



DYNAMIX

Decoupling growth from resource use
and its environmental impacts

<http://dynamix-project.eu/>

DYNAMIX: Results of a qualitative assessment of policy mixes

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OUR APPROACH TO QUALITATIVE ASSESSMENT

- A combination of separate assessments, each based on a different discipline or theme:
 - Environmental assessment
 - Social assessment
 - Economic assessment
 - Governance assessment, Legal issues
 - Governance assessment, Public acceptability
- Aim to secure a range of different perspectives, and overlay them to identify key emerging lessons
- Requires clarity on precise definition of each policy instrument; but in practice this is difficult to achieve



THE EMERGENCE OF SOME KEY HORIZONTAL ISSUES

- Taxes: relevant particularly to the economic assessment, but also the legal, public acceptability and social assessments
- Border issues: relevant to the environmental, economic and legal assessments
- Uncertainty: relevant to all assessments, but treated differently
- Social impacts: with links to economic and public acceptability assessments
- Public acceptability as a key issue across the assessments



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TAX INSTRUMENTS

- A simple and attractive approach is to internalize external costs (in this case, resource depletion + other environmental damage) through a tax.
- However, practical challenges include:
 - Transaction costs/ feasibility challenges associated with measuring externalities, or finding adequate proxies
 - Environmental tax reform takes place in a crowded policy space, making it more difficult to ensure that the scale (or even direction) of the tax's impact is as intended
 - Differential impacts on businesses and households; some sectors (unsurprisingly) affected more than others; poorer households generally disproportionately affected
 - Public acceptability challenges: “Politicians and tax policies hardly ever enjoy the unconditional trust of taxpayers”
- A particular issue for our policy mix was the overlapping nature of some of the taxes proposed; defining boundaries around an comprehensive set of green tax policies will be challenging.

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BORDER ISSUES

- A key challenge for assessments (and for the policy instruments themselves?) – how to reflect the fact that the EU economy is not a closed system?
- Failing to address extra-EU impacts can lead to:
 - Legal problems (GATT compatibility of measures)
 - Social and economic concerns (for example, damage to an EU industry, leading to leakage of the activity to other economies, and export of the environmental problems)
 - In turn, these effects impact on public acceptability
 - Failure to account for non-EU impacts (eg indirect land use impacts of reduced agricultural production in the EU) can lead to countervailing negative impact on global environment
- Resource efficiency needs to be treated as a global challenge, not (just) an EU one. As with climate mitigation, ensuring similar ambition and action in other economies is essential.



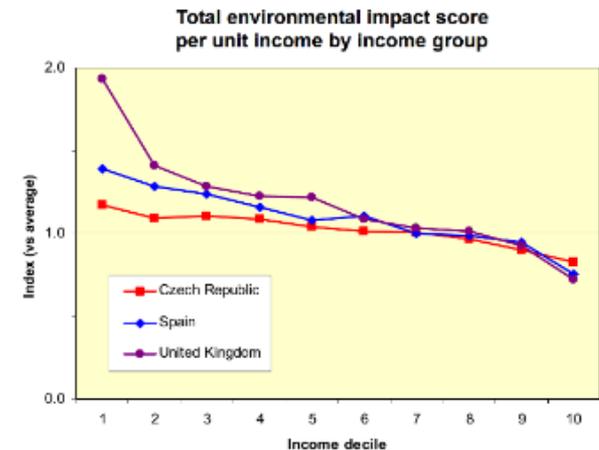
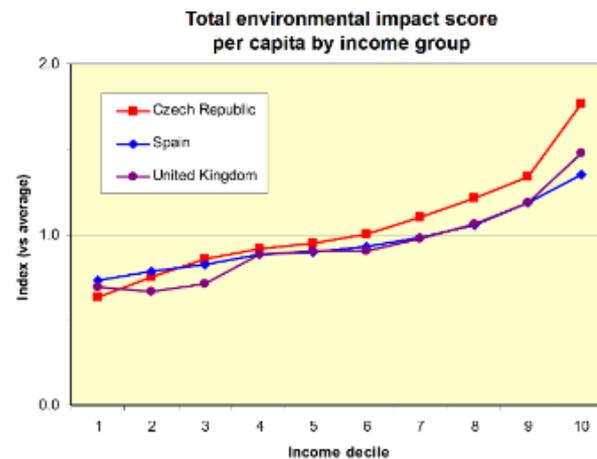
UNCERTAINTY

- Uncertainty about future scenarios is a staple challenge of assessing policy impact (and, of course, of designing policies). Three (at least) types of uncertainty applied for our assessments:
 - At the level of the broader scenario for the European and global economy (addressed to some extent in earlier stages of the project);
 - At the level of the policy mix (how successfully will policies interact? What impact will their progressive implementation have on public acceptability challenges?)
 - At the level of individual policies (what assumptions should be made about their successful implementation, and about behavioural response?);
- The latter two are particularly subject to optimism bias. Although it's difficult to accept when designing a policy programme, **some policies will fail, some will have unexpected negative impacts.**
- This clearly has implications for assessment of the policies – what implications does it have for design of policy mixes?



