Contents lists available at ScienceDirect

Land Use Policy

journal homepage: www.elsevier.com/locate/landusepol

Towards network governance? The case of emission trading in Guangdong, China

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ARTICLE INFO

Keywords: Climate change policy Governance Network Capacity building Emissions trading China

ABSTRACT

The article explores issues about governing domestic cap-and-trade systems for mitigating carbon emissions. The implementation of these systems in China warrants investigation, because they could restructure the governing relationships between public and private actors and create conditions for networked forms of governance. The study identifies key challenges presented by an emerging network supporting carbon market development in Guangdong. It provides an assessment of network functioning in terms of capacity building, actor engagement, and rule setting and implementation. The research is based on semi-structured interviews with non-state network constituents, coupled with a review of policy development. We find that this emerging network has demonstrated some of the key network functions, mainly capacity building, and can be seen as a partial substitute for the state in this area. However, more could be done to strengthen participation and enable power sharing in steering and coordinating the decision-making process. The key features of reflexivity and power sharing in decision-making and steering are not clearly represented, leading to a conclusion that this governance network remains underdeveloped. This article contributes to the debates on the contested role of cap-and-trade systems in displacing hierarchical approaches and empowering a wider range of actors.

1. Introduction

Governance can be defined as an assemblage of actors and institutions that operates across state and non-state, public and private domains, and is embedded in concrete practice and achieved through practical means that order and regulate activities towards particular objectives (Bulkeley et al., 2016). During the past two decades, the governance of climate change has ascended to new heights in scholarly debates, particularly on policy-relevant topics such as interstate negotiations (Pattberg and Stripple, 2008), the formation and dynamics of public-private partnerships (Bäckstrand, 2008), and multi-level governance (Bulkeley and Betsill, 2003; Schreurs, 2017). A converging perspective is that non-state actors and networks play an increasingly important role in the climate governing regimes (Andonova et al., 2009; Bulkeley, 2005; Pattberg and Stripple, 2008; Tosun and Schoenefeld, 2017).

In the climate change arena, governance takes place in manifold

ways and the locus of authority varies. Pattberg (2010) suggests that networks are a more advanced mode of steering towards governance objectives than hierarchical and market-based ones. Most governing regimes involve elements of two or more governance modes and tend to move towards the non-hierarchical ones, as an increasing number of civil society and business actors are brought into the system. These tendencies are particularly evident in transitioning political or governing systems that experiment a certain form of institutional or policy innovation, such as emission trading (Schröder, 2011; Lo and Spash, 2012; Paterson et al., 2014). The pilot emission trading schemes (ETS) of China represent such an innovation. There are, however, remarkable tensions in policy practice and expectation between state and non-state actors (Chen and Lees, 2016; Shen, 2015, 2017).

China has introduced new policy instruments to strengthen its efforts on greenhouse gas (GHG) mitigation. The past ten years have seen its climate policy preference shifting from the conventional 'commandand-control' instruments towards a market-based ones (Cong and Lo,

https://doi.org/10.1016/j.landusepol.2018.04.021

Received 24 May 2017; Received in revised form 9 April 2018; Accepted 9 April 2018

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2017; He et al., 2012; Pei et al., 2013; Schröder, 2011; Zhang, 2015a, b). The implementation of ETSs in eight provinces and municipalities of China from 2013 marked a watershed in the history of Chinese climate policy. These schemes attempt to lay a foundation for a nationwide scheme. Indicative estimates provided by the World Bank (2016, p. 22) suggest that if a national ETS is implemented in China, global GHG emissions covered by carbon pricing initiatives will rise from 13 per cent to 20 to 25 per cent. The ways in which these pilot schemes - and the carbon markets arising from them - are governed and their outcomes will have significant implications for national policy development in China as well as the future of the global carbon economy.

This paper aims to ascertain what governance challenges the development of carbon markets in China present. Many ETSs are 'cap-andtrade' systems, which require a legitimate entity, typically an authorized government agency, to set up and enforce binding emission reduction targets. ETSs also enable business and market actors to represent their interests through carbon markets and their governing bodies, which are more inclusive and flexible. The interwoven linkages and interactions between the public and private domains create a polycentric networked system by which climate change and energy issues are negotiated (Newell and Paterson, 2010; Paterson et al., 2014). The networks that play a crucial role in the delivery of Chinese ETSs are likely to be different from those of mature market economies that are set up by coalitions of state and non-state actors. Although climate governance in China appears to be steered toward a market- or even a network-based approach (Mai and Francesch-Huidobro, 2015; Schreurs, 2017; Shen, 2017) and local governments assume a greater role (Lo and Francesch-Huidobro, 2017; Lo, 2015b), primary political authority rests upon the authoritarian state (Chen and Lees, 2016; Gilley, 2012). The intriguing combination of decentralizing and topdown practices creates mixed opportunities for policy innovation and implementation, which are relatively less evident in established liberal market economies operating an ETS.

