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Institutional work and climate change: Corporate political action in the Swedish electricity industry

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HIGHLIGHTS

- ► The study examines how electricity producers seek to influence climate policy.
- ► The study examines the influence of resource dependency and institutional mechanisms.
- ► Resource dependency influences regulative institutional disruption.
- ► Institutional mechanisms determine the content of political actions.

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ABSTRACT

This paper utilises qualitative methods to examine factors that influence corporate political actions (CPA) linked to climate policy in the Swedish electricity industry. CPA strategies are examined in connection to two policy instruments—the EU emission-trading scheme and the Swedish electricity certificate scheme. These instruments are the main drivers of climate-related investments in the sector. The study treats CPA as a form of institutional work and examines reasons for companies to seek to maintain/disrupt institutions. The study finds that CPA is driven primarily by the need to manage external resource dependencies and that where risks are more acute, companies are more likely to seek to disrupt regulative institutions. However, the study also shows that respondents' appraisals of policy instruments are based on a convergent set of shared values (cognitive institutions) that form the basis of CPA and which actors do not seek to disrupt despite resource-based risks. CPA is thus characterised as a means to transmute cognitively held values and beliefs into regulative institutions. The study concludes with implications for policymakers and theory.

1. Introduction

The political actions of companies as regards climate policy are important for two practical reasons. First, companies are key political actors in that they wield considerable power to support/hinder the establishment of policies and legislation that are key to reducing greenhouse gas emissions (Levy and Newell, 2000). This is especially important given numerous studies which demonstrate the importance of policy as a driver for corporate action on climate change (Dunn, 2002; Jones and Levy, 2007; Okereke, 2007; Pinkse, 2007; Delmas and Toffell, 2004; Skjærseth and Skodvin, 2001). Second, there is evidence to suggest a direct link between market and nonmarket business strategies related to the climate issue and that the two co-evolve over time (e.g., Stenzel and Frenzel, 2008). An improved understanding of factors that influence business strategies that seek to influence climate policy-making is thus useful for policymakers who seek to bring about the institutionalisation of sustainable responses to the climate issue on at least these two levels.

Existing research has utilised various and somewhat conflicting theoretical approaches to elucidate a range of factors that influence corporate political action (CPA) in conjunction with the climate problem. For example, some studies claim that companies with stakes in fossil fuels have sought to obstruct policies which limit greenhouse gas emissions because the companies in question would incur financial losses if such policies were implemented (Levy and Egan, 1998; Levy and Newell, 2000; Hoffman, 2002; Levy and Kolk, 2002; Levy and Rothenberg, 2002; Markussen and Svedsson, 2005; Pinkse and Kolk, 2007; Pulver, 2007; van den Hove et al., 2002). These studies are based on the assumption that companies use nonmarket strategies as a means to protect their interests because of the financial implications of climate policy instruments such as carbon taxation and emission trading. Moreover, these studies attribute a considerable degree of agency to

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companies in that they depict them as capable of scuppering the policymaking process if resource dependencies are put at risk. Companies are thus seen to have the necessary agency to refute external constraints[1] and are endowed with the ability to act self-interestedly because they are capable of making economically rational choices. This school of thought typically furnishes actors with individual agency that allows for expedient and instrumental action in the pursuit of economic goals (Barnes, 2000).

However, companies rarely act in isolation as regards policy issues and often act collectively by channelling political actions through third party interest organisations (Hillman and Hitt, 1999). Policymaking generally requires a certain level of agreement between policymakers and regulated constituents since conflicts and factions can retard the entire process. Despite the fact that industry factions in the US, for instance, have on several occasions proven successful in attempts to rebuff proposed climate regulations (Boiral, 2006; Levy and Egan, 2003; Levy and Kolk, 2002; van den Hove et al., 2002; Levy and Newell, 2000; Levy and Rothenberg, 2002; Newell and Paterson, 1998), this does not necessarily mean that companies act with unconstrained agency. There are studies which show that corporate arguments regarding the suitability of climate policy (or its existence at all) are contingent upon broader political factors or culture (Kempton and Craig, 1993; Levy and Egan, 2003; Levy and Kolk, 2002; Levy and Newell, 2000; McCright and Dunlap, 2000). Other studies suggest that sociocultural expectations and institutional factors influence business strategies (e.g., Levy and Kolk, 2002; Levy and Newell, 2000; Pulver, 2007; van den Hove et al., 2002). A commonality in these studies is the notion that political actions are shaped by the ideological dimensions of factors such as culture, institutions and politics, which are manifest in debates regarding the role of industry in dealing with environmental problems or regarding the relationship between government and industry. Hence rather than framing factors such as culture as 'resources' that companies 'use' in order to influence public policy, they are seen as factors that shape and structure companies' positions and claims vis-à-vis climate policies (Casten, 1998; Jones and Levy, 2007; Kempton and Craig, 1993; Levy and Egan, 2003; Levy and Kolk, 2002; Levy and Newell, 2000; McCright and Dunlap, 2000; Romm, 1999).

