



# Business actors, political resistance, and strategies for policymakers



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## ABSTRACT

Existing energy policies remain well short of achieving a rapid transformation to a low carbon system of energy supply. One of the principal reasons has been political resistance from incumbent fossil fuel industries. While numerous studies have demonstrated the influence of business actors across multiple policy domains, less work has examined the behaviour of business actors in individual energy-centric industries, namely the oil, gas, coal, utility and renewable industries. Accordingly, this paper examines the role of business actors in the US energy sector and asks what should policymakers do? Drawing on new empirical data, primarily semi-structured interviews with business actors across the US energy sector, this paper argues that there are specific strategies policymakers can employ to help overcome the resistance from incumbent fossil fuel industries. Specifically these are to: entrench and build existing interests via targeted sector specific policies; exploit inter-industry and intra-industry divisions; and shift existing interests with policies that induce changes in industry investment and structure.

## 1. Introduction

Existing energy policies remain well short of achieving the ‘energy revolution’, that the International Energy Agency (IEA) has long argued is needed to precipitate a rapid transformation to a low carbon system of energy supply (IEA, 2008). Despite the efforts of policymakers around the world, the energy sector continues to contribute around two-thirds of greenhouse gas emissions (IEA, 2015a). Eighty per cent of the world’s energy demand is met by fossil fuels and this has hardly changed in 30 years. In 2013, oil’s share was 31 per cent, coal 24 per cent and gas 21 per cent (IEA, 2015b: 57). Most projections expect this to continue, including those of the largest energy corporations in the world (ExxonMobil, 2016). Indeed even if the Paris Climate Agreement is fully implemented, the United Nations estimates that the world will remain on track to increase global average temperatures by 3.5 °C by 2100 (UNEP, 2015).

The question then is what should policymakers do? Traditionally, policymakers tend to favour measures that economists regard as efficient. In the context of energy and climate change, governments around the world have favoured policies that place a price on carbon, such as emissions trading or carbon taxes, because they are considered the most efficient way to reduce emissions (Stern, 2007). However, while emissions trading may be the most economically efficient policy, it is not always politically successful. Examples abound in North America and Europe of failed attempts to introduce carbon taxes and emissions trading, and more recent cases, such as in Australia, where

emissions trading was implemented and then repealed two years later (Crowley, 2017; Knox-Hayes, 2012).

One of the principal reasons for the succession of failures has been political resistance from incumbent fossil fuel industries. When the resistance from energy intensive industries is strong policymakers are less successful at implementing their preferred policy instruments (Hughes and Urpelainen, 2015). In this context, it is important to understand business behaviour in energy-centric industries. Numerous studies have demonstrated the influence of business actors across multiple policy domains, including in environmental politics (for a review of this literature see Clapp and Meckling (2013), Tienhaara (2014) and Tienhaara et al. (2012)). Yet there is less literature on the behaviour of business actors in individual energy-centric industries, namely the oil, gas, coal, utility and renewable industries (Levy and Kolk, 2002; Meckling, 2011; Newell and Paterson, 1998; Skjaereth and Skodovin, 2003). This is somewhat of a surprise given that business actors in the energy sector are central to the problem. Recent evidence shows that just 90 companies are responsible for two-thirds of global greenhouse gas emissions, including Chevron, ExxonMobil, BP, Shell, ConocoPhillips and Peabody Energy (Heede, 2014).

Accordingly, this paper examines the role of business actors in the US energy sector in order to draw out the lessons for policymakers. The focus is on the US because if the world is to achieve a clean energy transition the role of the US will be crucial. Not only does the US have enormous global influence, but it is also the largest producer of oil and gas with the largest reserves of coal on the planet (IEA, 2014). Further,

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as an energy superpower what happens in the US will have a ripple effect around the world as policymakers in other nations grapple with the same task. This paper concentrates on six contemporary policy contests that have taken place in the US energy sector during the Obama administration (2009–2016).

Drawing on new empirical data, primarily semi-structured interviews with business actors across the US energy sector, this paper contributes to our empirical understanding of business actors in the US energy sector and it contributes to our policy understanding of achieving an energy transition. First, given the limited scholarship on the role of business actors in energy-centric industries, the empirical analysis presented here not only helps to map the key actors, coalitions and networks in the US energy sector, but it identifies the factors that determine their preferences and the strategies they use to shape outcomes. In doing so, it highlights important inter-industry and intra-industry divisions within the US energy sector. Second, in the context of achieving an energy transition, this paper makes a policy contribution by identifying specific strategies that policymakers can employ to help overcome the resistance from incumbent fossil fuel industries. Specifically these are to: entrench and build existing interests via targeted sector specific policies; exploit inter-industry and intra-industry divisions with smart policies that, for example, target politically weak industries; and shift existing interests with policies that induce changes in industry investment and structure by sending direct and repeated policy signals.

The next section provides a brief review of the literature, the data and methods. This is followed by an examination of business behaviour across six policy contests in the US, drawing on the empirical data. The final section discusses the policy implications. In particular, it elaborates on potential strategies for policymakers to overcome opposition from fossil fuel industries, which is critical given that such opposition could delay and even derail government attempts to regulate the energy sector and achieve a clean energy revolution.