This paper focuses on one of the emerging networks that support the Guangdong ETS and related activities in the Province. We assess its performance in terms of three network functions, namely, capacity building, actor engagement, and rule setting and implementation. A series of in-depth, semi-structured interviews were conducted in Guangzhou, the capital city of Guangdong, to record network constituents' first-hand experiences in dealing with relevant government agencies and policy initiatives. Before introducing their roles and describing the policy background, the next section further elaborates on the key elements of network governance informing our analysis.

2. Key functions of governance networks

Network governance can be understood as a particular process of collective decision making, steering, and coordination (Parker, 2007; Robins et al., 2011; Secco et al., 2017). It "requires the state to steer society in new ways through the development of complex networks and the rise of more bottom-up approaches to decision making" (Stoker, 2006, p. 41). These networks enable and coordinate a more decentralized and pluralistic decision-making process, allowing a wider range of participants, especially non-state actors, to be seen as legitimate members of the decision-making process in the context of considerable uncertainty and complexity (Robins et al., 2011; Stoker, 2006). Key non-state actors brought into these networks include corporations, civil society organizations, and research institutes and think tanks. The decentralizing and pluralistic tendencies engender multiple loci of governance; examples have been found in the diffusion of carbon emission trading systems, which demonstrates a polycentric model involving both public and private actors (Paterson et al., 2014).

The rise of network governance represents a shift from hierarchical to non-hierarchical ways of governing. In the climate change arena, the capacity of individual and collective actors to change the course of events or the outcome of processes is increasingly located in sites beyond the state, and many of them "deliberately form social institutions to address the problem of climate change without being forced, persuaded or funded by states and other public agencies" (Pattberg and Stripple, 2008, p. 374). As Bäckstrand (2008) argues, networks are emblematic of the continuing transition from "government" to "governance", displacing top-down modes of steering and traditional regulation (see also Kooiman, 2003; Rhodes, 1996). In pursuing a collective decision, networks promote a sense of shared ownership and an awareness of mutual influence (Parker, 2007), and enable a process of social learning among state and non-state actors (Tosun and Schoenefeld, 2017). The network process should also demonstrate reflexive rationality, which requires a continual commitment to dialogue to generate and exchange information, reflections on practice and worldviews, and institutionalized negotiations to mobilize consensus and build mutual understanding (Jessop, 1998, 2002).

In practice, however, governance networks differ in their power structure and role. Pattberg (2010), for instance, finds that many public-private partnerships that emerged from the 2002 Johannesburg World Summit on Sustainable Development are dominated by state actors in terms of leadership and general membership. Market-based systems, such as those governing the carbon markets, are found to be driven by business-led coalitions along with state institutions (Newell and Paterson, 2010). Furthermore, not all networks function as a decision-making and coordinating entity; some of them act as a networking hub only and their role is limited to providing training and mentoring services to its members, failing to bring all relevant actors into policy development (Parker, 2007). The mere transmission of action-enabling expertise enables a cognitive form of engagement that emphasizes information and knowledge diffusion, but not necessarily critical reflections and negotiations. Thus, the quality of a governance network depends on, among other factors, the type of actors with primary responsibilities for establishing and managing a governance network, and the role of this network. These two dimensions characterize Andonova et al. (2009) typology of climate change governance networks.

The first dimension, i.e. the type of actors, concerns how the authority of governance is established and maintained. Andonova et al. (2009) have identified three types of networks based on actors involved. *Public* networks involve actors such as state agencies, legislators, and intergovernmental organizations, whereas *private* networks involve a wide range of actors, who broadly include businesses, nongovernmental organizations (NGOs), and other non-state actors. *Hybrid* forms of networks involve collaboration between public and private actors. Most 'cap-and-trade' systems, such as the European Union ETS and the Regional Greenhouse Gas Initiative (RGGI), involve public governance networks in which authority rests upon governments or intergovernmental institutions (Andonova et al., 2009).

The second dimension concerns the governance functions provided by the network and specifies the means through which networks steer their constituents. The three functional categories derived by Andonova et al. (2009) include 1) *information-sharing* (producing and diffusing knowledge), 2) *capacity building and implementation* (providing resources to enable action), and 3) *rule-setting* (establishing rules intended to guide and constrain constituents). Different networks have their own functional priorities and strengths, and some of them are particularly poor in achieving one or more of these goals, indicating a network failure. This dimension of network is useful for understanding how networks are clustered and perform, and more fundamentally, whether they can be regarded a functioning governance network.

We adapt this analytic account to a study of an emerging public governance network in Guangdong. This loosely structured network supports the implementation of a market mechanism (i.e. ETS) in various ways and has shown some potential for demonstrating the three network functions mentioned above. This basic framework is used to ascertain the extent to which, and in what aspects, the public network supporting GHG emission reduction activities in Guangdong has performed its key functions. Our Download English Version:

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