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# **A Neo-Gramscian Account of Carbon Markets: The Case of the European Union Emissions Trading Scheme and the Clean Development Mechanism**

**Elah Matt and Chukwumerije Okereke**

## **Abstract**

Commodification of carbon defines much of the efforts to address global climate change. Despite growing evidence of ineffectiveness and inequitable outcomes, a range of market-oriented instruments dominate the global climate-governance landscape. These tools reflect more broadly the central logic that underpins much of economic, social and political governing around the world. Focusing on the European Union Trading Scheme (EU ETS) and the Clean Development Mechanism (CDM), we offer a neo-Gramscian interpretation of carbon markets and cognate climate change policy instruments. We indicate how the limitations of these markets are highlighted by contestations for climate justice across different geographies. We suggest that while market mechanisms for climate solutions across scales of governance may have served well to recruit disparate interests into the global climate change management project, chances for radical emission reduction will remain very slim, unless there is a dramatic shift in the current social order of production and concomitant ideological, material and organizational practices.

## **1. Introduction**

Over the past decades, carbon commodification has emerged as the chief solution for addressing global climate change. To this end, a range of ‘new’ (Jordan et al., 2003), often market-based, policy instruments have been deployed across many jurisdictions and hailed as credible approaches for addressing climate change (Ellerman and Harrison, 2003; Victor et al., 2005; Wara and Victor 2008). Emission trading schemes, Joint Implementation (JI), regulatory-compliant and voluntary carbon markets, corporate targets, rating and disclosure are some notable examples of these market-creating environmental policy instruments.

Despite increasing popularity, the legitimacy and effectiveness of these instruments are vigorously challenged, and counter-measures dot across the climate governance landscape (Fuhr and Lederer, 2009; Hoffmann, 2011; Paterson, 2009). Agitations over climate justice, or more broadly the demand for just transitions to a low-carbon society, provide a platform for articulating the ineffectiveness of these market-based practices and challenging their orthodoxy (Hayward, 2007; Lohmann, 2008; Okereke and Dooley, 2010). Across different geographies of scales, scholars and advocacy groups, as well as practical experience, are highlighting the inherent contradictions and inequitable outcome of carbon markets (Bachram, 2004; Bond, 2011; Borger, 2012; Burkett, 2008). At the same time, the effectiveness and economic efficiency of market approaches to climate governance, which have been their main selling pitch, have also been brought under question (Bohm et al., 2012; Lohmann, 2006).

Regardless of these potent challenges and contradictions, there is little ground for optimism that states or civil society will press ahead to devise radical regimes that will lead to significant decarbonization of the global economy in the near future. The main reason is

that a commitment to “The Good Life”, defined mainly in terms of economic growth and continued capital accumulation, runs deep in the consciousness of both the producers and the receptors of carbon pollution and climate impacts.

In this chapter, we offer a neo-Gramscian perspective for understanding the emergence and persistence of carbon markets as key instruments for addressing global climate change. We argue following Gramscian insights that the introduction and prevalence of carbon markets is best understood in terms of as a compromise among competing societal and political actors, which though presented as working to the benefit of all, nevertheless continues to serve the interest of the most powerful configuration of actors. Central to this explanation is the Gramscian concept of hegemony, as well as cognate notions such as war of position, passive revolution and the historical bloc. All of which are explained in the following section.

Utilizing the neo-Gramscian perspective, we examine the European Union Emissions Trading Scheme (EU ETS) and Kyoto’s Clean Development Mechanism (CDM) as prominent case studies of the marketization and subsequent dilution of key climate governance instruments. The EU ETS is interesting for at least two reasons. Firstly, it is one of the highest profile climate instruments, implemented at multiple levels of governance, and the largest functioning carbon trading scheme globally (Braun, 2009). Secondly, tracing the policy process of the scheme allows us to examine over two decades of developments in EU and international climate politics. The CDM is equally a representative programme, which held a lot of promise for reconciling the need for flexibility in emissions reduction approaches on the one hand, and technology transfer and sustainable development on the other hand. Since the EU ETS and the CDM are emblematic of broader developments in

international climate politics, they offer a powerful snapshot of the difficulties in creating an effective climate regime to date, and possible future developments in the governance of climate change.

## **2. Introducing a neo-Gramscian political economy approach**

Antonio Gramsci (1891-1937) developed Marxist political theory in a bid to explain the relative political stability of Western European political society in contrast to the communist revolutions in Eastern Europe. Some of his most influential work was written in the Italian prison, and was therefore often fragmentary and difficult to interpret. Still, Gramsci managed to convey some important concepts which furthered Marxist political thought (Mouffe, 1979). Gramsci's work has also inspired generations of political theorists and International Relations scholars (Bieler and Morton, 2001; Cox, 1981; 1983; 1996; Jessop, 1990; Mouffe, 1979; Showstack Sassoon, 1982; 1987 to name a few), who drew on his work to develop a range of neo-Gramscian perspectives (Bieler and Morton, 2001). The strength of neo-Gramscian approaches lies in their ability to explain relations of power among a multitude of public and private policy actors, and across multiple spatial scales. These approaches examine the role of material, organizational and discursive practices in shaping societal relations of power. Particularly insightful and analytically useful are the notions of hegemony, the historical bloc, passive revolution and war of position.

