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

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Strategies to get policies ‘through’

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

2. Policy development process
   - implement policy early in election cycle
   - policy changes that do not require parliamentary approval

3. Policy design - can effect whether
   - the policy will be introduced in the first place
   - it will be attacked - are they powerful?
   - it will be defended - are they powerful?
   - it will be robust against attack
Will it be introduced?

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

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

Will it be attacked?

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

2. Unlikely
   - impacts on weak or poorly organised or ‘diffuse’ stakeholders, or on stakeholders with conflicting aims
   - has limited impact
   - has an indirect and gradual (and perhaps uncertain) adverse impact on powerful stakeholders
   - is easy for key powerful stakeholders to be protected from impacts
Will it be defended?

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

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

Is it robust against attack?

1. Likely
   - simple: changes are transparent, impacts more obvious

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

Will it be introduced?

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

2. Unlikely: Carbon tax
   - counter to principles of small government
   - open to attack as yet another tax
   - GHG mitigation benefits not clear or immediate
   - short-term benefits dependent on government redistribution of revenue
Will it be attacked?

1. Likely: CPRS
   - significant adverse impact on powerful, motivated and coordinated stakeholders
   - wide scope, stakeholders formed informal coalitions

2. In between: eRET
   - some opposition from incumbents and single price signal purists
   - little impact on incumbent generators because of demand growth
   - energy intensive industries exempted

3. Unlikely: EEO
   - companies must investigate opportunities for EE
   - publicly report but no need to implement

Will it be defended?

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

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

Robust?

1. Likely: MEPS
   - simple: category, energy use, timeframe

2. Unlikely: CPRS
   - complexity breeds complexity (compensation opens the gate)
   - increased complexity leads to reduced robustness
Therefore ..... 

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

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

We have a problem ...

Flotillas without a Flagship?!?

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

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

Central (Flagship) / complementary (flotilla) policies not new
- Central designed first then complementary policies used to address market barriers
- In fact:
  - flotilla policies implemented first, so flagship will need to fit around them, unless they are removed/modified
  - flotilla policies likely needed to do more than just address market barriers, also required for real abatement

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