

Lobbying during the revision of the European Emissions Trading System:

*Easier for Swedish industrial insiders than for
Norwegian outsiders?*

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Abstract

This thesis examines and compares Swedish and Norwegian energy intensive industry firms' lobbying during the revision of the European Emissions Trading Scheme. In the applied framework of lobbying routes two key explanatory factors receive attention. First, the origin from the EU member state Sweden or non-member Norway; and secondly, the size of the company. Six companies are chosen as cases: Norsk Hydro ASA, Norcem AS and Norske Skog from Norway; and SSAB AB, Cementa AB and Svenska Cellulosa Aktiebolaget from Sweden. Qualitative interviews with company representatives provide the data used to test hypotheses on firms' lobbying routes. A key finding is the extensive use of European associations by all firms to lobby the European Parliament, the European Commission and the Council of the European Union. Similarly, the use of national associations seems to be prevalent, pointing at benefits in better institutional response to collective lobbying and resource-sharing aspects. Norwegian firms, however, seem to struggle more than Swedish firms regarding lobbying the European Union institutions due to inferior access into the EU when lobbying directly, through national associations or national institutions. Not all the differences among the companies can be explained by originating from a EU member state Sweden or non-member Norway. While company size affects the number of available lobbying routes positively, this appears to be also dependent on cross-border production and possibly also on other influences. The results attempt to challenge some assumptions made in earlier literature and to contribute some new knowledge to a field that has not yet received extensive attention.

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1 Introduction

This thesis discusses firms' lobbying in the European Union and more precisely, how firms lobbied in the revision process of the European Union Emission Trading System (EU ETS) that took place from November 2006 until December 2008.

The European Union (EU) has over time developed into a large organization with a growing number of competencies that affect various actors from states to individuals. In this light it is not surprising that the amount of groups attempting to influence policy-making has increased over the years. Wessels (2004) has studied the interest group formation at the EU level and found that institutional changes in the EU have brought about more interest group activity – the interest groups aim to influence policy at the European level, because the power of the EU institutions has increased. Based on different resources, Coen and Richardson (2009: 6-7) estimate that approximately 15,000-20,000 interest groups operate in Brussels and about 2,600 specialized groups own an office in Brussels. Among the interest groups registered at the European Parliament, about 70% are business oriented. As the authors note, these numbers are disputable, but it is clear that lobbying, with its distinct characteristics, is a significant part of the policy-making process in the EU.

It is fairly obvious that interest groups give most attention to the policies that affect them. One such large policy area has been the European Union Greenhouse Gas Emission Trading System (EU ETS). The EU ETS is a cap-and-trade system for greenhouse gases that has been first and foremost targeted towards the reduction of carbon dioxide (CO₂). The aim of this scheme is on the one hand to fight climate change and on the other hand to support member states in complying with their goals set in the Kyoto protocol. Various emitting sectors are included in the scheme. The country-level allowances are divided between the installations in these sectors and the amount of allowances is reduced over time. Since the beginning, the scope of the scheme has been widened in terms of sectors and installations covered¹, and rules for allocation and other elements of the scheme have been changed. The total amount of emissions allowances in Europe is divided between the states, which includes 27 EU members and three countries that have linked their emission trading to the EU ETS. The latter are Liechtenstein, Iceland and Norway (European Commission 2008a).

¹ For complete information on sectors and installations covered in the original and the revised scheme see Annex I in Directive 2003/87/EC (European Commission 2003) and Annex I in Directive 2009/29/EC (European Commission 2009).

In the existing literature there has been little focus on how firms from states that are not EU members lobby compared to their counterparts in the EU member states. Both Norway and Sweden are taking part in the EU ETS. It is plausible that Norwegian companies have encountered more obstacles than their Swedish counterparts when participating in the policy-making process. Some authors have previously stated that companies from non-member states do not enjoy the same access possibilities to EU institutions as companies from EU member states (Hamada 2007; Rok Pang 2004). This important question will be addressed in this study by focusing on lobbying by Norwegian and Swedish companies. I will attempt to examine if originating from an EU member state affects firms' choice of lobbying routes compared to firms that are from outside of the EU.

Moreover, in previous literature other possible influences on firms' lobbying have been identified. For example, the size of the firm (Bennet 1999; Bernhagen & Mitchell 2009), policy phase (Mazey & Richardson 2006: 249-250) and EU institutions' different openness to various interests i.e. either firms, national or European associations (Bouwen 2002a, 2002b, 2004; Eising 2007). Thus there are many possible factors that can influence how a firm chooses to lobby.

To shed light on these issues, the following research questions are addressed:

1. *How did selected Swedish and Norwegian companies seek to influence the EU ETS revision process? Did they lobby similarly or differently?*
2. *Which factors can best explain similarities and differences in the choice of lobbying routes?*

Lobbying in this thesis is understood as *interests groups' and firms' contact and activities with decision-makers both on the national and supranational level with a goal to influence policy-making*. The focus in this thesis is on firms' lobbying. In this study I concentrate first and foremost on the two following possible influences on firms' lobbying: originating from an EU member Sweden or a non-member Norway, and company size. Nonetheless, also other possible effects will be considered.

A framework of *lobbying routes* is used for analyzing firms' lobbying choices when participating in the revision process of the EU ETS. These lobbying routes are presented thoroughly in chapter 3. In short, lobbying routes consist of *tactics* and *targets*. Tactics

include the following options when companies decide how to lobby: lobbying alone (also referred to as lobbying directly or individually in this thesis), in alliance with another company or organization, via a national association (such as the Federation of Norwegian Industries) or a European association (also referred to as EU association; for example, the European Aluminium Association). Targets include the following EU institutions that firms can target when they decide where to lobby the European Parliament (EP), the European Commission (henceforth called “the Commission”), and the Council of the European Union (“the Council”).

Although the EU ETS is a “European issue”, it is possible that firms do also lobby their national institutions such as ministries, politicians, state-related organizations and so on with the aim that these would represent their interest further at the European level. And in that sense the national institutions can be understood as tactics. On the other hand, it is also possible that the national institutions are lobbied as final targets when firms do not lobby via these, but lobby at these. Therefore, the national institutions are placed between tactics and targets and a thorough discussion for such a choice is presented in section 3.2.2.

For example, a company can choose the following lobbying routes – lobbying at the Commission alone; or lobbying at the EP via a European association. All lobbying routes are overlapping as firms can choose to use different routes simultaneously. Such an approach enables constructing a more nuanced comparison of how firms lobby and take into account several lobbying routes at the same time.

Fairbrass and Warleigh (2002: 3) have a strong point in their argument that the study of lobbying lies at the core of political science: *“One significant reason for studying interest representation is the academic challenge of discovering patterns of actual political behaviour, tracing their development, and analysing and constructing theories about them. From a practical perspective, there is also the desire to know about and understand how a political system operates, in order to participate more effectively within it”*. Thus studying lobbying during the revision of the EU ETS may provide better insights both into the policy-making processes occurring at that time and into how firms participated in the revision of the EU ETS as well as what affected their lobbying choices.

Different actors’ lobbying and the effect thereof in designing both the original and the revised ETS has been well documented (Gullberg 2010; Markussen & Svendsen 2005; Skjærseth &

Wettestad 2008; Wettestad 2009; Skjærseth & Wettestad 2010) but there is a clear need for more thorough research and insight about how the various actors involved in the revision of the EU ETS choose to lobby and what affects their choices. Energy intensive industries have been a pivotal actor both in the preparation and implementation of the EU ETS.

In 2000, the European Commission put forward a Green Paper on emission trading, where emission trading was identified as an important part of the EU's climate policy and a tool to meet Kyoto targets (European Commission 2000). The main rules for the 2005-2007 pilot phase and the 2008-2012 Kyoto Protocol commitment phase were adopted in 2003 with the Directive 2003/87/EC (European Commission 2003). Energy intensive industries and other interest groups were active participants in the policy-making (Skjærseth & Wettestad 2008). The EU ETS has been revised and extended for the third phase, that will take place from 2013-2020. The revision began in November 2006 with the European Commission publishing a report on the ETS, which started wider stakeholder consultations to change the original Directive² (European Commission 2006). The formal consultations started in 2007 and representatives from academia, the industry, non-governmental organizations (NGOs) and member states were participated (European Commission, DG Environment 2010). After the consultations, the European Commission put forward the proposal for the revised directive in 2008 to the EP and the Council (European Commission, 2008b), where a considerably altered system was outlined (Skjærseth & Wettestad 2009: 116-117). After extensive discussions throughout the year the Directive 2009/29/EC was adopted in December 2008. The last week prior to final agreement was tellingly referred to as "week of political drama" (ENDSEurope 2008a).

The companies represented in this thesis are chosen from energy intensive industry sectors that are included in the third phase of the scheme (European Commission 2009) and can be thus understood as being significantly influenced by emission trading. The companies included are the following: Norsk Hydro ASA (Norsk Hydro), Norcem AS (Norcem) and Norske Skog from Norway; and SSAB AB (SSAB) (before 2009 the name of the company was SSAB Svenskt Stål AB), Cementa AB (Cementa) and Svenska Cellulosa Aktiebolaget

² As with any process, pinpointing the exact start or end is more or less impossible. Here I have chosen to consider the Commission's report as the start, although the Commission published two documents with results of a survey conducted on the functioning of the EU ETS prior to November 2006 (European Commission, DG Environment 2005, 2006a). The Commission had probably collected or received information and views from different stakeholders on any possible or desired changes to the emission system.

(SCA) from Sweden. The companies represent cement, paper and metal (steel and aluminium) production. The data collection was done by in-depth interviews.

To answer the research questions I will first present a background to the development of the ETS with a short overview of relevant research together with the research questions that aim to fill some gaps in the existing knowledge on how the energy intensive industries lobbied in the revision process of the EU ETS. The theoretical approach that is used for analyzing the research questions is presented in chapter 3 and it discusses how to understand lobbying and lobbying routes. This has been developed based on the existing literature on lobbying in the European Union. Under the theoretical approach two main influences – originating from an EU member Sweden or non-member Norway as well as company size – are discussed and four hypotheses on how these might affect firms' lobbying routes are presented together with an examination of other possibilities. In chapter 4 follows an explanation of a chosen case study research framework, the use of interviewing as a main data collection method, the steps taken for establishing a sound analysis together with a discussion of selected companies and validity and reliability issues. In chapter 5 the collected data is presented by creating a "lobbying profile" for each company. These function as an empirical ground for the analysis that is guided by the hypotheses in chapter 6. The main conclusions and implications of this study are discussed in the last chapter.

2 Background: the development of the EU emission trading and the role of the industry

The idea of the EU ETS is to create a cap-and-trade market. The companies that belong to sectors included in the scheme can emit a certain amount of CO₂. One emission allowance corresponds to one metric ton of CO₂. The companies that emit less than their allowances can sell the surplus on the market, while those who emit more have to purchase additional allowances. So far most of the allowances have been allocated for free, but from 2013 the main allocation mechanism will be auctioning³. The participants in the scheme can choose if it is cheaper to cut the emissions or purchase more allowances or buy Clean Development Mechanism (CDM) and Joint Implementation (JI) credits⁴ instead thereby carrying out the cheapest reductions first (European Commission 2008a).

The industry affected by the planned policies has been influential in the design process of the EU ETS. Below a brief summary of existing knowledge on the political developments leading up to the establishment and revision of the EU ETS is presented. Areas that have not yet been scrutinized much are highlighted.

2.1 The path leading to the adoption of the EU ETS

Emission trading was one of the flexible mechanisms included in the Kyoto Protocol. Interestingly, the EU was originally against carbon trading, which was propelled by the U.S. as it demanded the flexible mechanisms to be included in 1997 when the Kyoto Protocol was designed. As it was crucial for having the U.S. on board, the EU conceded (Skjærseth & Wettestad 2009). Thus the emission trading became a central policy option for the EU to be developed: *"We have to get involved in emissions trading... we cannot let others dictate the rules"* said the acting Environment Commissioner Ritt Bjerregaard (International Environment Reporter as cited in Wettestad 2001: 150). During the development of the ETS

³ The auctioning is the main allocation principle, but sectors exposed to carbon leakage can receive up to 100% of their allocation for free (European Commission 2010). Altogether, 57% of economic (sub-)sectors are eligible for free allocation (ENDS Report 2009), causing of course discussions about the scheme being overly generous.

⁴ JI and CDM are two other flexible mechanisms included in the Kyoto Protocol in addition to emissions trading. Under the EU ETS companies can use credits from emission-saving projects carried out under the CDM and JI to cover some of their emissions, although there are restrictions (European Commission 2008a).

the industry was involved extensively. One important reason for this was that the EU lacked knowledge about the mechanism (Braun 2009: 477). The formal preparations to emissions trading can be seen starting with the “*Green Paper on greenhouse gas emissions trading within the European Union*” that the Commission published. It identified the emission trading as an important part of the EU’s climate policy. The Commission raised various questions about how to design the system and invited all interested parties to respond (European Commission 2000). The industry was involved with other stakeholders in thorough discussions under the European Climate Change Programme (ECCP) Working Group 1 on flexible mechanisms (Skjærseth & Wettestad 2008: 82). The discussions in the working groups were crucial for gaining support from the industry and seemingly a lot of learning took place informally. Important input came from large energy companies, such as British Petroleum (BP) and Royal Dutch Shell (Shell), as they had started an internal emission trading and their experience became very valuable in the development (Braun 2009: 481). Support from such large multinationals made it more difficult for other industries to oppose the idea (Skjærseth & Wettestad 2008: 75). However, the opposition to the scheme or certain design options existed. For example one vocal adversary was a German chemical company, BASF, which voiced its opinions both alone and via the German chemical industry and national industry associations, as well as the European Chemical Industry Council (Braun 2009: 480). Both these formal and informal discussions were the base for the proposal of the directive that the European Commission put forward in October 2001 (European Commission 2001). The proposal was in fact delayed due to intense lobbying on the Commission, as the industry had expected further consultations before the proposal for the directive, and the ECCP Working Group 1 meetings had not resulted in wide consensus on the issues of the design (Skjærseth & Wettestad 2008: 121).

The proposal caused more debates, also inside and between the member states. Differences of opinions were for instance common in the EP and between the member states. Some of those issues were for instance the inclusion of the chemical industry and the adoption of a mandatory scheme in the pilot phase (ENDS Europe 2002a, 2002b). Especially the German industry was active in lobbying against the scheme. Not surprisingly, considering that the EP, among other things, proposed the inclusion of the chemical and aluminum sectors already in the pilot phase (Skjærseth & Wettestad 2008: 128). The chemical industry used clearly all possible ways for voicing its opinions. The Federation of German Industries and the Chemical Industry Association continued their protests, which included sending letters to the German

Chancellor, publishing ads against the scheme and ordering studies showing the negative impact (Skjærseth & Wettestad 2008: 108). The German industry channelled their lobbying also through the government. For instance, the minister of economic affairs, Wolfgang Clement, met with the competition commissioner in November 2002, where he expressed the worries of the German industry (ENDS Europe 2002c). The efforts of Germany were only mildly successful; most of their concerns were not taken into account (Skjærseth & Wettestad 2008: 111). However, the chemical and aluminum sectors were not included until the scheme's later phase starting from 2013.

After intense discussions inside and between the institutions and with different stakeholders⁵, the EU ETS was established in 2003 with the Directive 2003/87/EC (European Commission 2003) and launched as planned in January 2005.

2.2 Revising the EU ETS

The revision of the EU ETS was planned from the start of the scheme since the first phase was only seen as a “learning period” (European Commission 2006). However, this learning period had brought out some weak points in the scheme. For example, the member states had reported too high emissions projections, there were competitive distortions due to lack of level playing field, lack of harmonization in allocation and some sectors (especially power) had received windfall profits⁶ (Asselt 2009: 50). The over-allocation brought along a price crash of the emissions allowances, that started in mid-2006 and the prices fell even under one euro during 2007 (European Energy Exchange 2010) and this of course damaged the environmental aim of the scheme considerably.

The revision of the EU ETS started with the Commission's report on the ETS in November 2006, which started wider stakeholder consultations for changing the original Directive. The period from the Commission's report to the formal proposal in January 2008 can be seen as a *policy preparation phase* since the Commission was gathering information and feedback for

⁵ For a good overview of the developments during the decision making see Skjærseth and Wettestad (2008: 104-138)

⁶ In phase I and phase II most of the allowances allocated to participants in the EU ETS were for free, but still had a price as these were bought and sold. Firms that did not have to compete with non-EU firms could choose to will pass on the price of an allowance to the price of the product they are selling. The profit from the pass through is understood as windfall, since the price of the product rose in spite of no increase in the cost to the participant in the scheme (WWF 2006).

the planned revision. Commission highlighted areas in the need of reviewing, which were to be discussed by the Working Group on the EU emissions trading scheme for the review of the Directive under ECCP II and accented the need for consulting with stakeholders (European Commission 2006). Under the ECCP II four meetings took place where academia, EU member state representatives, NGOs and industry representatives were present and discussed topics from the scope of the ETS to linking it with third-party countries (European Commission, DG Environment 2010). Energy intensive industries cooperated in their feedback to the Commission and formed a group “Alliance of Energy Intensive Industries”, also called the “Key Stakeholders Alliance for ETS Review” (the Alliance), and published two position papers (Alliance of Energy Intensive Industries, CEFIC & IFIEC 2007; Key Stakeholders Alliance for ETS Review 2007). However, several of the industry organizations that were members of the Alliance also provided their own position papers as did NGOs, some state institutions and research organizations. It seems that the industry had an effect on the decision-makers, as towards the end of the 2007 the Industry Commissioner (who was also one of the Commission’s Vice-Presidents), Günter Verheugen, told that the needs of energy intensive industries’ must be taken into account to avoid carbon leakage⁷ (International Environment Reporter 2007). In spite of this, the industries were apparently not relieved, as in the final days before the Commission was supposed to put forward the formal proposal, the European Roundtable of Industrialists published an open letter to Günter Verheugen where issues such as the negative impact of possible auctioning and indirect effect on industries’ competitive position were highlighted (European Roundtable of Industrialists 2008).

The Commission put forward the proposal for the revised directive to EP and the Council in January 2008 (see European Commission 2008b). The period from the proposal until the adoption of the directive in December 2008 can be seen as *decision making phase*. The scheme was proposed to become both stricter and more centralized compared to the first two phases and several stakeholders opposed certain ideas in the proposal. Energy intensive industries were describing carbon leakage as a credible threat due to proposed auctioning of allowances, while for example WWF presented counter-arguments to cement industries

⁷ Carbon leakage means that emissions in countries not covered by the EU ETS rise due to the implementation of EU ETS (Asselt 2009: 12). It can happen since some sectors included in the EU ETS are in risk of facing higher costs of production which could result in losing out in the international competition and the strategy for such firms can be relocation of the production to countries that are not covered by the EU ETS.

concerns of being exposed to carbon leakage (van Renssen 2008). Also aluminum producers were strongly advocating against being included in the trading scheme (Pearce 2008). EU member states did have different views and several of these (especially Germany) took active positions that were beneficial to their industries. Member states' views contributed to the final design of the revised directive (Skjærseth & Wettestad 2010: 109-110).

Discussions were also present in the EP. For example there were disagreements among the Members of the European Parliament (MEP), among other things, on whether forestry should be included in the scheme, and how the auction revenues and sectors exposed to carbon leakage should be treated (ENDSEurope 2008b, 2008c, 2008d). Nevertheless, the agreement was achieved in December and the new Directive 2009/29 set the main rules for the period 2013-2020. The lobbying activities from the industry thus seem to have paid off as the final directive was less strict than the Commission's proposal and some of the changes made during the decision making process were in the interest of energy intensive industries. For instance, instead of auctioning 100 per cent of the allowances by 2020, as proposed in the Commission's proposal, a minimum 70 per cent of allowances are to be auctioned in the non-power sector. Clear criteria was set for defining the sectors in significant risk of carbon leakage and these could receive up to 100 per cent of allowances free (ENDSEurope 2008a).

2.3 Short overview of the literature on the EU ETS

There is a growing amount of literature on the EU emissions trading system that focuses on different aspects of this policy. Here I will focus on some main previous research on the EU ETS and the role of industry lobbying which are relevant for this thesis. A comprehensive overview of studies and evaluations of the EU ETS is presented in a study under the Adaptation and Mitigation Strategies: Supporting European Climate Policy (Asselt 2009: 32-49), where a large amount of literature is divided and commented on, with the following topics: scope and coverage, cap-setting, allocation, competitiveness and leakage, access to CDM and JI credits, compliance and enforcement, and cross-cutting issues. The study itself focuses on the functioning of and the lessons to draw from the EU ETS pilot phase and the beginning of the second phase, how these have been taken into account in the revised directive as well as drafting some possible challenges for the future (Asselt 2009).

Several scholars have been studying the making of the EU ETS and discussed stakeholders' positions and role in the policy-making. Christiansen and Wettestad (2003) discuss the path

leading to the proposal of the initial directive in 2001 and among other things the need to take member states' and the industries' positions into account in designing the scheme. Skjærseth and Wettestad (2008) analysed in their book why, how, and with what results the EU ETS was developed. In the book views from different stakeholders, such as industries, member states and environmental organizations, and their role in the process of the policy making process are discussed extensively. Braun (2009) examined the development of the EU ETS and how different interests in policy networks that were established by the Directorate-General (DG) Environment contributed significantly to the policy-making process. Markussen and Svendsen (2005) studied the effect of lobbying by comparing the outcome for the main stakeholders from the Green Paper to the final Directive 2003/87/EC and attempted labeling the main stakeholders winners or losers. Although the clear difference was difficult to establish, the authors concluded that the electricity producers managed to influence the final directive most and that was due to their bigger size and cooperation with each other. Similarly Gullberg (2008a) examined the positions of electricity producers and consumers in the review of EU ETS and studied how much these were reflected in the Commission's proposal for the revised directive. She concluded that the energy intensive industries were more successful than power producers in getting their views taken into account. Wettestad (2009) continued the perspective of looking at the winners and losers in the policy-making processes and studied why the energy intensive industries fared better in the revised Directive 2009/29/EC compared to the proposal. One reason found for that was that the energy intensive industries became more organized and active in the policy-making process compared to the designing of the original ETS directive. Skjærseth and Wettestad (2010) discussed the development and the revision of the EU ETS and how different actors (from the EU Commission to industry organizations and member states) were engaged in the policy-making. Skodvin, Gullberg and Aakre (2010) on the other hand examined how and under what conditions the target-group of a policy can influence policy feasibility and used the revision of the EU ETS as an example. They conclude that although the DG Environment had a role of an agenda setter, its agenda-setting function was limited by the industry's power, which the industry had in the member states.

2.4 Indicating some knowledge gaps

The industry's influence in the making of the EU ETS is clearly established in the examples brought forward both in the discussion on the making of the EU ETS and the literature

review. However, in the literature on the EU ETS focus has been on industries in certain states, especially in Germany, and on the large EU associations, such as the Alliance, and sectoral associations and not on individual firms. Which is not surprising as there is little information available on how individual firms have participated in the revision process.

It is also clear, that the industry was cooperating in different formations – lobbying through associations, their national politicians and targeting different EU institutions as noted in the section 2.1 and 2.2. But how exactly the industry firms designed their lobbying has not been studied. There is vast literature on firms’ lobbying and influences on firms’ choices, while most of the literature focuses on how companies or interest groups from EU member states lobby, as explained in Chapter 3. There is no agreement on whether firms from outside of the EU have more difficulties when attempting to lobby the EU institutions. Hamada (2007) and Rok Pang (2004) for example write that both Japanese and South Korean firms do experience more difficulties when lobbying in the EU than their European counterparts. On the other hand Bernhagen and Mitchell (2009), who studied firms’ direct lobbying, suggest that non-EU firms with commercial interests in the EU lobby more directly than firms from the EU and explain this with the fact that firms from non-EU countries do not have a “state patron” in the EU institutions. If it is so, then the non-EU firms should not struggle too much when lobbying the EU institutions. However, if and what kind of differences there can be between the companies due to their membership status, and how prevalent such differences are compared to other possible influences on firm lobbying, is unclear.