The majority of neo-Gramscian scholars agree that Gramsci's main contribution to political theory lies in his understanding of hegemony (Cox, 1981; Femia, 1981; Forgacs, 1988; Levy and Egan, 2003; Mouffe, 1979). Gramsci adopted this notion in order to explain how economic interest groups gained and maintained dominance in modern capitalist

societies without the need for overt class struggle. Contrary to the realists' understanding of hegemony that emphasizes state-centred coercive hierarchy; and World-System approaches that emphasize material hierarchy and class domination, a neo-Gramscian account of hegemony posits a far more complex and dialectical relationship between the elite, state, and civil society, based on ideological and consensual leadership (Wittneben, et al, 2012).

For Gramsci, hegemony is successfully established when a dominant class links its interests with those of subordinate classes, in the pursuit of a social order that reproduces its own dominant position. In other words, hegemony is effectively established when the interest of the dominant class is accepted as the universal interest of society (Cox 1983; Gramsci 1971: 181). This implies that the state-elite need not enforce discipline by coercion. Rather, hegemonic stability is rooted in consensus and manifested in the legitimacy and universal acceptance of the core material, ideological, and social logic underpinning the polity. The result is a common social and moral language, an inter-subjective identity that is supportive of the prevailing order, and one dominant concept of reality “informing with its spirit all modes of thought and behavior” (Gill, 2003:58).

Thus, while hegemony is rooted in the economic sphere, it is expressed in the realms of civil society and its institutions (Anderson, 1976; Bates 1975: 353-357). The church, media, academia, NGOs, trade unions and other civil society institutions all perform a crucial role in promoting and perpetuating the order through ideological acquiescence and performances (Showstack Sassoon, 1987). Civil society, in Gramscian terms, is not an arena of social and industrial activity separate from political life. It is rather a state–society complex, the ideological superstructure, which, through its institutions and ideological functions, creates and diffuses dominant modes of identity and thought. This kind of

consensus is made possible because a large part of this state-society complex have come to accept the hegemonic project as their own, even though in critical terms the project serves to reproduce the dominance of the ruling elite (Levy and Newell, 2005). To this end, Gramsci applied the notion of the extended state, which comprises civil society and political society (Davies, 2011).

Gramsci referred to the alignment of social groups and the concomitant material, organizational and discursive practices as the historical bloc. A historical bloc is configured of state authority, economic dominance and civil society legitimacy. It is more than the alliance among these groups; it is also ‘the specific alignment of material, organizational, and discursive formations that stabilise and reproduce relations of production and meaning.’ (Levy and Newell, 2005: 50). Of particular importance in shaping the historical bloc are organic intellectuals (Gramsci, 1971: 3; Bieler, 2002: 581; 2006: 124). These intellectuals are ‘organically linked to a specific social group’. They include politicians, scholars, journalists, industry representatives and members of NGOs (van Apeldoorn, 2002: 30-31). Organic intellectuals give each social group ‘homogeneity and an awareness of its own function, not only in the economic but also in social and political fields’ (Gramsci, 1971: 5; see also Levy and Egan, 2003: 808-9). These actors ‘frame transformations in a way that make sense to the public at large’ (Andrée, 2011: 176).

Although dominance rests in the leadership and acquiescence of the state-society complex, these institutions simultaneously constitute the key site of political contestation, primarily because of their partial autonomy from the economic structures and bureaucratic authority of the state. From a neo-Gramscian perspective, civil society therefore has a dual role: it is at one time a part of the “extended state”, complementing the disciplinary and



universalizing tendency of the capitalist state, and at the same time an arena for counter-hegemonic discourses and struggle (Levy and Newell, 2002: 87).

Hegemony is thus contingent and accommodative. Power is neither static nor zero-sum, but resides in part in the strategies and discursive ability of constituent groups and institutional entrepreneurs. There is plenty of room for manoeuvres and reconfigurations of interests, coalitions and alliances. Ultimately, however, transformational reform possibilities are limited and firmly circumscribed by the economic superstructure and moral ideologies, favouring existing power hierarchies. A hegemonic order thus evolves through dialectical processes of contestation and compromise among competing societal groups (Bieler, 2002: 581; Jessop 1982, 142; van Apeldoorn 2002, 20; van Apeldoorn et al., 2003: 36-37). Political power is concurrently maintained through compromises and alliances.

