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DANNY CULLENWARD AND DAVID G VICTOR, *MAKING CLIMATE POLICY WORK*
(POLITY PRESS 2020)

Reviewed by: Owen Tutt, MA International Studies and Diplomacy candidate, SOAS, University of London

BOOK REVIEW



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Danny Cullenward and David G Victor, *Making Climate Policy Work* (Polity Press 2020)

In 'Making Climate Policy Work', Cullenward and Victor present a clear, outstandingly explained and timely warning against absolving state responsibility for climate action to the 'invisible hand' of carbon market forces. There is a deliberate and refreshing distancing from the entrenched and ideological 'state vs market' debate; instead the authors take a political economy approach defined by pragmatism and a mantra of 'what works in the real world'. While acknowledging the theoretical power of the carbon market in finding economic efficiency, they argue that political realities prevent their environmentally effective implementation; thus consciously appealing to both free market ideologists and sceptics. The pair are well placed to provide this insight. Cullenward has extensively researched the workings of Emission Trading Schemes (ETSs) and has seen them meet the 'real world' of politics while advising the Californian ETS; while Victor offers a political science perspective and expertise in industrial regulation. The ideas laid out in this book have also long been under refinement, with the first shoots of this theory visible in a 2007 publication (Victor and Cullenward, 2007).¹ Overall, the book offers a compelling argument to reassess the role of ETSs with effectual recommendations for their redesign. However, much like the title, the book can be generalising in its authoritative tone and exaggerates its contribution to policy construction, with an underdeveloped proposal for how industrial policy will drive the majority of emissions reductions.

Stephan and Paterson categorise research on the politics of carbon markets into: the policy process by which specific schemes are established, the role of different actors in this process, and the evaluation of their impact.² 'Making Climate Policy Work' can be spilt into three parts: the first transcends these categories and explores how political actors and institutions obstruct the implementation of theoretically optimal markets and the resultant consequences for climate

change mitigation. Each chapter logically deconstructs the politics of a core carbon market concept. Chapter 1, 'A turn toward markets?', offers a pseudo-executive summary: markets homogenise, and therefore blunt, climate policy across sectors that differ greatly in their exposure to political forces; and markets can promote efficient distribution of established technology but cannot drive the technological innovation required for 'deep decarbonisation'. A simple political theory is developed to then apply to market concepts throughout the book and three core case studies are outlined: the European Union ETS, the Western Climate Initiative (California and Quebec) and the Regional Greenhouse Gas Initiative (North-Eastern United States). Chapter 2, 'Ambition', shows how the politics of voters and organised industry result in policymakers resorting to regulation to make emission reductions, rendering ETSs ineffectual with low prices and high volatility. Chapter 3, 'Coverage and allocation', explores how economic theory demands extensive coverage across the economy but that politics insulates certain sectors or undermines market efficacy for the sake of their inclusion. Chapter 4, 'Revenue and spending', analyses how weak markets generate limited state revenue through allowance auctions and critiques its currently inefficient spending. The relationship between an ETS and the rest of the world is covered in Chapter 5, 'Offsets', and Chapter 6, 'Market links', with the argument decisively made that this relationship is counterproductive. Offsets are irreparably flawed by a political logic that drives cost down at the expense of quality, which is conveniently unquantifiable. On the other hand, market links are only possible where they are ineffective because real gains in economic efficiency through linking would risk harming the interests of actors that enabled the political construction of each linked market.

The second section, within Chapter 7 'Getting the most out of markets', offers recommendations to improve ETS efficacy. These include limiting scope to politically amenable sectors, controlling carbon prices at politically feasible levels, strategic and efficient revenue spending, and global influence via effective and internationally transferable policy design. Thus far, the book is an excellent piece in its own right that saps faith in market-managed climate action with detailed research and data from its case studies. This grounds the arguments in a pragmatism that counters literature premised on both free-market theory and

1 David G Victor & Danny Cullenward, 'Making Carbon Markets Work' (2007) 297(6) *Scientific American* 70-7.

2 Benjamin Stephan & Matthew Paterson, 'The Politics of Carbon Markets: An Introduction' (2012) 21(4) *Environmental Politics* 545-62.

ethical objections to the commodification of the atmosphere. Although, there are other grounds for critique; repeated references to ‘the real world’ combine with bold statements to produce an authoritative tone that can be unsubstantiated. Assertions such as ‘regulations are more popular [than market mechanisms] with politicians and the public’ are not supported with polling data but rather with a first principles derivation from their simplistic political theory (pp.51). Additionally, despite the book’s universal tone, it is highly Western- and democracy-centric; the three case studies are exclusively drawn from North America and Europe and the proposed theory of politics has voters at its core. A note suggests it is a merely ‘a small step to extend the logic’ to non-democratic polities but offers no further explanation, but ultimately the authors do concede that more work is required to fully account for differences between countries (pp.191).

Part three, found in Chapter 7 ‘Rightsizing markets and industrial policy’, diverges from ETSSs to present the climate policy that they argue can provide the ‘deep decarbonisation’ sought after. Their vision sees improved ETSSs playing a marginal role with designs that facilitate integration with prominent industrial policy and international strategy. The advocated industrial policy is centred around ‘experimentalist governance’ to generate the incentives for innovation and diffusion of new technologies and policies (pp. 151). This is essentially an endorsement of the traditional concept of state intervention to support nascent and risky ideas, but with an injection of dynamism and continual learning. The recommended ‘international strategy’ aims to promote cooperative experimentation internationally but also convincingly argues that climate leaders must prioritise ‘followership’: building climate policy that can be effectively implemented by other countries (pp.169). Both these proposals for ‘making climate policy work’ are interesting additions to the field but are unfortunately undertheorised and remarkably not fully subjected to the authors’ own political logic. For example, ‘penalty defaults’, the threat of near-existential penalties for firms unless deliberately subjective ‘good efforts’ are made, are considered an effective incentive for firms to innovate solutions (pp.158-159). However, it is overlooked that the ambiguity of these penalties exposes them to the same

political meddling by interest groups that weakened ETSSs.

Overall, this is a book with an important and well-argued message that policymakers and academics alike should read. As climate policy action accelerates and debates on Article 6 of the Paris Agreement intensify, the book offers clear advice for the use and design of ETSSs. Although the book overstates its ability to provide effective alternatives, it does identify a research area with great potential that deserves further investigation.

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