This is why the following aforementioned research questions are addressed in this study:

- 1. How did selected Swedish and Norwegian companies seek to influence the EU ETS revision process? Did they lobby similarly or differently?*
- 2. Which factors can best explain similarities and differences in the choice of lobbying routes?*

3 The theoretical approach: the route to lobbying routes

3.1 Explaining lobbying

Lobbying is often seen as an activity from different interests that affects planned or existing policy and lobbying can thus be described as either successful or not. For example Christine Mahoney (2007a) has taken such an approach. Some researchers study which means of lobbying can be considered more effective than others (Coen 1997, 2009; Bouwen 2002a, 2002b, 2004) or identify constraints on the influence the lobbying actors can achieve (Michalowitz 2007). Other researchers take a broader view, emphasizing that lobbying also includes the acquisition of information about how the system works and the establishing of an interest representing actor as a participant. Such view was supported by Andersen and Eliassen (1991: 173) since they claimed that the EU lobby system was yet to develop. Fifteen years later lobbying is according to Mazey and Richardson (2006: 249) as much about minimizing surprise by being informed as it is the attempt to influence a policy. That is by no means a surprising claim as the EU has grown over the years both by the number of members, policy areas and decision-making power and thus it is challenging for interests to decide how and whom to lobby.

Some researchers differentiate between institutionalized and non-institutional lobbying. The former is by Gullberg (2008b: 2965) understood as participating in formal hearing processes and meetings, while the latter constitutes informal meetings with politicians and authorities, conferences and media campaigns. Lobbying could be studied by only focusing on institutionalized lobbying, for example the participation in formal working groups, stakeholder meetings, hearings, etc. However, if one studies institutionalized lobbying only, it is difficult to grasp the choice made by the interest groups in choosing whom to lobby (ibid: 2967). When firms and interests groups participate in institutionalized lobbying, the initiative comes usually from the EU institutions (for example, invitation for participating in a working group, such as the ones under the ECCP and ECCP II during the making and revision of the EU ETS) and focusing only on this might not cover all the lobbying activities the firms engage in.

In this study lobbying is defined so that both institutional and non-institutional lobbying are taken into account while focusing on actions that are aimed to influence a policy: “*Lobbying is interests groups’ and firms’ contact and activities with decision-makers both on the national and supranational level with a goal to influence policy-making*”. For parsimony the actors examined here are energy intensive industry firms (see chapter 4 for a thorough discussion on the choice of cases).

3.2 Lobbying routes

In the research on lobbying in the EU various distinctive terms are used that all mark the actors’ decisions when taking on lobbying activities, here I refer to some of these. The list is by no means complete but gives an insight to the terms used frequently. One common term in the lobbying literature is *strategy*. Mahoney (2007a: 40) uses the term *outside lobbying strategy* to mark activities aimed at influencing public opinion. It is used synonymously with *outside lobbying tactic* (ibid: 43, 53) and *outside lobbying techniques* (ibid: 51). The synonymous terms *tactic*, *strategy* and *technique* all mark one different choice that firms can take when lobbying– hiring a consultant, lobbying in a coalition or using outside lobbying (ibid: 41).

Some researchers use the term *strategy* to mark a collection of different lobbying choices that the firms take. For example Taminiau and Wilts (2006: 123) operate with the term *corporate political strategy*, that seems to be synonymous with *lobbying strategy* (ibid: 122) and it consists of three *decisions*. First, if to relate to the government on a short-term or long-term basis; secondly, taking collective or individual action; and lastly, choosing a type of *strategy* to interact with authorities. Therefore in their terminology, *lobbying strategy* can be both a collection of certain lobbying choices while it is also used to mark one type of *strategy* as they differentiate between providing information, financial incentive and constituency-building *strategy* (ibid: 123).

Differently to the previous examples, for describing a collection of lobbying choices some researchers prefer the term *lobbying behavior*. The term *lobbying behavior* is used by Bernhagen and Mitchell (2009: 156) and it marks firms’ lobbying actions in general. It seems to consist of *lobbying decisions*, which in their turn seem to characterize the different actions by the firms; under focus in their article is the decision to lobby the EU institutions directly as

they study several possible influences on that. *Lobbying behavior* is used synonymously with *political behavior* (ibid:156-157).

Anne Therese Gullberg (2008c) operates too with the terms *lobbying behavior* and *lobbying strategy*. The *lobbying behavior* in her article appears to be consisting of *lobbying strategies* (ibid: 167) but how exactly these two last terms relate to each other, is unclear. The concept *lobbying strategy* is used to mark specific lobbying action, either lobbying on single policy issues or on the whole policy field (ibid: 167). The term is used similarly to characterize a particular lobbying activity in another article of hers, where *lobbying strategy* denotes lobbying either decision-makers with similar or opposing opinions (2008a: 2964, 2966).

3.2.1 Lobbying routes – taking account of the "Where?" and "How?" in lobbying

The myriad of meanings assigned to commonly used terms in the literature on lobbying highlights the need to define the terms used in the research distinctly. In this thesis I prefer to operate with the key term *lobbying route* for describing how and where the firms lobbied in the revision process of the EU ETS. Below reasoning for such a choice is presented.

One of the most thorough explanation of firms' lobbying choices is from David Coen (1997:20-24), who lists the following options as lobbying channels and studies the intensity of using these among firms: national associations, national civil service (ministries), local members of parliament, national government, regions, European associations, UNICE – Union of Industrial and Employers' Confederations of Europe (now BUSINESSEUROPE), European Commission, European Parliament, members of the European Parliament and hired lobbyists. On the one hand, this list gives a good overview of different choices a firm might have when deciding how and where to lobby. On the other hand, I consider the list to be too long for qualitative study (Coen used this for quantitative study). It could be argued that some of these so called lobbying channels are better understood as institutions the firms target when lobbying, for example the EU institutions with decision-making power to which firms try to get access to when using channels like associations.

Pieter Bouwen (2002a: 373; 2002b: 10) has taken the previous idea into account. He presents a more parsimonious approach as he depicts firm's lobbying choices in a matrix, where a firm on the one hand has to decide if to lobby on the national or European level, and on the other

hand, if to engage in individual action, collective action or hire a third party to do the lobbying. He studies and theorizes about which type of *access goods* lobbying alone, via national or EU association and third parties can provide to the different institutions. An access good is seen as a type of information that is exchanged for the access to the policy-making (2002a: 378-383; 2002b: 7-8). The institutions included in his articles are European Commission, European Parliament and the Council. Therefore it can be claimed that Bouwen takes into account both the “How?” and “Where?” in lobbying, since he focuses both on the means of lobbying (when he discusses firms’ possibilities for engaging in individual lobbying, using associations or hiring a lobbyists) and on the institutions the firms target when lobbying (the European Commission, the European Parliament and the Council). Such an approach is not very frequent in the literature on the lobbying in the EU, although a similar approach has been used by Marie Hojnacki and David C. Kimball (1999). In their work the authors analyze lobbying in the United States (U.S.) and study the *targets*, i.e. whom the interest groups lobby; and *tactics*, i.e. how the interest groups lobby.

Based on the previously mentioned three articles I have come to the conclusion that when studying private firms’ lobbying it is important to take into account different institutions and organizations as David Coen has done, but at the same time differentiate between the “How?” and “Where?” as it was carried out in the other two referred articles. Therefore I prefer to operate with a dependent variable called lobbying route, in which both these questions are taken into account. I have chosen to call the institutions included under the “Where?” question as targets and the choices under “How?” as tactics, similar to Hojnacki’s and Kimball’s (1999) use of the terms in the U.S. context.

The use of the term lobbying route in this thesis is most certainly diverging from other authors’ viewpoints. For example Bennett (1999) differentiates between *direct, national association and European route*, as he differentiates between using national and European associations and lobbying directly. And thus the route only marks the tactics, as the institutions lobbied are seen as one.

The idea of comparing lobbying routes has been previously used by taking account of different channels. M.P.C.M van Schendelen (1993: 11) depicted different lobby routes that firms can use when lobbying the EU and these included lobbying alone or via different collective actions. Inspired by Schendelen Pijnenburg (1998) added to his scheme some more possible and used routes by companies. Nevertheless, the mentioned authors studied the

European institutions as one target without differentiating between the EU institutions and thus focusing only on possible tactics. Tenbücken (2002) demarcated the EU institutions when he studied how large multinational car producers used different influence channels when lobbying the EU. He studied only large multinational companies in one sector very extensively for mapping the extent of used routes, while in this thesis I aim to compare firms from different sectors.

3.2.2 The EU institutions as lobbying targets

Much of the academic literature on lobbying in the EU focuses mainly on lobbying at three EU institutions – the European Parliament, the European Commission and the Council of the European Union, which I consider the targets of lobbying. It is erroneous to consider these institutions as having a compact architecture because the EU works at different levels and configurations. Although it would be academically quite novel to disaggregate the institutions and study lobbying in the EU on a more specified level, such an attempt would overstretch the aims of this study⁸. Even though for instance Pieter Bouwen emphasizes that the commonplace committees in the European Commission influence significantly the lobbying patterns of interest groups (2009: 23), which suggests that the use of committees and working groups in policy-making has an influence on firms lobbying. Below I explain based on the existing literature why I have decided to include each of the EU institutions as targets.

The European Commission

The Commission has been previously pointed out as a significant venue for interest groups to lobby since the Commission is the initiator of the legislation in the first pillar⁹ and thus often the first contact point for the interest groups (Michalowitz 2002: 44-45). Lobbying early in the policy phase is useful not only because it probably gives better results than lobbying later, but it is also important for different interest groups to minimize surprises (Mazey and Richardson

⁸ Coen (1997; 1999) has analyzed the allocation of lobbying resources not only to the European Parliament, but also to the members of the European Parliament and to the committees of the European Parliament. Similarly, Eising (2007) studied the contacts between firms, national associations and European associations on the one hand and leadership and working level of the EU institutions on the other hand. This approach in Coen's and Eising's quantitative research is not common in the literature as most researchers consider the EU institutions as unitary actors, especially in qualitative studies.

⁹ The EU's first pillar is called also the Community pillar as it includes the three Communities: the European Community, the European Atomic Energy Community and the former European Coal and Steel Community (Phinnemore 2007: 32).

2006:249). Bouwen notes that is commonly accepted that when lobbying prior to the Commission providing any formal documents, the changes are easier to achieve for interest groups (2009:25).

The Commission has been shown to be open to interests in empirical research. For firms or national and EU level associations it is not difficult to acquire information from the Commission and lobbying activities are most often conducted when the policy proposals from the Commission are being designed (Eising 2007). However, it is by no means just a one-way interest by lobbying actors. The Commission is in need of external knowledge when developing policies. Consulting different interest groups provides both knowledge and support and legitimacy for the planned policies (Mazey & Richardson 2006: 249, Bouwen 2009: 22-23).

The European Parliament

The EP has seen an increase in lobbying due to an increase in its legislative powers (Mazey & Richardson 2006:260; Michalowitz 2002: 46). While the powers of the European Parliament were gradually increasing before, the biggest change in legislative powers came in 1993 with the Maastricht Treaty when the co-decision procedure was first introduced to certain policy areas. That meant that in these areas the EP and the Council shared the legislative power and the Parliament could veto legislative proposals. The co-decision was further extended in the European Parliament's favour in 1999 with the Amsterdam Treaty and 2003 with the Nice Treaty (Scully 2007: 177-179). The EP has been attracting a significant amount of lobbying from different interest groups. As the Commission, the EP needs to interact with interests groups to gain information and legitimacy, and the two organizations can be seen as competing for legitimacy (Lehmann 2009: 50).

It is likely that the European Parliament attracts a certain type of interests, especially those that have less access to the Commission (Mazey & Richardson 2006: 260). For example, the European Parliament is regarded as the "greenest" among the interest groups (Lenshaw 2005: 315; Pedler 2002: 114) and that might explain why business organizations lobby the European Parliament less than Non-Governmental Organizations (NGO) and why they prefer to work with the European Commission (Gullberg 2008b: 2967). In spite of this, according to a study conducted by Eising (2007), the access to European Parliament for business interests seems to

be easy and there are extensive contacts between the European Parliament and firms, national and EU associations.

The Council of the European Union

The Council is first and foremost an intergovernmental body that congregates the representatives from the member states. The Council is meeting in various configurations, when different ministers from member states meet. The Council has traditionally been seen as a closed body and this has not changed much (Hayes-Renshaw 2009: 70-73). The difficulty of access is not only because of the tradition of secrecy in the decision-making, but also because it is very fragmented and thus gaining the information on what exactly is being discussed by whom can be too exhaustive to some interest groups. In addition, the personnel of the Council is often fluctuating (Hayes-Renshaw 2009: 74). However, as the other two institutions, it needs to get essential information for decision-making from somewhere. Mazey and Richardson (2006: 263) identify three main access points to the Council – national delegations in Brussels who are part of the COREPER, members of working groups and national governments. These options were clearly drafted with focus on interests from member states. Whether and to what degree companies from non-member states use such options for lobbying EU member states, or if interest groups and firms also lobby other member states in the Council, has to my knowledge not been studied. However, it is at least theoretically possible. The permanent representatives are expected to be open to different opinions, as their duty is to report the views of other member states and EU institutions to their national governments in their home countries (Hayes-Renshaw 2009: 85). According to the study conducted by Eising (2007) it seems that both firms and national and European associations do interact with the Council, although the intensity and frequency is lower compared to when interacting with the Parliament or the Commission.

Based on the discussion above, all these institutions will be included among the targets of the lobbying routes, regardless of the fact that the three institutions work on different levels as policies are prepared in committees, working groups and so on. In this thesis the institutions will not be disaggregated. For discussing how these institutions can be lobbied, I will now turn to lobbying tactics.

3.2.3 Choosing lobbying tactics

Firms can choose between different tactics when conducting their lobbying efforts. Direct or individual lobbying has been described as most preferential for firms (Coen 1997: 19-21; 2007: 339; 2009: 156). This is a sound claim – when a single firm is lobbying directly it can present its own position according to its preferences and thus no compromises have to be made. Bouwen (2002a, 2002b) notes that (especially large) firms are useful for policy-makers, because they have expertise and technological know-how that the EU institutions need. Therefore *lobbying alone* is included under tactics.

Although it can be claimed that lobbying directly is most useful, firms have to adopt multiple tactics as a risk avoidance strategy (Mazey & Richardson 2006: 255). Studies have shown that, firms use different associations in addition to accessing the EU institutions directly (Bennett 1999; Bernhagen & Mitchell 2009; Coen 1997; Coen 1998; Eising 2007). Firms have the possibility to join both national and EU associations. On the one hand, EU associations have been claimed to be rather slow and sluggish, because the decision-making inside these organizations has to include different member's positions (Mazey & Richardson 2006: 255) and the national associations can be assumed to suffer from the same problems as these have to aggregate a multitude of interests. On the other hand, previous research has shown that both EU and national associations are used for lobbying the EU. Using these associations provides access to the institutions included in this thesis under targets (Eising 2007, Bouwen 2002b). There are different possible reasons for firms to lobby via associations. According to Bouwen (2002a; 2002b; 2004) associations are used because these provide access to the European Union institutions since these combine different interests and can supply knowledge about wider interests, either European or national. This can be needed by the European Union institutions to make decisions that satisfy a wider sphere of interests and not for example just one single company. Therefore *lobbying via national and EU associations* are the next two tactics included in this study.

Collective representation can also take a form of lobbying in ad-hoc alliance with another firm or company. The main goal with lobbying in alliance is to create credibility in the eyes of decision-makers (Coen 1999: 30). Gullberg (2008b: 2969) states that unexpected alliances between firms or other interest groups that usually have differing positions can more easily win a majority in the European Parliament. Such ad-hoc alliances that do not take a long term or institutionalized form, have been used for example by software firms and environmental

organizations in EU lobbying (Coen 1998: 81-82; Pijnenburg 1998) Ad-hoc alliances are less common in the EU than in the U.S., lobbying for a variety of possible reasons (see Mahoney 2007b), but it is definitely relevant also to understand the lobbying patterns in the European Union. Lobbying in alliances has not been studied to my knowledge comparatively with other possible tactics. Including *lobbying in alliance* among the tactics might be able to provide information on how common it is and why firms choose or don't choose to lobby in alliances.

National government and institutions – neither targets nor tactics

All firms can lobby their own government. If they do so, there are two options. First, they can lobby their own government and other national institutions with the aim that these represent their interests further to the EU institutions. This is easier for firms from member states, but even though Norway is not a member of the EU, politicians, ministers and members of national institutions do frequently communicate with colleagues from other countries. Secondly, the firms might lobby the national government and institutions with an aim that it would take their views into account on the national level.

Therefore the national level should not be included as one of the targets, as sometimes the national level can be used to gain access to the European institutions and studying it as one of the targets could obscure some lobbying patterns. It cannot be included as a separate tactic either since sometimes national government and institutions can be lobbied as final targets. Including national level under tactics could thus overestimate the national level's importance as a route to the European institutions if the firms lobby the national level as a final target.

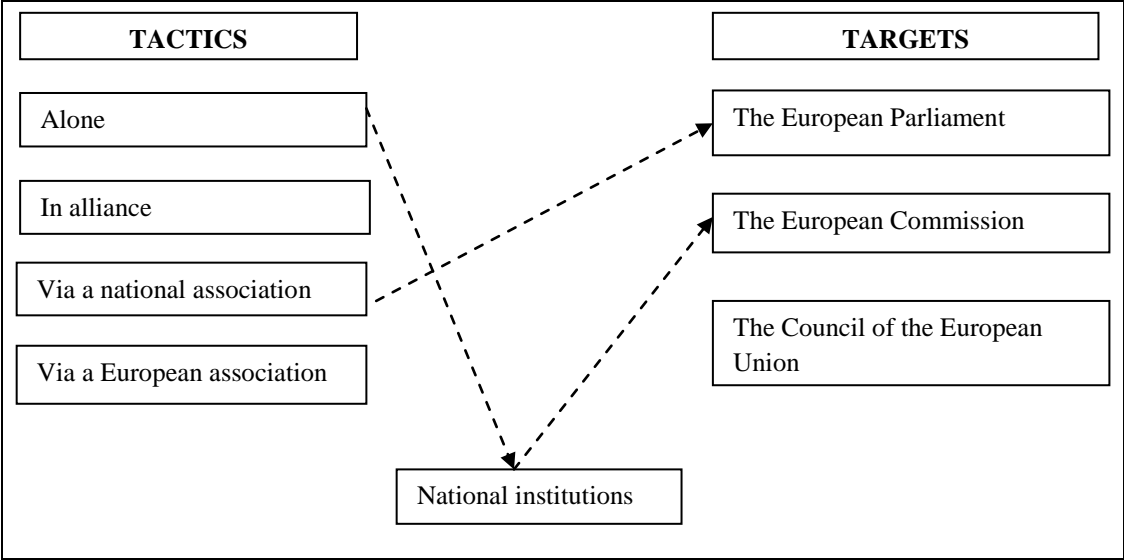
The national institutions are placed between the tactics and targets in the system of lobbying routes. This allows me to grasp that firms might lobby the national level as a final target, but also use it as a tactic in lobbying aimed at the European Union institutions.

Lobbying routes in brief

Conclusively, when firms lobby they can choose a tactic to use to lobby at the different targets and in addition decide how to relate to the national authorities and institutions. It must be of course noted that inside the associations the decision which EU institution to target is most certainly taken together. In that sense the firms do probably not have a free choice when deciding where to lobby via associations. Possible influences on firms' used lobbying routes

are discussed in the next section. The lobbying routes are depicted in a more compact manner in figure 3.

Figure 3. Example of a lobbying profile of a company with three used lobbying routes.



This figure corresponds to a company that uses three lobbying routes. First, lobbying alone at the national institutions; secondly, via national institutions at the European Commission; and thirdly, lobbying via national associations at the European Parliament. From each of the tactics, the arrows can theoretically go to all of the EU institutions and at the national institutions. There are thus theoretically nineteen possible routes to be used. It should be noted that the routes could be counted differently – lobbying alone via national institutions at the Commission could be understood as one route. This approach was not favoured since in a situation where a firm lobbies at the national institution via different tactics and the lobbying is further aimed to the EU institutions, when the national institutions are approached sometimes as a final target the national institutions would be counted as a tactic each time. This would result in over-estimating national institutions role in lobbying routes.

Using such an approach enables comparatively studying which tactics are used to lobby certain targets. Additionally it gives a possibility to study the lobbying patterns in the area of EU ETS more thoroughly. Previous studies have demonstrated that the energy intensive industries were influential in the policy-making (see section 2.3). In this thesis the focus is not only on which routes energy intensive industries used in the revision of EU ETS, but also on the reasons that influenced the choice of lobbying routes. In the following section I will present and discuss various influences on firms lobbying routes.

3.3 What can explain the differences in firms' lobbying routes?

In this chapter I will present different previously suggested or tested arguments about the influences on firms' choices on the lobbying. There is no single theory that would explain how and where firms lobby in the European Union. However, there is now a rich body of literature that aims to theorize about or test firms' lobbying behavior. Below I draw upon the existing literature and the controversies among scholars, and establish hypotheses about the firms' lobbying routes. Two main possible influences are discussed below. First, originating from Sweden, a EU member state, or from Norway, a non-member. Secondly, company size will receive attention. These are used as grounds for explaining two possible differences in firms lobbying routes. First, the use of tactics for lobbying at certain targets and secondly, the number of lobbying routes firms are able to use. In addition, some other possible influences are considered. These influences should not be seen as mutually exclusive, but possibly complementary.

3.3.1 Insiders' and outsiders' different possibilities – Swedish and Norwegian companies

The differences in firms' and other interest organizations' lobbying patterns due to national characteristics have been discussed before in the literature. For example in an anthology by M.P.C.M van Schendelen (1993) various authors discuss lobbying traditions in different states. Coen (1998) analyzed Italian, German, British and French large multi-national firms' from lobby activities and how these were influenced by and adapted to their national political systems. Eising (2007) examined, among other things, differences between German, French and British national association's contacts with the European institutions and the timing of lobbying activities and concluded that the national associations are very similar, despite significant differences in their national interest representation patterns.

Whether a firm's lobbying capability is shaped by being based in an EU or a non-EU member country is a question that has as of yet received very little attention. It is possible that Norwegian firms experience some difficulties when lobbying at the EU level because they are unable to use certain tactics to the same degree or the same way as their Swedish counterparts can. Some lobbying tactics seem to be more useful than others for lobbying at certain EU institutions. On the one hand, Eising (2007) found that firms have most direct contact with the

European Commission, less with the European Parliament, and least with the Council¹⁰. He also found that firms, the EU associations and national associations differ in how often they have contact with the various EU institutions and how active these are in different policy-phases. On the other hand, Pieter Bouwen (2002b) studied the demand side of lobbying by examining which interests the Commission, EP and the Council prefer to consult in the policy-making. He concludes that the firms' have a higher degree of access to the Council than to the Commission and least to the EP and the institutions differ on which type of interests (firms, national associations and EU associations) they prefer to listen to. Nevertheless, he also points out that the Council and the Commission are interested in communicating with different types of firms as the Council access is limited to what Bouwen calls "national champions" e.g. large firms that operate mostly nationally. Although these studies point to different directions when it comes to which tactics provide most access to different institutions¹¹, it appears that some tactics are either used more frequently for lobbying at certain EU institutions or are preferred by various EU institutions. If Norwegian firms experienced problems in using one or more of the tactics considered in this study, it is thus probable that it resulted in less access to all or to some of the EU institutions compared to their Swedish counterparts. For example, it is reasonable to assume that lobbying via Norwegian national associations is more difficult than via Swedish ones since the Norwegian associations might be seen as "outsiders". There are thus grounds for assuming that Norwegian and Swedish firms used different lobbying routes during the revision of the EU ETS. However, there is to my knowledge little research on this matter and therefore the first hypothesis is formulated in a quite general manner:

Hypothesis 1: Swedish and Norwegian firms differed in lobbying routes due to originating from a EU member state or non-member state.

While there is little research that could be used for general assumptions about how Swedish and Norwegian firms might differ in the use of lobbying routes, some researchers have studied how not originating from an EU member state influences firms' use of direct lobbying. Bernhagen and Mitchell (2009) studied large companies'¹² direct lobbying. They

¹⁰ Although Eising looked at both the top and preparatory levels by studying contact with European Commission leadership and working levels, MEPs and EP committees and Council of Ministers and COREPER, combining the results did not change the ranking.

¹¹ That does not mean, that one of them was wrong, as Eising focused on the supply of lobbying from interests, while Bouwen on demand by the institutions.