Gramsci distinguished between the strategies employed by the dominant class, and those employed subordinate groups. The war of position, often employed by subordinate groups, entailed gaining influence through action within civil society. It 'constitutes a longer term strategy, coordinated across multiple bases of power, to gain influence in the cultural institutions of civil society, develop organizational capacity, and win new allies'. (Levy and Newell, 2005: 51). The war of position therefore requires building alliances, organizational capacity, and germinating alternative ideologies in the institutions of civil society (Femia, 1981: 52; Showstack Sassoon 1982: 113; Simon, 1991: 75).

In contrast, passive revolution strategies are often deployed by the dominant class to capture, redirect or neutralise the impetus for radical change (Forgacs, 1988: 224; Morton, 2007: 97). Gramsci (1971: 115) described the passive revolution as 'the political form whereby social struggles find sufficiently elastic frameworks to allow the bourgeoisie to

gain power without dramatic upheavals'. The concept refers to social, economic and political reforms which occur through consent rather than coercion (Adamson, 1980: 186; Cox 1983: 129). It relates to the 'reorganisation of economic, political, and ideological relations, often in response to a crisis that maintains the passivity of subordinate groups, and the separation of leaders and led' (Jessop, 1982: 150; see also Showstack Sassoon, 1982: 129). Passive revolution relies on 'extensive concessions' (Levy and Newell, 2005: 51) that forestall more comprehensive challenges from other social groups, and thus serve to reproduce the dominance of the hegemonic group (Rupert, 1993: 81).

The starting point for our analysis is that climate change poses (or at least once posed) a threat to the operations of the "carboniferous" (Paterson and Dalby, 2009) historical bloc. This bloc is dominated by fossil-fuel reliant fractions of capital, such as oil and car companies, electricity producers, and the cement industry. The operations and profitability of these groups are challenged by demands for climate-change mitigation and decarbonisation of the economy (Newell and Paterson, 2010). They are therefore 'highly interested in the type and character of mitigation measures and strategies taken by governments' (2011: 9). The historical bloc also comprises allies in governments, civil society groups and organic intellectuals; and concomitant material, organizational and discursive practices (Levy and Newell, 2005). Given this scenario, we suggest that much of climate politics across geographical scales will consist mainly in efforts, on the one hand, by progressive coalitions to implement effective climate change policies, and on the other hand, by the carboniferous bloc to de-radicalize and possibly "game" emergent climate governance regimes. In our view, this approach outperforms competing alternatives for explaining climate policy process and change such as those that emphasize diffusion and

policy learning (Braun, 2009), state-based entrepreneurial leadership (Hovi et al., 2003 Skjærseth and Wettestad, 2010), policy innovation (Voß, 2007), advocacy coalition (Michaelowa, 2008), and policy windows (Buhr, 2012). While these approaches offer useful insights, their main weakness as Stephan aptly puts it is that “they do not problematize the power structure at play” neither do they take serious “account of the material or discursive structural context” underpinning the design and implementation of given policies.

Our analysis compliments a number of neo-Gramscian interpretations of environment and climate change governance, which have emerged in recent years (Levy and Egan, 2003; Newell, 2008: 522; Okereke et al., 2009; Stephan, 2011). We draw inspiration from these works and aim to further a neo-Gramscian understanding of climate change governance. Particularly relevant is Stephan’s (2011) analysis of the EU ETS which provides an excellent starting point for our chapter. We draw on his work and extend it both theoretically, by examining in more detail the notion of the war of position, and empirically, by adding the case study of the CDM. Furthermore, we provide an assessment of the effectiveness of these climate instruments, and a justice critique.

### **3. The EU ETS**

The EU ETS was the first international carbon market and remains the largest emission trading scheme operating globally (Braun, 2009). To date, the EU ETS encompasses over 11,000 industrial constellations and power plants in 31 countries (DG Climate Action, 2013).

The need for EU action on climate change emerged in the late 1980s and early 1990s following increased awareness and public pressure. From the outset, the EU considered a range of ‘new’ environmental policy instruments (Jordan et al. 2003; 2005). Particularly, a carbon tax was envisioned as the most desirable policy instrument (Jordan and Rayner, 2010), while the idea of emission trading was not favourably looked upon. However, between 1991 and 1999, the EU ‘turned from a sceptic and opponent of emission trading into the biggest advocate for the policy tool’ (Stephan, 2011: 3). Since 2005, the EU turned emissions trading into its flagship project for tackling climate change.

We examine the evolution of the EU ETS in three phases. In the first, from the early 1990s, advocacy for emissions trading emerged mostly among US-based Environmental Non-Governmental Organisations (ENGOS) and their close associates in the academia (Dudek and LeBlanc, 1991; Hahn and Stavins, 1995; Stewart and Wiener, 1992). In the second stage, from the mid-1990s, this instrument gained popularity globally, but not yet at an EU-level. In the third phase, from 1998 onwards, the EU actively promoted the uptake of an emissions trading scheme. We examine these developments using the Gramscian notions of war of position and passive revolution.