## 2. Background and literature review

### 2.1. Energy transitions and business behaviour

In order to examine the behaviour of business actors in the US energy sector and consider the lessons for policymakers this paper draws on concepts from two related bodies of literature. The first is the literature on energy transitions. A clean energy transition broadly involves a fundamental change in the energy system away from fossil fuels toward the extensive deployment of clean energy. While there is an ongoing discussion around the precise definition of an energy transition, it is widely accepted that it will be difficult and that time is running out (see for example, [Sovacool \(2016\)](#)). The difficulty of an energy transition results from the “carbon lock-in” that industrialised nations have experienced, which favors fossil fuels and complicates the emergence of new technologies ([Unruh, 2000](#)). And the urgency stems from the irreversible damage caused by the growth in greenhouse gas emissions, which must be limited immediately if we are to avoid the devastation of a much warmer world ([IPCC, 2014](#)).

It is also widely accepted that to achieve such a transition government industrial policy is required to accelerate the restructuring of industrialised economies toward environmental sustainability ([Hess, 2014](#)). In other words, governments must intervene because markets alone have failed to bring about a fundamental change in the energy system. However, as noted above, too often the most efficient instruments favoured by policymakers have failed to be implemented because of the political resistance from incumbent fossil fuel industries. Scholars of environmental politics and energy transitions have charted the power and influence of business actors in shaping climate policy outcomes (see for example, [Aklin and Urpelainen \(2013\)](#), [Falkner \(2008\)](#), [Hess \(2013\)](#), [Pegels and Lütkenhorst \(2014\)](#), [Tvinnereim and Ivarsflaten \(2016\)](#)). For example, [Aklin and Urpelainen \(2013\)](#) argue that cleaner forms of power

production are less likely when fossil fuels dominate the electricity market because of the political power and resistance of incumbent fossil fuel industries. Likewise [Hess \(2013\)](#) claims that because energy transitions are politically contested incumbent regimes may resist and alter the trajectory of development. Further, [Hughes and Urpelainen \(2015\)](#) have shown that the “political-economic clout” of industry, both the fossil fuel industry and the renewable industry, is critical to explaining the variation in energy-related climate policies implemented in industrialised countries.

In this context, it is important to understand business behaviour in energy-centric industries and to consider the insights of a second body of literature, that is, on business actors in environmental politics and related fields. A particular focus of this literature is to understand the power, preferences and strategies of business actors. Turning first to power, scholars of business actors broadly emphasise three principal dimensions of business power: instrumental power, which largely reflects the financial resources of firms; structural power which emphasises the structural position of business in society and the power it confers; and discursive power, which derives from business’ capacity to frame policy contests and influence policy decisions by linking frames to specific ideas, norms and values ([Barnett and Duvall, 2005](#); [Clapp and Fuchs, 2009](#); [Culpepper, 2015](#); [Falkner, 2008](#)).

In terms of preferences, this literature typically assumes that preferences are determined by two factors: interests and institutions. First, in regulatory contests, like those in the energy sector, business preferences will primarily be determined by the distributional effect of the policy. In most cases environmental regulations will have different costs and benefits for different industries and different firms within the same industry ([Keohane et al., 1998](#)). In general, firms will tend to support regulations when they benefit from them and oppose them when they do not ([Falkner, 2008](#)). Second however, preferences may also reflect the institutional environment in which business actors operate, such as the home country of a firm or its unique corporate history ([Levy and Kolk, 2002](#); [Woll, 2008](#)).

Finally, scholars in this tradition also examine a range of strategies business actors can employ to shape policy outcomes. In this paper the focus is on three strategies that appear prevalent in the energy sector namely, mobilising coalitions, lobbying and framing, though as will be discussed these are not the only strategies employed. For example, business actors build and organise coalitions to influence policy outcomes by mobilising other business actors, state actors and non-government organisations, including environmental NGOs. They also lobby via personal contact with policymakers and via public campaigns, and they seek to frame debates to set agendas and influence policy contests ([Baumgartner et al., 2009](#); [Desombre, 1995](#); [Kraft and Kamieniecki, 2007](#); [Layzer, 2012](#); [Sell and Prakash, 2004](#); [Vogel, 1989](#)).

In the following sections, the insights of these literatures are built upon to answer three key questions. First, why are business actors shaping policy contests in the energy sector? In other words, what are their preferences? Second, how are they shaping these contests? What are their strategies? Third, and critically given the aim of this paper, what are the implications for policymakers? Put differently, what are the lessons for policymakers seeking to regulate these industries and advance an energy transition?

### 2.2. Data and methods

In order to examine the behaviour of business actors in the US energy sector the largest firms were identified according to publicly available data. In the oil and gas industries producers were identified based on annual revenues sourced from the Global Fortune 500 lists, where this was not available data was sourced from company annual reports or associated industry reports.<sup>1</sup> In the coal industry the largest

<sup>1</sup> Details of the Fortune 500 methodology can be found here: <http://fortune.com/fortune500/>

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