¹² They drew a sample of Forbes Global 2000, which lists the 2000 largest firms in the world (Forbes 2005).

found that among the top ten countries with the highest absolute number of companies lobbying directly¹³, there were three non-EU countries – the U.S., Japan and Switzerland. Among the top ten countries based on the percentage of firms that lobby directly in the EU there were two non-EU countries – Norway and Switzerland (ibid: 166-167). They explain this with the fact that firms from non-EU countries do not have a “state patron” in the EU institutions and therefore are not as easily able to lobby at these (ibid: 161, 168). Nonetheless, their study has one controversy that could also point to an opposite conclusion, even though they do not interpret it in that manner: in their quantitative study they find that EU membership has a positive effect on firms lobbying directly, but they explain it with the fact that non-EU members are less commercially active in the EU and thus do not find it relevant to lobby in the EU (ibid: 170). However, rather than the lack of commercial interest, this may indicate a lack of established lobbying routes, especially the possibility of using direct lobbying.

Yukihiko Hamada (2007) has studied Japanese firms’ lobbying and adjustment in their lobbying behavior towards the European Union. He has uncovered several peculiar findings. First, among the car producers and electronics firms direct lobbying has been rare. Sony in particular was very much capable of individual lobbying, while Toyota and Honda have tried, rather unsuccessfully, to become independent actors and to not be seen just as Japanese firms. Most firms had to rely on Japanese collective channels. This finding stands clearly in contrast to Bernhagen and Mitchell’s suggestion, that when companies from outside the EU have commercial interests in the EU, they lobby alone.

Hamada (2007) also noted that Japanese firms from both sectors experienced difficulties in using European associations – Toyota’s application for membership in the European Automobile Manufacturers' Association (ACEA) was rejected several times (ibid: 411). Also electronic firms were treated as outsiders in their representative European associations (ibid: 412). It is possible that also Norwegian energy intensive firms were outsiders in the EU associations and therefore rather lobbied alone during the revision of the EU ETS. Conversely, Andersen and Eliassen (1993: 274) noted (although a while ago) that it is difficult for individual Norwegian companies to establish themselves as serious actors inside the Commission and lobbying via EU associations would provide better access. These contributions give grounds to different assumptions and highlight the need to study if

¹³ Measured by having a Brussels office, a European Affairs representative and an EP lobbyist.

Norwegian firms lobbied alone more or less than their Swedish counterparts. Therefore the following sub-hypothesis to supplement the first will be used to study this matter more profoundly:

Hypothesis 1.1: Norwegian firms used more direct lobbying at the EU level than their Swedish counterparts due to their outsider status in the European associations and the lack of a “member state patron” in the EU institutions.

3.3.2 If you want to be heard, size matters

EU membership is most certainly not the only issue that influences how firms’ lobby. One specific variable has received some attention in the literature on lobbying: the size of a company.

Eising (2007) compared large firms’ lobbying patterns to associations’ and concluded that firms have much more contacts with different EU institutions compared to national and European associations. In addition, the firms rated the possibilities of acquiring information from the institutions better than the associations did, although the differences were not large. Coen and Dannreuther (2003) claim that not all firms have resources for being active in lobbying at the European level as small and medium sized firms (SMEs) have encountered troubles in participating in the policy-making process. Coen (2009: 164) also noted that firms have to consider to which political channels they distribute their funds as there are always budget constraints. These findings suggest that larger firms are capable of using different lobbying routes more as they are in frequent contact with the EU institutions and have more funds available for administrating different lobbying routes.

Hypothesis 2: Larger firms use more different routes than smaller firms.

Whether direct lobbying is influenced by the firm’s size has been a topic for some studies. Robert J. Bennett (1999) studied influences on firms’ choices to lobby directly and found that the larger the firms, the more direct lobbying they undertake. However, that applied only to the companies with at least 200 employees, suggesting that there is a threshold of resources that can be used for direct lobbying (ibid: 254). Similarly, one of the main results of Bernhagen and Mitchell’s (2009) study was that large firms undertake more direct lobbying. This was explained by the ability to allocate better resources to lobbying but also because larger firms are more attractive to policy-makers. Coen (2007:339) also emphasizes the

resources when stating that larger firms can acquire insider status in the Commission due to their size and cross-border production. Relying on these contributions here, it is plausible to assume that larger firms use direct lobbying more often than smaller firms. The sub-hypothesis to hypothesis two thus becomes:

Hypothesis 2.1: Larger firms engage in more direct lobbying at the EU level than smaller firms.

3.3.3 Other influences

In the literature on lobbying other influences on firms lobbying choices have been identified. Due to the limits of this thesis it is not possible to test all of these with hypotheses. However, it is necessary to point out also some other variables with explanation power and consider these at least briefly during the collection and analysis of the data to make sure this study does not overlook any influences on firms' lobbying routes. To be sure, the scope of the existing research on EU lobbying is much wider and includes both theoretical and empirical studies that identify various other influences on firm lobbying not considered here.

Policy phase

Several authors have noted the importance of lobbying early in the policy-making process as early lobbying actions can set the agenda and prioritization. Early involvement can result in bigger pay-offs, because the main original ideas incorporated in the Commission's proposal rarely are significantly altered by the time the final directive is adopted (Héritier et al. 1996; Peterson 1995, as cited in Taminiou & Wilts 2006: 126). Lobbying early, before the decision-makers have taken a position on the issue, allows thus not only to gain information on decision-makers' and other actors' positions, but also to define the issues from the very beginning (Gullberg 2008b: 2968-2969).

Especially the Commission's agenda-setting role and therefore its importance in the policy-preparation phase as a lobbying target has been emphasized (Mazey & Richardson 2006: 149). The EU institutions are competing for legitimacy with other EU institutions (Lehman 2009: 50) and thus the Commission needs to demonstrate that it has included a wide array of stakeholders in the preparatory processes.

Therefore it is possible that firms' lobbying was influenced by the policy phases and firms lobbied the Commission more during the policy-initiation than during the decision-making phase.

Number of members and degree of conflict in the EU associations

Several researchers have discussed characteristics of the European associations and how these influence firms' lobbying. Sometimes European associations have been described as being ineffective tactics for lobbying. For example Mazey and Richardson (1995: 347) characterize the European associations as follows: *"It is now conventional wisdom that most European-level groups are under-resourced, inexpert, slow to react, and, above all, so seriously factionalized that they can articulate only what have come to be regarded as lowest common denominator to EC policymakers"*. This they regard to be mostly due to differing viewpoints of members from (at that time) fifteen different states (ibid: 347) and because the decision-making inside these associations seems to be ineffective and under-resourced (Mazey & Richardson 2006: 255). As the possible problems seem to arise from the multitude of opinions due to high number of membership, it is reasonable to assume that when the number of members in associations is high, the firms prefer to use other tactics. In contrast to Mazey and Richardson, Bennett (1999) found that when associations are small, companies tend to lobby more directly, especially when the members are large companies. The level of conflict in European associations is related to Pijenburg's (1998) argument that companies lobby in alliances (ad-hoc coalitions in his terms) when there are internal divisions in the European associations.

In this study differences in lobbying routes due to policy-phase, number of members in the EU associations and conflict in these are considered as primary alternative explanations in addition to originating from Sweden or Norway, and company size. There are also of course many other possible influences on how firms' lobby. For example Pijenburg (1998: 315) further theorizes that alliances are used in lobbying when in the policy development (or in his case rather in policy-dispute) there is an involvement of large and particularly pan-European companies, when core business interests are at stake, when there is a small number of coalition partners in (at least one of) the opposing camps, or a short life cycle of the product. This demonstrates that firms' use of lobbying routes can at least theoretically be affected by a variety of possible factors and other influences might have to be considered during the study.

4 Methodology

4.1 Case study as a suitable format

The following two research questions are addressed in this study:

1. *How did selected Swedish and Norwegian companies seek to influence the EU ETS revision process? Did they lobby similarly or differently?*
2. *Which factors can best explain similarities and differences in the choice of lobbying routes?*

Case study research is chosen as a suitable format for studying the abovementioned research questions. Gerring (2007: 20) defines the *case study* as a thorough study of a single case where the purpose is to illuminate a larger population of cases. A study consisting of few cases is understood as a *case study* and a study with many cases a *cross-case study* (2007: 20). In this study six companies from energy intensive industries are chosen as cases. Although the border between few and many can be difficult to define, I consider this study as a case study with few cases, where the cases all represent a defined population – energy intensive industry firms in Sweden and Norway affected by emission trading. Additionally, the firms represent three different sectors – pulp and paper, metal, and cement production.

Although the research questions could be also studied on a wider scale and include for example the entire European Union by means of sending out surveys, a case study with just some companies was preferred due to several reasons. First, the constraints of time and language would have made a large-scale study difficult. Second, surveys have been used in lobbying research previously, but have resulted in poor response rates. One study for example resulted in only 41 percent response rate (Eising 2007). The likelihood of a low response rate would have made the study of different influences on lobbying behavior difficult because of the probable lack of enough companies for each independent variable, and also because of a possible sampling bias.

In the literature on lobbying the European Union institutions' various effects on firms' lobbying behavior have been identified. These are often conflicting, different influences are rarely studied together and there is very little literature that would study how companies from non-EU member states lobby, as pointed out in the previous chapter. Therefore a deeper

insight is needed and the case study's strength is that it enables to better examine details and causal mechanisms in a complex system than studies with many cases (George & Bennett 2004: 21-22; Gerring 2007: 49). The research questions are aimed at finding and explaining differences in firms' lobbying routes. The case study is more suitable than a large cross-case study for such purposes (George & Bennet 2004: 25). For studying what influences the firms' choice of lobbying routes I use the hypotheses presented in the previous chapter. In the light of Gerring's (2007:42) statement that theory testing is not the strong side of case studies hypotheses in this study are used as a guidance for organizing and taking into account possible explanations rather than testing a theory with a high degree of confidence. However, using hypotheses allows analyzing whether some of the previously identified influences are relevant in explaining the lobbying routes of the selected companies.

The case study has several pitfalls. One of these is that due to common selection bias and non-representative samples, conclusions in case studies can not easily be generalized to wider populations (George & Bennet 2004: 22-25; 30-32). Nonetheless, researchers conducting case studies often do not have the aim of applying the conclusions for a wide population of cases; instead the results should be applied only to certain sub-class of cases (ibid: 32). For overcoming the problems of representativeness George and Bennet (ibid: 69) identify the following crucial steps in selecting the cases: First, the universe to which the cases belong has to be identified. Secondly, the research objective and strategy must lead the selection. Thirdly, the cases should possess variables considered to explain the outcome(s). My choice of the companies is guided by the abovementioned criteria.

Choosing the cases

The firms in this thesis represent selected sectors from energy intensive industries in Sweden and Norway. Although there are many companies likely to be affected by the EU ETS one way or another, the study is limited to the energy intensive industries due to the following reasons. First, it is reasonable to assume that a firm decides to spend resources on attempts to influence the policy only when the issue is of high importance. Therefore the companies from sectors included to the EU ETS should be under study. Since the start of the EU ETS the number of sectors and installations included under the scheme has been increased. In the original Directive 2003/87/EC (European Commission 2003) the following sectors were included: energy activities, production and process of ferrous metals, mineral industry (production of cement, glass and ceramics), pulp and paper. The revised Directive

2009/29/EC (European Commission 2009) covers a larger amount of activities as new sectors, for example aluminum production and non-ferrous metal refining, were added.¹⁴

Power producers and the industries included are affected by the EU ETS in quite different ways. Power producers are usually capable of passing on the cost of the allowances, while the same does not apply to the energy intensive industries as the latter are more exposed to global competition (European Commission, DG Environment 2006b). Therefore there has been a wide discussion of “windfall profits” to the power producers as they receive CO₂ allowances for free in the first and second phase of the EU ETS¹⁵ (Wettstad 2009). The power sector is probably also more diverse than the energy intensive industries when it comes to the ways it is influenced by the EU ETS.¹⁶ Since it is likely that the heterogeneity of interests affects the lobbying behavior, the power producers were excluded from the population of cases to be analyzed. The alternative would have been to include several additional cases.

To study if and how the lobbying behavior between companies from EU member states and non-member states differs, the companies from Sweden and Norway are studied as Sweden is a member of the EU and Norway is not. This choice was also a pragmatic decision guided by two main factors. First, as the thesis is written in Norway, Norway and Sweden were easily accessible countries both in terms of language, time and financial resources. Secondly, this study is part of a research project at the Fridtjof Nansen Institute – Climate Change Altering Nordic Energy Systems (CANES), which focuses on Norwegian and Swedish companies.

The companies were chosen from the sectors considered to be especially affected economically by the EU ETS and also considered to be exposed to “carbon leakage”¹⁷. Some companies and sectors lobbied hard to be included among the sectors at risk for carbon leakage. For example, in December 2008 a massive protest of metalworkers took place in Brussels because steel production was not at the time considered as in high risk of carbon

¹⁴ For the precise list of installations included see Annex I in the directives (European Commission 2003, 2009).

¹⁵ Christian Egenhofer (2007) gives a good discussion and explanation of the economic effects of the EU ETS on both the power and energy-intensive industry.

¹⁶ E.g. burning fossil fuels, such as coal, results in high CO₂ emissions. The producers would have cover the extensive emissions by CO₂ allowances or cut back production. Power producers are capable of passing on the costs of purchasing the CO₂ allowances and thus the electricity prices rise. However, the increase in electricity prices is preferable to renewable electricity producers as these are less CO₂ intensive and profit from the higher prices without having to purchase CO₂ allowances (Svein S. Andersen 2009 [personal conversation]).

¹⁷ For more information on which sectors are considered exposed to carbon leakage and the criteria used to define it, see the Commission’s information page about the carbon leakage (European Commission (2010a)

leakage (Phillips 2008). When the chemical industry was claimed to be unaffected by carbon leakage by the Climate Strategies research group, the European Chemical Industry Council (CEFIC) instantly expressed its disagreement (ENDS 2008e). Choosing companies from these sectors would probably give more information on lobbying, as it is probable the firms took on lobbying activities because the issue of the ETS was of high importance for these sectors.

The sectors included in this thesis are the following: pulp and paper, cement and metal production of steel and aluminum. Prior to conducting the research it was not possible to be sure how the companies have lobbied, because such activities are rarely documented or taking place in public. Therefore most-similar or most-different case selection techniques, which are very common in qualitative literature and are based on matching both the independent and dependent variables (George & Bennet 2004:50; Gerring 2007:89-90, 131-144) were not used. If I had had knowledge on firms' lobbying routes, these case selection methods would have been most natural to consider for the purpose of identifying what influences firms' lobbying routes. As I did not know beforehand which lobbying routes firms used, and that became also one aim of the thesis, I applied a technique called *diverse case-selection* by John Gerring (2007:89, 97-100). This means that the cases are chosen to represent a full range of variation on either independent or dependent variables, or on both. The chosen companies vary on the independent variables – originate from Norway and Sweden, vary in size¹⁸ and additionally in the EU associations' number of members. In addition, they belong to different sectors so that the cases would represent a wider part of the energy intensive industries in Norway and Sweden. It is reasonable to expect that the influences on firms' decisions on how and where to lobby identified in the previous studies have some effect and thus the companies should also be different on the dependent variable – lobbying routes. Selecting cases to represent a full range variation also enhances the representativeness of the chosen sample, even though it does not have necessarily the same distribution of variable values as the population has (ibid: 100).

¹⁸ To measure company size, yearly revenue is used (see also section 4.4. discussing the operationalization).

4.2 Selected sectors and companies

4.2.1 Cement production

Cement production is a sector where the EU ETS has a strong direct effect. The increase in the cost of production was evaluated to be more than a third (compared to a “no ETS” scenario) due to direct emissions, assuming a CO₂ price of 20 Euro per ton, and no free allowances (European Commission, DG Environment 2006b). In another study cement was considered to be one of the most affected industries by the EU ETS cost impact on production value (Lund 2007). The European Cement Association (CEMBUREAU) published a position paper during the revision of the EU ETS, where they highlighted the negative effect of the EU ETS on the competitiveness of the European cement industry and expressed their preference for a global system and saw the EU ETS only acceptable as an in-between system and that only if several significant measures were undertaken (CEMBUREAU 2007a). It is therefore highly probable that cement companies did engage in lobbying during the revision of the EU ETS.

Norcem – cement producer in Norway

Norcem is the only cement producer in Norway. It is a subsidiary of HeidelbergCement Group (HeidelbergCement), a large multinational cement and concrete producer. Although it is related to HeidelbergCement, it is still a separate company with headquarters in Oslo and two production plants in Norway. Although it can be anticipated that being a subsidiary to HeidelbergCement at least somewhat influences the choice of lobbying routes, using Norcem as a case was necessary to cover a sector significantly influenced by the emission trading. As it is very usual that firms are subsidiaries or daughter companies to some larger companies, I did not find any other companies that could be compared to Swedish counterparts. In 2007 Norcem reported a total revenue of 1.4 billion NOK (Norcem not dated: 4). Norcem is a member of the Federation of Norwegian Industries (*Norsk Industri* in Norwegian) in Norway and CEMBUREAU in Europe. CEMBUREAU has in total 28 members. The members as a rule are national associations, but when there is no cement association, a company is a member. But in such case the company represents still the cement sector in a country, as it is the case for both Norway and Sweden (interviews 2010).

Cementa – cement producer in Sweden

Cementa is the only cement producer in Sweden and also a subsidiary to HeidelbergCement. In 2007, Cementa had revenues of 1.8 billion SEK (Cementa AB not dated: 4), which at time was about 1.56 billion NOK¹⁹. The issue that lobbying routes can be influenced by belonging to HeidelbergCement Group is relevant here as well. Leaving out Cementa would have meant leaving out the whole cement sector, as both Cementa and Norcem are the only cement producers in Sweden and Norway. Before the interview started, I had information that Cementa is a member of the Swedish building material industry association (*Byggmaterial Industrierna* in Swedish) and to Swedish Aggregates Producers Association (*Sveriges Bergmaterialindustri*) as a supplier. Both these organizations are part of the Confederation of Swedish Enterprise – (*Svenskt Näringsliv*). During the interview at Cementa, I was informed that on the issue of EU ETS Cementa has been active in other associations than the aforementioned; namely in Plastics & Chemicals Federation (*Plast- & Kemiföretagen*); in SveMin, which is the mining, mineral and metal producers association (interview 2010). As Cementa is the only cement producer in Sweden, the company represents the entire national cement industry in CEMBUREAU as Norcem does for Norway.

4.2.2 Metal production: aluminum and steel

Primary aluminum production is a sector that was included in the scheme from 2013. It has been evaluated that it has already been considerably affected by the ETS, because of the indirect effect on power prices while not being able to pass the cost increase on to the customers due to high competition. In a study conducted by the DG Environment, the cost increase due to EU ETS was evaluated to be around 11.4 percent assuming a CO₂ price of 20 Euro per ton and the increase was exclusively due to indirect effect of the EU ETS (European Commission, DG Environment 2006b). A high indirect effect on the cost of production was also found in another study (Lund 2007). During the revision process of the EU ETS, the European Aluminum Association (EAA) published a position paper where they emphasized the reductions in emissions that aluminum industry already had achieved and that including aluminum into the emission trading scheme would not contribute towards meeting the EU's Kyoto commitments, while adding significant costs to the aluminum production. As a consequence, it strongly opposed the inclusion into the scheme (EAA 2005).

¹⁹ In this thesis I use the Oanda historical exchange rate converter (Oanda 2010). I used the yearly averages both for Swedish and Norwegian currencies.

Primary steel production seems to have been significantly influenced by the emission trading due to high direct effects of the EU ETS. The primary steel production was evaluated to be facing a total cost increase of 17.3% with a CO₂ price of 20 Euros per ton, without any free allocation. Due to the competition from outside of Europe only a small amount of the cost increase was assumed possible to pass on to customers (European Commission, DG Environment 2006b). In a study, Peter Lund (2007) also considered steel as one of the most-affected sectors. Not surprisingly, the European Confederation of Iron and Steel Industries (EUROFER) published a presentation of their positions on the emission trading during the revision process. In this presentation they criticized the ETS system as a threat to competitiveness and suggested a different design for the emission trading system (EUROFER, not dated).

Norsk Hydro – aluminum producer in Norway

Norsk Hydro is a large aluminum producer with operations in many countries. In 2007 the revenue was about 94 billion NOK (Norsk Hydro not dated: 1). In Norway, Hydro belongs to the Federation of Norwegian Industries. At the European level Norsk Hydro is a member of the European Association of Metals (Eurometaux), which represents non-ferrous metal industry, and the European Aluminum Association (EAA). In total Eurometaux has 57 including associations, individual companies and associated members (Eurometaux 2010). EAA has in total 41 members: companies, European and national association and associated members (EAA 2010).

SSAB Steel – steel producer in Sweden

SSAB is a large steel company in Sweden, with subsidiaries or offices in 40 countries. The revenue in 2007 was 47.7 billion SEK, which at that time was about 42 billion NOK. SSAB is a member of the Swedish Steel Producers' Association (*Jernkontoret* in Swedish) in Sweden and thereby also a member of the Confederation of Swedish Enterprise. It also belongs to EUROFER. EUROFER has company, national association and associated members – total 69 members (EUROFER 2010).

4.2.3 Pulp- and paper production

In studies conducted in the beginning of the revision process of the EU ETS, the pulp and paper sector was reported to consider the impact of EU ETS a key issue on long-term decisions, while the total cost increase for pulp and paper was expected at between 1 and 7.5% percent with a CO₂ price of 20 Euros per ton, without any free allocation (European Commission, DG Environment 2006b). This is less than for other sectors. Among selected sectors in risk of exposure to carbon leakage, pulp and paper was found to be the least affected (Lund 2007). The Confederation of European Pulp and Paper Industries did not contribute any position papers on its own but instead in cooperation with several other European industry associations under the Alliance (Alliance of Energy Intensive Industries, CEFIC & IFIEC 2007; Key Stakeholders Alliance for ETS Review 2007).

Norske Skog – paper producer in Norway

Norske Skog is a paper company that produces newspaper and magazine paper and has 14 paper mills around the world. The revenue in 2007 was 27 billion NOK (Norske Skog not dated: 2). Norske Skog is a member of the Federation of Norwegian Industries in Norway and thereby also a member of the Confederation of European Paper Industries (CEPI), which has 19 members, all of them national associations (CEPI 2010).

Svenska Cellulosa Aktiebolaget (SCA) – Swedish paper producer

SCA is a large paper and paper products company that operates in more than 90 countries. The revenue in 2007 was almost 107 billion SEK, which at that time was about 92 billion NOK. SCA belongs to the Swedish Forest Industries Federation (*Skogsindustrierna* in Swedish) and thereby of the Confederation of Swedish Enterprise. As Norske Skog, it is a member of CEPI.

Table 4. Overview of companies and possible explanatory variables

Company	Sector	Country	Revenue in 2007 in billion NOK	EU association and number of members
<i>Cementa</i>	Cement	Sweden	1.56	CEMBUREAU - 28 members
<i>Norcem</i>	Cement	Norway	1.4	CEMBUREAU - 28 members
<i>SSAB</i>	Metal production - steel	Sweden	42	EUROFER - 69 members
<i>Norsk Hydro</i>	Metal production - aluminum	Norway	94	Eurometaux - 57 members EAA - 41 members
<i>SCA</i>	Paper	Sweden	92	CEPI - 19 members
<i>Norske Skog</i>	Paper	Norway	27	CEPI - 19 members

4.3 Collecting the data – qualitative research and interviews

The main data collection method was the qualitative interview. The interview data was supplemented with information from the companies' and European associations' documents, such as annual and environmental reports and articles from various media sources. The main reason for using qualitative interviews was that there is no available data that could be used for understanding how and where the companies lobbied – such information is not published for example in company reports or other public documents. Secondly, the issue is quite complex and the employees working with emission trading and lobbying have the most information on the matter. Thus the natural solution became to interview them to ensure rich information. In each of the companies there was only one or very few people working with the EU ETS and other environmental issues. Each company referred one person as most knowledgeable on the topic.

Seven people were interviewed; six were representing companies and one the Federation of Norwegian Industries, as during the interviewing process it became clear that the issues under discussion were quite different in Norway and Sweden. This was due to the fact that at the time of reviewing the EU ETS in Norway, there had been a discussion of linking Norway to the ETS and that was a very important issue for the companies (this is explained further in section 6.1.1). Because lobbying in Norway was often conducted via the Federation of

Norwegian Industries, I had an interview at that organization to increase my understanding of the processes in Norway.