### ***Emissions Trading as a War of Position***

A number of factors conspired to influence the proactive stance of the EU on climate change in the late 1980s and early 1990s. Firstly, EU-based ENGOS, such as Greenpeace and Friends of the Earth, were quick to embrace and popularise the science of climate change and related potential social impacts. They were organised in their advocacy and role as policy entrepreneurs at the EU-level and internationally. These organisations played a major role in organising some of the first wave of international conferences on climate change,

such as the World Conference on the Changing Atmosphere in Toronto in June 1988, and the 1989 Hague and Noordwijk Conferences (Paterson, 1996). Secondly, there was generally a high level of environmental awareness among the European public, following controversies around acid rain, the depletion of the Ozone layer and long-range transboundary air pollution (Sprinz, 1992). Subsequent treaties and policies resulted in growing confidence that the EU can design effective measures to manage challenging environmental problems. Another important factor was the influence of green parties in Europe, and environmentally-progressive Member States, such as Germany, the Netherlands and Denmark (Jordan and Rayner, 2010).

Ahead of the Rio Earth Summit in 1992, the EU went to extraordinary length in a bid to adopt a package of policy instruments to address climate change (Jordan and Rayner, 2010). The Commission recommended a combined carbon and energy tax (CEC, 1992) as the main element of this scheme (Haigh, 2011). It was hoped that these efforts would lend the EU an international ‘climate leader’ status, alongside economic and regulatory advantages emanating from the promotion of a low-carbon economy (Wurzel and Connelly, 2011). Despite initial gusto, the idea of a carbon tax was aborted due to institutional and political barriers. Particularly, business groups were able to rely on their privileged position and access to politicians in order to mount a successful lobby against this policy instrument, which threatened their economic operations (Braun, 2009; Stephan, 2011).

Governing climate change posed a threat to the operations of many fractions of the capitalist class, and particularly those relying on fossil fuels for their operations and profitability. European companies, mindful of public opinion and the positive intent of the European Commission, largely sought a consensual approach to this policy problem. In

contrast, the immediate response of their American counterparts was to form advocacy groups to mobilise against climate action. Perhaps the most notable example of such platforms was the Global Climate Coalition (GCC). The GCC was dominated by oil companies, carmakers and other fossil-fuel-dependent corporations, whose business models were threatened by climate change mitigation efforts (Levy and Newell, 2005; Stephan, 2011). A cardinal tool in their strategy was to question the scientific understanding of climate change. In so doing, they sought to attack and destroy the basis of common belief and subjectivity which framed the problem of climate change. Furthermore, they indicated that prevailing efforts to tackle climate change would lead to economic crises, poverty and scarcity. In so doing, they appealed to the deep and pervasive desire for economic prosperity among the population, and the need to ensure continued capital accumulation within the carboniferous bloc. The multi-national nature of these corporations ensured that business actors coordinated strategies across the Atlantic. Thus, business groups were largely opposed to action on climate change.

The promotion of emissions trading schemes to address climate change emerged among a number of US-based ENGOs. As discussed by Simons and Voß earlier in this book, the advocacy of emission trading grew amongst organic intellectuals from the 1960s onwards. Following the inclusion of the SO<sub>2</sub> and NO<sub>x</sub> trading scheme in the US 1990 Clean Air Act, the Environmental Defence Fund (a renowned US climate-advocacy NGO), alongside other US-based ENGOs, such as the Centre for Clean Air Policy (CCAP), promoted emissions trading as a means for addressing climate change. The CCAP was later also particularly instrumental in promoting the uptake of an emissions trading scheme in the EU (Braun, 2009: 478; Stephan, 2011: 10). Although emission trading was essentially a

market-creating, neo-liberal policy instrument, it was advocated by these civil society actors in a bid to gain support for action on climate change (Stephan, 2011). From a neo-Gramscian perspective, therefore, the advocacy of an emissions trading scheme can be understood as a war of position undertaken by these ENGOs in order to ensure acknowledgment and acceptance of climate change as a legitimate policy problem.

### ***Emissions Trading: From War of Position to Passive Revolution***

Meanwhile, the EU continued its efforts to introduce policy instruments to address climate change, but to little avail. In 1995, ahead of the first Conference of Parties of the United Nations Framework Convention on Climate Change in Berlin, the Commission published a working paper setting out options for a Community Climate Strategy (CEC, 1995). The document showed continued support for a carbon tax, and other cost-effective measures to reduce CO<sub>2</sub> emissions, through which the EU would assume an international climate leadership role (Haigh, 2011). The document encapsulated the ecological modernisation win-win discourse, through which the promotion of environmental protection would encourage economic growth and political leadership (e.g. Weale, 1992, Hajer, 1995). In practice, however, little progress was made on introducing EU-wide climate instruments (Jordan and Rayner, 2010 Wurzel and Connelly, 2011). The EU opposed an Emissions Trading Scheme, as it feared that European citizens would perceive this instrument as legitimizing pollution.

