96). *OJ C*, 167, 2/06/1997, 160.

European Parliament (1998) Resolution on the Commission communication: Energy for the future: renewable sources of energy White Paper for a Community Strategy and Action Plan (COM(97)0599 C4-0047/98). OJ C, 210, 6/07/1998, 215

European Parliament (2000) 'Report on the proposal for a European Parliament and Council directive on the promotion of electricity from renewable energy sources in the internal electricity market', (COM(2000) 279 – C5-0281/2000 – 2000/0116(COD)).

European Parliament (2001) 'Recommendation for the second reading on the Council common position for adopting a European Parliament and Council directive on

the promotion of electricity produced from renewable energy sources in the internal electricity market', (5583/1/2001, 2000/0116(COD))

European Parliament (2005) 'Report on the share of renewable energy in the EU and proposals for concrete actions', (2004/2153(INI)).

European Parliament (2006) 'A European strategy for sustainable, competitive and secure energy: European Parliament resolution on a European strategy for sustainable, competitive and secure energy Green paper', (2006/2113(INI)).

European Parliament (2007) 'Road Map for renewable energy in Europe: European Parliament resolution of 25 September 2007 on the Road Map for Renewable Energy in Europe (2007/2090(INI)).

European Parliament (2008) 'Report on the proposal for a directive of the European Parliament and of the Council on the promotion of the use of energy from renewable sources', (COM(2008)0019 - C6 0046/2008 - 2008/0016(COD). 26.9.2008.

European Commission (1968) 'First Guidelines for a Community Energy Policy. Memorandum presented by the Commission to the Council', COM (68) 1040 final, 18 December 1968, *Bulletin of the European Communities*, Supplement to No. 12, 3-19.

European Commission (1974) 'Towards a new energy policy strategy for the Community', Brussels.

European Commission (1993) 'Amended proposal for Council decision concerning the promotion of renewable energies in the Community ALTERNER Program,' COM (93) 278 Final.

European Commission (1996) 'Energy for the future: Renewables sources of energy', COM (96) 576. CEC, Brussels.

European Commission (1997) 'Energy for the future: Renewable sources of energy', COM (97) 599, Brussels.

European Commission (1999) 'Working Paper: Electricity from renewable energy sources and the internal electricity market', SEC(1999) 470 final (13/04/1999), Brussels.

European Commission (2000a) 'Green Paper: Towards a European strategy for the security of energy supply', COM(2000) 769 final, Brussels.

European Commission (2000b) ‘Proposal for a direcitve of the European Parliament and of the Council on the promotion of electricity from renewable energy sources in the internal electricity market’, COM(2000) 279 final, Brussels.

European Commission (2000c) ‘Amended proposal for a directive of the European Parliament and of the Council on the promotion of electricity from renewable energy sources in the internal electricity market’, COM(2000) 884 final.

European Commission (2001) ‘Commission opinion in accordance with point (c) of the third subparagraph of Article 251(2) of the EC Treaty on the European Parliament’s amendments to the common position of the Council on the proposal for a directive of the European Parliament and of the Council on the promotion of electricity from renewable energy sources in the internal electricity market’, COM(2001) 445 final.

European Commission (2005) ‘The support of electricity from renewable energy sources’, COM(2005) 627 final.

European Commission (2006a) ‘Green Paper. A European Strategy for Sustainable, Competitive and Secure Energy’, COM(2006) 105 final.

European Commission (2006b) ‘Renewable Energy Road Map: Renewable energies in the 21st century: building a more sustainable future’, COM(2006) 848 final.

European Commission (2007) ‘Eurobarometer: Europeans support greater EU action on energy and climate change’, Press release IP/07/280 (3/03/2007).

European Commission (2008) ‘Proposal for a Directive of the European Parliament and of the Council onthe promotion of the use of energy from renewable sources’, COM(2008) 19 final, Brussels.

European Commission (2011) ‘Communication "Renewable Energy: Progressing towards the 2020 target’, [COM/2011/31].

EUROSTAT (2002) *Energy and environment indicators 1985-2000.*

EUROSTAT (2011) *Energy, transport and environmental indicators*.

EWEA (2007) ‘Making 180 GW a reality by 2020: EWEA Position on the future EU legislation for renewable energy and its impact on the wind industry’, Brussels.

Federal Ministry for the Environment, Nature Conservation and Nuclear Safety (2008) ‘Erneuerbare-Energien-Gesetz – EEG’ [Renewable Energy Law], BGBl. I S. 2074.

