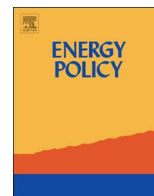




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Shifting policy priorities in EU-China energy relations: Implications for Chinese energy investments in Europe

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HIGHLIGHTS

- Compares dominant frames of energy policy in China and the European Union in the period 2005–2015.
- Shows that there has been a convergence of policy frames between China and the EU.
- Convergence on environmental stewardship is necessary but not sufficient for FDI in clean energy.

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ABSTRACT

Shifting energy policy priorities both in China and the EU (European Union) have transformed their bilateral relationship. In order to assess the impact of domestic policy priorities on bilateral energy cooperation and climate policy, this comparative study traces the evolution of EU and Chinese approaches to energy policy – and their relative emphasis on factors and frames such as *availability*, *efficiency*, *affordability* and *environmental stewardship*. Drawing on government documents and a data set of interviews with Chinese policy-makers, experts and academics in 2015–2016, the article argues that while the EU started with a strong emphasis on *environmental stewardship* and moved towards a focus on *affordability* and *availability*, China started with a strong emphasis on *availability* and has moved towards a greater emphasis on *environmental stewardship*. This shift in frames on the Chinese side and subsequent changes in subsidy structures and targets can partially explain the increase in investments in renewable energy technologies. The article concludes that the Chinese and EU perspectives have become more aligned over the past ten years, coinciding with an increasing trend towards renewable energy in Chinese energy investments in the EU, for example in Italy and the UK.

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1. Introduction

Over recent years, China's significance as a source of outward Foreign Direct Investment (FDI) has grown considerably. European Union (EU) member states have been a key destination for Chinese FDI, and the energy sector has featured prominently in Chinese investments. These investments are taking place against a backdrop of shifting policy priority with respect to energy investments in China and the EU, as well as globally. The negotiation process leading to the 21st Conference of the Parties to the UNFCCC in Paris in December 2015 summit generated political momentum on climate change around the world, including within China and the EU. Energy policy is one of the key instruments combating climate change.

This article seeks to make sense of the changes in energy policy over the past ten years, and argues that these provide a context within which decisions on FDI flows take place. Drawing on the energy security literature, the article identifies four relevant framings of energy policy: *availability*, *affordability*, *efficiency*, and *environmental stewardship* (Sovacool and Brown, 2010). It traces the relative importance of these four frames in Chinese and EU energy policy over the period 2005–2015. These four frames are not mutually exclusive, and the empirical analysis also identifies how they interact with one another. These frames provide a conceptual framework aiding the interpretation of Europe-China energy relations. Hence within the Special Issue, the article builds a conceptual basis for the other contributions which focus on more concrete issues and policies.

The article argues that there has been a perceptible shift in the period from 2005 to 2015. In China, ever-worsening air quality and other environmental threats have brought concerns over the sustainability of China's development model closer to the centre of

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Table 1
Energy policy frames.
Source: Sovacool and Brown (2010), authors' research

Frame	Explanation	Examples of terms looked for in content analysis
Availability	Emphasises importance of safe and secure access to a diverse range of energy sources.	Energy security, supply routes
Affordability	Stresses importance of affordable access to energy sources for households and firms, and equitable access to energy services.	Affordable, competitive, internal market
Efficiency	Focuses on more efficient use of energy sources and deployment of more efficient equipment.	Energy efficiency, energy saving
Environmental stewardship	Emphasises sustainability, particularly ensuring that emissions from energy production do not exceed relevant absorptive capacities of relevant ecosystems.	Sustainable, climate change objectives, low-emission

energy policy making, boosting the *environmental stewardship* frame. Meanwhile, in the EU there has been a shift away from *environmental stewardship* and towards a focus on *availability* (security of supply) and *affordability* (competitiveness), driven by factors such as the economic crisis and the conflict in Ukraine.

