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Navigating Environmental Policy Consistency Amidst Political Change

Europe, like other parts of the world, currently grapples with the dual challenges of environmental change and democratic backsliding. In a context marked by rising populism, misinformation, and political manipulation, designing credible sustainable climate policies is more important than ever. The 2024 annual Energy Talk, organized by the Stockholm Institute of Transition Economics (SITE), gathered experts to bring insight into these challenges and explore potential solutions for enhancing green politics.

In the last decades the EU has taken significant steps to tackle climate change. Yet, there is much to be done to achieve climate neutrality by 2050. The rise of right-wing populists in countries like Italy and Slovakia, and economic priorities that overshadow environmental concerns, such as the pause of environmental regulations in France and reduced gasoline taxes in Sweden, are significantly threatening the green transition. The current political landscape, characterized by democratic backsliding and widespread misinformation, poses severe challenges for maintaining green policy continuity in the EU. The discussions at SITEs Energy Talk 2024 highlighted the need to incorporate resilience into policy design to effectively manage political fluctuations and ensure the sustainability and popular support of environmental policies. This policy brief summarizes the main points from the presentations and discussions.

Policy Sustainability

In his presentation, Michaël Aklin, Associate Professor of Economics and Chair of Policy & Sustainability at the Swiss Federal Institute of Technology in Lausanne, emphasized the need for environmental, economic, and social sustainability into climate policy frameworks. This is particularly important, and challenging given that key sectors of the economy are difficult to decarbonize, such as energy production, transportation, and manufacturing. Additionally, the energy demand in Europe is expected to increase drastically (mainly due to electrification), with supply simultaneously declining (in part due to nuclear power phaseout in several member states, such as Germany). Increasing storage capacity, enhancing demand flexibility, and developing transmission infrastructure all require large, long-term investments, and uncompromising public policy. However, these crucial efforts are at risk due to ongoing political uncertainty. Aklin argued that a politics-resilient climate policy design is essential to avoid market fragmentation, decrease cooperation, and ensure

the support for green policies. Currently, industrial policy is seen as the silver bullet, in particular, because it can create economies of scale and ensure political commitment to major projects. However, as Aklin explained, it is not an invincible solution, as such projects may also be undermined by capacity constraints and labour shortages.

Energy Policy Dynamics

Building on Aklin's insights, Thomas Tangerås, Associate Professor at the Research Institute of Industrial Economics, explored the evolution of Swedish energy policy. Tangerås focused on ongoing shifts in support for nuclear power and renewables, driven by changes in government coalitions. Driven by an ambition to ensure energy security, Sweden historically invested in both hydro and nuclear power stations. In the wake of the Three Mile Island accident, public opinion however shifted and following a referendum in 1980, a nuclear shutdown by 2010 was promised. In the new millennia, the first push for renewables in 2003, was followed by the right-wing government's nuclear resurgence in 2010, allowing new reactors to replace old ones. In 2016 there was a second renewable push when the left-wing coalition set the goal of 100 percent renewable electricity by 2040 (although with no formal ban on nuclear). This target was however recently reformulated with the election of the right-wing coalition in 2022, which, supported by the far-right party, launched a nuclear renaissance. The revised objective is to achieve 100 percent fossil-free electricity by 2040, with nuclear power playing a crucial role in the clean energy mix.

The back-and-forth energy policy in Sweden has led to high uncertainty. A more consistent policy approach could increase stability and minimize investment risks in the energy sector. Three aspects should be considered to foster a stable and resilient investment climate while mitigating political risks, Tangerås concluded: First, a market-based support system should be established; second, investments must be legally



protected, even in the event of policy changes; and third, financial and ownership arrangements must be in place to protect against political expropriation and to facilitate investments, for example, through contractual agreements for advance power sales.

The Path to Net-Zero: A Polish Perspective

Circling back to the need for climate policy to be socially sustainable, Paweł Wróbel, Energy and climate regulatory affairs professional, Founder of GateBrussels, and Managing Director of BalticWind.EU, gave an account of Poland's recent steps towards the green transition.

Poland is currently on an ambitious path of reaching net-zero, with the new government promising to step up the effort, backing a 90 percent greenhouse gas reduction target for 2040 recently proposed by the EU. However, the transition is framed by geopolitical tensions in the region and the subsequent energy security issues as well as high energy prices in the industrial sector. Poland's green transition is further challenged by social issues given the large share of the population living in coal mining areas (one region, Silesia, accounts for 12 percent of the Polish population alone). Still, by 2049, the coal mining is to be phased out and coal in the energy mix is to be phased out even by 2035/2040 – optimistic objectives set by the government in agreement with Polish trade unions.

In order to achieve this, and to facilitate its green transition, Poland has to make use of its large offshore wind potential. This is currently in an exploratory phase and is expected to generate 6 GW by 2030, with a support scheme in place for an additional 12 GW. In addition, progress has been achieved in adoption of solar power, with prosumers driving the progress in this area. More generally, the private sectors' share in the energy

market is steadily increasing, furthering investments into green technology. However, further investments into storage capacity, transmission and distribution are crucial as the majority of Poland's green energy producing regions lie in the north while industries are mainly found in the south.

Paralleling the argument of Aklin, Wróbel also highlighted that Poland's high industrialization (with about 6 percent of the EU's industrial production) may slow down the green transition due to the challenges of greening the energy used by this sector. The latter also includes higher energy prices which undermines Poland's competitiveness on the European market.

Conclusion

The SITE Energy Talk 2024 catalyzed discussions about developing lasting and impactful environmental policies in times of political and economic instability. It also raised questions about how to balance economic growth and climate targets. To achieve its 2050 climate neutrality goals, the EU must implement flexible and sustainable policies supported by strong regulatory and political frameworks – robust enough to withstand economic and political pressures. To ensure democratic processes, it is crucial to address the threat posed by centralised governments' decisions, political lock-ins, and large projects (with potential subsequent backlashes). This requires the implementation of fair policies, clearly communicating the benefits of the green transition.

On behalf of the Stockholm Institute of Transition Economics, we would like to thank Michaël Aklin, Thomas Tangerås and Paweł Wróbel for participating in this year's Energy Talk.





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