Fligstein, N. and Mcnichol, J. (1998) 'Institutional terrain of the European Union', in S. Wayne and A. Stone Sweet (eds.), *European Integration and Supranational Governance,* Oxford University Press.

Fouquet, D. and Johansson, T.B. (2008) 'European renewable energy policy at crossroads: focus on electricity support mechanisms', *Energy Policy* 36 (11): 4079-4092.

French National Assembly (2008) 'Motion on a resolution on the energy-climate package,' November 2008.

Frost, L. (2001) 'MEP wants surge to more eco-friendly electricity', European Voice 7 (16): 17.

Geddes, B. (1979) 'How the case you choose affect the answers you get: selection Bias in comparative politics', *Political Analysis* 2: 131-52.

George, A. L. and Bennett, A. (2005) *Case Studies and Theory Development in the Social Sciences,* MIT Press.

Gerring, J. (2007) *Case Study Research: Principles and Practices*, Cambridge University Press, Cambridge.

Goertz, G. (2003) 'The substantive importance of necessary condition hypotheses', in G. Goertz and H.Starr (eds.), *Necessary conditions: theory, methodology and applications*, Lanham, Maryland: Rowman & Littlefield, 65-94.

Goertz, G. and H. Starr (2003) *Necessary conditions: theory, methodology and applications*, Lanham, Maryland: Rowman & Littlefield.

Groom, A. J. R. and Heraclides. A. (1985) 'Integration and disintegration', in M. Light and A.J.R. Groom (eds.), *International relations: A Handbook of current thought,* London.

Guéguen, D. Iosif, S. (2008) 'Climate-energy package adopted by unanimity: Legal or illegal', in EUROPOLITICS, 14 Nov. 2008. http://www.europolitics.info/climate-energy-package-adopted-byunanimity-legal-or-illegal-artr180775-10.html, (accessed 23 May, 2013).

Haas, E. B. (1958) *The Uniting of Europe*. *Political, Social and Economic Forces 1950-1957*, Stanford: Stanford University Press.

Haas, E. B. (1961) 'International integration: the European and the universal process', *International Organization* 15(4): 366-92.

Haas, E. B. (1975) *The Obsolescence of Regional Integration Theory*, Research Series-Institute of International Studies, University of California, Berkeley, No.25.

Haas, E. B. (1976) 'Turbulent fields and the theory of regional Integration', *International Organization* 30(2): 173–212.

Hall, P. A. and Taylor R.C. (1996) 'Political science and the three new institutionalisms', *Political Studies* XLIV: 936-57.

Hampton Court Summit press release (2005) 'Press conference at EU informal summit Hampton Court', 27 October, 2005.

Helm, D., Kay, J. and Thompson, D. (1989) *The Market for Energy*, Clarendon Press, Oxford.

Helm, D. (2007) 'European energy policy: meeting the security of supply and climate change challenges', *EIB Papers* 12(1) 30-49.

Heritier, A. (1997) 'Policy-making by subterfuge: interest accommodation, innovation and democratic legitimation in Europe', *Journal of European Public Policy* 4(2): 171-89.

Heritiier, A., Knill, C. and Mingers, S. (1996) *Ringing the change in Europe. Regulatory competition and the transformation of the state*, Berlin: De Gruyter.

Hildingsson, R., Stripple, J. and Jordan A. (2010) 'Renewable energies: a continuing balancing act?', in A. Jordan, D. Huitema, H. van Asselt, T. Rayner and F. Berkhout (eds.), *Climate Policy in the European Union: Confronting Dilemmas of Mitigation and Adaptation*, Cambridge: Cambridge University Press, pp. 103-24.

Hinsch, C. (2000) 'Alles wieder im Lot [Everything in balance again]', *neue energie*, March 2000: 10-11.

Hirschl, B., Hoffmann, E., Zapfel, B., Hoppe-Kilpper, M., Durstewitz, M. and Bard, J. (2002) *Markt- und Kostenentwicklung erneuerbarer Energien*. *2 Jahre EEG – Bilanz und Ausblick*. Erich Schmidt Verlag, Berlin.

Hirschl, B. (2008) *Erneuerbare Energien-Politik: Eine Multi-Level Policy-Analyse mit Fokus auf den deutschen Strommarkt*, VS Research, Wiesbaden.

Hix, S. (2005) *The political System of European Union*, Plagrave, Houndmills.

Hoffmann, S. (1966) 'Obstinate or obsolete? The fate of the nation-state and the case of Western Europe', *Daedalus* 95 (3): 862–915.

Hollingsworth, J. R. (2000) 'Doing institutional analysis: implications for the study of innovations', *Review of International Political Economy* 7 (4): 595-644.

