

Governments, Governance, Markets and the Transition to a Low Carbon Economy

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The Economic Case

The Stern Review changed the political landscape by arguing that the costs of action (especially with international cooperation and early action) could be significantly less than the costs of inaction.

Key policy prescriptions:

1. the pricing of carbon through taxes, trading or regulation
2. support innovation & deployment of low carbon technologies
3. the removal of non-market barriers.



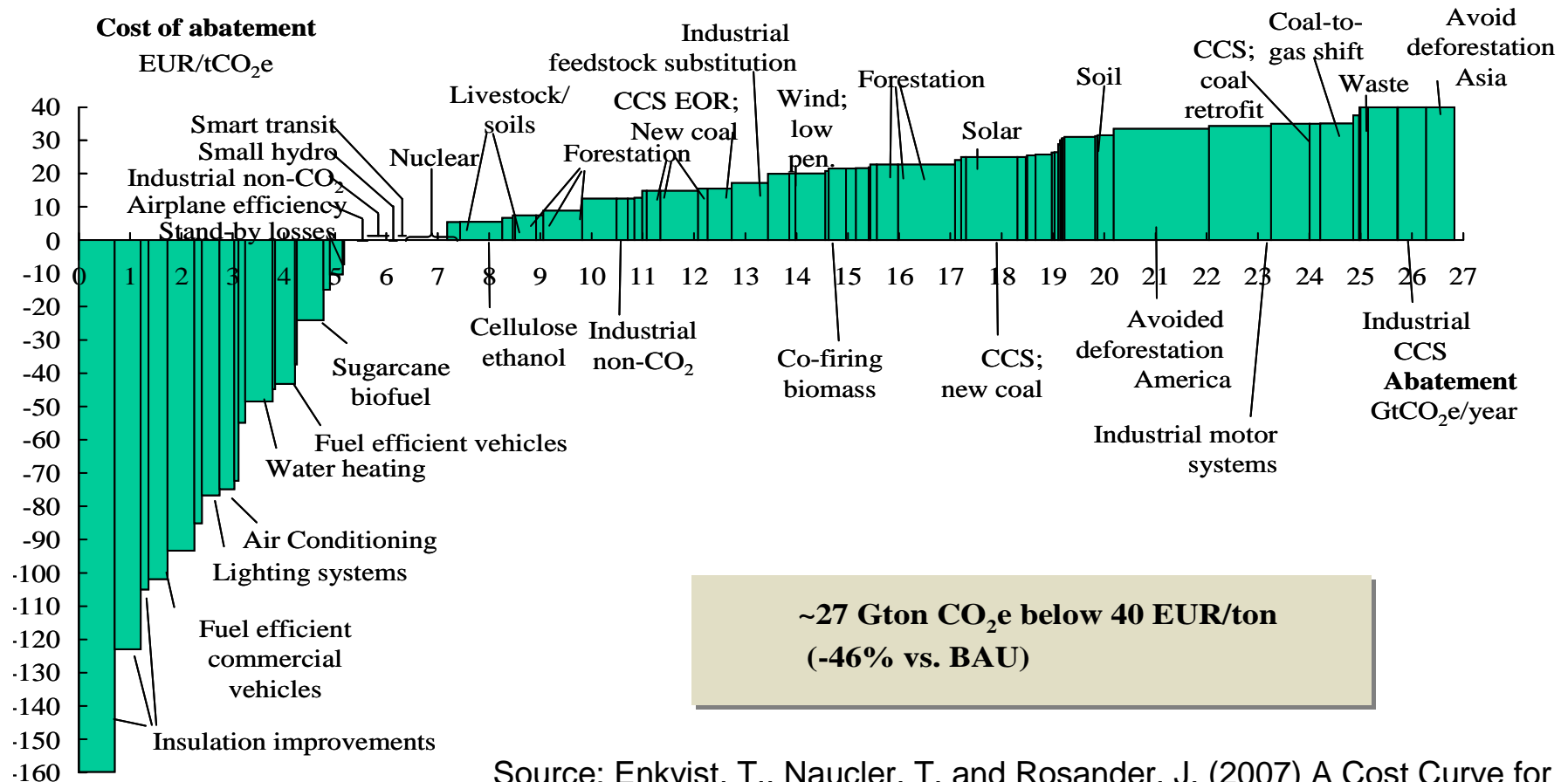
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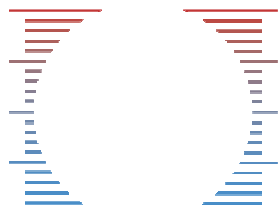
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Economic and Technological Optimism