The international popularity of emission trading schemes increased around the mid 1990s. International organisations such as the OECD, the United Nations Conference on Trade and Development (UNCTAD) and the International Energy Agency (IEA) supported emissions trading as their instrument of choice in addressing climate change (Braun, 2009). In the US, positive experience with the SO<sub>2</sub> and NO<sub>x</sub> trading scheme encouraged the US government to include this instrument in the negotiations of an international climate change treaty (Stephan, 2011).

Concurrently, the attitude of business groups towards climate change in general, and emissions trading in particular also shifted. As international climate efforts grew, some business groups adopted more accommodating approaches towards climate change. A milestone change occurred in May 1997, when BP publicly acknowledged the threat of climate change and joined forces with Environmental Defence Fund to develop a company-wide emissions trading scheme (Levy and Egan, 2003; Stephan, 2011: 11). Shell similarly broke rank with the GCC and announced an internal emissions trading scheme. The win-win ecological modernisation discourse was increasingly adopted among business groups, who also undertook organizational and material efforts to accommodate the threats of climate change to their financial operations (Levy and Egan, 2003; Levy and Newell, 2005).

These strategic moves were important in many respects. First, they provided the opportunity for companies to gain material capacities in implementing emission trading. Secondly, they created a new discourse through which companies and their products were portrayed as 'green', thus enhancing their corporate image. Thirdly, they created new organizational capacities within companies and through alliance-building with counter-hegemonic environmental groups, as well as fostering cooperation with policy makers (Levy



and Egan, 2003; Levy and Newell, 2005). Fourthly, by investing in emissions trading, companies effectively acted to avoid the implementation of more controversial and potentially more harmful policy instruments for their operations, such as command-and-control and fiscal regulations (Akhurst et al, 2003: 657; Stephan, 2011: 11). Indeed, oil companies were instrumental in setting the agenda for emissions trading both at the EU and at Member State levels (Braun, 2009: 473). The acceptance of emission trading schemes ensured continued political and public support for the operations of some of the most climate-harming industries. Thus, it can be understood as a Gramscian passive revolution, which served the continued hegemony of the carboniferous historical bloc (Stephan, 2011).

### ***The Uptake of the EU ETS and the Rise of the New Climate Bloc***

The Kyoto Conference of the Parties in 1997 marked a turning point in the EU's attitude towards emissions trading. In order to ensure US cooperation on an international climate treaty, the EU accepted emissions trading and other flexible climate instruments (Braun, 2009: 472). EU-based environmental NGOs, which were largely opposed to this instrument, were also left with no option but to accept emissions trading as a legitimate instrument to address climate change. In order to maintain some influence over the design and implementation of a trading scheme, they participated in the negotiations and design of the EU ETS (Stephan, 2011). The co-optation of this subordinate group into the emerging hegemonic project, is understood by Stephan (2011: 15) as a strategy to prevent ENGOS from 'organizing a successful opposition or counter-hegemonic movement to emissions trading or carbon markets'. Thus, a carbon-accommodating project emerged across horizontal and vertical levels of governance, and a coalition of economic, political and environmental actors 'became a hegemonic bloc' (Stephan, 2011:12).

Concurrently, from 1998, the EU adopted a proactive approach to introduce an emissions trading scheme (Braun, 2009: 477). In March 2000, the Commission published a Green Paper on an EU-wide emissions trading scheme (CEC, 2000). From the publication of the Green Paper, it took the EU institutions a relatively short period of time until the EU ETS Directive was adopted by the Council of Ministers and the European Parliament in October 2003, and the first stage of the EU ETS began in January 2005. The EU ETS is now in the third phase of implementation. Yet, it poses many challenges in governing climate change, as discussed in Section 5. The following section turns to provide a neo-Gramscian analysis of the CDM.

#### **4. The Carbon Development Mechanism: The War of Positions**

Although the actors and ‘battle ground’ are slightly different, the development of the carbon development mechanism has many parallels with the EU ETS. The CDM is one of the three market mechanisms alongside the emission trading, and joint implementation (JI) established under the Kyoto Protocol for governing climate-change mitigation. Basically, the CDM allows companies from the industrialized countries (those that have binding emission reduction target under the Kyoto agreement) to invest in emission reduction activities in developing countries (these do not have legally binding reduction targets under the Kyoto Protocol). The ‘additional’ carbon saved through such investment is rewarded by Certified Emission Reduction units (CER), which can then be subsequently monetized or used to meet industrialized countries’ emission reduction obligations, including those of the EU ETS (Newell and Paterson, 2010).