International Energy Agency (2000) *Energy Policies of IEA Countries: France 2000 Review,* OECD.

International Energy Agency (2002) *Energy Policies of IEA Countries: Germany 2007 Review,* OECD.

International Energy Agency (2007) *Energy Policies of IEA Countries: Germany 2007 Review,* OECD.

International Energy Agency (2009) *Energy Policies of IEA Countries: France 2009 Review,* OECD.

IPCC (2007) 'Intergovernmental Panel on Climate Change: Fourth Assessment Report', http://www.ipcc.chS.

Jacobsson, S. and Lauber, V. (2006) 'The politics and policy of energy system transformation – explaining the German diffusion of renewable energy technology', *Energy Policy* 34(3): 256-76.

Jänicke, M. (2011) 'German climate change policy: political and economic leadership,' in R.K.W. Wurzel and J. Connelly (ed.), *The European Union as a Leader in International Climate Change Politics,* Routledge/UACES Contemporary European Studies.

Johannesburg Renewable Energy Coalition (2004) 'European Conference for Renewable Energy – Intelligent Policy Options', Berlin 19th-21st January 2004, Conference Conclusions and Recommendations to Renewables.

Johnston, A., K., Neuhoff, Fouquet, D., Ragwitz, M. and Resch, G. (2008) 'The proposed new EU renewables directive: interpretation, problems and prospects', *European Energy and Environmental Law Review* 17(3): 126-145.

Jordan, A. and Lenschow, A. (2010) 'Environmental policy integration: a state of the art review', *Environmental Policy and Governance* 20(3): 147-158.

Kassim, H. and Menon. A. (2003) 'The Principal–agent approach and the study of the European Union: promise unfulfilled?', *Journal of European Public* Policy 10 (1): 121-39.

Keohane, R. O. and Nye. J.S. (2000) *Power and Interdependence*, 3rd ed. Glenview, IL: Scott, Foresman

Kiewiet, D. R. and McCubbins, M.D. (1991) *The Logic of Delegation*, Chicago: University of Chicago Press.

King, G., Keohane R.O.and Verba, S. (1994) *Designing Social Inquiry: Scientific Inference in Qualitative Research*, Princeton: Princeton University Press.

Kingdon, J. W. (1984) [2002] *Agendas, Alternatives, and Public Policies*, Boston: Little, Brown.

Kingdon, J. W. (1994). 'Agendas, ideas, and policy change,' in L. Dodd and C. Jillson (eds.), *New Perspectives on American Politics,* Washington, DC: Congressional Quarterly Press, 215-299.

Kingdon, J. W. (1995) *Agendas, Alternatives, and Public Policies*, (2nd ed.), New York: Harper Collins College Publishers.

Kopaczewska, D. (2007), 'Interpellation no. 7237 of the member of the Polish parliament Domicela Kopaczewska to the Minister of Environment from 12 Mar. 2007', http://www.gover.pl/k5/poslowie/szczegolyInterpelacji/posel/kopaczewska-domicela/interpelacja/interpelacja-w-sprawie-wykorzystywaniaodnawialnych-zrodel-energii, (accessed on 18 Sep. 2013).

Kulovesi, K., Morgera, E. and Muñoz, M. (2011) 'International dimensions of EU law: unpacking the EU's 2009 climate and energy package', *Common Market Law Review* 48: 829-891.

Kusku. E. (2010) 'Enforceability of a common energy supply security policy in the EU: an intergovernmentalist account', *Caucasian Review of International Affairs*, 4(2): 145-158.

Kuhn, T. (2001) 'Implications of the "Preussen Elektra",' *Legal Issues of Economic Integration* 28(3), 361-76.

Lauber, V. (2005) 'Renewable energy at the level of the European Union', in: D. Reiche (ed.), *Handbook of Renewable Energies in the European Union*, Peter Lang, Frankfurt a. M., pp. 39-53.

Lauber, V. (2007) 'The politics of European Union policy on support schemes for electricity from renewable energy sources', in: L. Mez (Ed.), *Green Power*

Markets – Case Studies and Perspectives, Multi Science Publishing, Brentwood, pp. 9-30.

Lauber, V. and Schenner, E. (2011) 'The struggle over support schemes for renewable electricity in the European Union: a discursive-institutionalist analysis', *Environmental Politics,* 20(4): 508-527.

Lindberg, L. N. (1963) *The Political Dynamics of European Economic Integration*, Stanford: Stanford University Press.

Lindberg, L. N. and Scheingold, S.A. (1970) *Europe's would-be Polity: Patterns of Change in the European Community*, Englewood-Cliffs, N.J.: Prentice-Hall, Inc.