The interview type could be labelled as “key informant interviews” according to Svein S. Andersen (2006). The interviewees were those who had the knowledge on how the company participated in the policy making during the revision of the EU ETS, and their own subjective experiences were used for understanding firms’ lobbying routes (ibid: 282). The interviewees had high positions in the companies and were working with the issues of the EU ETS daily (see table A.1 for the list) and were in fact very knowledgeable. First a request for interviews was sent out to people who according to company websites or information gained from the first interview²⁰ were working with the issues of the EU ETS and lobbying. If the person addressed was not correct, another person was recommended by the company.

Semi-structured interviews with mostly open-ended questions were used (see appendix A for interview guides). In the semi-structured interview the interviewer has an interview guide with quite specific questions and topics to be covered during the interview, while the questions do not have to be answered exactly in the same order (Bryman 2004: 321). The interviews took more a form of a conversation while I sometimes took pauses to check which questions in my interview guides had not been answered. Since the interviewees had received a short overview of the questions, the interview took a conversational form since they were familiar with the main focus of the interview.

During all the interviews I used a voice recorder and asked permission to do so both in the introductory e-mail and in the beginning of each interview. All the interviewees agreed. The digitally recorded interviews were not uploaded electronically and in interview transcripts I used codes instead of person and company names due to privacy protection requirements (NSD 2010). This was also explained to the interviewees. Using the recorder was useful because it allowed me to focus more on the interview and follow the conversation and ask follow-up questions and probes instead of only writing up answers. However, during each interview I also made quite extensive notes. Several times my notes and the actual recording seemed to be in conflict, therefore sometimes the recording helped me to correct my understanding that I otherwise had based on my notes. I do not think that the interviewees

²⁰ The first interview turned out to be more like a pilot interview, since it provided quite extensive knowledge on the developments in Norway, as well as suggestions for the study and whom to contact for further interviews.

omitted anything because of the recorder. I had explained how I would use these and agreed that they will have a possibility to review all parts where I refer to them in person or the companies, together with anonymizing the interviewees as much as possible.

The initial interviews were followed up by a second interview in Norway, and via phone and e-mail in Sweden. Based on the information from the interviews some changes were applied to the interview guide. First, the company representative at the first interview suggested being careful with the term “lobbying” as it often has a negative connotation in everyday life, which could cause resistance among the interviewees. Therefore during the contacting process and often during the interviews I used terms “interest representation” or “participation in policy-making”.²¹ However, in the beginning of each interview I explained that in my thesis I use the term lobbying and that lobbying in political science is seen as a natural part of any political process. Looking back, it was necessary to explain how I understand lobbying and what the aim of the study is, to reduce possible resistance. As I understood that it might be a sensitive topic, I decided to anonymize the interviews as much as possible and the interviewees were informed about that. Another adjustment that I made during the interviewing process was changing my interview guide. The original matrix scheme that I had planned to use for mapping how the companies lobbied proved to be too complex as it had too many different options to choose from. Instead, I collected the data by questions and drew lobbying route schemes with the help from interviewees.

At each interview I agreed with the interviewee to take again contact if something was left unclear and that they would be able to review the company presentations that are presented in chapter 5. It must be noted that all the interviewees were very open to such follow-ups and they often went very thoroughly through the presentation of their companies. One representative (from Cementa) did not have the possibility to do that. Therefore it is possible that the information on Cementa is less correct than the others. None of the interviewees asked to leave out any information, or deleted any information.

²¹ Anne Therese Gullberg, who is a researcher at the Center for International Climate and Environmental Research in Oslo (CICERO), recommended the use of these terms. She has among other things, done research on lobbying.

4.4 Making the study valid and reliable

For securing a high degree of validity and reliability, this study draws upon the guidelines of Michael Gibbert, Winfried Ruigrok and Barbara Wicki (2008). They divided the discussion of validity and reliability into internal, construct and external validity; and reliability. Under each category several techniques were presented based on several previous authors.

“Internal validity”/.../ refers to the causal relationships between variables and results. Here the issue is whether the researcher provides a plausible causal argument, logical reasoning that is compelling enough to defend the research conclusions’ (Gibbert, Ruigrok & Wicki 2008: 1466). For securing a high degree of internal validity, one measure recommended was to demonstrate with the research framework that the identified variable brings on the change on the dependent variable and not a third, omitted variable (ibid: 1466-1467). To ensure this, various possible influences on lobbying were discerned from the literature and included as independent variables to exclude spurious relationships, as explained in chapter 3. This is very similar to another of their recommendations, theory triangulation (ibid: 1466-1467). I tried to take into account a wide body of literature (often with conflicting views) when developing the possible influences on firms’ choice of lobbying routes. There are, to my knowledge, no established theoretical schools on EU lobbying that could be compared. Additionally, during the study some other possible influences were found as will be explained in chapter 6.

Since the internal validity is about providing sound causal arguments, a form of pattern matching was carried out when gathering and analyzing the data to detect any relationships that were not considered before the data collection. Pattern-matching compares empirical findings with predicted patterns and possibly also alternative patterns (Yin 2003: 116-118). It took firstly the form of asking interviewees about used and not used tactics and targets, why these were preferred or not preferred and thus attempted finding the causal explanation for used and not used lobbying routes. It also allowed the interviewees to express their experiences without it being guided by the theoretical expectations in the thesis. Secondly, the established lobbying routes and reasoning for using these were compared with the hypotheses and the literature. Thirdly, as some findings were not matching the expectations, alternative explanations were given.

‘The “construct validity” of a procedure refers to the quality of the conceptualization or operationalization of the relevant concept./.../ As such [it] refers to the extent to which the

study investigates what it claims to investigate, that is, to the extent to which a procedure leads to an accurate observation of reality.' (Gibbert, Ruigrok & Wicki 2008: 1466). The quality of the concepts is ensured by thorough explanation of the used concepts as lobbying routes and lobbying as presented in chapter 3. Operationalization of the possible influences on lobbying pattern is discussed below.

The operationalization of companies' origin (either Swedish or Norwegian) was decided according to the physical situation of the company and its headquarters as well as the registration of the companies in Norway in the Brønnøysund Register Centre and in the Swedish Companies Registration Office in Sweden. It must be noted that several of the companies also have production and offices in other countries – a result that is unavoidable when studying companies whose revenue can be measured in billions. As mentioned before, Norcem and Cementa AB both are subsidiaries to HeidelbergCement Group, and thus their Swedish or Norwegian origin could be questioned. Nevertheless, as these firms are in charge of production in Sweden and Norway, belong to their own national associations and separately to CEMBUREAU, I found it tenable to count Norcem as a Norwegian company and Cementa AB as Swedish.

The size of the company is measured in sales e.g. revenue. This has been used before in the literature on lobbying. E.g. Bernhagen and Mitchell (2009) used sales to measure firm size and did so with confidence as alternative measures, such as assets, market value or a composite measure including all three, did not affect the results of their study (ibid: 164). Revenue was therefore considered a suitable proxy for measuring sales. Since the preparations to the Commission's proposals mostly took place in 2007 (they started in November 2006), I considered the revenue of 2007 to be suitable for measuring size during the revision process. It is also useful to know that these companies' revenue did not fluctuate enough in 2006-2008 to change how the companies are ranked based on their sales.

I operationalized the policy phases as follows: the policy-initiation phase took place from November 2006 until January 2008. In 2006 the Commission published a report on the EU ETS and highlighted the areas needed for reviewing and invited stakeholders to participate in the review process (European Commission 2006). In January 2008 the Commission put forward the formal proposal for the revised directive to the European Parliament and the Council (European Commission 2008b). The policy development phase took place from

January 2008 from the proposal for the revised directive until December when the final Directive 2009/29 (European Commission 2009) was adopted.

The number of members in the European associations was derived from the association websites. I decided to treat associations, firms and associated members equally. It could of course be argued that a national association or associated member is less of a “coherent member” than a firm, but I consider that there are more threats to validity in assigning a different weight to other members compared to firms. The number of members in the EU association is used as an additional measure of conflict, as it was anticipated that the interviewees might prefer not providing information about possible conflicts.

Gibbert, Ruigrok, Wicki (2008: 1467) identified also techniques that could enhance the construct validity. I have tried to take into account several of these: review of drafts by interviewees, indication of data collection circumstances and explanation of data analysis. The aim of these is to present a “*clear chain of evidence*” (ibid: 1468) by thorough explanation of how I collected and used the data. First, the drafts on company profiles as presented in chapter 5 were reviewed by the interviewees to ensure that I had understood everything correctly but also to confirm that the firms did not have any objections. It must be noted that the representative of Cementa had not had the possibility to review the draft on Cementa’s lobbying profile, and thus it might be less correct than others. Secondly, I have outlined the data collection circumstances above by explaining the interviewing process. Third, the explanation of data analysis is explained further below. One measure specifically recommended for ensuring high construct validity – data triangulation (ibid: 1468), e.g. collecting data from different sources, was not used. The characteristics of lobbying are a hindrance – lobbying activities are rarely documented and often do not take place in public. Other sources (in addition to interviews) to check which lobbying routes the firms used where simply not available. Other sources as articles from media, company and association reports and position papers were mainly used as background or explanatory sources.

It is possible that due to interviewing process there are some issues that threaten the construct validity in this thesis. As the review of the EU ETS is a complex process that took place a while ago, it is possible that the interviewees did not remember everything correctly. There are limits to what one can remember and memory is also influenced by psychological processes such as rationalizing (Andersen 2006: 292-294). During the interviewing process it became clear that interviewees could not differentiate between policy-phases. In addition to

perceiving the review of the EU ETS as a continuous process, the interviewees told that they couldn't remember exactly when any of the EU institutions was lobbied more than others (interviews 2010).

Another possibility is that interviewees provided incomplete information. For example, none of the interviewees mentioned any conflict inside the EU or national associations (interviews 2010). It is of course highly possible that there were no significant disagreements. On the other hand it is also possible that the interviewees omitted such information because it could damage relationships inside the association. However, it is the interviewees' right to decide what information to provide. It is voluntary to participate in any kind of research, not least for master theses, and it is clear that any research should always take into account the informant's interests.

“External validity” or “generalizability” is grounded in the intuitive belief that the theories must be shown to account for phenomena not only in the setting in which these were studied, but also on other settings” (Gibbert, Ruigrok & Wicki 2008: 1468). The issues of external validity were to an extent already treated when discussing the choice of companies. Three different recommended measures were undertaken during the research. First, several cases were studied – six different companies. Secondly, the selection of the cases is explained thoroughly and thirdly, I also presented each of the firms (Gibbert, Ruigrok & Wicki 2008: 1467-1468). However, I do not aim to generalize the results to all firms from energy intensive industries. The selected cases represent only those from Sweden and Norway.

“Reliability” refers to the absence of random error, enabling the subsequent researchers to arrive at the same insights. The keywords are transparency and replication (Gibbert, Ruigrok & Wicki 2008: 1468). To ensure reliability in this study I have tried to explain how I proceeded in this chapter, although I have not developed a formal case study protocol or database as recommended by the authors (ibid: 1468). However, I have added the interview guides as well as the list of interviewees in appendix A.

4.5 Presenting and analyzing the data

The material I gained from the interviews was organized according to the research questions and the theory outlined in chapter 3. Based on the interview data I then developed a profile of each company depicting lobbying routes used. For clarity, companies' lobbying routes were

depicted in schemes. In these schemes there is a differentiation between “more important/more used” and “less important/less used” lobbying routes. However, where the line goes for each of the interviewee is not possible to define. I had tried to establish a comparative measuring system to gauge the intensity and importance of the use of lobbying routes in my original interview guide. It was quickly proven to be too complex for the interviewees to rank all the tactics and targets or to provide a weight for the choices. Nevertheless, the interviews provided information on which of the tactics or targets the individual companies used more than others. I decided to depict the differences in the importance of the lobbying routes to keep that layer of information, although these are not easily comparable between the companies.

The mapped lobbying routes of firms studied in this thesis were then analyzed according to my research questions and hypotheses. As mentioned above, the analysis was guided by pattern-matching principles, which involved comparing the collected data with hypotheses and literature used to develop these. When the findings did not match with the expectations, but rather with other possible patterns, alternative possible explanations were brought forward.

5 The actual use of lobbying routes – company profiles and comparison

5.1 Norsk Hydro – to the EU alone and together

The aluminum sector in this study is represented by Norsk Hydro, a Norwegian company. In 2007 Norsk Hydro had a total revenue of 94.316 billion NOK (Norsk Hydro, not dated: 1) and in 2007 it had four primary aluminum smelters in Norway, one in Germany, two in partnership with another company – one in Slovakia and in Norway (Norsk Hydro, not dated: 31-32). Norsk Hydro is a member in the EAA and Eurometaux and in the Federation of Norwegian Industries. Norsk Hydro is as of yet first and foremost indirectly affected by the EU ETS through rising power prices. From 2013 aluminum production will be included in the EU ETS and the scheme will most probably become more costly for Hydro. Therefore Hydro aims to be a leader in both reducing emissions and being a leading participant in designing the system (interview 2010).

Although the company representative emphasized that for effective participation in the policy-making processes, one has to use all possibilities (interview 2010), Norsk Hydro has used two tactics most – lobbying directly and lobbying via European associations – using the EAA and Eurometaux. Lobbying directly took place both at the European level, at the national level in Norway, in Slovakia and especially in Germany. When Hydro lobbied directly in Norway, it was only slightly with the aim that the Norwegian authorities would represent their interests further at the EU level. Therefore the direct lobbying in Norway as a rule was conducted so that the national institutions were the final target. Lobbying alone at the European level was organized through Norsk Hydro's Brussels office, where two employees were working with the EU ETS in addition to four employees in Norway. Lobbying alone was targeted towards the European Commission and the European Parliament. Among these two the European Commission was seen more as a target than the European Parliament. When Norsk Hydro lobbied alone in Germany and Slovakia it was conducted with the aim that the authorities there would represent their views further at the European level (interview 2010).

Lobbying via EAA and Eurometaux was targeted towards all the EU institutions and these organizations had most contact with the Commission. Work on the issues related to the EU ETS is divided between these two organizations. The EAA administers environmental issues,

topics related to direct emissions and benchmarking, and Eurometaux works on issues related to energy and thus on the indirect effects of the EU ETS (interview 2010). These two were equally important as lobbying tactics and there was extensive contact with both of the associations in the form of calls, meetings and e-mails. There was contact at least weekly and most often via e-mail (interview 2010). The initiative for cooperation between Norsk Hydro and these associations was typically coming from the associations as these follow the policy-making process in the EU, bring up relevant issues for the aluminum industry, and organize meetings where the industry response is discussed. Norsk Hydro has been very active in both of these organizations and expressed satisfaction with their work, even though there are always some compromises to be made. That was seen as a natural part of the process (interview 2010). For participating effectively in the EAA and Eurometaux, Norsk Hydro was very much prepared to secure the quality of their positions inside the European associations. For about two years ago Hydro went through all their memberships in various organizations and re-organized the internal work with the aim that those participating in the organizations would be as well-prepared as possible. As a result, Norsk Hydro is taken seriously in the organizations: *“The feedback is that when our corporate management people go into meetings, they have clout. They are better prepared than most”* (interview 2010). Thus, the usefulness of an association to a firm might not only depend on the characteristics of the association, but also on the member company itself.

The EAA reported lobbying during the revision of the EU ETS both before and after the proposal. In 2006 it worked towards the exclusion of the aluminum sector from the EU ETS and instead raised other possibilities (EAA, not dated a: 11). In 2007 the EAA continued with efforts on this issue and lobbied the Commission and key member states²² with the aim of finding an alternative solution for the aluminum sector instead of the EU ETS. These attempts were not fruitful as during the year it became clear that both primary and secondary aluminum production was to be included into the EU ETS from 2013. Therefore the efforts shifted from opposing the inclusion of the aluminum production to finding solutions to compensate the CO₂ component of (an expected increase in) power prices, as there were no clear provisions for it in the proposal (EAA, not dated b: 9). Lobbying continued thus in 2008 and according to the EAA resulted in a possibility of free allocation for direct emissions, if it were to be

²² The EAA did not identify the key members states in their report.

considered exposed to carbon leakage.²³ Also a possibility of receiving a compensation from the member states for the CO₂ cost in the power price (indirect effect of the EU ETS) for the sectors exposed to carbon leakage (EAA, not dated c: 11). The EAA also provided a position paper during the EU ETS revision (EAA 2005).

Eurometaux has no public documents, such as annual or activity reports from the review period, where they would explain the lobbying actions during the review process. This does not imply that the organization did not participate in the policy-making process, but highlights again one crucial problem for anybody studying lobbying – documentation of lobbying activities is so rare that sometimes even large European associations do not provide documentation of their work. Eurometaux was present in the review process and put forward two joint position papers together with other industry organizations, among them also the EAA (The Key Stakeholders Alliance for ETS Review 2007; Alliance of Energy Intensive Industries, CEFIC & IFIEC 2007).

Norsk Hydro also has plants in other EU member states and lobbying via their national associations, especially in Germany and Slovakia, took place. This tactic was first targeted towards the corresponding national institutions and secondly towards all of the EU institutions via the national institutions. Using the German association was emphasized due to German membership and general importance in the EU (interview 2010).

However, the Federation of Norwegian Industries was used less compared to other tactics and lobbying via it was targeted only towards the Norwegian institutions. There were considerable differences between the issues that were discussed via the Federation of Norwegian Industries at the national level and via tactics at the European level. In Norway the main issue was linking Norway to the EU ETS with “a level playing field” so that the implementation of the EU ETS in Norway would not differ from the European Union. At the European level lobbying took place on the issues of the design of the revised directive. Lobbying directly and via the EAA and Eurometaux was evaluated being much more effective than lobbying via the Federation of Norwegian Industries, as the first two provide much better access to the European Union institutions. The Federation of Norwegian Industries plays a useful role as a

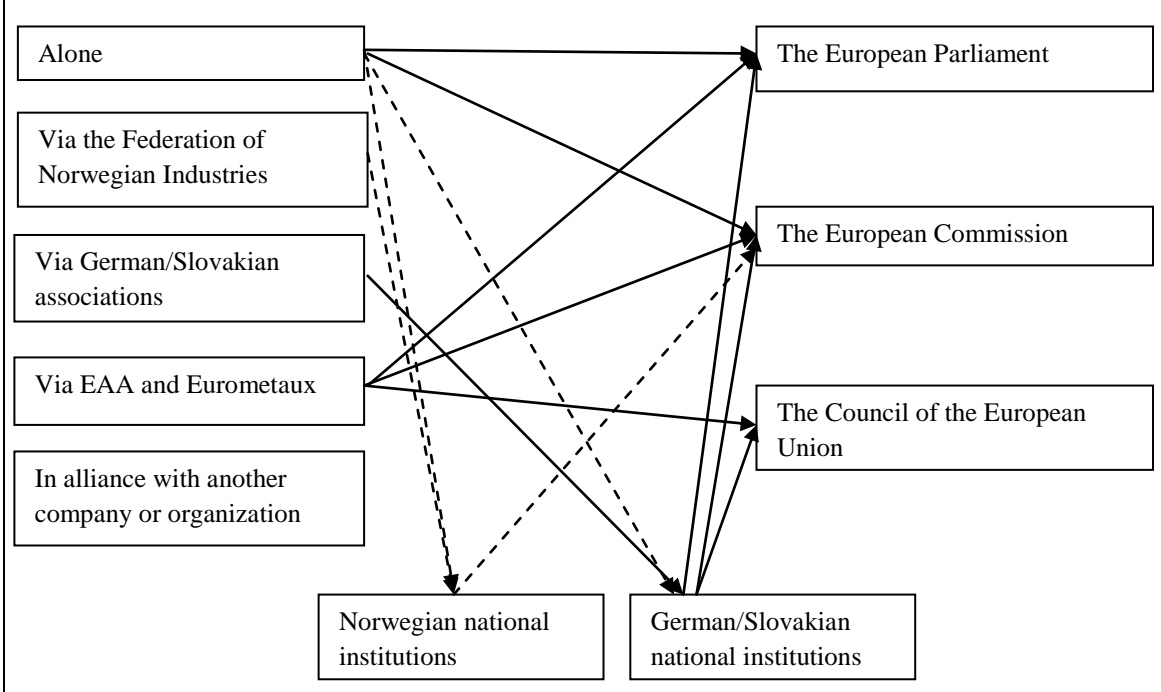
²³ Although the Directive did not mention at that time which sectors were considered as exposed to carbon leakage, it seems that the aluminum sector was quite sure already beforehand that it would be among these, as the EAA expressed satisfaction with the revised directive.

listening post bringing information back to Norway both to firms and authorities (interview 2010).

One option included under the tactics was not relevant for Hydro at all and that is lobbying in alliance with another company or an organization. The reasons for this are that when Hydro has been cooperating with other firms it has been under the umbrella associations, for example the EAA. E.g. when Hydro met politicians or officials together with another aluminum company, it was always on behalf of the EAA (interview 2010). The Hydro representative expressed that *“I don’t think that we have been in situations, where we would need an alliance with another company on a specific issue”* (interview 2010).

When it comes to the targets, the Commission stands out, because *“they make the rules”* and *“they are doing the formulation of the legislation”* (interview 2010). Therefore it was crucial for Hydro to follow the policy-making process from the beginning. The lobbying actions intensified somewhat after the Commission put the proposal forward, but the change was not prominent. Lobbying after the proposal took a more specific form: *“When you get the proposal, it is easier to say that this we need to change. /.../ Then you have an objective that this needs to be changed from this to that”* (interview 2010).

Figure 6.1. Lobbying routes of Norsk Hydro



* *The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.*

Based on the above, it can be concluded that Norsk Hydro used the following lobbying routes most:

- Direct lobbying towards the Commission, but also towards the European Parliament.
- Lobbying via the European associations towards all of the European institutions, but especially towards the Commission.
- Lobbying through national associations in Slovakia and especially Germany at the national institutions there.
- Lobbying via German and Slovakian institutions was targeted towards all the EU institutions.

There was also lobbying activity through these lobbying routes:

- Lobbying alone towards German (and also to some degree Slovakian) authorities
- Lobbying via the Federation of Norwegian Industries was conducted on the national level but it was least relevant of all the routes used

5.2 Norcem – the fastest way to the heart of the EU goes through a parent and international cement friends

Norcem is the only cement producer in Norway and is part of the HeidelbergCement Group. In 2007 Norcem's revenue was approximately 1.4 billion NOK. Norcem has two cement plants in Norway (Norcem, not dated: 4). Norcem is a member in the Federation of Norwegian industries as well as in CEMBUREAU. As the only cement producer in Norway, Norcem represents Norwegian cement production in international associations.

Norcem has been active in the climate related policy-making processes since the nineties as cement production results in high emissions. Therefore Norcem chose to be involved early in the policy-making discussions concerning Norway's connection to emissions trading. The EU ETS's design as such has been relevant due to high emissions from cement production but not as much as implementing the EU ETS in Norway. Especially of high importance was achieving the same rules in Norway as in the European Union due to the competitive situation of Norcem in relation to cement producers in EU countries (interview 2010). The company sees the necessity for the tougher EU ETS scheme compared to the first and second phase

from the viewpoint of the environmental effectiveness and the need for reducing emissions. Nonetheless, the company representative noted that the stricter rules from 2013 will definitely have consequences both for Norcem and the European cement production in general (interview 2010).

Norcem particularly used the following lobbying tactics during the revision process – lobbying via CEMBUREAU and via the Federation of Norwegian Industries. The “CEMBUREAU route” was considered to be the most important tactic of all because the cement producers managed to agree and thus interests and views on the ETS could be represented as inherent to the entire industry (interview 2010). The relevance of “speaking with one voice” is illustrated well in a following statement by the company representative: ” *These associations, if they can’t present a common view, they can’t play their role any more*” (interview 2010). Apparently, CEMBUREAU did manage to combine different opinions inside the cement industry. There was extensive contact between CEMBUREAU and Norcem. Norcem receives often requests for feedback from CEMBUREAU and is clearly satisfied with CEMBUREAU’s work on representing their interests during the revision of the EU ETS. At the same time most of the lobbying work through CEMBUREAU is either coordinated with or conducted via HeidelbergCement’s Brussel’s office. There is contact between Norcem and HeidelbergCement in Brussel several times a week in the form of phone calls, e-mails, web/telephone conferences, and sometimes face-to-face meetings (interview 2010). Feedback and information to CEMBUREAU is thus coordinated between the different subsidiaries to HeidelbergCement, which points to the importance of “speaking with one voice” not only for associations, but also for related companies. However, there was also direct contact between Norcem and CEMBUREAU, but only about a couple times a month and mostly via telephone and e-mail (interview 2010).

