Manoeuvres for a Low Carbon State: The Local Politics of Climate Change in China and India

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Executive Summary

How do leaders in government departments in China and India manoeuvre to achieve emissions reductions goals in very different institutional and political contexts? How do they try to balance and align these actions with other competing interests and policy priorities? What strategies do they use to build informal and formal alliances or coalitions with other elites, from both government agencies and wider society? What lessons can be drawn about how best to implement or support progressive manoeuvres for low carbon states?

The discussion about how to respond to climate change has focused on the difficulties in agreeing on national targets for emissions reductions. By assuming that the main obstacle to reduction lies in the inability to reach agreement internationally, the current debate takes for granted that governments would be able to deliver emissions reductions if only they could agree on credible binding targets. Yet the implementation of mitigation strategies is far from straightforward, and delivering emissions reductions requires creative manoeuvres to bring together competing interests and priorities. These manoeuvres include strategies to bundle different interests and polices, and build informal and formal alliances or coalitions with elites from both within and outside the state.

By focusing on the role of leaders, elites and informal coalitions, this paper unpacks the neglected question of what forms of state capacity and political strategy are needed to pursue climate change mitigation measures in the areas of energy efficiency and renewable energy. We examine how government agencies in China and India manoeuvre within differing structural contexts - institutional, organisational and political - to maximise their influence, by making the most of limited organisational capacity and restricted scope for policy influence. In both cases, we see agencies tailoring their approach to the particular nature of competing policy priorities and the organisational structures through which the policies are to be implemented.

Key findings

- ‘State signalling’ and ‘market-plus’: contrasting approaches from China and India. The findings illustrate how national and sub-national governments work strategically and politically to achieve emissions reductions by using approaches and practices tailored to their specific contexts.

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We describe China’s approach as ‘state signalling’. In this approach, the national government provides guidelines and concrete energy or carbon efficiency targets for local governments to pursue. These ‘signals’ from the national government act as observable indicators of policy preferences, indicating to local governments how much emphasis they should place on climate change mitigation as compared to other policy priorities. The confidence that these signals will be taken seriously by local government has enabled the national government to take a hands-off approach to how the targets are met.

By contrast, national agencies in India are less able to have confidence that national policies will be implemented at the local level and therefore are more closely engaged with the question of exactly how implementation takes place. Their approach has been to pursue what we describe as a ‘market-plus’ approach. Rather than the centre setting targets, it draws on the high price of energy to incentivise energy users to improve their energy efficiency and thereby make savings on their energy bills. While this approach emphasises price incentives, the state has been intensively involved in seeking to build the players and rules that enable these market mechanisms to operate.

Both the ‘state signalling’ and the ‘market-plus’ approaches require intelligent, creative, and painstaking political work to achieve results.

- **Competing policy priorities and institutional frameworks.** In both China and India, agencies have tailored their policy approach to the particular nature of their competing policy priorities and the organisational structures involved. The ‘state signalling’ and ‘market-plus’ approaches therefore emerge as responses to differing local contexts.

It is vital to understand climate change as one of a number of competing priorities and interests, some of which may be in line with mitigation strategies and some in conflict.

- In China, mitigation is a prominent policy issue, motivated by the government’s belief that climate change policies can promote energy security and an internationally competitive green technology sector, but also prevent politically destabilising environmental problems.

- For India, lower levels of development mean action on climate change is primarily treated as desirable where it is compatible with more pressing domestic concerns relating to economic growth and poverty reduction. For example, energy efficiency measures are pursued as much for their potential to alleviate chronic energy shortages as for their contribution to climate change mitigation.

- In both countries, the relevant state agencies and their leaders promote their agenda within the constraints presented by limits on their organisational capacity.
  - In China, a system where decentralisation and authoritarianism work hand in hand, the state provides ‘signals’ of its policy preferences by setting incentives and rewards for local officials. These include regular binding targets with concrete figures,
incentives such as promotion and bonus payments through an annual evaluation system and punishments such as expulsion from office. These ensure that officials at every level have incentives to at least partially fulfil national mandates from Beijing.