Lynggaard, K. and Nedergaard, P. (2009) 'The logic of policy development: lessons learned from reform and routine within the CAP 1980 – 2003', *Journal of European Integration* 31(3): 291-309.

Mahoney, J. (2008) 'Toward a unified theory of causality', *Comparative Political Studies* 41 (4/5): 412–436.

Mahoney, J. (2003) 'Strategies of causal assessment in comparative historical analysis', in J. Mahoney and D. Rueschemeyer (eds.), *Comparative Historical Analysis in the Social Sciences,* Cambridge, Cambridge University Press, 337-72.

Mahoney, J. and Goertz. G. (2004) 'The possibility principle: choosing negative cases in comparative research', *American Political Science Review* 98(2004): 653-670

Mahoney, J. and Thelen. K. (2010) 'A Theory of gradual institutional change', in J. Mahoney and K. Thelen (eds.), *Explaining Institutional Change: Ambiguity, Agency, and Power,* New York: Cambridge University Press.

Mahoney, J. and R. Snyder, R. (1999) 'Rethinking agency and structure in the study of regime', *Studies in Comparative International Development* 34(2): 3-32.

March, J. G and Olsen, J. P. (1984) 'The new institutionalism: organizational factors in political life', *The American Political Science Review* 78 (3): 734-49.

Massy, J. (2007) 'Serious fear of a twilight zone', *Windpower Monthly* 23(2): 28-29.

Matláry, J.H. (1997) *Energy Policy in the European Union*, London: MacMillian Press.

Maurer, A., Mittag, J and Wessels, W. (2003) 'National system's adaptation to the EU system: trends, offers, and constraints', in B. Kohler-Koch (ed.), *Linking EU and National Governance,* Oxford: Oxford University Press.

Mazey, S. and Richardson, J. (2001) 'Commission-interest group relation', in A. Stone Sweet, W. Sandholtz, and N. Fligstein (eds.), *The Institutionalization of Europe,* Oxford University Press.

McGowan, F. (2011) 'The UK and EU energy policy: from awkward partner to active protagonist?', in In V. L. Birchfield and J. S. Duffield (eds.), *Toward a common European Union Energy Policy,* Palgrave, Macmillan, 187-216.

McGowan, F. (1996) 'Energy policy', in: H. Kassim and A. Menon (eds.), *The European Union and National Industrial Policy*. Routledge, London, 132-152.

McGiffen, S.P. (2001) *The European Union: A Critical Guide*, Pluto Press, London.

Meritet, S. (2011) 'French energy policy within the Eu framework: from black Sheep to model?', in In V. L. Birchfield and J. S. Duffield (eds.), *Toward a common European Union Energy Policy,* Palgrave, Macmillan,145-165.

Meyer, N.I. (2003) 'European schemes for promoting renewables in liberalised markets', *Energy Policy* 31 (7): 665–676.

Mitchell, C. and P. Connor (2004). 'Renewable energy policy in the UK 1990 – 2003', *Energy Policy* 32(17): 1935-1947.

Mitchell, C., Bauknecht D. and Connor, P. M. (2006) 'Effectiveness through risk reduction: a comparison of the renewable obligation in England and Wales and the feed-in system in Germany,' *Energy Policy* 34 (3): 297-305.

Moravcsik, A. (1991) 'Negotiating the Single European Act: national interests and conventional statecraft in the European Community', *International Organization* 45 (1): 19–56.

Moravcsik, A. (1993) 'Preferences and power in the European Community: a liberal intergovernmentalist approach', *Journal of Common Market Studies* 31 (4): 473-524.

Moravcsik, A. (1998) *The Choice for Europe: Social Purpose and State Power from Messina to Maastricht*, Ithaca, New York: Cornell University Press.

Moravcsik, A. and Schimmelfenning, F. (2009) 'Liberal Intergovernmentalism', in A. Weiner and T. Diez (eds.), *European Integration Theory,* Oxford: Oxford University Press, 67-87.

Most, B. and Starr, H. (1989) *Inquiry, Logic and International Politics,* Columbia: University of South Carolina Press.

Natorski, M. and Surralles, A. H. (2008) 'Securitizing moves to nowhere? The framing of the European Union energy policy', *Journal of Contemporary European Research* 4(2): 71-89.

Niemann, A. (2006) *Explaining EU Decision Outcomes: Developing and Examining a Revised Neofunctionalist Framework*, Cambridge: Cambridge University Press.