Previous research has traced the evolution and changing context of energy policy-making in China (e.g., Cao and Bluth, 2013; Li and Wang, 2012; Xia et al., 2011) and in the EU (e.g., Kanellakisa et al., 2013; Maltby, 2013). Building on these single-country/bloc case studies, one innovative aspect of this paper is that it compares the evolution of energy policy across both jurisdictions over time, drawing attention to changing patterns of divergence and convergence. Moving beyond government rhetoric, in the discussion section the study makes a connection between these changing frames and Chinese investments overseas (specifically in the EU). This is based on the concept that aligning frames and similar ways of viewing energy policy will manifest themselves in bilateral energy relations (Gippner, 2014). The content analysis of official government strategy documents can only be meaningful if it leads to observable consequences in practice, otherwise, there would be a gross mismatch between rhetoric and action. Chinese FDI provides a particularly good measure since it has been increasing rapidly over the past five years. As a distinct new development in the bilateral relationship one would expect these new FDI flows to better mirror broader policy changes. To confirm this relationship, for instance, we test whether the convergence of frames has led to increasing investment in renewable energy infrastructures. In the discussion section, we will focus on this basic hypothesis. The detailed changes in Chinese investments overseas and its regional direction and sector focus themselves have been the subject of past research (Lv and Spigarelli, 2015; Sun et al., 2014) and are the subject of this special issue.

The article proceeds as follows. The next section outlines the theoretical approach to framing that will inform the empirical analysis, and identifies a set of relevant energy policy frames. Section 3 sets out the methodology that will be used. Section 4 traces the presence of these frames in Chinese and EU energy policymaking over the past ten years. Section 5 then links these evolving frames to changes in patterns of Chinese FDI flowing to the EU energy sector. Section 6 concludes and identifies policy implications.

2. Framing energy policy

Framing is a process by which actors construct and represent meaning to understand a particular event, process or occurrence (Spence and Pidgeon, 2010; Goffman, 1974; Gray, 2003). In political science, framing research began in the 1980s with studies by Tversky and Kahnemann (1981), and Putnam and Holmer (1992). Frames are particularly important in the agenda-setting phase, as they are organizing principles that enable a particular

interpretation of a phenomenon. Framing also relates to the interaction between different actors. Shared understandings, values and methods between individuals in different organizations facilitate communication, and frame alignment is a necessary but not sufficient condition for cooperation between parties (Gippner, 2014). It is also a significant-though not the only-factor shaping investment decision-making.

Theories related to social movements provide a way to distinguish the various functions issue frames can fulfil (Benford and Snow, 2000; Snow and Benford, 1988). Hope (2010) has provided a helpful tool to distinguish the various ways frames have been assigned by different political schools of thought. Stemming from the linguistic turn in social science theory, frame analysis is typically associated with discourse analysis methodologies. Starting from the most general to the more detailed, people makes sense of the world around them through primary frameworks, meta frames, and issue frames. Finally, "objective" issues are defined as problems through the choice of a certain kind of framing dimension (Hope, 2010, 4–5).

In order to provide a set of relevant policy frames to structure the analysis, we draw on the work of Sovacool and Brown who provide four important components of energy policy (Sovacool and Brown, 2010, see also Sovacool and Mukherjee, 2011). See Table 1 for a brief overview of each of these frames. The first frame is "availability", which emphasises the importance of safe and secure access to a diverse range of energy sources. Evidence of this frame includes references to concepts such as "security of supply", a focus on securing access to diverse energy fuels from a variety of sources, and also an emphasis on fuel transit infrastructure such as gas pipelines. The second frame is "affordability". This frame stresses the importance of affordable access to energy sources for households and firms, and equitable access to energy services. Evidence of this frame includes references to keeping fuel prices low, the creation of an "EU internal market" which creates competition between energy providers and thereby ensuring that industries are not put at competitive disadvantage by energy policies, and providing assistance to households that struggle to meet their energy bills.

The third frame is "efficiency", which focuses on more efficient use of energy sources and deployment of more efficient equipment. Evidence of this frame includes references to reducing fuel use and increasing the utility of each unit of energy used. The fourth frame is "environmental stewardship", which emphasises sustainability, particularly ensuring that harmful emissions from energy production do not exceed relevant absorptive capacities of relevant ecosystems. References to this frame include both consideration of the local environmental impacts of energy use such as air pollution as well as global commons impacts, most prominently the impact of unconstrained fossil fuel use on the earth's climate system. Although the work of Sovacool and colleagues is not without its critics (see, for example, Cherp, 2011), it provides a non-exhaustive but nonetheless extensive set of categories of

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