In addition to the CDM, there is also the voluntary carbon offset (VCO) scheme which is not regulated by any central intergovernmental body. Voluntary Carbon Offset, as

the name implies, is a loosely coordinated set of schemes which allows individuals and organizations (usually in developed countries) to pay a premium for their carbon-polluting activities, such as industrial emission or flying an aeroplane. These premiums are then spent on climate-mitigating activities in the Global South, such as planting a tree. Both schemes (CDM and VCO) rely on the argument that since it is materially irrelevant where carbon is reduced (from a global perspective), it was necessary to give developed countries flexibility in meeting their legally-binding emission reduction obligations under the Kyoto Protocol.

With the rise in awareness of climate change in the late 1980s, developing countries were very quick to point out that there was a huge asymmetry in the contribution and vulnerability to climate impact between countries (Agarwal and Narain, 1991; Guha Martinez-Alier, 1997). Specifically, they argued that while developed countries were largely responsible for causing climate change, it was the less-developed countries that will bear much of the negative impacts (Dasgupta, 1994). In addition, developing countries drew attention to existing problems of poverty and underdevelopment in their countries. They argued that it was unfair for them to be expected to sacrifice their development aspirations in a bid to mitigate climate change (Hayes, 1993). Developing countries were adamant that any action to deal with climate change be conditional on financial and technical assistance from the industrialised countries (Dasgupta, 1994). In fact, they argued that global efforts to address climate change must be used a means of addressing wider and underlying issues of global inequality (Bodansky, 1994; Paterson, 1996). To this effect, measures such as global carbon tax on fuel, aviation, shipping as well as the idea of some form of global carbon stamp duty were mooted (Grubb, 1995).

Through these discursive and rhetorical devices developing countries effectively framed climate change as an issue of global justice and equity. In so doing, they took a strategic stand in the emergent war of position. Early calculations suggested that several hundreds of billions of dollars will accrue to developing countries in the form of North-South financial and technology transfers (Grubb, 1989; Hayes, 1993). While these transfers were in crucial terms of the monetary value involved, their real significance lay in the threat they posed to the hegemonic neo-liberal ideology, with its inbuilt averseness to redistribution, especially among nations. In essence, if the expectations by developing countries were to eventuate such that the global climate change regime sanctions massive North-South transfer; such actions that would violate the fundamental norms of neoliberal economic philosophy, enthrone the ideal of global justice and significantly disturb the configurations that characterise the historical bloc. In this sense, the war of position launched by developing countries and sympathetic voices from the North represented a serious threat that needed to be pacified or “accommodated” in Gramscian terms.

### ***Passive Revolution: From Carbon Fund to Global Carbon Markets***

The industrialized countries were rattled by the coherent articulation of the global distributional implications of climate change (Parks and Roberts, 2008). Arguments for North-South climate justice were presented with passion and in provoking terms by developing country politicians and their ideological demagogues. One such publication was by Agarwal and Narain (1991), which argued that global policies that neglect concerns for North-South distributional equity amount to nothing short of “environmental colonialism.”

However, while recognizing the intuitive appeal of international climate justice, developed countries were determined to either side-step or at least significantly dilute

practical distributional responsibilities in terms of North-South transfers (Dasgupta, 1994; Paterson, 1996). To this effect, they made the argument that population growth in the South and widespread corruption was the cause for widespread poverty in developing countries. Some even suggested that developing countries were acting like “kleptocrats” seeking to use their numerical advantage to extort money from the industrialized nations (Okereke, 2008). Others invoked historical ignorance of the negative impacts of carbon pollution and on that basis argued that it was unfair, as it is said in philosophical parlance, “to punish sons for the sins of their parents” (Caney, 2005; Jamison, 2001; Vanderheiden, 2005).

In the run up to the Kyoto agreement, Brazil tabled an elaborate “Climate Development Fund” proposal, which called for large sums of money to be set aside by the industrialized countries on an annual basis for the purpose of funding climate investments and the acquisition of ‘clean’ technology by developing countries. This proposal was widely supported by the rest of the developing countries including the G77 and China. However, the North and the business lobby were vehemently opposed to this idea. Their main argument was that such a Fund was contrary to the spirit of free market capitalism and the protection of Intellectual Property Rights (IPR) (ENB, 1997). The EU opposed the Fund, suggesting that it offered a loophole that could render emission targets in the North meaningless (ENB, 1997: 2). A lack of agreement on this item proved one of the most important obstacles to negotiating a Kyoto Accord (ENB, 1997).

When developed countries perceived the strength of the argument for climate justice and corresponding agitation over North-South financial and technology transfer, they changed tactics – from outright opposition to a set of accommodative strategies. A major step in this strategy was the establishment of an informal long-running bilateral contact

between Brazil and the US to discuss the Clean Development Fund (CDF) and find common grounds. In addition, a few developed countries, such as South Korea and Australia, started making unilateral pledges to promote the development of clean technology and innovation centres in developing countries, especially the nations perceived to be most vulnerable to climate change. The aim was in part to break the solidarity of developing countries and encourage a more bilateral and fragmented approach to North-South climate investment, technology transfer and capacity building. After a series of exclusive talks between Brazil and the US, the proposal for the CDF was eventually changed to a Clean Development mechanism (CDM), which was perceived to be far more flexible and business friendly (see also chapter by Newell).