Niemann, A. and Schmitter, P. (2009) 'Neo-functionalism', in A. Wiener, and T. Diez (eds.), *Theories of European Integration*, Oxford: Oxford University Press.

Nilsson, M., Nilsson, L.J and Ericsson, K. (2009) 'The rise and fall of GO trading in European renewable energy policy: The role of advocacy and policy framing', *Energy Policy* 37: 4454-4462.

Nilsson, M. (2011) 'EU renewable electricity policy: mixed emotions toward harmonization', in V.L. Birchfield and J.S. Duffield (eds.), *Toward a Common European Union Energy Policy,* Palgrave, Macmillan, 113-130.

North, D. R. (1995) 'Five Propositions about institutional change', in J. Knight, Jack and I. Sened (eds.), *Explaining Social Institutions,* Ann Arbor: University of Michigan Press.

O'Neill, M. (1996) *The Politics of European Integration: A Reader*, London, Routledge

Ofgem (2008) 'Annual Report 2008-2009: protecting energy consumer interests now and for the future', Ofgem, London.

Pallis, A. A. (2006) 'Institutional dynamism in EU policy-making: the evolution of the EU maritime safety policy', *Journal of European Integration* 28(2): 137 - 157.

Pasek, J and Krosnick, J. A. (2009) 'Optimizing survey questionnaire design in political science: insights from psychology', in J. Leighley (ed.), *The Oxford Handbook of American Elections and Political Behavior,* Oxford Handbooks Online.

Peters, G. B., Pierre, J and King, D.S. (2005) 'The politics of path dependency: political conflict in historical institutionalism', *The Journal of Politics* 67(4): 1275-1300.

Peterson, J. and Bomberg, E. (1999) *Decision-Making in the European Union*, Basingstoke: Macmillan.

Pierson, P. (1996). 'The path to European integration: a historical institutionalist analysis', *Comparative Political Studies* 29 (2): 123-63.

Poblocka, A., Bruckmann, R., Piria R., Bracker J. F. and Baucknecht, D. (2011) 'Integration of electricity from renewables to the electricity grid and to the electricity market – RES integration: National report Poland', report prepared for DG Energy, Berlin 20 December, 2011, http://www.eclareon.eu/sites/default/files/poland_-_res_integration_national_study_nreap.pdf (accessed May 1, 2014).

Pollack, M. A. (1997) 'Delegation, agency and agenda-Setting in the European Community', *International Organization* 51 (1): 99-134.

Pollack, M. A. (2004) 'The new institutionalism and European integration', in A. Wiener and T. Diez (eds.), *European Integration Theory,* Oxford University Press.

Pollack M. A. (2005) 'Theorizing the European Union: international organization, domestic polity, or experiment in new governance?', *Annual Review of Political Science* 8: 357-98.

Politt, M.G. (2010) 'UK renewable energy policy since privatisation', EPRG Working Paper 1002, *Cambridge Working Papers in Economics,* 1007.

Power in Europe (2007) 'Ministers reject full unbundling', *Power in Europe*, 495 (26 February), 18.

Pralle, Sarah. B. 2006. "Timing and sequence in agenda-setting and policy change: A comparative study of lawn care pesticide politics in Canada and the US." *Journal of European Public Policy*, 13: 987-1005.

Presidency of the Council of the European Union (2007) 'Europe – Succeeding Together', Presidency Program 1 January to 30 June 2007, Federal Government of Germany. Brussels.

Princen, S. and Rhinard, M. (2006) 'Crashing and creeping: agenda-setting dynamics in the European Union', *Journal of European Public Policy* 13(7): 1119–32

Princen, S. (2007) 'Agenda-setting in the European Union: a theoretical exploration and agenda for research', *Journal of European Public Policy* 14(1): 21-38.

Princen, S. (2011) 'Agenda-setting strategies in EU policy processes', *Journal of European Public Policy* 18(7): 927-943.

Proceedings of the 3rd session of the Amsterdam forum (2006)

Puchala, D. (1972) 'Of blind men, elephants and international integration', *Journal of Common Market Studies* 10(3): 267-284.

Puchala, D. (1975) 'Domestic politics and regional harmonization in the European Communities', *World Politics* 27 (4): 496-520.

Radaelli, C.M. (2000) 'Whither Europeanization? Concept stretching and substantive change', *European Integration Online Papers* 4(8): 1-25

Radaelli, C. M. and Exadaktylos, T. (2010) 'New Directions in Europeanization research', in M. Egan, N. Nugent, and W. Paterson (eds.), *Research Agendas in EU studies: Stalking the Elephant*, New York: Palgrave Macmillan, 189-215.