A better understanding of the factors that influence CPA is of key importance for policymakers who seek to bring about sustainable institutional change as a response to the climate problem via robustly designed and legitimate policy instruments. This study utilises qualitative methods to examine factors that influence CPA in relation to climate policies the Swedish electricity industry. A national industry was chosen as it is subject to a range of mostly convergent institutional arrangements and because the case provides a novel opportunity to examine the conflation of institutional and resource dependency processes and mechanisms. Furthermore, Sweden makes for an instructive case given that it is often regarded as a pioneer in terms of environmental policymaking (Kronsell, 1997; Sarasini, 2009; Uba, 2010).

Theoretically, the study examines the concept of agency in relation to CPA. Reasoning from neoinstitutional theory, the study examines agency vis-à-vis factors that influence companies' decisions to maintain or disrupt regulative and cognitive dimensions of institutions. CPA is thus framed here as a conduit for institutional work. The main argument of the paper is that companies demonstrate a set of shared values and preferences regarding the criteria by which climate policy is to be evaluated. This set of shared values and preferences appears in respondents' appraisals of climate and energy policies, forms the basis of CPA in this industry and is shown to converge on three criteria for environmental policy evaluation—cost-efficiency, effectiveness and equity. The paper describes these as dimensions of cognitive institutions that underpin companies' institutional work on climate policies and finds that financial risks are not sufficient to entice institutional disruption at the cognitive level. However, the study does find that acute financial risks can entice companies to seek to disrupt institutions at the regulative level. The rest of the paper is structured as follows. Section 2 reviews previous research on CPA and climate change and draws upon the NIT and CPA literatures to outline a conceptual framework for the study. Section 3 describes the methods utilised to collect and analyse data. Section 4 presents the results of the study, and Section 5 concludes with implications for policy and theory.

2. Theoretical considerations

Climate policy plays a key role in pushing companies towards practices that can help resolve the climate issue. For instance, there is research which shows how climate policies have stimulated a range of business practices aimed at reducing emissions (Dunn, 2002; Jones and Levy, 2007; Okereke, 2007; Pinkse, 2007; Reid and Toffel, 2009; Skjærseth and Skodvin, 2001). Viewed synchronically, climate policy is an element of the external business environment in that it exerts institutional pressure on companies to, among other things, reduce their climatic impacts.

When viewed diachronically, however, policy can be seen to co-evolve with business practices. Despite their initial opposition to climate regulation, for example, European companies have become decidedly more supportive of policy whilst implementing a range of measures to reduce emissions (Okereke, 2007). When European companies such as BP and Shell withdrew from the climate-sceptical Global Climate Coalition, they became active within pro-climate organisations such as the World Business Council for Sustainable Development (Kolk and Levy, 2001), accepted anthropogenic global warming theory and made investments in renewable energy (Jones and Levy, 2007; Levy and Newell, 2000; Levy and Rothenberg, 2002). In Spain, CPA that focused on overcoming barriers to wind-power expansion at the local and national levels has meant that utilities' investments have increased in a 'virtuous cycle' with policy developments (Stenzel and Frenzel, 2008). In contrast, utilities in Germany initially perceived the growth of an independent wind power industry as a threat and reacted defensively to the introduction of a feed-in-tariff, which initially hindered investments (Stenzel and Frenzel, 2008; Toke, 2008).

Together these examples suggest that from a corporate perspective, market and nonmarket business strategies co-evolve in a broader process of institutional change. Industry's choice to back or block nationally implemented climate/energy policies is thus key to this change process and particularly the implementation of measures to tackle climate change. Understanding the factors that influence CPA is thus a key issue for the policymaking community.

2.1. *Factors that influence CPA*

Previous research on CPA and climate policy suggests that companies choose to support or oppose regulations at least partly because of the need to manage external resource dependencies. When climate change first climbed the political agenda, for example, industries on either side of the Atlantic opposed policies that threatened the incumbency of fossil fuels in the economy. US companies from the oil and automobile sectors sought to

[1] See Barnes (2000) for a more exhaustive discussion on agency and external constraints.