The lobbying route via CEMBUREAU was targeted at all of the EU institutions, while it is difficult to say from Norcem’s viewpoint at which institution the lobbying efforts were targeted most. This decision was done to a large degree at CEMBUREAU, which followed the policy-making process tightly (interview 2010). CEMBUREAU felt that the EU had not taken into account different problems from the pilot phase when starting with the EU ETS review (CEMBUREAU 2007b: 9, 13). In 2007 CEMBUREAU had extensive contacts with the Commission and especially with the DG Environment, but also to some degree at the European Parliament and with the Presidencies (CEMBUREAU 2008: 16). EU ETS was one of the main issues and therefore CEMBUREAU participated actively in the consultation. The

proposal for the new directive was not seen as satisfactory and thus CEMBUREAU stated the significance of continuing with lobbying efforts (ibid: 19). During 2008 CEMBUREAU focused extensively on participating in the debate on the design of the new directive and especially the second half of the year saw extensive work on demonstrating that cement production must be considered exposed to carbon leakage (CEMBUREAU 2009: 19). CEMBUREAU participated also in the revision process with other energy intensive industry sectors and took part of two formal position papers contributed to the Commission (The Key Stakeholders Alliance for ETS Review 2007; Alliance of Energy Intensive Industries, CEFIC & IFIEC, 2007) and provided also a separate position paper (CEMBUREAU 2007a).

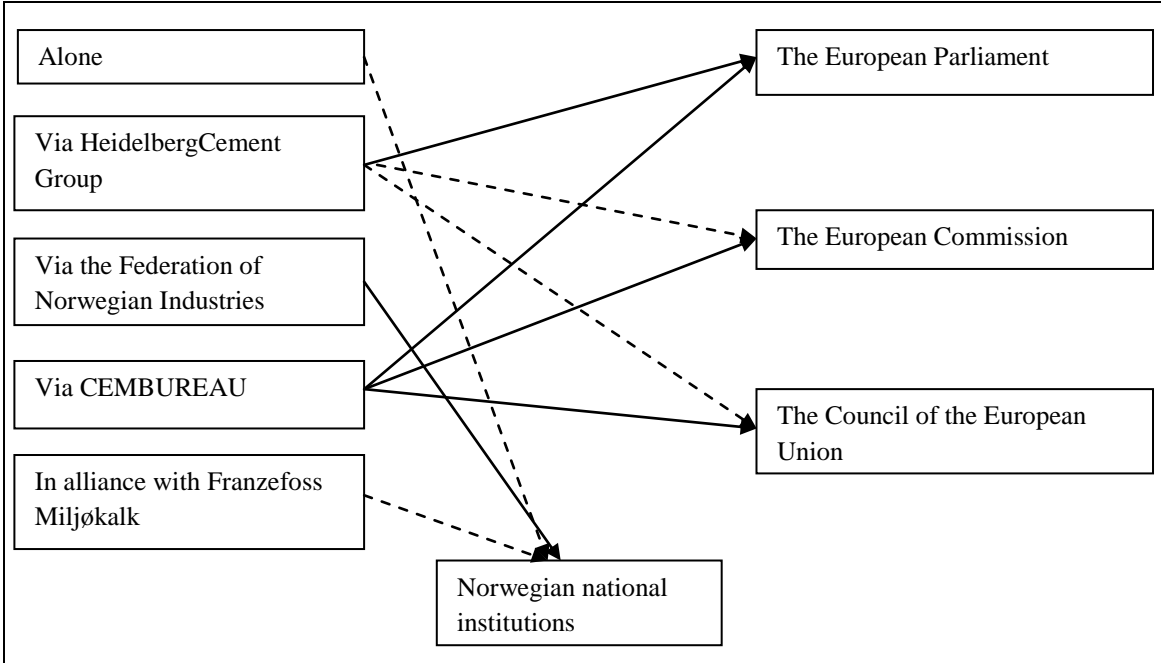
In Norway, Norcem lobbied at the national institutions first and foremost via the Federation of Norwegian Industries. Also for Norcem the issues discussed in Norway had to do with linking Norway to the EU ETS under equal rules: *“It has been all the time Norcem’s view, and here we follow the Federation of Norwegian Industries, we shall not have it easier than the EU, we shall not have it tougher, we shall have the same rules”* (interview 2010). As the issue under discussion was of national character, lobbying at the national level was not conducted to have interests represented further at the European level. Nevertheless, it only took place to a small degree through Norwegian authorities’ contacts in the European Union. It was not considered relevant: *“In some questions they [EU] listen to us [Norway], but I don’t think this question is one of them. In the matters of energy and fishing, then they listen to us”*(interview 2010).

Norcem was not very active in direct lobbying in Norway. However, as many other industries, Norcem is visited by Members of the Norwegian Parliament (especially before the elections). At such occasions Norcem always made sure to mention the “EU ETS issue” with specific focus on linking Norway to the ETS with a “level playing field” (interview 2010).

Norcem as a company did not undertake any direct lobbying at the European level and it does not have an office in Brussels that would deal with governmental or EU affairs. However, it is important to note that the mother company HeidelbergCement Group that has an office in Brussels working with European affairs conducted direct lobbying actions at the European level. Even then lobbying actions were usually coordinated with CEMBUREAU. HeidelbergCement Group undertook most direct lobbying at the European Parliament, although there was also direct contact with the Commission and the Council (interview 2010).

In addition, Norcem cooperated in conducting lobbying in Norway with the lime industry, mainly with Franzefoss Miljøkalk. This alliance was created because the lime and cement industry face similar challenges in the EU ETS due to similar technological processes and a large part of the emissions are process-related (interview 2010). Lobbying in alliance was targeted at the politicians and officials both at the wider national level and at the local level in areas where the companies had production plants. That was complementary to activities in the Federation of Norwegian Industries, but always coordinated with them. The coordination took the form of Norcem and Franzefoss informing the Federation before and after the meetings about topics and results (interview 2010).

Figure 6.2. Lobbying routes of Norcem



* The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.

All in all, it can be concluded that Norcem used especially certain lobbying routes:

- Via CEMBUREAU all of the European institutions were lobbied and it not possible to state which of the EU institutions was prevalent in this route.
- Via HeidelbergCement Group that engaged in most lobbying at the European Parliament, although it also had contact with the Commission and the Council.
- Via the Federation of Norwegian Industries at the national institutions.

Also the following lobbying routes were used:

- In alliance with Franzefoss at the national institutions.
- Lobbying alone at the national institutions.

5.3 Cementa AB – subsidiary and team player

Cementa AB is the only cement producer in Sweden and a subsidiary to HeidelbergCement. In 2007 Cementa's revenue was 1.8 billion SEK, which at that time was about 1.56 billion NOK. Cementa has three cement production plants in Sweden (Cementa AB, not dated: 4). Cementa is a member in CEMBUREAU, where it represents Swedish cement production, as there is no cement association in Sweden.

The EU ETS has been all the time an issue of high importance for Cementa as it is both affected directly due to high emissions from production and indirectly due to (rising) power prices. Therefore Cementa has been participating in and following the policy-making from the very beginning. It was crucial for Cementa that cement was considered to be a sector exposed to carbon leakage, because both the direct and indirect effect of the ETS without free allocation would quite probably have resulted in plant closures (interview 2010). Cementa was active during the revision process and especially two tactics stand out – lobbying via national associations and via CEMBUREAU.

The most important tactic for Cementa was lobbying through the national associations at the national level during the revision process. That took place firstly with the Swedish Plastics & Chemicals Federation, which is an association for plastic and chemical manufacturers and suppliers. Secondly, Cementa has been cooperating with SveMin, which is an association for mining, metal and mineral producers. Cementa has been involved in these organizations due to several reasons. First, since Cementa is the only cement producer in Sweden there is no cement association. Secondly, Cementa has common views and faces similar issues with these industries regarding the EU ETS. The Swedish Enterprise, which is an umbrella association for the private sector in Sweden, was not used as a lobbying tactic. It combines very different sectors and thus Cementa's interests "*would get very diluted*" (interview 2010). Thirdly, SveMin and Swedish Plastics & Chemicals Federation have very competent experts working on the issues of emission trading. Swedish officials and politicians who represent Sweden in different EU institutions, especially representatives from Swedish ministries, also approached

these associations. They asked for knowledge because there is not always extensive information flow from the EU institutions to Swedish national institutions (interview 2010).

Lobbying through the national associations was targeted first towards national institutions. However, the national institutions functioned sometimes as tactics as lobbying was targeted via these to the Council and to the EP. Lobbying via national institutions was the main route to the Council, because it was not possible to go directly to the Council: *"The ministries are participating in the Council /.../, we can't go directly to the Council, we have to go through the ministries. I think it is because we can lobby on a certain level /.../ but then they close the doors and have to decide/.../"* (interview 2010).

Lobbying via CEMBUREAU was another extensively used lobbying route. Lobbying via CEMBUREAU is beneficial because it takes a significant workload from the companies as they analyze EU documents, prepare feedback, gather data and opinions from their members. Such activities would be too burdensome for a single company (interview 2010). Secondly, using CEMBUREAU provides a possibility of "speaking with one voice" and thus the entire European cement industry is represented, which gives more clout to their views. Lobbying via CEMBUREAU was targeted most towards the Commission. When Cementa lobbied via CEMBUREAU, the actions were usually coordinated with other companies from HeidelbergCement. HeidelbergCement has assembled an expert committee that discusses the ETS issues before participating in the CEMBUREAU. Cementa was very satisfied with CEMBUREAU's work during the revision of the EU ETS (interview 2010).

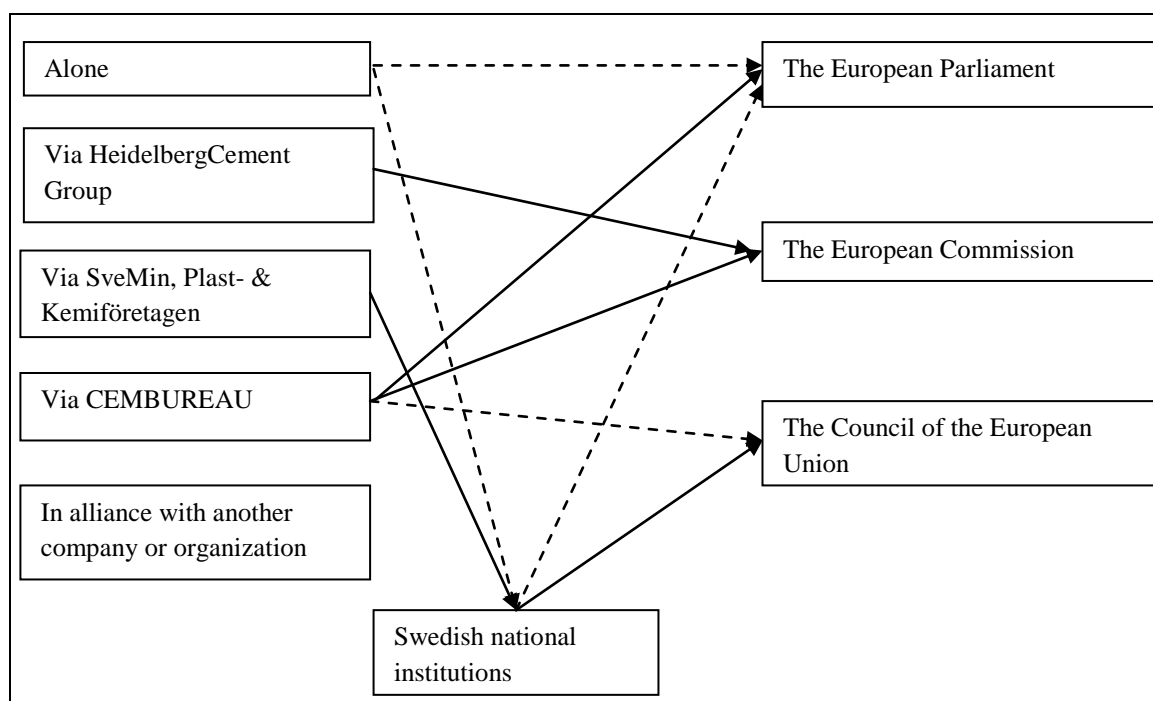
The decision on how to act and where to lobby was to a large degree taken at CEMBUREAU, but they acted on the behalf of the companies. During the revision CEMBUREAU also asked Cementa to directly contact Swedish MEPs. Lobbying so late in the policy-making phase was not easy (interview 2010). CEMBUREAU had prepared a list on items that were to be voted on in the EP and Cementa then provided the Swedish MEPs with their opinions and information. On the other hand, such activities were considered as both being too late in the policy-making process and incompatible with the Swedish tradition. This is well illustrated by a humorous note from the company representative: *"In Sweden we don't like coming this late and try to strangle: 'You must vote this way!'"* (interview 2010).

Cementa rarely used lobbying alone either at the European level or at the national level and Cementa has no office in Brussels that would work with government affairs. On the other

hand, Cementa's lobbying was coordinated via HeidelbergCement's office and then according to the representative, it was targeted at the Commission.²⁴ As mentioned before, direct lobbying by Cementa was somewhat used at the European Parliament upon request of CEMBUREAU. In Sweden, there were some contacts between the top management and Swedish politicians, but only on special issues (interview 2010).

Lobbying in alliance with another company or organization was not relevant for Cementa. The cooperation on the EU ETS took place already under national associations where the probable allies were present. However, in the early years of the EU ETS there was cooperation with lime industry in Sweden (interview 2010).

Figure 6.3. Lobbying routes of Cementa



* The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.

In conclusion the lobbying routes used by Cementa were the following:

- Lobbying via national associations at the national institutions
- Lobbying via national institutions was targeted especially at the Council, but also at the Parliament.

²⁴ The Norcem representative mentioned that lobbying via HeidelbergCement was targeted at all EU institutions and most at the Parliament; the discussion of this finding and implications is presented in section 5.7.2.

- Lobbying via CEMBUREAU was targeted at all the EU institutions and particularly at the Commission. While lobbying at the EU level, the lobbying actions were to a large degree coordinated with other companies from the HeidelbergCement.
- Via HeidelbergCement at the European Commission.
- Direct lobbying took place to some degree both at the national institutions and the European Parliament.

5.4 Svenska Cellulosa Aktiebolaget – teaming up everywhere

SCA is a large Swedish pulp and paper manufacturer and produces consumer goods such as tissues, diapers and personal care products. In 2007 SCA's revenue was approximately 107 billion SEK, which at that time was about 92 billion NOK (SCA 2008: 18). Most of SCA's sales and assets are in Europe (SCA 2008: 82). SCA is a member of the Swedish Forest Industries Federation and in other national associations in countries where SCA has manufacturing. At the EU level SCA is a member in CEPI, directly and through the Swedish Forest Industries Federation. SCA has also an office in Brussels that works with EU affairs (interview 2010).

The main concern for SCA was the indirect effect on power prices. When the EU ETS started in 2005, the impact on power prices was quite strong but the market collapsed in early 2006. Prior to the functioning of the EU ETS SCA had expected CO₂ prices of around 40 Euros per ton. During the collapse the prices fell significantly, in the end of April 2006 the CO₂ prices started to fall and stabilized around 15 Euros per ton. The prices fell further in 2007, reaching rock bottom around 1 Euro per ton and remained at this level until the end of the year and started to rise slowly towards the end of March 2008 (European Energy Exchange 2010). Looking back, in 2007 and 2008 there was less focus on lobbying on the ETS than it should have been. In a way the European paper industry “*slept in class*” (interview 2010). Nevertheless, lobbying activities were undertaken by SCA.

SCA used particularly two tactics – lobbying via CEPI and via the Swedish Forest Industries Federation. The latter was at that period more important as a tactic than lobbying actions through CEPI. Lobbying has been mainly conducted via these associations from the start of the EU ETS (interview 2010).

CEPI was used to gain enough clout at the European level: *"To really be strong as an industry we need to act together on the European level and this is through CEPI"* (interview 2010). The representative for SCA attended meetings in CEPI about 4 times a year and there is communication almost every day between SCA and CEPI, mostly via e-mail. The SCA representative participated in the "Climate Change and Energy Committee" where main EU ETS issues are discussed and this division was created in 2007 (interview 2010). SCA participates in different committees in CEPI and is represented both as a company and as the Swedish Forest Industries Federation's representative. When it comes to the issues of the ETS, all actions are first coordinated with the Swedish Forest Industries Federation and when the company representative was participating in the energy committee, he was representing the Federation (interview 2010).

SCA is satisfied with CEPI's work in this issue. There were some differences of opinions between the companies, but *"at the end of the day, we have managed to agree"* (interview 2010). The European paper companies differ in raw material supply, paper types produced and mill types, therefore the opinions on the ETS were somewhat diverging inside CEPI. In spite of these differences the various opinions were merged when designing common positions and CEPI was extensively used in lobbying. CEPI's work was targeted at all the EU institutions, and then mostly to the Commission and least to the Council (interview 2010). CEPI has a good network and a good standing in the EU and the initiative for contact takes place both ways – CEPI contacts the EU policy-makers and the policy-makers do also contact CEPI (interview 2010).

CEPI has not provided any overview of their lobbying activities and contacts in any of their reports during that time; therefore it is difficult to provide any additional information on which institutions were lobbied by CEPI. However, CEPI was part of two formal position papers contributed to the Commission in cooperation with other energy intensive industry sectors (The Key Stakeholders Alliance for ETS Review 2007; Alliance of Energy Intensive Industries, CEFIC & IFIEC 2007).

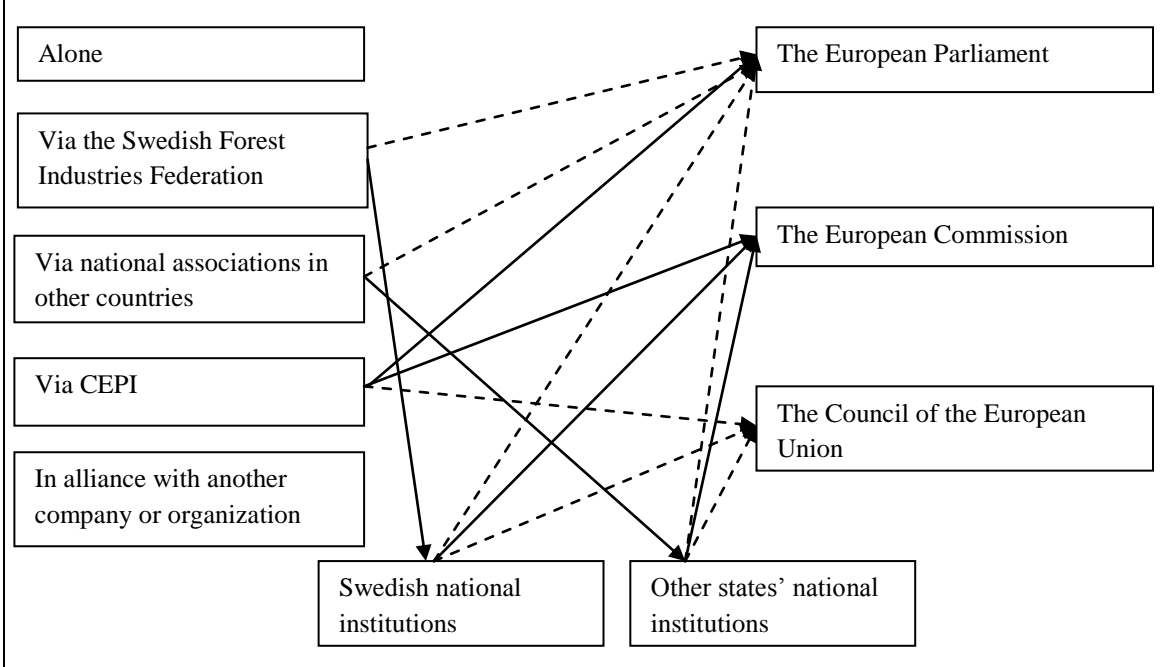
There are extensive contacts between the SCA and the Swedish Forest Industries Federation, they meet at least four times a year and e-mail almost every day. In addition to participating in CEPI, the Swedish Forest Industries Federation was also used for lobbying national institutions and authorities in Sweden as well as the European Parliament. The same can be said about SCA's lobbying via national associations in other countries. When the national

institutions were lobbied, these functioned as targets on issues that were of national character, but were used as tactics for representation at all the three EU institutions considered here. Most important of these was the Commission, because it was seen as the policy designer (interview 2010).

Lobbying alone has not been relevant because the associations are useful tactics, and because a solitary approach is costly and lacks clout: *"I cannot complain about any of those associations. /.../ It is important for us as companies, you cannot have people working full time on lobbying in our business. It is something that costs money and you don't have such resources in this type of business"* (interview 2010). The forest and paper industry is not large in Europe, both in terms of turnover and people employed. Companies from this sector have more clout when joining forces (interview 2010).

It is also important to note, that there were some differences in the lobbying routes used between 2007 and 2008. In 2007 the focus was more on the national association – the Swedish Forest Industries Federation, while towards the end of the 2008, the focus shifted more towards CEPI (interview 2010).

Figure 6.4. Lobbying routes of SCA



* *The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.*

In conclusion, the following lobbying routes were used by the SCA during the revision of the EU ETS:

- Lobbying via Swedish Forest Industries Federation in Sweden and national associations in other states was targeted towards the European Parliament.
- Lobbying via CEPI was targeted at all of the EU institutions, but especially at the Commission.
- SCA lobbied through the Swedish Forest Industries Federation towards the national institutions in Sweden and through national associations in other countries towards the national institutions there. On topics related to the EU ETS in general lobbying via national institutions was targeted further at all of the EU institutions.

5.5 SSAB AB – together and a bit alone

SSAB is a Swedish steel manufacturing company. In 2007 the total revenue of SSAB was 47.7 billion SEK (SSAB 2008: 7), which at that time was about 42 billion NOK. SSAB has four steel mills, two in Sweden and two in North America (interview 2010). SSAB is a member of the Swedish Steel Producers' Association in Sweden and EUROFER in the EU. SSAB has not an office in Brussels that would work with EU affairs.

The EU ETS has been a significant issue for SSAB as steel productions' use of coal, coke, oil natural gas, and liquefied petroleum gas in the production process results in high emissions (SSAB 2008: 23). In Sweden the steel production is iron ore based (SSAB 2010). Iron ore is reduced by coal in blast furnaces and carbon dioxide is formed as a by-product (SSAB 2008: 23). Although SSAB's production of steel at the world's forefront when comparing to other steel production in terms of low emissions of carbon dioxide per ton of steel (ibid), it has high emissions nonetheless and therefore SSAB also prioritizes the work on reducing emissions (interview 2010). The problem for SSAB is that current technology does not allow for much further reduction of direct emissions. This was the reason why SSAB advocated for a benchmarking system and they would have preferred an allocation of post-production allowances (interview 2010).

SSAB used three tactics during lobbying on the revision of the EU ETS – lobbying directly, via EUROFER and via the Swedish Steel Producers' Association. Most important of these was EUROFER, although the company representative noted that is important to be active

through all the channels and at all possible levels. Lobbying in alliance with another company was not used as a tactic as the most probable cooperation partners were other steel companies with which SSAB already cooperated in the Swedish Steel Producers' Association and EUROFER (interview 2010). SSAB did not have a separate opinion from EUROFER, as the steel industry in Europe was very united on the issue of the EU ETS. The common concern for all the steel companies was the risk of ending up with a scheme that would force the steel industry out of Europe. SSAB is satisfied with EUROFER's work on the issue of the EU ETS and it did participate in EUROFER both directly and through the Swedish Steel Producers' Association. SSAB would have preferred being able to be more active inside EUROFER by attending more meetings and giving more feedback on different drafts, but such activities were limited by the few people working on the issues of the EU ETS in SSAB (interview 2010). On the other hand, when the Swedish Steel Producers' Association is participating in EUROFER, they always have SSAB's position. Sometimes it is also beneficial to participate through the Swedish Steel Producers' Association: the Swedish industry is then perceived as united and has a stronger voice in EUROFER (interview 2010). There was direct contact between SSAB and EUROFER every week, mostly via-email. Lobbying via EUROFER was targeted at the European Parliament and the Commission. The latter was the most important target for EUROFER.