SOCIAL IMPACTS

- Social impacts likely to be a driver of public acceptability problems, and thus an inhibitor on development of ambitious policies
- Social assessment makes clear that (unsurprisingly) the cost of radical policies to address environmental externalities could be focused on poorer households
- Example:

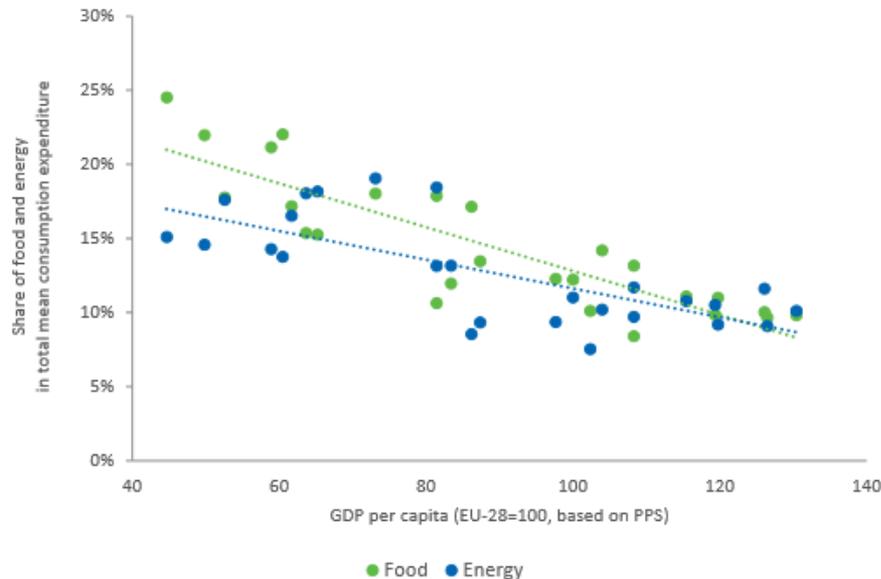


Source: Pye et al (2008)



SOCIAL IMPACTS (CONTINUED)

Similar patterns at Member State level: eg GDP per capita/ share of food and energy expenditures in total consumption (2010)



Source: own calculations based on Eurostat data; WISE Institute



PUBLIC ACCEPTABILITY ISSUES

- Public acceptability assessment exploited new tools, including analysis of social media data, to identify where policies were likely to be subject to significant acceptability challenges
- Policies assessed as “Unnoticed”; “Uncontentious”, “Contentious”, “Highly Contentious”
- Results generally matched well with our gut feelings about acceptability challenges;
- Also links to other assessments, in that acceptability likely to be driven by broader social and economic impacts and their distribution, and by perceived value of the environmental rationale;
- Uncertainty relevant here, too: experience suggests that policymaker success in predicting response to/ contentiousness of new policies is variable.



SUGGESTED POLICY MESSAGES: CONSISTENCY

- Policy mixes must be more than a bundle of loosely associated individual instruments
- Requires forward-looking roadmapping, relating different policy instruments to each other in a sequence that exploits synergies and minimises unintended negative side-effects
- Over-arching clarity on objectives, and how policies will be introduced (and, if necessary, adjusted) to meet those objectives.



SUGGESTED POLICY MESSAGES: FLEXIBILITY

- However, implementation of policy mixes needs to reflect the challenge of uncertainty, in terms of:
 - (i) wider economic and political context
 - (ii) success and impacts of component policies
- If some policies fail (in terms of public acceptability, in terms of feasibility, in terms of impact) others need to be adjusted to ensure overall objectives reached.
- Thus important to have clarity on, and broad political support for, overarching targets and their justification.



SUGGESTED POLICY MESSAGES: VOLUME CONTROL

- Delivering resource efficiency, and other objectives aimed at managing overall economic impact of economy, requires new approaches;
- Requires not just traditional instruments to prevent/discourage environmental bads (taxes, regulation), but ones which can manage overall economic impact (resource consumption, carbon emissions, land use, etc);
- This in turn can create challenges of fairness in allocation, and public acceptability. For resource efficiency, it potentially implies greater governmental influence over inputs to production processes.



SUGGESTED POLICY MESSAGES: SOCIAL IMPACTS

- Significant social benefits available through (in particular) health impacts, new skill formation
- But also very negative significant social impacts through the transition: social inclusion, unemployment
- Important to recognise and tackle these social and distributional challenges through policy design and accompanying measures
- Examples could include increased support for deep retrofitting of low income housing, improved public transport provision



SUGGESTED POLICY MESSAGES: PARADIGMS

- Significant gaps between behaviour changes needed to deliver resource efficiency, and behaviour changes currently seen as acceptable;
- Single issues can capture public attention, and become proxies for wider disaffection;
- Public discourse and paradigm formation open to a broad range of influences, including (unsurprisingly) narrow interest groups
- Policy makers need to be willing to use policy sequencing in ways which promote positive development of paradigms.