- In India, by contrast, national agencies responsible for leading climate change policy face greater obstacles to the implementation of national objectives on mitigation. This is partly because the national agencies have limited presence at the sub-national (state) level. The designated agencies in each state have evolved from organisations set up to address earlier policy priorities and, being largely confined to the state capitals, lack the capacity to promote mitigation strategies throughout their states. Furthermore, climate change mitigation has to be balanced with competing policy priorities such as chronic energy shortages, persistently high levels of poverty and the high proportion of rural households with no access to electricity. Agencies have therefore had to be creative not just in order to maximise their impact, but to have any impact at all. In particular, they have sought to broaden their reach by using the ‘market-plus’ approach to incentivise private actors to engage with mitigation strategies.

**Wider comparative themes**

- The comparative analysis in our research illustrates the importance of understanding the detailed politics of climate change in any country, and in particular the constraints and opportunities embedded in the relations and tensions of the local context.
- In countries where economic growth and poverty reduction present pressing competing priorities, the international donor community cannot expect ‘the state’ to give its undivided attention to this issue. Rather, particular segments of the state are responsible for climate change mitigation and they may have to compete with other government agencies for policy space. The objective is therefore how to strengthen these segments.
- Agencies do not just seek to implement policy, they also look to bolster their own position within the state in order to enhance their limited capacity and further their objectives. Thus, in thinking about these agencies’ work, it is vital to examine the ways in which their ability to further their objectives is both facilitated and constrained by the context within which they operate. This makes it necessary to consider not just the immediate impact of mitigation strategies but also how they can be used to increase the influence of these agencies in the longer term. Given the limited scope of current actions in relation to the scale of mitigation that will ultimately be required, this may be the most important contribution of current initiatives.
- Manoeuvres for a low carbon state. In both China and India, the designated government agencies and their leaders need to be creative in order to promote their agenda in spite of the constraints they face. Forms of manoeuvre may vary, but two points emerge consistently from both countries.

  - First, effective leadership is not just about formulating policy, but maximising the agency’s influence so that policies are taken seriously.
Second, the challenge of formulating policy is distinct from the even greater challenge of ensuring policies are implemented. In order to ensure their policies take effect and ultimately lead to reductions in emissions, effective leaders therefore manoeuvre actively and continuously to build and maintain coalitions, and align interests and policies through ‘bundling’ (see below).

- **In both countries the ability to build and sustain coalitions is central to the effectiveness and sustainability of climate change policy.** For various reasons, state strategies in China and India have focused on the need to bring different parties with otherwise divergent interests on board to build a coalition in favour of climate mitigation measures. In China, coalition formation has been motivated by the need to alleviate potential opposition to ambitious and costly energy efficiency measures. In India, the need for coalition formation arose from the severe limitations in the state’s capacity to pursue its objectives in this area.

- **Aligning interests through bundling.** Bundling is a common political tactic that combines distinct policies or interests to strengthen the pursuit of a policy goal. It is often used where the implementation of policies is uncertain given their costly or otherwise contentious nature. The ability to identify and create possible ‘win-win’ situations is an important political skill. We consider the benefits of ‘interest-bundling’ (where parties with distinct interests are brought together around a particular policy) and ‘policy-bundling’ (where one initiative is used to pursue multiple policy priorities). Such tactics can form the substantive core of informal coalitional politics, enabling multiple players to achieve ends they could not achieve on their own.

- For example, in China, local governments have informally bundled measures to promote energy efficiency together with other policies in order to reconcile national targets with local priorities (see box).

- With its low per capita emissions, India has justified actions on climate change mitigation in terms of the ‘co-benefits’ they bring in other areas such as promoting energy security through renewable energy or financial savings made from achieving greater energy efficiency.

- Given China’s reliance on ‘state signalling’, bundling occurs most often during policy implementation as individual leaders seek to find ways to meet the targets that have been set. In India, by contrast, policy-bundling plays a central role in the formulation and justification of policies at the national level as national agencies seek to demonstrate how mitigation measures can be brought into line with wider developmental priorities.