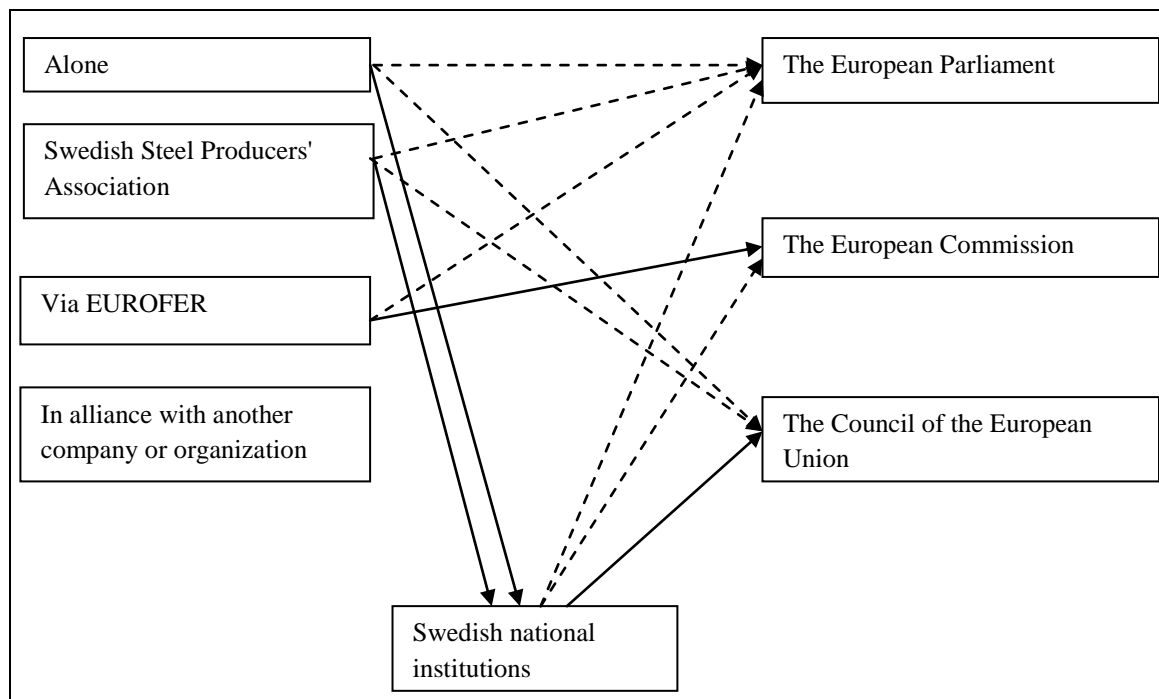
After the Commission initiated the revision of the EU ETS, EUROFER became very active in its advocacy activities. It proposed an alternative "Baseline and Credit" system to the EU ETS in March 2007 that according to their yearly report was better at providing a level playing field in competition with other steel producers outside of Europe (EUROFER 2008: 18). It is in fact a position that EUROFER has had all the time. As a reply to the Commission's Green Paper on emission trading in 2000, EUROFER very specifically emphasized the need to avoid distorting competition (EUROFER 2000). During 2007 it became clear that the EUROFER's proposed alternative did not gain enough support, because "*the Commission and Member States were too wedded to a cap-and-trade system, which had the political attraction of setting out the reduction target in advance*" (EUROFER 2008: 18) and thus the efforts were turned to advocating a benchmark system. To do so effectively, EUROFER cooperated with other European level industry associations (EUROFER 2008: 18). Two joint position papers were put forward in 2007 with several other industrial European associations (The Key Stakeholders Alliance for ETS Review 2007; Alliance of Energy Intensive Industries, CEFIC & IFIEC 2007). When the Commission put forward the proposal for the revised directive in

January 2008, EUROFER was dissatisfied with it. Especially because the criteria for free allocation to sectors exposed to carbon leakage and the means to protect the competitive situation of industries remained undefined (EUROFER 2008: 19). The lobbying work thus continued. EUROFER was quite satisfied with the final directive as it provided clarified criteria for defining sectors exposed to carbon leakage and clear statements that those would receive free allocations based on their benchmarks and also the possibility of free allocation for waste gases (EUROFER 2009: 17). Although EUROFER does not mention it implicitly, it seems that it did lobby all the institutions during the revision process. For example, in 2007 it reported having extensive meetings with the Commission and Member States (EUROFER 2008: 17) and in 2008 having good access to all key political players (EUROFER 2009: 17).

As pointed out above, SSAB was very active in the Swedish Steel Producers' Association and as the largest steel producer in Sweden it had a good standing in the association. There was contact between the Swedish Steel Producers' Association and SSAB at least every week by phone calls and e-mails as well as occasional meetings. The CEO of SSAB is the chairman of the Council in the Swedish Steel Producers' Association. Lobbying via the Swedish Steel Producers' Association was targeted to the national institutions and also to the Council and European Parliament's Swedish representatives. Among these three the Council was the most important target (interview 2010).

Lobbying alone was least important of all the three tactics used while it was first and foremost targeted at the national institutions, but also towards the European Parliament and the Council. It is important to note that when the national institutions were lobbied either directly or via the national association, it was sometimes done with the aim that the national authorities would represent SSAB's interests further and sometimes not. When the topic was more of a national character, such as issues related to implementation the EU ETS in Sweden, the national institutions were lobbied as a final target; when the issues were related to the design of the scheme or the allowances allocated to Sweden that had to be approved by the EU, the national institutions were used as a tactic for gaining access to the all the EU institutions and specifically to the Council (interview 2010).

Figure 6.5. Lobbying routes of SSAB



* *The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.*

All in all, it can be concluded that the following lobbying routes were used by SSAB:

- First and foremost lobbying was conducted via EUROFER that lobbied at the European Parliament and especially at the Commission.
- Lobbying through the Swedish Steel Producers' Association was targeted both at the European Parliament and the national institutions.
- National institutions were sometimes used as a tactic and lobbying via these was targeted at all of the EU institutions, but especially at the Council.
- Lobbying alone was targeted at the national institutions, the European Parliament and the Council.

5.6 Norske Skog – modest in its lobbying

Norske Skog is a Norwegian paper manufacturer that produces newsprint and magazine paper. In 2007 Norske Skog had total revenue of 27 billion NOK (Norske Skog, not dated: 2) and in 2007 it owned 18 mills worldwide. Eight were in Europe and of these three in Norway (Norske Skog, not dated: 13). By 2010 this had been reduced to 13 mills, of which seven in Europe – three in Norway and four in other countries (interview 2010). Norske Skog is a

member of the Federation of Norwegian Industries in Norway and through this federation also a member in CEPI. Norske Skog has not been significantly economically affected by the EU ETS in the present period. The main effect from 2013 is expected to be on power prices but also on the number of allocations that must be bought in the period 2013-2020 (interview 2010). Norske Skog does not have an office in Brussels.

During the revision process, there were two main topics that Norske Skog focused on – design of the revised directive on the one hand and linking Norway to the EU ETS to get a “level playing field” with producers in the EU on the other hand. Norske Skog saw the need for a stricter revised scheme, because there was clearly a too generous allocation for the period 2008-2012 incompatible with the goals the EU had set (interview 2010). For Norske Skog the EU ETS has been only an addition to their internally set goals for cutting emissions: *“We decided early that when it comes to climate change, industry has to take the lead. We can in no way sit and wait for the politicians to agree”* (interview 2010).

Norske Skog was involved in lobby activities during the revision of the EU ETS and used two tactics especially – lobbying via the Federation of Norwegian Industries and via CEPI. Working through CEPI is the most effective lobbying tactic at the European level for Norske Skog because as Norway is not a member in the EU, CEPI provides an important channel into the EU. The company representative noted that CEPI did conduct lobbying activities at all of the relevant EU institutions, although it was difficult for him to say which of the EU institutions was targeted most by CEPI (interview 2010). However, the representative for SCA told that CEPI lobbied most at the Commission. Norske Skog is represented in CEPI through the Federation of Norwegian Industries and the CEO of Norske Skog is on the CEPI board. Work on the EU ETS also took place in different committees in CEPI and the Norske Skog representative participated in the Environmental Committee on behalf of the Federation of Norwegian Industries. This means that Norske Skog was directly involved in the discussions in CEPI. The EU ETS was discussed at meetings about 4-5 times a year. This was complemented with communication by phone calls and e-mails (interview 2010). Due to differing paper production²⁵ among the European paper companies, there were several discussions inside CEPI. But these discussions did not destroy the cooperation inside CEPI,

²⁵ For example Norske Skog paper production is based on mechanical pulp, which requires more energy than chemical pulping. In addition, the energy use depends on whether recovered fibre is used (interview 2010).

because *“everybody realized, that if we want to achieve something, we have to reach an agreement”* (interview 2010).

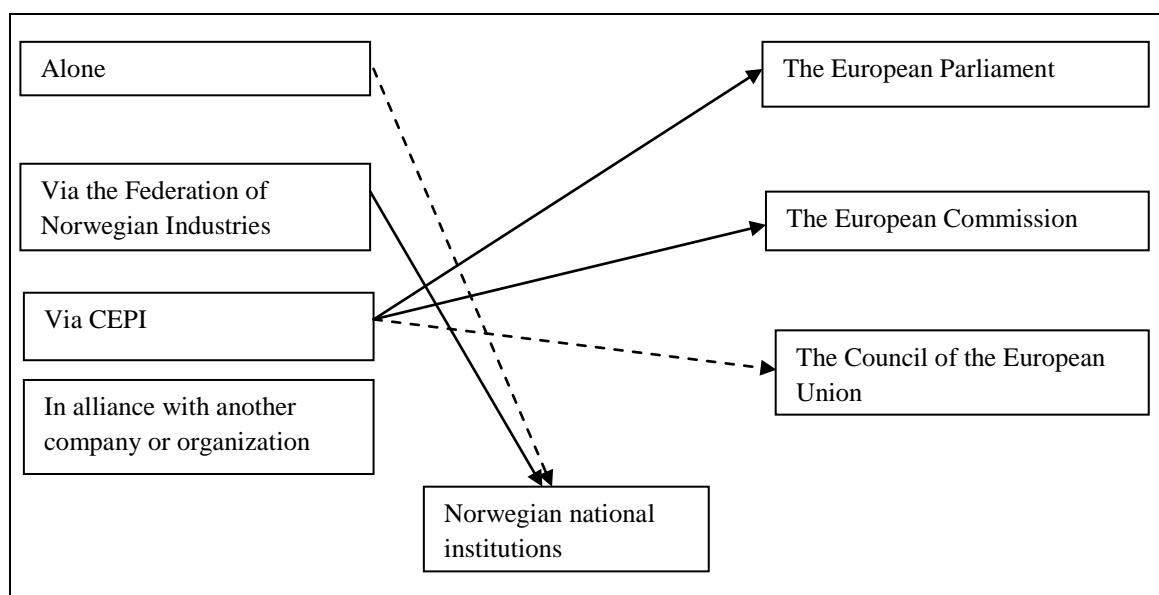
When Norske Skog lobbied through the Federation of Norwegian Industries, it was exclusively targeted at the Norwegian institutions and these were not used for representing Norske Skog’s views further to the European Union. This was due to the fact that Norway is not a member of the European Union and thus the national institutions do not have the so good possibilities to influence the decision-making in the EU (interview 2010). It is important to note that the issues discussed at the Federation of Norwegian Industries and at CEPI were divergent also for Norske Skog, with a discussion in Norway on linking Norway to the EU ETS with a “level playing-field”. That was a crucial issue not only for Norske Skog, but also for all the other companies active in sectors that were included in the EU ETS (interview 2010). Norske Skog is very satisfied with the Federation of Norwegian Industries’ work on the EU ETS issues and cooperated actively in this association with other companies. The association’s possibility to influence the political process in Norway was considered to be good: *“They are at least heard, politicians listen to them. Whether they decide [as the Federation of Norwegian Industries prefers] or not, we have to wait and see. But they have an open dialogue with the politicians”* (interview 2010). There will always be some differences of opinions inside the Federation of Norwegian Industries. These were due to sectoral differences and did not interfere with the cooperation possibilities (interview 2010).

Lobbying alone was not significant for Norske Skog at the European level because a company like Norske Skog that is mostly based outside of the European Union and small at the global level, would not be heard. This is illustrated by the company representative’s comment on the question if there are companies that are able to lobby the European Union alone: *“Yes, if you are Pepsi or Coca Cola”* (interview 2010). However, Norske Skog lobbied towards Norwegian authorities at meetings at different levels alone or together with other pulp and paper companies, but always with statements that were in line with the Norwegian federation. Such lobbying should be seen thus complementary to lobbying via the Federation of Norwegian Industries and it was used to a much smaller degree than lobbying via the Federation, however the company representative considered such activities both as lobbying via the Federation and alone (interview 2010).

Lobbying in alliance was not a relevant option, because the companies that would have been the natural cooperation partners were already present in the Federation of Norwegian Industries and all cooperation in Norway took place under this association (interview 2010).

It is also important to note that although Norske Skog has mills in EU countries, such as in Germany, France, the Netherlands and Austria, it did not lobby via these. The company representative mentioned however that such activities are possible. It has just one mill in each of these countries and thus is a small player. Furthermore all national associations are already represented in CEPI (interview 2010).

Figure 6.6. Lobbying routes of Norske Skog.



* *The straight line marks the most-used lobbying routes, while the dotted line marks routes that were also in use, but not as important as the others.*

All in all, Norske Skog used the following lobbying routes:

- Lobbying via CEPI towards all the EU institutions.
- Lobbying via the Federation of Norwegian Industries was targeted at Norwegian institutions.
- Lobbying alone was targeted at the national institutions, but it took place less frequently lobbying via the previously mentioned collective tactics and it was always done with common positions to the Federation of Norwegian Industries.

5.7 Similarities and differences between lobbying routes used by companies

Above the lobbying profiles of each of the companies were drafted. To complete the picture on how the firms studied in this study lobbied, below the main similarities and differences between the companies are pointed out together with a general comparison of lobbying tactics used at the EU level.

5.7.1 Similarities

All the companies expressed the importance of using all the possibilities available and lobbied through different routes. At the same time, the companies did not use exactly the same routes when lobbying on the EU ETS.

The lobbying tactic that was used by all companies extensively was lobbying through their EU association. Lobbying through the European associations was targeted at the EU institutions and apparently most towards the Commission. It is interesting to note that for several companies it was difficult to express which EU institution was lobbied most via their respective EU association, since the associations are extensively involved in planning and executing the advocacy plans. Nevertheless, the interviewees were clear that all activities are conducted on the behalf of the members (interviews 2010).

Another common trait for all the firms studied here was the extensive use of the national associations. Lobbying via these was first and foremost targeted at the national institutions, while SCA and SSAB also lobbied through their respective national association at the European Parliament. With the exception of Norsk Hydro lobbying via national associations was either the most or second-most important tactic after lobbying via the European associations.

When the companies used national associations, they did not use all existing ones. None of the companies, neither in Norway nor in Sweden, considered the national umbrella associations as the Confederation of Norwegian Enterprise (NHO) in Norway or the Confederation of Swedish Enterprise as a tactic.

Among the six companies only Norcem reported lobbying in an alliance with the lime sector and even then that was only an additional tactic that was used to some degree in Norway

(interview 2010). For all the other companies the option of lobbying in alliance was challenging to understand. They explained that their possible partners were already working with them in the associations. None of the companies cooperated with non-commercial actors in lobbying, although stating the reasons why such option was not relevant is not possible, it was just regarded as irrelevant (interviews 2010).

Lobbying alone was used by five companies. In general, it was seen as a complementary tactic with less relevance than lobbying via associations.

5.7.2 Differences

As noted above, all companies used multiple lobbying routes. However, the number of used routes varies. One lobbying route consists usually of a tactic and of a target, but sometimes also national institutions were used as a tactic as lobbying via national institutions was further targeted at the EU institutions. If one is to count all the used lobbying routes mentioned by the firms as depicted on the schemes in the form of arrows²⁶, there are large differences between companies. The list based on descending number of used routes is as follows: SCA and Norsk Hydro each used 13 routes²⁷, SSAB 11, Cementa 9, Norcem 9, and Norske Skog 5.

The most striking difference between the used lobbying routes of the Swedish and Norwegian companies studied here is in what kind of a role the national institutions have. For Norwegian companies the national institutions were the target, but for the Swedish companies the national institutions also functioned as a tactic when issues related to the whole EU ETS were discussed and the national institutions were used for contacting all the EU institutions.

Another difference between the companies is that Norsk Hydro and SCA lobbied also via national associations and institutions in other countries where they have production.

Lobbying alone was used by five of the companies, but only three used it at the EU level. For Norsk Hydro lobbying alone at the EU institutions was one of the main tactics and used first and foremost towards the Commission, but also to some degree the Parliament was lobbied directly. For Cementa, lobbying alone was used rarely at the EU level and then towards the

²⁶ Counting the lobbying routes by the arrows separates the routes lobbying at the national institutions and from them as the “input” and “output” is counted separately. This is further explained in section 3.2.3.

²⁷ Here I have counted the use of national associations and national institutions in Germany and Slovakia together for Norsk Hydro. If I were to disaggregate these, the difference would be even larger.

European Parliament. SSAB did also some direct lobbying at the EU level towards the Parliament and at the Council. It is important to note, that according to SSAB and Cementa if direct lobbying was undertaken at the European level, it was targeted at the Swedish representatives there (interviews 2010).

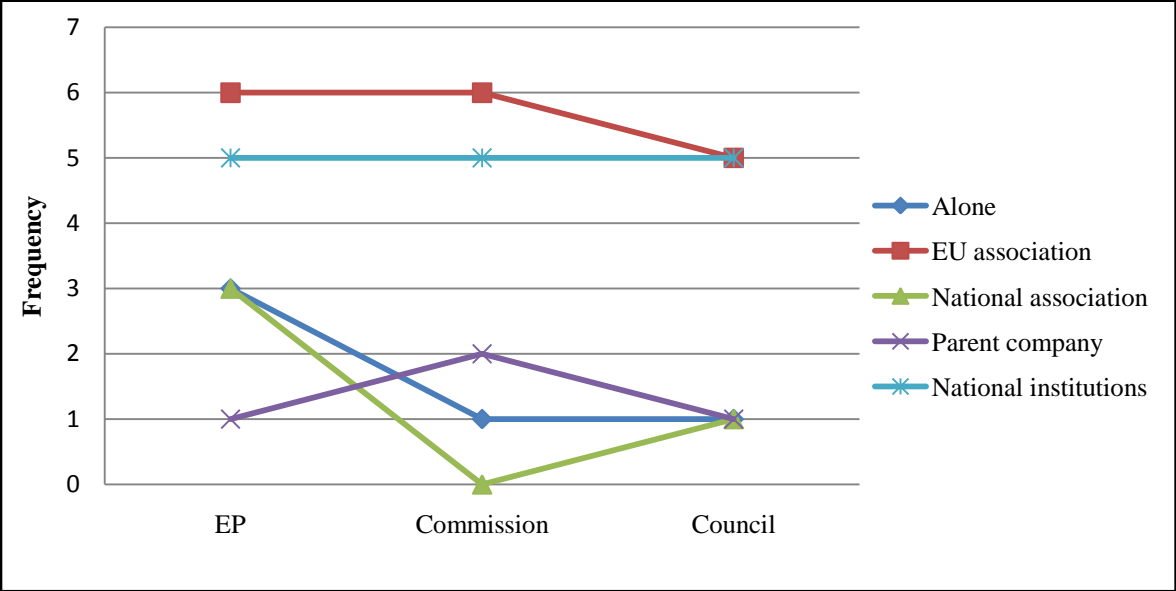
Related to lobbying alone is another interesting finding, namely that Norcem and Cementa both reported that their parent company HeidelbergCement was engaged in lobbying directly at the European level. The representative from Cementa said that HeidelbergCement had contact with the Commission, while the representative from Norcem told that HeidelbergCement was in contact with all of the EU institutions and most with the European Parliament. It points to the possibility of the collected data not being entirely correct. There was a limit to how extensive contact I could have with interviewees' with respect to their available time. Clearing it out would have meant presenting the difference of answers to both representatives of Norcem and Cementa. As the companies are related it was anticipated that in addition to taking too much time and one of the representatives could probably just agree with the other. On the other hand, it is also possible that Norcem perceived the importance of HeidelbergCement as a lobbying tactic much higher and as providing access to different EU institutions, as it did not have the possibility of lobbying at the EU alone or via its national association Federation of Norwegian Industries. For these reasons I decided to use this somewhat diverging information as it is.

5.7.3 Firms' use of the tactics at each of the EU institutions

Earlier in this chapter the lobbying profiles of each of the company were established. It is useful to establish a more general picture on which tactics were used and at which institutions to further understand the role of each tactic in lobbying at the EU institutions. These are depicted in figure 6.7. (see also table Appendix b). In the figure the national institutions and lobbying via the parent company are also represented for depicting these comparatively with other tactics. When a company has used one tactic twice for lobbying at a certain institution, it is also counted twice – Norsk Hydro lobbied the Commission both via Norwegian and German/Slovakian national institutions, SCA lobbied at the EP both via national associations in Sweden and in other EU member states. Thus lobbying via national associations and institutions in Sweden or Norway is separated from such activities in other states, but not further by the other countries for parsimony. I have neither separated the lobbying via national

institutions according to the original tactics that were used for lobbying at the national institutions, thus the national institutions are depicted as tactics.

Figure 6.7. Frequency of using each tactic towards each of the EU institutions



The most common tactic used at the EU level was lobbying via EU associations. It is also interesting that the second most used tactic at the EU level was lobbying via the national institutions, because it was used only by one of the three Norwegian companies – Norsk Hydro and then mostly in Germany and Slovakia, while all the three Swedish companies lobbied at the EU level via national institutions. Thus it seems that some tactics are more suitable for lobbying at the EU level than others. In the next chapter the possible influences on the differences and similarities among firms’ lobbying routes are discussed.

6 The role of some causal factors

The mapping of firms' lobbying routes in this study uncovered some similarities and differences between companies. How these can possibly be explained in the Norwegian and Swedish context and what the factors are for using one or another lobbying route will be explained in this chapter.

In the theory chapter two main hypotheses with one sub-hypothesis under each were established based on various research on EU lobbying. These hypotheses are used as guidance for discussing possible influences on firms' lobbying.

Hypothesis 1: Swedish and Norwegian firms differed in lobbying routes due to originating from a EU member state or non-member state.

Hypothesis 1.1: Norwegian firms used more direct lobbying at the EU level than their Swedish counterparts due to their outsider status in the European associations and the lack of a "member state patron" in the EU institutions.

Hypothesis 2: Larger firms used more different routes than smaller firms.

Hypothesis 2.1: Larger firms engaged in more direct lobbying at the EU level than smaller firms.

The following analysis will first discuss differences between Swedish and Norwegian companies by focusing on the first two hypotheses. Secondly the size of the company will be scrutinized by addressing the two next hypotheses. Thirdly, some other possible influences are discussed under the hypotheses when these seem to have been relevant alternative explanations, but also separately to analyze some expected (such as policy-phase and conflict in the EU associations) and unexpected influences.

6.1 Norwegian outsiders and Swedish insiders?

6.1.1 Norwegian and Swedish firms' use of lobbying tactics and access to EU institutions

Hypothesis 1: Swedish and Norwegian firms differed in lobbying routes due to originating from a EU member state or non-member state.

This hypothesis was developed based on Eising (2007) and Bouwen's (2002b) somewhat conflicting studies, which was a consequence of Eising's focus on the supply-side (firms and associations) and Bouwen's on the demand side (EU institutions) in studying lobbying. Both authors studied private interests lobbying at different EU institutions. Eising (2007) studied how often and at which institutions firms, national associations and EU associations take contact, whereas Bouwen (2002b) focused on which organizational form of interest representation the three EU institutions prefer to consider. Although their results differ, they indicate that some tactics are more used or more suitable for lobbying at certain targets. Because Norwegian firms might encounter problems when using certain tactics, it can also mean that they have less access to some EU institutions.

The use of each of the tactics by Norwegian and Swedish companies will be outlined below for evaluating if the hypothesis is supported or not among the companies investigated in this study. In the theory chapter one specific hypothesis about differences between Swedish and Norwegian companies in the use of direct lobbying was established. This is a suitable starting point for discussing differences and similarities between the Norwegian and Swedish firms as there seems to be a lack of literature that would discuss how firms from non-EU member states use other tactics besides direct lobbying.

Lobbying alone

Hypothesis 1.1: Norwegian firms used more direct lobbying at the EU level than their Swedish counterparts due to their outsider status in the European associations and the lack of "member state patron" in the EU institutions.