Since its inception in 2001, when the first CDM project was registered, till date, the CDM has issued over 1 billion CER. Interestingly, a vast proportion of these projects have been in China and Brazil – the country that had championed the state-based climate development Fund. However, prices for CER have fallen steadily since 2012 and have been very low since January 2013. Alongside the CDM, the much smaller voluntary carbon market (carbon offset) has also grown. It is estimated that over USD800 million of carbon offsets, representing 125 million metric tons of CO<sub>2</sub>-equivalent reductions, were purchased in 2008. Despite this flurry of carbon trading activities, the value of CDM and VCO in reducing emission or facilitating equity and sustainable development have been very dubious. Many feel that the transformation of the Brazilian proposal from its original focus on a North-South financial transfer to market mechanism represented a very successful move by the industrialized countries to take the sting off the proposal and turn it into an accumulation instrument for business and industry actors in the North.

## **5. A Neo-Gramscian Assessment of Instruments**

### *Ineffectiveness and Contestations of Justice*

Both the EU ETS and the CDM have proved controversial measures for addressing climate change. The implementation of the EU ETS has been difficult and beset with controversies. Initially, Member States were responsible for the allocation of pollution permits. Industry lobbying resulted in favourable conditions for industry (Lederer, 2012). To illustrate, the actual CO<sub>2</sub> emissions for 2005 were about 4% lower than the number of pollution permits allocated that year. Consequentially, carbon prices dropped drastically, reaching their lowest ebb in April 2007 (Calel, 2013; Skjaereth and Wettestad, 2009: 114). The free allocation of permits resulted in windfall profits for energy producers and other industry sectors, which passed the speculative costs on to consumers (Skjaereth and Wettestad, 2010: 105).

During its second implementation phase (2008-2012), the number of allocated permits was tightened. CO<sub>2</sub> emissions of EU ETS-related industries dropped during this period. However, much of the emissions reductions made during this period can be attributed to the financial recession that began in 2008 and the resulting decline in polluting economic activity. Meanwhile, industry continued to make windfall profits from the scheme (Calel, 2013; Okereke and McDaniels, 2012). The recession also shaped the third implementation phase (2013-2020). In December 2008, the European Council of Ministers and Parliament agreed on a revised scheme. EU-wide allowances were auctioned instead of National Allocation Plans. Still, wide concessions were made to industry groups, with the mediation of Member States. For example, Poland managed to secure exemptions for its coal-powered electric plants, while Germany secured concessions for its energy-intensive

industries (Skjaereth and Wettestad, 2010: 110). Thus, despite the tightening of the EU ETS in its third phase, it was estimated that there was still an over-allocation of permits (ENDS Report, 459 May 2013, p. 27).

In April 2013, carbon prices fell to 2.63 Euros, their lowest since the 2007 carbon-market crash. The reason for this crash was the European Parliament's rejection of a Commission Proposal to limit the number of permits auctioned between 2013 and 2015. The EU ETS was announced 'moribund as an emissions mitigation tool, if not quite dead' (ENDS Report, 459 May 2013, p. 27). The EU is still trying to resuscitate the ETS, yet obstacles to a functioning carbon market prevail. These difficulties also hinder certainty and long-term investments in 'green' technologies. Carboniferous fractions of capital therefore maintain their power through making windfall profits from the EU ETS, ensuring continued uncertain climate for investment in competing low-carbon technologies, and the relative regulatory freedom they enjoy under the EU ETS.

The CDM and VCO have not fared any better, but have instead attracted a string of criticism. It has been suggested that the CDM is an immoral instrument, in that it provides a cheap way for the rich West to avoid taking serious action on climate change (Lohmann, 2006). Beyond this, there are strong suggestions that the CDM and VCO have provided opportunities for business interests in the North to dispossess communities in the poor South and engage in primitive accumulation (Bohm et al., 2012; Lohmann, 2006; 2009). In some instances, forests and lands which are vital for the survival of local communities in developing countries have been privatised and commoditised under the pretext of CDM (Lohmann, 2009). For these reasons, the CDM has in fact been described as an instrument for "carbon fraud and climate colonialism" (Bacharm, 2004). There is virtually no evidence



that the CDM has resulted in North-South technology transfer, or sustainable development, in line with the original vision of the Brazilian proposal. Furthermore, there is little ground to suggest that CDM has resulted in substantial carbon reduction. In fact, as of 1 June 2013, 57% of all CERS had been issued for projects based on destroying either HFC-23 (38%) or N<sub>2</sub>O (19%) (UNFCCC, 2013).