- **Creating and using professional and personal networks:** The use of creative manoeuvres as outlined above mean that leaders and donors need to be able to identify and align major interest groups. This is an essential political skill that takes leaders and donors well beyond their formal technocratic skill-set. Leaders who are embedded in their localities may be better placed to draw on existing professional and personal networks in making the context-specific policy adaptations that underpin such coalitions.
Policy-bundling and interest bundling in Shanxi Province, China

Shanxi Province is well-known for its coal production and large concentration of energy-intensive industries. Government officials in Shanxi were faced with a challenge as to how to comply with the ambitious energy efficiency targets set by national agencies without fostering potentially destabilising resentments of state agents and business interests at the local level.

Policy-bundling: In order to address this challenge, local officials informally bundled the implementation of costly energy efficiency measures together with a greater campaign across China to upgrade the size and technology of heavy industry and the need to respond to scandals over labour standards at a handful of small enterprises. These three distinct policy issues were bundled together in Shanxi as officials closed many small, inefficient and polluting coke, cement, steel and coal mining enterprises.

Interest-bundling: Alongside using policy-bundling to provide multiple justifications for closing energy-inefficient firms, officials used interest-bundling to bring larger enterprises on board. Large and politically important enterprises in Shanxi benefited from the closure of some small plants because it decreased low-cost competition and increased their market share. Officials used this benefit to encourage large enterprises to improve their energy efficiency in return for not having their own plants closed, and in order to win approval for the closures of the smaller enterprises. Large enterprises thus benefited from increased production capabilities, while local officials achieved a higher energy efficiency performance record, which was good for them politically. The divergent interests of the two groups were therefore advanced through this strategy of interest-bundling.

Major economic drawbacks of the small enterprise closures are that they decrease local GDP, tax revenue, and employment numbers. Local officials partially remedy these effects by adding capacity at large, relatively efficient enterprises.

Policy implications

- This research highlights the need for policy-makers working on climate change mitigation to approach energy policy not just as a technical issue but also as a political issue. To do this, they need to take account of the history and politics of the specific local context in order to devise pragmatic policies with a realistic vision of how obstacles can be overcome. To be pragmatic, climate change policy needs to balance and align climate change actions with other competing interests and policy priorities. The chances of successful implementation depend on how far these policies are tailored to the strengths and weaknesses of the organisational structures through which the policies are to be implemented.

- The findings of this study provide examples of how creative manoeuvres help to maximise national and sub-national governments’ ability to bring about emissions reductions.

- The local specificity of these manoeuvres means they cannot be standardised and a key lesson is that donors and international processes need to allow sufficient flexibility for
such manoeuvres to take place. Nevertheless, donors may be able to play a facilitative role by forging links between different actors. This could include:

- Supporting coalition formation and maintenance of coalitions through helping actors to identify overlapping interests.
- Such support can involve sponsoring events that create room for forming formal and informal coalitions and networks.
- Helping to identify bundling opportunities through bringing together different stakeholders to identify common interests.
- Creating bundling opportunities through financial support to reduce the cost of specific mitigation measures, thereby making them more attractive.

- While it is important for policy-makers and international donor organisations to operate politically and pragmatically to support or implement progressive manoeuvres for low carbon states, such practices need to be conducted in sensitive and appropriate ways. In particular, donors need to be aware of limitations on their own scope for manoeuvre.

  - Donors who represent high income countries with high per capita emissions may be seen as having limited legitimacy to intervene in favour of climate change mitigation measures in developing countries.

  - If their input is to be constructive, donors therefore need to tailor their intervention not only to the local context but also to be sensitive to the forms of intervention that are likely to be locally acceptable. This may require donors themselves to bundle their interventions with other policy issues rather than approaching climate change mitigation in isolation.

Finally, in countries with low per capita emissions, but where emissions are rising rapidly, mitigation strategies should be formulated and judged as much for their role in building the organisational, institutional and political capacity that will be needed to scale up mitigation strategies in future as for their immediate impact on current emissions levels. In these contexts, it is therefore particularly important to pay attention to the interplay between the political and technical dimensions of climate change mitigation policies.