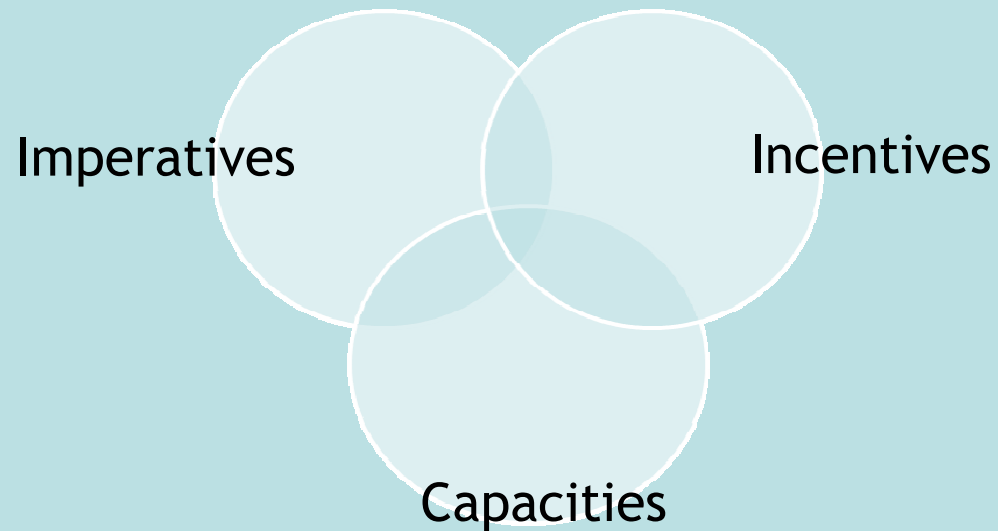
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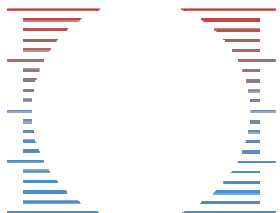
Source: Enkvist, T., Naucler, T. and Rosander, J. (2007) A Cost Curve for Greenhouse Gas Reduction, McKinsey Quarterly, February.



The Complementary Policy Mix



Note that without appropriate capacities, higher incentives and tougher imperatives will be needed to drive change.



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The Limited Capacities of the State

Recent years have constituted an era of sober realism among those who specialise in the study and practice of governance. Grand hopes and bright visions have given way to reports of multiple policy failures, pernicious unintended consequences, and persistent budget problems... Not so long ago, the standard image was that of the 'can-do', nearly omnipotent state. More recently, the picture has altered to one of an overloaded and perhaps chronically weakened system of governance, one which [has] but a limited ability to direct the course of the broad-scale action needed to address policy difficulties.

Source: Hanf and O'Toole (1992) *Governance and Environment in Western Europe*, Longman (p164).



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The Changing Role of the State

From provider and controller to facilitator, enabler, encourager

From big to small government

From government to governance

From governance to meta-governance?

- Not rowing but steering, not steering but pointing?

Governance...

- through the state
- through markets
- through civil society
- of the self

Multi-level, multi-actor, network-based processes



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Research Challenges

How can we build the capacities of the state - i.e. through international action, policy learning, consensus building?

How can we use the capacities of the state more sparingly - i.e. through targeted, responsive approaches?

How can we understand the extent to which capacity building makes change more possible?

What different forms of governance exist beyond the state - how do they work, what impacts can they have, how can they be developed?

Will the same types of governance be needed at different stages of the transition?

Will governance regimes that are led by business and populated by incumbents enable radical change?

How can we understand and shape the influence of wider governance regimes?