Ragin, C. C. (1987) *The comparative Method: Moving Beyond Qualitative and Quantitative Strategies*, Berkeley: University of California Press

Ragin, C. C. (2000) *Fuzzy-set Social Science,* The University of Chicago Press.

Ragin, C. C. (2008) *Redesigning Social Inquiry: Fuzzy Sets and Beyond,* The University of Chicago Press.

Rosamond, B. (2000) *Theories of European Integration*, Palgrave.

Rowlands, I. H. (2005) 'The European directive on renewable electricity: conflicts and Compromises', *Energy Policy* 33(8): 965-974.

Sartori, G. (1970) 'Concept misformation in comparative politics', *The American Political Science Review* 64(4): 1033-1053.

Sandholtz, W. and Stone Sweet, A. (1998) *European Integration and Supranational Governance*, Oxford University Press.

Sandholtz, W. and Zysman, J. J. (1989) '1992: recasting the European bargain', *World Politics* 42 (1): 95-128.

Sbragia, A. M. (1998) 'Institution-building from below and above: the European Community in global environmental politics', in W. Sandholtz, and A. Stone Sweet (eds.), *European Integration and Supranational Governance,* Oxford University Press.

Scharpf, F. W. (1997) *Games Real Actors Play*, Boulder, CO: Westview Press

Scharpf, F. W. (2007) 'The joint decision trap: lessons from German federalism and European integration', *Public Administration* 66(3): 239-78.

Scharpf, F. W. (2011) 'Perpetual momentum: directed and unconstrained?', *Journal of European Public Policy* 19 (1): 127-39.

Schimmelfennig, F. (2004) 'Liberal Intergovernmentalism', in A. Wiener and T. Diez (eds.), *European Integration Theory*, Oxford University Press, Oxford, 75-94.

Schimmelfenning, F. (2010) 'Integration theory', in M. P. Egan, N. Nuget and W.E. Paterson (eds.), *Research Agendas in EU Studies: Stalking the Elephant*, Palgrave: Macmillan.

Schimmelfennig, F. and Rittberger, B. (2006) 'Theories of European integration: assumptions and hypotheses', in J. Richardson (ed.), *European Union: Power and Policy-making,* London: Routledge.

Schmidt, V. A. (2001) 'Europeanization and the mechanics of economic Policy adjustment', *European Integration Online Papers* Vol. 5(6): 1-24.

Schmitter, P. C. (2003) 'Ernst B. Haas and the legacy of neofunctionalism', *Journal of European Public Policy* 12(2): 255-72.

Schneider, C. Q. and Wagemann, C. (2006) 'Reducing complexity in Qualitative Comparative Analysis (QCA): remote and proximate factors and the consolidation of democracy', *European Journal of Political Research* 45(5): 751–786.

Schöpe, M. (2007) 'Meeting the EU 20% RE objective by 2020: MS efforts and compensation schemes', Presentation given at the 5th Amsterdam Forum, 2/10/2007. http://www.senternovem.nl/mmfiles/Martin%20Sch%C3%B6pe%20-%2020%25%20RE%20objective%20by%20202%20MS%20efforts%20and%20 compensations%20schemes_tcm24-241765.pdf.

Seawright, J. and Gerring, J. (2008) 'Case selection techniques in case study research: a menu of qualitative and quantitative options', *Political Research Quarterly* 61 (2): 294-308

Skjærseth, J.B. and Wettestad, J. (2008) 'Implementing EU emissions trading: success or failure?', *International Environmental Agreements* 8(3): 275-290.

Stenzel, T. and Frenzel, A. (2008) 'Regulating technological change—the strategic reactions of utility companies towards subsidy policies in the German, Spanish and UK electricity markets', *Energy Policy* 36(7): 2645–2657.

Stern, N. (2006) *The economics of Climate Change. The Stern Review,* Cambridge University Press.

Stone Sweet, A., Sandholtz, W. and Fligstein, N. (2001) *The Institutionalization of Europe*, Oxford: Oxford University Press.

Surel, Y. (2000) 'The role of cognitive and normative frames in policy-making', *Journal of European Public Policy* 7(4): 495-512.

Surrey, J. (1992) 'Energy policy in the European Community: conflicts between the objectives of the unified single market, supply security and a clean environment', *Energy Journal* 13(3): 207-220.

Surrey, J. (1996) *The British Electricity Experiment,* London, Earthscan.

Tallberg, J. (2003) 'The agenda-shaping powers of the EU Council Presidency,' *Journal of European Public Policy* 10(1): 1–19.