Of the Norwegian companies included in this study, there was only one company that used direct lobbying towards the EU institutions, Norsk Hydro. Neither Norcem nor Norske Skog lobbied alone at the EU level. In comparison, two of the Swedish companies lobbied the EU institutions alone, Cementa and SSAB.

Contrary to the hypothesis, the Norwegian firms studied here used less direct lobbying at the EU institutions than Swedish firms. Seen in the light of Bernhagen and Mitchell's (2009) study, their suggestion that firms from outside of the EU use more direct lobbying (and they especially noted Norwegian firms) does not seem to fit here. In fact, they found EU membership's positive effect on firms' direct lobbying, but considered it a result of lack of commercial activity in the EU in their quantitative study. As the EU ETS was considered an

important issue by the Norwegian firms and they did lobby via EU associations at the EU level, it is questionable that there was a lack of interest from the firms' side. Also, the representatives for Norcem and Norske Skog both told that they could not address EU institutions directly (interviews 2010). Therefore Bernhagen and Mitchell's (ibid) conclusion that due to the lack of a national patron in the EU the firms from outside of the EU would develop their own lobbying capabilities does not find much support in this study. The fact that they studied the world's 2000 largest firms (year 2005) may have played a role, however. Norcem and Cementa were not included in that list – whereas Heidelberg was. And most of the firms they studied were in general much larger than the firms studied here²⁸ (Forbes 2005). The findings here rather support Hamada's (2007) conclusion that Japanese firms struggled with gaining direct access to the EU institutions.

Information from interviews with the Swedish companies supports the previous interpretation of these findings because when the representatives of Cementa and SSAB discussed direct lobbying, they focused on the Swedish EU representatives (interviews 2010). One of the interviewees stated that it would be very odd to lobby representatives from other EU states than Sweden (interview 2010). SSAB lobbied alone at the EP and the Council, and Cementa at the EP. Norsk Hydro's direct lobbying was targeted at all of the EU institutions, but especially at the Commission. Although I do not have information on which country representatives they lobbied, it points to the possibility that due to their non-member status in the EU and absence of a "member state patron", Norwegian firms were less able to lobby directly at the EU and had less access to the Council and the Parliament. That the European Parliament was the most frequently accessed by direct lobbying is a somewhat surprising finding. Previously, the European Parliament has been described as less open to companies than to environmental NGOs (Gullberg 2008b: 2967; Lenshaw 2005: 315; Pedler 2002: 114). Moreover, the EP is, at least in principle, not organized according to member states as the Council is, but according to parties. How common such differences are in direct lobbying at the EU level among Norwegian and Swedish firms, or generally among firms from inside and outside the EU, would certainly be an interesting research topic for the future.

²⁸ For example Norsk Hydro ranks 959th and SCA 454th according to their composite ranking (Forbes 2005).

Lobbying via national associations

Lobbying via national associations was a tactic that was used by all companies. They also emphasized it as a very important tactic (interviews 2010) when lobbying at the national institutions, regardless of whether they originated from Norway or Sweden. However, while none of the three Norwegian firms used the Federation of Norwegian Industries for lobbying at the European institutions, two of the Swedish firms lobbied via their national associations at the EU institutions²⁹ (interviews 2010). These were SCA and SSAB and via their respective national associations the former reported lobbying the European Parliament and the latter the European Parliament together with the Council (interviews 2010).

These findings can most probably be explained by EU membership, or the lack thereof. First, as Norway is not a member in the EU, the Federation of Norwegian Industries has a role of a listening post in the EU to inform the policy-makers and companies in Norway about the developments in the EU (interviews 2010). Additionally, it is doubtful that the Swedish national associations were used for lobbying other states representatives' in the EP and the Council as the national associations represent clearly companies in their home country, in this case Sweden. It is also interesting to note that neither SCA nor SSAB lobbied the Commission via their national associations. Although it is too far-fetched to pose any certain claims based on the limited findings here, these seem to at least to some degree support Bouwen's (2002b) findings that of the three EU institutions, the Commission is the least open to national associations. At the same time Eising (2007: 394) found that national associations do have frequent contact with the Commission, if not more often than with the Parliament, and least with the Council³⁰. Thus the limited findings in this thesis rather support Bouwen's research than Eisings' results on which institutions are lobbied via national associations.

These findings also suggest that Norwegian firms had not only less access to the EP and the Council when lobbying directly but also when lobbying via their national associations, since the Norwegian Federation of Industries was not used for lobbying at the EU institutions at all. The Federation of Norwegian Industries seems to be short of legitimacy vis-à-vis EU institutions, whereas the Swedish associations could be targeted at the Swedish

²⁹ It is possible that Cementa did that too; however, the representative of Cementa did not have a possibility to go over the company profile that is the base for the analysis before this thesis went to print.

³⁰ As he studied firms' contact on different levels in EU institutions, it is difficult to establish the difference between frequency of contacts with the Commission and with the Parliament.

representatives in the EP and the Council. National identity appears to be strong in these institutions.

But before turning to analyzing a next tactic, it is interesting to note that not all the national associations were used for lobbying to the same degree. During the interviewing process it became clear that the Swedish companies did not use the Confederation of Swedish Enterprise and Norwegian firms did not lobby via the Confederation of Norwegian Enterprise (interviews 2010). The reasoning was quite uniform; these organizations are too big and represent too many interests, including conflicting ones. One Swedish interviewee put it bluntly when he explained that they would not work much via the Confederation of Swedish Enterprise, because they represent all kind of interests, including power producers. Energy intensive industries' interests are at odds with power producers when it comes to the EU ETS: *"Power industry of course gained a lot from different activities and we paid"* and thus via that organization they would not be able to convey a clear message (interview 2010). Greenwood (2003: 64) stated that the EU associations' ability to benefit their members depends on shared interests inside the association. The same can apparently be said about the national associations in this case. Such differences in the use of different types of national associations also points to the need to differentiate between narrower national sectoral associations and more general umbrella organizations as tactics when studying lobbying.

National institutions: tactics for Swedish, targets for Norwegian companies

Although all the companies used national associations to lobby at the national institutions, the role of these in firms' lobbying routes varied considerably between the Swedish and Norwegian companies.

When Swedish companies lobbied Swedish national institutions, the national institutions functioned often as a tactic because lobbying via these was conducted towards the different EU institutions. This was clearly not the case for the Norwegian companies. Lobbying via Norwegian national institutions to the European institutions rarely took place. One Norwegian company, Norsk Hydro, did lobby extensively via national institutions in Slovakia and Germany at all the EU institutions, but not much via Norwegian institutions, whereas SCA lobbied at the EU level both via national institutions in Sweden and in other countries (interviews 2010).

It does not imply that the Norwegian politicians and officials never raised EU ETS issues with their colleagues from the EU institutions or member states. Rather it should be understood as that the firms were not seeing nor using the national institutions as relevant means for participating in the policy-making at the EU level. Based on the interviews conducted, there are at least two possible reasons that can explain why Norwegian firms lobbied the Norwegian national institutions as a final target. Firstly, there was an additional issue in Norway under debate – how to link Norway to the EU ETS. On the other hand, it is also possible that Norwegian politicians and officials just do not have the same access to the EU institutions and thus unable to represent Norwegian firms' views further.

During the interviews in Norway, it became clear that one very crucial issue for all the companies was linking Norway to the EU ETS. When asked about how the EU ETS has influenced the firms and what were important issues, linking Norway always came up (interviews 2010). The process of linking Norway to the EU ETS is briefly summarized below.

After the adoption of the Kyoto Protocol in 1997 Norwegian officials started to examine possibilities for emission trading. However, linking Norway to the EU ETS took longer than planned and Norway was finally linked to the EU ETS from 2009 (Gullberg 2009).³¹ The process of linking Norway to the EU ETS brought discussions both inside the government and between the policy-makers and different companies and organizations. In the end of 2006 Norway had asked the EU for a possibility of allocating fewer free allowances to the Norwegian industry than in the EU, and from 2013 to auction all allowances in Norway. This caused the industry in Norway to react and the administrative director Stein Lier-Hansen in the Federation of Norwegian industries called it a disaster (Ask 2007). There was no consensus inside the government either, as the Socialist Left Party of Norway (*Sosialistisk Venstreparti*) was supporting the auctioning while the Norwegian Labour Party (*Det Norske Arbeiderparti*) wanted to follow the EU rules (Mathismoen 2007). The government did not manage to fulfill its own promises that Norway would be linked to the EU ETS from 2008. Still, in 2008 there was a discussion on how the ETS should look like in Norway. Apparently

³¹ Norway started its own emission trading that took place in 2005-2007. It was in fact quite narrow in scope as only 10 percent of Norwegian greenhouse gas emissions were included. A key reason was that the Norwegian Parliament was concerned about Norwegian industries' competitive position. There was also a voluntary agreement between Norwegian industries and the Ministry of Environment to further reduce emissions (Presterud, Torvanger & Vevatne 2005).

Norway had designed a stricter national allocation plan that did not follow the EU ETS. The Minister of Finance (Kristin Halvorsen from the Socialist Left Party) had again confirmed that Norway will not have any free allocations from 2013 and there was no planned allocation to new installations in Norway contrary to the EU ETS. Such issues caused again the industry to strongly criticize the government's plans and sluggishness (Lier-Hansen 2008).

Therefore it is not surprising that during the interviews in Norway, the interviewees emphasized that achieving the "level playing field" in relation to producers in the EU was extremely crucial. Several of the interviewees expressed their dissatisfaction with the Norwegian policy-makers since it was unclear for a very long time how the system in Norway would be and because linking with the EU ETS was postponed (interviews 2010). As one interviewee phrased it: "*If there is something the industry does not like it is uncertainty*" (interview 2010).

In Sweden on the other hand, there was not such a difference in the issues discussed at the national level. When asked what the important issues were, the interviewees emphasized more specific design elements of the EU ETS from the period of 2012, such as for example allocation regimes, rules for deciding if a sector is exposed to carbon leakage and so on (interviews 2010). Thus it seems that in Norway the national arena was very much occupied with an internal debate of how to link Norway to the EU ETS and there was no more room to discuss how the EU ETS should be designed at the EU level.

However, as mentioned before, the Norwegian officials and politicians do not have the access to the EU institutions to the same degree as their Swedish counterparts do. For example one Norwegian interviewee stated that "*Norway does not have a channel into the EU*" (interviews 2010) and another interviewee told that on this issue Norway does not have a say in the European Union (interviews 2010). However, the representative for the Federation of Norwegian Industries also pointed out that Norwegian officials and politicians could take a more active stance and communicate more with EU institutions since they tend to automatically see Norway as outside of the EU (interviews 2010). It is also possible that there was a lack of either will or ability inside the national institutions to represent the industry's views further at the EU level.

Interestingly, this issue has gained some public interest lately. In November 2010 the media criticized Norwegian ministers for not focusing enough on EU politics and even downplaying

Norway's possibilities. Of 25 high-level meetings Norwegian ministers were invited to, they attended only 6 according to *Aftenposten* (Aale 2010). Provoked by this strong criticism, Minister of Foreign Affairs Jonas Gahr Støre explained that Norway makes its EU policy also in other arenas than just at EU minister meetings since Norwegian ministers have to sometimes choose other duties than travelling to meet EU ministers (Støre 2010). Of course, there are many ways for political communication, but it is questionable that those other arenas can be so much more useful than high-level meetings. Another question is that if such ministerial meetings are not prioritized, how little attention is given to following more everyday politics in the EU among the ministries? When describing the process of linking Norway to EU and criticizing the slowness and designing a plan, that was not accepted by the EU, one interviewee told that: *"The EU issues, these are not prioritized. It is a "left-hand" duty to some junior officials in many cases"* (interview 2010). It was also indicated that Norwegian authorities do not actively seek to use less informal communication channels and rather use only the formal channels that come into effect late in the policy-making processes (interview 2010).

In general the Swedish firms studied here lobbied via national institutions at all the European institutions, and for two of the firms (Cementa and SSAB) lobbying via national institutions was most targeted at the Council. Thus the Norwegian firms probably had less access than Swedish firms to all of the EU institutions and especially to the Council due to lack of representation through the national institutions.

The European associations

Absolutely all the companies reported lobbying via their respective European associations (interviews 2010). Lobbying via the European associations was also a tactic that was used for lobbying at most targets in general. SSAB lobbied via EUROFER at the Commission and the European Parliament, while for all the other five firms lobbying via their respective European associations was targeted at all the three EU institutions (interviews 2010). However, it seems that the Commission is the most common target when firms lobby via the EU associations. When discussing with the interviewees which EU institutions were lobbied via the European associations four out of six interviewees reported that most contact took place with the Commission (interviews 2010). However, three representatives also noted that even though there was most contact between the Commission and EU association, it does not mean that the Commission is more important than the other targets – more time allocated to an

institution does not necessarily mean that institution is more important than others (interviews 2010). The European associations were seen as useful tactics for several reasons. Firstly, because the EU associations have duties that would be too difficult for a single company to conduct alone, such as monitoring policy and organizing feedback to the EU institutions. Secondly, to make one's voice heard at the European institutions it is important to be represented together with the entire industry (interviews 2010).

Therefore, the claim that the EU associations are "slow and sluggish" (Mazey & Richardson 2006: 255) does not gain much support here. In fact, the EU associations were used extensively as a lobbying tactic even though the associations had varying number of members ranging from 19 to 69 and thus certain differences of opinions could have been anticipated. Nevertheless, none of the companies noted any conflict in the association that would have influenced how they conducted their lobbying³² (interviews 2010). As discussed in the methodology chapter earlier, firms might have been reluctant to share information on internal disagreement within EU associations. If there was any conflict among an association's members, it cannot have had much influence on firms' lobbying via the EU associations because the use of these was so prevalent.

Other tactics – not all differences are due to EU membership

So far one of the tactics has not been discussed: lobbying in alliance. The reason is that it was only used by Norcem. In addition to lobbying via the Federation of Norwegian Industries, Norcem also conducted lobby activities in alliance with the lime industry and mostly with Franzefoss Miljøkalk. Such activities were complementary to lobbying via the Federation of Norwegian Industries and always coordinated with the latter. The base for such an alliance was similar interests that originate from a similar technological production process and high direct CO₂ emissions (interviews 2010). For the rest of the companies, lobbying in alliance was not relevant and the most usual reasoning was that they already cooperate with their possible alliance partners inside the national associations or European associations (interviews 2010).

³² However, it appears that at least one of the EU associations is experiencing quite serious conflict in 2010. At some point after the revision one cement company, Holcim, turned to disagreement with most other companies inside CEMBUREAU. They disagree with others on benchmarking and actively lobby alone and separately from the associations. This made one interviewee comment that at this point CEMBUREAU is playing music with a false key (interviews 2010).

Therefore it has to be concluded that although lobbying in alliance might be sometimes a useful tactic also at the European level and increase credibility to the presented positions (Coen 1999: 30) and make it easier to win a majority in the European Parliament (Gullberg 2008b: 2969), the firms studied here did not see lobbying in alliance as a relevant option. Lobbying in alliance was not seen as a better alternative to lobbying via national and EU associations. Lobbying in alliance outside of the associations with another company may possibly be seen as undermining the collective lobbying efforts and as disloyalty, since lobbying “together” was repeatedly emphasized during interviews.

During the process of conducting this study, it became also clear that some companies possess exclusive tactics. Norcem and Cements lobbied via their parent company HeidelbergCement Group and Norsk Hydro and SCA via national associations and institutions in countries where they have operations.

Some first conclusions about the influence of originating from an EU member state

Based on the above mentioned it can be concluded that Hypothesis 1 is supported among the companies studied as Norwegian and Swedish firms did differ in their use of tactics and, as a consequence, also in which institutions they targeted. Norwegian firms did encounter more difficulties than their Swedish counterparts when lobbying during the revision of the EU ETS. This is supported by several findings. First, Norwegian firms’ lobbied less alone at the EU level and therefore Hypothesis 1.1 was not supported. Secondly, Norwegian firms lobbied also less via national associations than Swedish companies. Lobbying less alone and via national associations seem to result in less access to all of the EU institutions, and especially to the European Parliament and the Council. Secondly, Norwegian firms did not lobby at the EU level via Norwegian national institutions while Swedish firms did so via theirs. This seems to be resulting also in less access to all of the EU institutions and especially to the Council. There are three main probable reasons to why Norwegian national institutions were almost exclusively seen as lobbying targets. First, the domestic “lobbying arena” was filled with a discussion on linking Norway to the EU ETS. Secondly, the Norwegian national institutions could not have been used for gaining access to the EU institutions because Norway is not a member and Norwegian politicians and officials have less access to EU institutions. Thirdly, there also seems to be a lack of ability or will by Norwegian officials to represent Norwegian firms’ interests further at the EU level.

Nonetheless, there are also some similarities among the Swedish and Norwegian companies since the EU and national associations were used in general extensively. It also appears that for Norske Skog and Norcem, the use of the EU associations in lobbying can be understood as particularly important tactics because these functioned as the main path to access the EU institutions. Secondly, since national associations were important tactics for all the companies (even though how lobbying via these was targeted differed between Swedish and Norwegian companies) and lobbying alone was generally not a prevalent tactic (with the exception of Norsk Hydro), it points to the importance of being represented collectively both at the national and European level. It seems to be both because of the authorities preferring to hear wider positions and because of resource sharing among the companies.

In addition there are also some differences that are not related to EU membership. Namely, that some companies used tactics simply unavailable to other firms – lobbying via a parent company or via national associations and institutions in more than one country.

Although originating from a EU country seems to have an influence on which lobbying routes firms' used during the revision of the EU ETS, it did not explain all the differences between the companies. To gain further insight, the influences of company size are discussed next.

6.2 Resources decide?

In chapter 3 I raised two hypotheses related to the size of the company that in my thesis is measured by annual revenue in 2007. Below the reasoning for each of the hypotheses and findings among the companies studied in this thesis are given.

Hypothesis 2. Larger firms used more different routes than smaller firms.

This hypothesis was developed based on various research. Eising (2007) found that large firms³³ have more contacts with different EU institutions than European and national associations have. This suggests that large firms have either more resources to be used for lobbying or are actively consulted by the EU institutions for feedback. Coen and Dannreuther (2003) assert that not all firms have resources for activities at the European level and that SMEs have especially struggled in participating in the policy-making processes. For these

³³ Firms in his study were all labeled large, as he did not differentiate between firms with different sizes.

reasons I anticipated that larger firms would use more lobbying routes as they seem more capable of both direct lobbying and establishing a presence at the European level.

To analyze if the findings support this hypothesis, it is useful to see, if the ranking of companies by revenue follows the ranking of companies according to the number of lobbying routes used.

Table 6.1. *Company size and number of lobbying routes*

Ranking of firms according to size (revenue in billion NOK)		Ranking of firms according to the number of used lobbying routes (number)
1.	Norsk Hydro (94)	Norsk Hydro (13)
2.	SCA (92)	SCA (13)
3.	SSAB (42)	SSAB (11)
4.	Norske Skog (27)	Cementa (9)
5.	Cementa (1.56)	Norcem (9)
6.	Norcem (1.4)	Norske Skog (5)

Firstly, this ranking follows the size of the companies, with one exception – Norske Skog used the smallest amount of different lobbying routes. If the hypothesis was to be supported fully, it would have used more lobbying routes than Norcem and Cementa. Secondly, we should not overlook the fact that Norske Skog used the least routes among all the companies and this could be also due to originating from a non-EU country, Norway. Thirdly, it is also interesting to note that both Norsk Hydro and SSAB used many lobbying routes and were followed by the cement companies. This makes it possible that there were also some sectoral influences. At the same time, this explanation loses some of its explanation power as one paper company is on the top of the list and one on the bottom based on the number of lobbying routes used. All these aspects are discussed below.

SCA and Norsk Hydro were able to use that many routes because of their production in other countries, which allowed them use both national associations and national institutions in these countries for lobbying. Most of the other companies did not have such possibilities. Production and revenue is related since more production provides more revenue. Cross-border production was put forward by Coen (2007: 339) as a reason for companies gaining insider status in the Commission. Based on the limited findings here, it seems that the cross-border production also influences the number of available lobbying routes for the companies. If we leave out the lobbying routes used in other countries, then Norsk Hydro and SCA are both left

with 8 lobbying routes only. The role of lobbying via national associations and institutions in other countries would be even more emphasized if lobbying in each of the countries would have been considered separately, not aggregated, as chosen in this study to retain parsimony. But also Cementa and Norcem lobbied via a tactic that was not available for other companies – via their parent company HeidelbergCement Group. This tactic is not related to their size, but to the size and cross-border production of HeidelbergCement. It has subsidiaries in other countries, which in turn provides the subsidiaries with possibilities to lobby via their parent company.

However, the company size and cross-border production come short when trying to explain why Norske Skog used the least lobbying routes among the companies studied here. Norske Skog has also production in other countries, but lobbying via these has not been relevant, because the production is small compared to other paper companies in these countries (interviews 2010), which suggests that for a foreign company it is easier to lobby via national associations in other countries, if the production there is large. However, Norske Skog's precise motivation not to lobby via national associations in other countries remains unclear. Norske Skog is a Norwegian company and it is not large enough to lobby alone and thus lobbying via CEPI provided better possibilities for lobbying at the EU level (interview 2010). That points to the factor of originating from a non-EU country Norway. Norske Skog could not lobby via the Federation of Norwegian Industries who was only a listening post. There was lack of access to the EU level also via national institutions as discussed in section 6.1.1. Therefore, the lack of lobbying routes for Norske Skog was probably due to Norway not being a member of the EU.

It is also possible that there were some kind of sectoral influences on companies' direct lobbying during the revision of the EU ETS as metal producers were followed by cement companies according to the number of lobbying routes used. Although this explanation does not explain why SCA used so many lobbying routes and Norske Skog so few. The EU ETS might be in fact of different importance for the companies studied in this thesis. For example, the representative for Norsk Hydro stated that the issue of the EU ETS is so important that they have to act and use all relevant possibilities (interview 2010). It also fits with the observation that their main effort in lobbying was at the EU level, as the design of the EU ETS can be assumed to be more important than linking Norway to the scheme. Also the representative for SSAB stated that it is important to try to participate in the policy-making at all levels and that the EU ETS has all the time been a very crucial issue. He also expressed

surprise that so many of the energy intensive industry sectors are defined as prone to carbon leakage together with steel (interview 2010). The representative for Norske Skog noted that they so far they have been influenced by the EU ETS just to a small degree. However, they also considered it an important issue from the period of 2013 (interview 2010). The representative for SCA explained that they and the rest of the European paper industry did not perceive the issue of EU ETS so pressing back in 2007 and 2008 due to low CO₂ allowance prices. Looking back, they admittedly don't consider this a wise decision anymore (interviews 2010).

The emissions from the sectors studied are likely to vary considerably. The comparison is challenging due to an absence of reliable or comparable data by individual sector. Here I use data from Sandbag (2010a), although it excludes aluminum production and combines cement and lime as well as steel and iron production. In 2009 the emissions in Europe from steel and iron production were over 94 million tons, from cement and lime over 151 million tons, and the emissions from paper production were close to just 28 million tons (Sandbag 2010a)³⁴. Sandbag has also a report on companies that were holding far too generous allowances from the emission trading (Sandbag 2010b). Among the top ten companies measured by surplus of allowances in 2008 and 2009, there are five steel and three cement companies. Therefore it is reasonable to claim that the EU ETS has affected cement and steel sector in general more than paper production in terms of emission quantities and the amount of surplus allowances³⁵.

Norske Skog's low number of used lobbying routes might thus be due to the fact that they did not see the issue as pressing as the other companies. However, same could be said about SCA and they used thirteen lobbying routes, compared to Norske Skog's five, even though SCA admitted focusing too little on the revision of the EU ETS. Thus, although it is plausible that the firms lobbying was influenced by sectoral differences in how much the companies were affected by the EU ETS, it is far from clear if it really was so.

³⁴ I suspect there is better data available but I was unable to find any. The European Environment Agency also combines different sectors in some of their publications. And when the sectors and emissions are aggregated in their annual greenhouse gas inventory reports, it is too technically detailed for reasonable comparison purposes according to my knowledge.

³⁵ Emissions on individual companies were not chosen, because it is reasonable that bigger companies have more emissions and how to define the emissions that are due to larger size so that the emissions would be comparable between the companies was unclear.

Hypothesis 2.1 Larger firms engaged in more direct lobbying at the EU level than smaller firms.

