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Greening subsidies in Germany – Interlinkages to selected policies

It has increasingly been recognised that environmental objectives need to be incorporated more effectively into all stages of policymaking in non-environmental policy sectors (Environmental Policy Integration). By now experiences have been made and studies have been conducted in various policy sectors. They provide valuable information about the obstacles and difficulties that occur as well as some of the progress that has been made. However, little attention has been dedicated to the role of policy instruments in greening policy sectors. This paper aims to fill this gap by tracing and comparing the role of subsidies in selected German policy sectors. Subsidies are an interesting policy instrument to study: They have been used quite extensively in many of the “target” sectors while little attention has been given to the environmental consequences of many support schemes for a long time. Other than many recent studies listing environmentally harmful subsidies this paper approaches the issue from an historical and institutional point of view. Drawing on a broad range of existing literature we aim to highlight the evolution of policy patterns and the conditions for their occurrence.

Section 1 gives a short overview on the definition of subsidies. It also argues that it is difficult to conceptualise subsidy policy as a policy field as such. In Section 2 we provide a framework for analysis by differentiating between various possibilities for greening subsidies (instrumental – institutional; defensive – progressive; ex ante – ex post etc.). Section 3 elaborates on three case studies, energy policy, regional policy and tax policy (the ecological tax reform in particular). To provide a basis for comparison each case study will be organised as follows: First, we briefly point to the problem structure of the policy field and the way it was originally conceptualised. Second, we indicate how environmental aspects were treated after environmental policy was institutionalised in the early seventies. Third, we trace sources of greening emphasising the role of favourable actor constellations, policy windows, external factors (or shocks) and advances in impact analysis and methodology. We also mention the impediments for more far-reaching attempts at greening. Fourth, the current status of greening and the most recent approaches will be highlighted. Section 4 summarises the results of the case studies and concludes. We point to factors that could advance and to factors that still constrain the reform of environmentally harmful subsidies.