Thelen, K. and Steinmo, S. (1992) *Structuring Politics: Historical Institutionalism in Comparative Analysis,* Cambridge University Press.

Toke, D. (2008) 'The EU renewables directive: What is the fuss about trading?', *Energy Policy* 36(8): 3001-3008.

Tranholm-Mikkelson, J. (1991) 'Neo-functionalism: obstinate or obsolete? A reappraisal in light of the new dynamism of the EC', *Millennium Journal of International Studies* 20(1): 21.

Tsebelis, G. and Garrett, G. (2001) 'The Institutional foundations of intergovernmentalism and supranationalism in the European Union', *International Organization* 55 (2): 357-90.

UK Parliament (2008)'House of Commons sub-committee report on promotion of renewables', file:///C:/Users/mari/Documents/Dissertation/Emprirical%20chapters/RES%20Directive%202009/UK/House%20of%20Commons%20subcommittee%20report%20jan%202008.htm (accessed on March 23, 2012).

UK Department for Business, Entreprise and Regulatory Reform 2007 DBERR (Department of Business Enterprise and Regulatory Reform), 2007. Digest of the United Kingdom Energy Statistics. HMSO, London.

UK Department for Business, Enterprise and Regulatory Reform, internal briefing paper, not dated

Verkuilen, J. (2005) 'Assigning membership in a fuzzy-set analysis', *Sociological Methods and Research* 33(4): 462-96.

Wagemann, C. and Schneider, C.Q. (2010) 'Qualitative comparative analysis (QCA) and fuzzy-Sets: agenda for a research approach and a data analysis technique', *Comparative Sociology* 9: 397–418.

Wettestad, J. (2011) 'EU emissions trading: achievements and challenges', in V.L. Birchfield and J.S. Duffield (eds.), *Toward a common European Union energy policy.* Palgrave, Macmillan, 87-112.

Wettestad, J., Eikeland, P.O. and Nilsson, M. (2012) 'EU climate and energy policy: A hesitant supranational turn', *Global Environmental Politics* 12(2): 67-86.

Wiener, A. and Diez, T. (2004) *European Integration Theory*, Oxford: Oxford University Press.

Wincott, D. (2002) 'Looking forward or harking back? The commission and the reform of governance in the European Union', *Journal of Common Market Studies* 39(5): 897-911.

Wood, G. (2011) 'What lessons have been learned in reforming the Renewables Obligation? An analysis of internal and external failures in UK renewable energy policy', *Energy Policy* 39(5): 2228–2244.

Zahariadis, N. (2007) 'The multiple streams framework: structure, limitations, prospects', in P. A. Sabatier (ed.), *Theories of the Policy Process*, Boulder, CO: Westview Press, 74-79.

APPENDIX A – ELITE SURVEY ON EU ENERGY POLICY

(Approved by Institutional Review Board of the University of South Carolina in accordance with the provisions on the Protection of Human Subject in the Code of Federal Regulations (45 CFR 46))
THE QUESTIONNAIRE IS CONFIDENTIAL AND FOR RESEARCH PURPOSES ONLY

From the list below, please select the EU directives/regulation you are well-familiar with. If you have been closely involved with more than one legislative piece listed below, please fill out the questionnaire separately for each selection.

☐ Energy Package I (Directive 96/92/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity)

☐ Energy Package I (Directive 98/30/EC of the European Parliament and the Council concerning common rules for the internal market in natural gas)

☐ Energy Package II (Directive 2003/54/ EC of the European Parliament and of the Council concerning common rules for the internal market in electricity)

☐ Energy Package II (Directive 2003/55/EC of the European Parliament and of the Council concerning common rule for the internal market in natural gas)

☐ Energy Package III (Directive 2009/72/EC of the European Parliament and of the Council concerning common rules for the internal market in electricity and accompanying Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation (EC) No 714/2009 and 715/2009 on conditions for access to the network for cross-border exchanges in electricity)

☐ Energy Package III (Directive 2009/73/EC of the European Parliament and of the Council concerning common rules for the internal market in natural gas and accompanying Regulation (EC) No 713/2009 establishing an Agency for the Cooperation of Energy Regulators, Regulation (EC) No 714/2009 and 715/2009 on conditions for access to the network for cross-border exchanges in gas)

☐ Directive 2001/77/EC of the European Parliament and of the Council on the promotion of electricity produced from renewable energy sources in the internal electricity market

☐ Directive 2009/28/EC of the European Parliament and of the Council on the promotion of the use of energy from renewable sources

☐ Council Directive 2004/67/EC concerning measures to safeguard security of natural gas supply