This hypothesis is based on Bennet’s (1999) and Bernhagen and Mitchell’s (2009) findings that larger firms undertake more direct lobbying at the European level and both explain it with better resources that large companies have. Coen (2007: 339) notes that large firms can acquire insider status in the Commission due to their size and cross-border production, which implies that larger firms might be more capable of direct lobbying. To analyze if the findings support this hypothesis, it is useful to divide the companies into three categories according to their size (small, medium and large) measured in revenue and verify which firms used direct lobby at the EU level. Small companies are Norcem (1.4 billion NOK) and Cementsa (1.56 billion NOK); medium are Norske Skog (27 billion NOK) and SSAB (42 billion NOK); large companies are Norsk Hydro (94 billion NOK) and SCA (92 billion NOK). Of course, such a comparison is only feasible among the firms studied here since in general a firm, which revenue is measured in hundreds of millions, hardly can be labeled as small.

Table 6.2. *Company size and direct lobbying*

Company size	Firm used direct lobbying at the EU level	
	Yes	No
Small	Cementsa	Norcem
Medium	SSAB	Norske Skog
Big	Norsk Hydro	SCA

The results in the table 6.2. do not support the hypothesis that larger firms lobby more alone at the EU level than smaller ones. In all of the three size divisions there was one company that had lobbied alone and one that had not. Therefore at least based on the data gathered in this thesis, one can say that the size of the company might not be such a strong influence on firms’ lobbying directly. This contrasts with what one could expect from Bennett (1999) and Bernhagen and Mitchells (2009) results – both studies find a strong positive effect of company size on direct lobbying. It is plausible that belonging to the EU member state has a stronger effect than size, as discussed above, on firms’ decisions to lobby directly.

It is also noteworthy that both metal producers, Norsk Hydro and SSAB, lobbied directly at the European level and the paper producers, Norske Skog and SCA, did not. Thus, the previously highlighted possibility of companies being affected by the EU ETS to a different degree can also influence if the firms chose to lobby directly or not.

6.3 Other explanations

In the theory chapter other possible influences on firms' lobbying routes were identified, in addition to those that were incorporated in the hypotheses. First, conflict in the EU associations and secondly, the policy-phase that can influence which institutions the firms might choose to target when lobbying. When I above discussed the use of EU associations, it was noted that all the companies had used the EU associations extensively in spite of the differences in the number of members and that none of the companies reported any conflict in these associations during the revision of the EU ETS. Rather, the interviewees saw some differences of opinions as a normal part of the process on the way to finding useful compromises (interviews 2010).

To make sure that the policy phase did not affect which institutions were lobbied, this issue was taken into account during the interviewing process. The policy-initiation phase was understood as taking place from the Commission's report on the EU ETS in November 2006 until the proposal for the revised directive in January 2008. The policy-development phase was operationalized taking place from January 2008 from the proposal for the revised directive to the final adopted Directive 2009/29 in December 2008. The results were somewhat unexpected. Namely, it is not possible to identify if the policy-phase had an impact or not for several reasons.

Firstly, for the interviewees it was generally impossible to differentiate between the policy phases. They could not remember which institutions were lobbied at a certain point as it took place several years ago (interviews 2010). Peoples' memories are limited and influenced by psychological processes as for example rationalizing and especially so in complex situations (Andersen 2006: 292-294), which the revising of the EU ETS definitely is. However, it would be one-sided to explain the absence of results only by interviewees' lack of memory. During the interviews it became also clear that even though one can label policy phases in political science, in practice the interviewees could not differentiate between the policy phases because the EU ETS review was perceived as one constant process (interviews 2010). In addition to this, the revision of the EU ETS did not follow the usual co-decision procedure and the three institutions were engaged more with each other in the policy-development phase. This was because the French presidency had requested a trilogue process. That meant that the proposal for the directive was discussed in the three institutions in parallel (Skjærseth & Wettestad 2010: 116) rather than in sequence. It is probable that in such a peculiar policy-making

procedure, the three institutions were more or less equal as lobbying targets especially in the policy development phase.

Furthermore, the research uncovered some possible influences on firms' lobbying routes that had been not considered before data collection. Some of these, such as cross-border production, being a subsidiary to another company, sectoral differences in the EU ETS' impact, were mentioned already. The interviews exposed also two other possible influences that are shortly outlined below.

Two of the interviewees claimed that that the size of a sector both in terms of revenue and people employed also influences how easily a company can lobby alone. This is because the EU policy-makers prefer to include and hear opinions from those who can represent interests on a wider scale (interviews 2010). Related to sector's size is Bennett's (1999) finding that although the company size was the most important factor on firm's conducting direct lobbying, the sector's structure also had an influence. He found that companies from sectors that consist of a small number of large companies use more direct lobbying. Therefore the sectoral differences might also originate from the sector's characteristics.

Secondly, it is possible that there are some differences in company culture. The company representative for SCA noted that in 2009 and 2010 there has been much more focus on lobbying at the EU level. But it has been undertaken via CEPI, not alone. In fact, he couldn't recall a single occurrence of when SCA had been at meetings with the EU policy-makers alone or sent letters or position papers alone (interview 2010). Similarly the representative for Cementa explained that lobbying late in the EU policy-making and trying to influence the MEP's voting is not a preferred lobbying strategy for Swedish firms (interview 2010). This on the other hand suggests that some companies do not see lobbying alone as a suitable tactic. The internal culture of firms might influence how much they undertake direct lobbying. When one of the tactics is excluded due to company culture, automatically several possible lobbying routes are excluded as well, because each tactic can (at least theoretically) be used for lobbying at different institutions.

7 Conclusion

7.1 Summing up the study

The purpose of this thesis was to study how selected firms from energy intensive industries in Sweden and Norway lobbied in the revision process of the EU ETS.

In the background chapter it was shown that firms from the energy intensive industries had participated in the policy-making of the EU ETS from the beginning, while there is only sporadic evidence of how these firms lobbied, at which institutions and what influenced their lobbying choices. Neither was there information on whether the firms from non-EU countries lobbied differently than firms from EU countries. Literature about possible influences on how and where firms lobby is often both scant and conflicting. Especially so when it comes to analyzing firms' from non-EU countries. Therefore the following research questions were established:

1. *How did selected Swedish and Norwegian companies seek to influence the EU ETS revision process? Did they lobby similarly or differently?*
2. *Which factors can best explain similarities and differences in the choice of lobbying routes?*

To answer the research questions I developed a system of lobbying routes as presented in the theory chapter. The approach was chosen to include various lobbying tactics firms can choose as well as the different EU institutions the lobbying firms can target. Analyses that would compare both which institutions firms targeted and how these were accessed is not common in the literature. Although there are exceptions, e.g. Tenbücken (2002). Several theoretical and empirical studies were used as analytical building blocks to design a system of lobbying routes and finding possible influences on which of these routes firms used. Four hypotheses were developed and used to guide the analysis:

Hypothesis 1: Swedish and Norwegian firms differed in lobbying routes due to originating from a EU member state or non-member state.

Hypothesis 1.1: Norwegian firms used more direct lobbying at the EU level than their Swedish counterparts due to their outsider status in the European associations and the lack of a “member state patron” in the EU institutions.

Hypothesis 2: Larger firms used more different routes than smaller firms.

Hypothesis 2.1: Larger firms engaged in more direct lobbying at the EU level than smaller firms.

With this study I also attempted to contribute to the research on lobbying by comparing the Swedish and Norwegian firms’ use of lobbying routes and whether differences can be explained by EU membership, or the lack thereof. The study was limited to three companies in Norway and three in Sweden that represented aluminum, steel, cement and paper production.

The firms’ lobbying profiles, created by means of key-informant interviews with company representatives, were analyzed comparatively by looking both at which tactics and targets the companies used and what could explain their choices. There were both similarities and differences among the companies in relation to their lobbying routes. The limited collected evidence did not allow establishing any far-reaching conclusions; however, there were several findings that will be discussed conclusively below.

7.2 Reasons for similarities between the companies

The most striking similarity among the companies was the extensive use of both EU and national associations. All the companies used their EU associations and national associations as a lobbying tactic. The EU associations were used to lobby at all the EU institutions. When firms lobbied via their national associations they did not use large national umbrella associations, such as the Confederation of Norwegian Enterprise or the Confederation of Swedish Enterprise. They relied only on industry associations as the Federation of Norwegian Industries in Norway, or even narrower industry organizations in Sweden.

The prevalence of collective lobbying is also reflected in the finding that three out of six companies level used lobbying alone at the EU and only Norsk Hydro relied on it extensively. The other two companies (SSAB and Cementsa) saw lobbying alone at the EU level more as a complementary tactic. There was more lobbying at the national level, but even then it was not

seen as more important than lobbying via national associations. Lobbying in alliance was used only by one Norwegian company in Norway and it was seen as an additional option to lobbying via the Federation of Norwegian Industries. Lobbying in alliance is thus not a tactic that is popular among the firms studied; the firms prefer to rather lobby via different associations.

The main conclusion that can be drawn here is that companies prefer to be represented “together with the same interests”. It seems that collective representation is preferred both by the EU and national institutions as during interviews the company representatives emphasized repeatedly that alone they would not be heard (interviews 2010). Such collective lobbying is probably as common because the associations also take a significant workload from the companies. While the EU associations were targeted at the EU institutions the national associations were used most for lobbying at the national institutions. Thus these associations can be seen as primary tactics either at the EU or national level. However, one should differentiate between broad and narrow national associations, as the former were not relevant for the studied firms’ lobbying during the revision of the EU ETS. The reasoning was that these represent too wide and also conflicting interests (interviews 2010). Interestingly enough, the Federation of Norwegian Industries includes also power producers but the Norwegian representatives did not mention any conflict in the organization, nor were there any considerable differences of opinions in the EU associations found (interviews 2010). Either there were no conflicts, or the representatives did not want to disclose them. In the latter case the importance of the associations is even strengthened as then these were used as lobbying tactics in spite of conflicts. Contrary to Mazey and Richardson’s claim about the sluggishness of the EU associations (2006: 255), these were in fact used and valued as a lobbying tactic.

7.3 Reasons for differences between the companies

There were differences between firms’ lobbying routes, both when it comes to the use of tactics and at which institutions companies lobbied. Without a doubt the main finding of this study is that the Norwegian firms differed from their Swedish counterparts based on lobbying tactics used and by which institutions they lobbied at. Therefore the first hypothesis was supported in this study. To my knowledge there is no literature that would study how the differences in lobbying tactics influences the targets that were lobbied while taking account of possible differences between firms. Thus these findings are interesting even though it is not

easy to compare or generalize based on other studies. So which specific differences can be detected and what explains these?

Firstly, Norwegian companies hardly used their national institutions to access the EU institutions while Swedish firms used Swedish national institutions to lobby at the EU level and especially at the Council. This probably weakened Norwegian firms' possibilities for lobbying at the EU institutions. The most probable reasons found that could explain these differences were primarily the Norwegian authorities' lack of access, but also their missing motivation or capabilities to participate in the policy discussions in the EU. It was almost certainly also influenced by the fact that the "Norwegian political arena" was occupied with the debate of how to link Norway to the EU ETS. Thus it is likely that such differences would have been either inexistent or smaller in case Norway right from the start had decided to follow the EU ETS as it was to be designed.

Secondly, the national associations were not used for lobbying at the EU level by the Norwegian companies either, while two of the Swedish companies did. Therefore it can be concluded that Norwegian companies had less access to EU institutions. The access to the European Parliament and the Council in particular was more difficult, as Swedish companies were able to use national associations to lobby at these institutions. This difference seems to come from the Federation of Norwegian Industries' lack of access to the EU level as it has "a listening role" to bring information to Norway only, not to influence the policy-making.

Thirdly, Norwegian companies lobbied also less alone at the EU level, although the difference was not large. The representatives for Norske Skog and Norcem expressed that they were not able to lobby alone at the EU level. The only firm who engaged in direct lobbying at the EU level was Norsk Hydro. However, since Norsk Hydro has also production in other countries, it probably is perceived "more European" than the other two and that was likely to raise the possibilities for direct lobbying at the EU level. All in all, Norwegian companies had less access to the EU institutions due to less direct lobbying. It also shows that the Norwegian companies studied here encountered problems in lobbying directly at the EU level, as anticipated based on Hamada (2007). Bernhagen and Mitchell (2009) suggested that non-EU firms would develop their own lobbying capabilities due to a lack of a "member state patron" in the EU institutions. It is in these assumptions the Hypothesis 1.1 was grounded. However, the hypothesis was not supported here since Norwegian firms in fact lobbied *less* alone at the EU level. Hypothesis 2.1 on the other hand raised the possibility that larger firms lobby more

directly than smaller. This expectation was not confirmed either and thus Bennett's (1999) and Bernhagen and Mitchell's (2009) findings did not gain support here. Lobbying alone was used more by the Swedish companies, and possibly direct lobbying can be also explained by sectoral differences in the level of impact by the EU ETS. This possible explanation originates from the finding that metal producers used direct lobbying, paper producers did not, and that one cement company did and the other did not.

Some other differences between the companies cannot be explained by originating from a EU country. The size seems to have an effect on the amount of lobbying routes the companies used, although it was not directly linked to revenue. The number of lobbying routes seems to be affected by several things. One was the cross-border production of companies – both Norsk Hydro and SCA, who used the most lobbying routes (13), lobbied via national associations and institutions in other countries. Cross-border production and revenue is related, because in general more production also creates more revenue. Coen and Dannreuther's (2003) claim that larger firms have been more able to lobby at the EU level is therefore supported here.

However, the number of used lobbying routes was also influenced by other things. Lobbying in other countries was not available to all the companies. Neither was lobbying via a parent company. This tactic was used by the two cement companies. Consequently it is not just the cross-border production or size of a company per se that influenced how many and which lobbying routes a firm used, but also the cross-border size of the parent company.

However the number of lobbying routes is possibly also influenced by how much the different sectors are influenced by the EU ETS, since the aluminum and steel producers were followed by cement producers according to the number of lobbying routes used. At the same time, it does not explain why one paper company used the least lobbying routes and another one most lobbying routes. The firm with least lobbying routes was Norske Skog and it can be seen as a Norwegian company that experienced all the difficulties in lobbying outlined above without the possibility of compensating these by lobbying via national associations or institutions in other countries or via a parent company. Nevertheless, it is not viable to state if any of these possibilities were more important than others. In addition, I found indications that policy-phase, company culture and general sectoral characteristics might have had an influence on companies' lobbying routes. It was, however, not possible study these in depth here.

7.4 Some proposals for research and practical use

One should be careful to generalize based on a few selected cases, but some suggestions are possible to indicate. Since the Norwegian firms studied experienced difficulties in lobbying compared to their Swedish counterparts, I will first focus on how possibilities for lobbying the EU institutions could be enhanced for Norwegian firms (and perhaps also for other interest groups if they experience similar problems with lobbying). Additionally I raise some suggestions for further research based on the lessons to draw here.

Based on the findings and analysis, it can be concluded that Norwegian firms should use the main available tactic to a maximum degree – the EU associations. Norsk Hydro seems to have done precisely this when it reorganized its internal procedures for participation at the different associations of which it is a member, in order to have the participants from Norsk Hydro be well-prepared and knowledgeable at all the meetings. Such an active stance can have strengthened Norsk Hydro's position also inside the EU associations and contributed to its ability to lobby alone. Secondly, although the Norwegian authorities have less access to the EU institutions, the opportunities to represent Norwegian firms (and other interests) could be increased. EU issues can be emphasized more in the national institutions and instead of taking a position of passive outsiders, an active stance to represent Norwegian interests inside the EU whenever possible should be taken. This is of course only achievable if the Norwegian state defines its policy goals more in line with the firms (or other interests it attempts to represent), as it clearly was not the case during the process of linking Norway to the EU ETS.

To come to the EU ETS, some suggestions can be made for further studies on the matter. Despite our knowledge that both industry and other actors have been part of the designing and revision of the EU ETS, further studies on how and where these lobbied are clearly needed to understand the policy-making processes better. It is both of interest to understand which interests have managed to influence the EU ETS, but also how they have proceeded. Such understanding would allow also evaluating if and how exactly certain interests are excluded from the policy-making. The companies in this study represent energy intensive industry firms that are included in the EU ETS in Sweden and Norway. It is plausible to claim that the identified similarities and differences can be relevant for other energy intensive industry firms in Norway and Sweden included in the EU ETS. In addition, Norway is a country that is closely tied to the EU since it is a member of the European Economic Area (EEA) and it

would be interesting to study whether similar patterns can be found among for example Iceland's energy intensive industries.

How much these conclusions apply to other policy areas, countries and interest types is of course unsure. There is very little comparative research on firms' lobbying and to the effects of originating from a EU or non-EU state. This study points to several possibilities for further research. Similarities and differences among firms that might be explained by originating from a EU member state could be studied on a wider level including companies from several countries, in another policy area than the EU ETS and taking account of other interests than just energy intensive industries. If focusing on firms, such attempts should consider taking into account size, cross-border production, being a subsidiary, sectoral differences in how affected a company is by a policy and possibly also sectoral characteristics and company culture. Secondly, if the influence of a policy-phase on lobbying routes is to be studied, the research should follow a policy process in real time and identify co-decision. Thirdly, narrower and wider national associations should be differentiated when studying lobbying, because the use of these seems to differ.

The general insight that might be drawn from this study is that firms' from non-EU countries probably experience difficulties in lobbying at the EU. And maybe even more than Norwegian companies, since Norway has a close relationship to the EU due to participating in the EEA. How common such difficulties are among non-EU firms and if there are similarities with the conclusions drawn here, is without a doubt an interesting study topic. Not only within political science, but also for policy-makers both at the EU and the national level. If the first do not want to listen and the other do not want to represent, and the interests do not know how to be heard, a policy-making process can doubtfully be characterized as democratic and legitimate.

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Appendices

Appendix A List of interviewees and interview guides

Table A1. List of interviewees

Name	Title	Company
Per Brevik	Director Alternative Fuels	Norcem
Lasse Nord	Senior Vice President Corporate Strategy, Climate office	Norsk Hydro
Georg Carlberg	Vice President Environment	Norske Skog
Per-Erik Eriksson	Vice President Energy	SCA
Kim Kärsrud	Director of Environmental Affairs	SSAB
Anders Lyberg	Technical Director	Cementa
Svein Sundsbø	Director Industrial Policy	The Federation of Norwegian Industries

The base for the interview guide

Background questions

1. How does the EU ETS affect *Company X*, and what are the biggest issues?
2. Does *Company X* feel that there was a clear need to change the EU ETS from 2013?
→ (*probe*) Why and how?
3. How much and how have you been involved in the policy-making process for the EU ETS rules for the period starting from 2013?
4. How many people in *Company X* have been working with representing the company's interests to decision makers either in *Sweden/Norway* or in the European Union?

Questions about the interest representation patterns

5. Could you explain if and how *Company X* participated in the policy-making during the revision of the EU ETS in 2007 and 2008?
6. More specifically I am interested if *Company X* took any specific actions in representing its positions in any of the following ways:
 - a. Exclusively alone
 - b. In alliance with other companies or organizations
 - c. Via a national association
 - d. Via an European association→(*ask*) Where there any other national or European associations that were relevant for the interest representation for *Company X* on this matter?
7. Were any of the abovementioned choices preferred/disfavored over others?
→(*probe*) If so, then why?

→ (*ask*) Why was each choice used or not used?

8. Was *Company X*'s interest representation aimed
- a. At the national institutions and/or at any of the following European institutions :
 - a. The European Parliament
 - b. The Commission
 - c. The Council
9. If yes, what influenced the choice and were any of the mentioned venues preferred over the others?
 → Why was each choice used or not used?
10. Were the options under the question 6 used for interest representation at any of the specific venues mentioned in the question 8? Could you explain the choices?
 (For example, if participating in the policy-making exclusively alone was done more at the Council, while participating in alliance was prevalent at the national level, then what were the reasons for that?)
- Why were these options used and others not used
11. Were there any differences in how the interest representation was conducted during the policy preparation in 2007 compared to the policy-making processes in 2008?
 → (probe) How? Why?

About the company level issues

12. Were there any companies or organizations (both in Sweden and in the European Union) that were also active in the policy making but had different opinions on the matter? Did it in any way affect *Company X*'s participation in the policy-making process?
13. Were there any companies or organizations (both in Sweden and in the European Union) that were also active in the policy making but had similar interests as *Company X* on the matter? Did it in any way affect *Company X*'s participation in the policy-making process?
14. Would you describe *Company X* as more or less active as other companies and organizations in the policy-making of EU ETS in 2007 and 2008?
 →(probe) Why so? How good were the possibilities for following the policy-making processes?

Questions about the national level:

15. *Company X* is a member in *National association* – how active has *Company X* been in *National association*, especially in relation to the development of the EU ETS rules for the period from 2013? Could you describe the cooperation?
 → Where there disagreements on the matter in the national association?
16. How good were the possibilities for *National association* to participate in designing the rules for the EU ETS in 2007 and 2008?
17. Are you satisfied with *National association*'s work on this matter?

Questions about the European associations

18. *Company X* is a member in *EU Association* via *National association*/or directly, how did the cooperation between *EU Association* and *Company X* take place on this matter (if there was any)?

- Where there disagreements on the matter in the European association?
19. Is there also direct contact between *EU Association* and *Company X*?
 20. Do you think *EU Association* had good possibilities in representing *Company X* interests in the EU ETS review in 2007 and 2008?
 21. Are you satisfied with *EU Association*'s work on this matter?

Questions about Norwegian and Swedish companies:

22. Do you think there are any differences in how well Swedish/Norwegian companies can participate in and influence the EU policy-making processes compared to *Company X* and could you explain these?

The base overview of the study and interview questions the companies recieved

The thesis is about interest representation strategies of energy intensive companies in EU emissions trading policy, focusing upon the preparation and decision-making processes in 2007 and 2008 when revised rules for the EU Emissions Trading System (ETS) post-2012 were decided upon. Among other things, the importance for companies of belonging to nation states within or outside of the EU, as well as possible sectoral differences, is discussed. The thesis compares several Norwegian and Swedish companies in three sectors considered to be strongly influenced by emission trading, namely cement; pulp and paper, and metal production.

Below are the main questions I would like to cover during the interview.

1. How does the EU ETS affect *Company X*, and what are the biggest issues?
2. Does *Company X* feel that there was a clear need to change the EU ETS from 2013?
3. Could you explain if and how *Company X* participated in the policy-making during the revision of the EU ETS in 2007 and 2008?
4. More specifically I am interested if *Company X* took any specific actions in representing its positions in any of the following ways:
 - a. Exclusively alone
 - b. In alliance with other companies or organizations
 - c. *Via a national association*
 - d. *Via an European association*
5. Was *Company X*'s interest representation aimed
 - a. At the national institutionsand/or at any of the following European institutions :
 - b. The European Parliament
 - c. The Commission
 - d. The Council
6. Were the options under the question 4 used for interest representation at any of the specific venues mentioned in the question 5? Could you explain the choices?

(For example, if participating in the policy-making exclusively alone was done more at the Council, while participating in alliance was prevalent at the national level, then what were the reasons for that?)

7. Were there any differences in how the interest representation was conducted during the policy preparation in 2007 compared to the policy-making processes in 2008?

8. Were there any companies or organizations (both in Sweden and in the European Union) that were also active in the policy making but had different/and or the same opinions on the matter? Did it in any way affect *Company X*'s participation in the policy-making process?

9. *Company X* is a member in *National association* – how active has *Company X* been in *National association*, especially in relation to the development of the EU ETS rules for the period from 2013? Could you describe the cooperation?

10. *Company X* is a member in *EU Association* via *National association/or directly*, how did the cooperation between *EU Association* and *Company X* take place on this matter (if there was any)?

Appendix B Use of the tactics at each of the targets by the companies

	<i>The targets</i>		
<i>The tactics</i>	The European Parliament	The European Commission	The European Council
Alone	Norsk Hydro Cementa SSAB	Norsk Hydro	SSAB
EU association	Norsk Hydro Norcem Cementa SCA SSAB Norske Skog	Norsk Hydro Norcem Cementa SCA SSAB Norske Skog	Norsk Hydro Norcem Cementa SCA Norske Skog
National association	SCA (twice) SSAB		SSAB
Parent company	Norcem	Norcem Cementa	Norcem
National institutions	Norsk Hydro Cementa SSAB SCA (twice)	Norsk Hydro (twice) SSAB SCA (twice)	Norsk Hydro SSAB Cementa SCA (twice)