By offering the means for the carboniferous bloc to allocate private property rights to nature and realise its value through the market, these instruments have more or less reinforced hierarches and patterns of domination between the poor and rich (see Bumpus and Liverman, 2008: 144). Yet, they have been very successful in creating a sense of government and industries' climate proactivity, drawing in a large number of diverse groups, including otherwise progressive ENGOs, into a large climate coalition, shielding the carboniferous bloc from societal pressure. A good example is BP which suddenly became "Beyond Petroleum" and in doing so brought an air of greenness to some of the most climate-destructive fractions of capital.

### *A Neo-Gramscian Critique*

The uptake of these carbon-market-creating policy instruments to address climate change can fruitfully be understood in terms of a neo-Gramscian passive revolution. Through these instruments, business and capitalist governments have neutralised the impetus for radical transformation that was originally associated with climate-change governance across geographies. Concerns regarding climate change have in effect been incorporated into the dominant carboniferous historical bloc. Still, incremental adjustments have been made by

this hegemonic project to address climate change, resulting in some material, organizational and discursive developments within the bloc.

We term this mutated bloc the climate-accommodating carboniferous bloc. On the organizational level, this bloc is governed by an alliance among governments and public institutions at various spatial scale, business groups, and some mainstream ENGOS, alongside an emerging group of climate professionals (Voß, 2007; Stephan, 2011). On the material level, carbon markets have created favourable conditions for the continued accumulation of capital, both on regional and international levels. On the discursive level, the climate-accommodating bloc is fuelled by a green growth ideology. The green growth paradigm, which evolved from the earlier ecological modernisation discourse, provides a consensual ideological framework for continued capitalist accumulation. Newell and Paterson (2010: 1) describe this form of 'climate capitalism' as 'a model which squares capitalism's need for continual economic growth with substantial shifts away from carbon-based industrial development'. In this view, investment in 'cleaner' technologies will stimulate the economy while promoting environmental protection and climate change mitigation. However, at its core this discourse does not challenge prevalent modes of production and consumption.

The account provided in this paper highlights the difficulties in creating and maintaining a counter-hegemonic war of position. While the notion of passive revolution provides a useful analytical tool for understanding the strategies employed by the hegemonic group to secure its continued dominance, the concept of the war of position proves more elusive. Although US-based ENGOS were ultimately successful in securing acknowledgment of climate change as a global policy problem, they operated within the

prevailing neo-liberal hegemonic order and its pro-market ideology. Thus, ultimately, their environmental interests were incorporated into those of the climate-accommodating bloc. Similarly, in accepting to substitute direct funds with market instruments, the South was able to make the notion of North-South financial transfer politically palatable and acceptable to the North. In reality, however, the compromise has served not only to neutralize the radical content of the idea but also to present the hegemonic bloc with another opportunity for primitive accumulation. The challenge for new counter-hegemonic social movements is therefore to create an alternative ideological narrative, on which to build material and organizational capacity. However, challenging the prevailing hegemonic order is no simple task. The only certainty is that an alternative social narrative will be met with resistance and contestation of the hegemonic bloc, and will require long-term ideational, material and organizational efforts, spearheaded by progressive organic intellectuals.

## **6. Conclusions**

Using the case studies of the EU ETS and the CDM, this chapter offered a neo-Gramscian analysis of carbon-commodifying policy instruments. Particularly, we emphasized the processes of contestation and compromise which shaped the social relations of production within the climate-accommodating carboniferous bloc. We argued that initially, both the EU ETS and the CDM could be perceived as attempted war of position strategies, carried out by subordinate social groups. The idea of an emission trading scheme to address climate change was perceived as a war of position deployed among US-based ENGOs in order to rally a more consensual disposition to climate change among business groups. The CDM was perceived as a war of position of the global South to achieve climate justice and redistribution of technological know-how. In both cases, we argued that the response to

these challenges can be fruitfully understood as a passive revolution, in which some concessions were made, but in a way that did not compromise the continued dominance of the hegemonic historical bloc.

The results of these compromises, we argued, are eminent in the carbon-accommodating historical bloc. This bloc is materially aligned with the creation of carbon markets and carbon-commodification. It is steered by an alliance of economic, political and societal actors, at various spatial scales. Discursively, this bloc is fuelled by the notion of green growth, in which the prevalent capitalist mode of production can peacefully co-exist with efforts to mitigate climate change.

We hope that this account will stimulate organic intellectuals who are currently putting their minds together to provide an alternative climate-accommodating narrative. In a neo-Gramscian view, this war or position will necessitate long-term efforts on the material, organizational and ideological levels. This is a long battle, in which subordinate groups may be incorporated into a dynamic, hegemonic historical bloc. However, the question whether Gramsci's theoretical prescription for social transformation through the war of position can work in practice remains open.

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