☐ Regulation (EC) No 994/2010 of the European Parliament and of the Council concerning measures to safeguard security of natural gas supply

☐ Directive 2006/32/EC of the European Parliament and of the Council on energy end-use efficiency and energy services

☐ Directive 2012/27/EU of the Council and the European Parliament on energy efficiency establishing a common framework of measures for the promotion of energy efficiency

Please answer the following questions **IN REFERENCE to the directive/regulation you selected from the above list**

Q1: Please rank on the following 10-point scale the degree of the European Commission's policy entrepreneurship throughout the process of proposal development in terms of its effort and success in raising the issue on the EU agenda, and mobilizing stakeholders' support on the objectives of the proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q2: Please rank on the following 10-point scale the degree of the European Commission's policy entrepreneurship throughout the process of proposal development in terms of its effort and success in raising the issue on the EU agenda, and mobilizing stakeholders' support on the harmonization of policy instruments, measures, standards across member states suggested in the proposal?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q3: Please rank on the following 10-point scale the degree of convergence among the positions of the key Member States (France, Germany, the UK, and Poland) in favor of the objectives of the Commission's proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU.

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(NOTE: if you consider that the positions of the key member states converged NOT in favor of the objectives of the proposal, please rank "0")

0 1 2 3 4 5 6 7 8 9 10

Q4: Please rank on the following 10-point scale the degree of convergence among the positions of the key Member States (France, Germany, the UK, and Poland) in favor of the harmonization of policy instruments, measures, standards across member states suggested in the Commission's proposal?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(NOTE: if you consider that the positions of the key member states converged NOT in favor of the harmonization of policy instruments, measures, standards across member states, please rank "0")

0 1 2 3 4 5 6 7 8 9 10

Q5: Please rank on the following 10-point scale the degree of consolidation of transnational interest groups organized at the EU level (European federations/associations) that were in favor of the objectives of the Commission's proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU.

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q6: Please rank on the following 10-point scale the degree of consolidation of transnational interest groups organized at the EU level (European federations/associations) that were in favor of the harmonization of policy instruments, measures, standards across member states suggested in the Commission's proposal.

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q7: Please rank on the following 10-point scale the impact of the Treaty Legal Basis of the adopted proposal in terms of increasing the discretion of the Community (EU)?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q8: Please rank on the following 10-point scale the impact of the Treaty Legal Basis of the adopted proposal in terms of promoting harmonization of policy instruments, measures, or standards across member states?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q9: Please rank on the following 10-point scale the impact of the already existing EU rules within the same policy domain on the objectives of the proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU (for example, the impact of the pre-existing RES-E 2001 directive on the objectives of the RES 2009 directive)?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(Note: if you consider that no previous EU rules existed within the same policy domain, please rank “0”)

0 1 2 3 4 5 6 7 8 9 10

Q10: Please rank on the following 10-point scale the impact of the already existing EU rules within the same policy domain on the means of the proposal, such as harmonization of policy instruments, measures or standards across member states (for example, the impact of the pre-existing RES-E 2001 directive on the harmonization level introduced by the RES 2009 directive)?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(Note: if you consider that no previous EU rules existed within the same policy domain, please rank “0”)

0 1 2 3 4 5 6 7 8 9 10

Q11: Please rank the impact of an external shock, such as a focusing event or crisis outside the EU (if any) on the objectives of the proposal, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU? (Please specify the focusing event/crisis:_____)

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(Note: if you consider that no focusing event/crisis outside the EU had any effect of the objectives of the proposal, or if you consider that the focusing event/crisis you specified had a negative effect, please rank "0")

0 1 2 3 4 5 6 7 8 9 10

Q12: Please rank the impact of an external shock, such as a focusing event or crisis outside the EU (if any) on the means of the proposal, such as harmonization of policy instruments, measures or standards across member states (Please specify the focusing event/crisis:_____)

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

(Note: if you consider that no focusing event/crisis outside the EU had any effect of the means of the proposal, or if you consider that the focusing event/crisis you specified had a negative effect, please rank "0")

0 1 2 3 4 5 6 7 8 9 10

Q 13: Please rank on the following 10-point scale the degree of institutionalization, such as creation of binding rules and obligations for member states, and/or transfer of competencies from member states to the EU, introduced by the directive/regulation?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10

Q14: Please rank on the following 10-point scale the level of harmonization, such as harmonization of policy instruments, measures or standards across member states, introduced by the directive/regulation?

0-1(none); 2-4 (low); 5 (difficult to rank); 6-8 (medium), 9-10 (high)

0 1 2 3 4 5 6 7 8 9 10