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## Introduction

### *The Economisation of Climate Change and Why It Matters in the Case of International Economic Institutions*

The year 2019 saw the emergence of an unlikely duo consisting of the managing director of the IMF Christine Lagarde<sup>1</sup> and broadcaster and environmentalist Sir David Attenborough. They discussed the relationship between nature and the economy in a panel session, a podcast and an article (Attenborough and Lagarde, 2019a, 2019b). In the latter, they stated ‘We must treat the natural world as we would the economic world . . . This is something economists can appreciate – the importance of minimizing waste, taking advantage of efficiencies, and accurately reflecting costs in prices, including costs imposed on our entire shared resource, the environment’. Elsewhere the same year, Lagarde also stated the importance of nature and of the existential threat of climate change and called for carbon pricing and fossil fuel subsidy reform as solutions to the climate crisis (Lagarde and Gaspar, 2019). This was notable coming from the managing director of an international institution focused on economic issues and criticised for ignoring other issues than economic growth and stability. The statement highlighted a wider trend of climate change being addressed within institutions concerned with economic issues. Other cases in point are the increasing attention that other economic institutions such as the G20 and the OECD have paid to issues including fossil fuel subsidy reform and climate finance.

This book focuses on three international economic institutions that have been important in addressing climate change: the G20, the OECD and the IMF. Economic institutions are crucial for targeting climate change – and sustainability more broadly speaking – because of their power and central role in the decisions that shape how societies mitigate and adapt to climate change. As David Victor has pointed out, the key decisions that determine future emissions, for example, regarding transportation, growth and the composition of the economy are mainly reached outside the realm of environmental policymaking (Victor, 2011). Economic institutions – be they international or domestic – are,

<sup>1</sup> Lagarde was managing director of the IMF until November 2019.

on the other hand, central to these decisions but also involved in environmental policymaking. An important aspect of the central role of economic institutions is their ability to address ‘anti-climate policies’ such as fossil fuel subsidies that increase emissions and generally belong outside the realm of environmental policy (on anti-climate policies, see Compston and Bailey, 2013; specifically on fossil fuel subsidies, see Skovgaard and van Asselt, 2019). At the international level, economic governance is together with security governance the most powerful policy realm, and international institutions within this realm are as important to environmental issues as environmental institutions (Hurrell, 2007). This is partly because of the power of the international economic institutions (Pop-Eleches, 2009), but also because economic and environmental policymaking are increasingly intertwined (witness the debates about green recoveries after the Corona pandemic, Barbier, 2020). All things considered, it is difficult to imagine a transition to a low-carbon, climate-resilient world in which the international economic institutions maintain their current power and central roles *and* do not give serious consideration to climate change. In other words, they are either part of the solution (if they take climate change seriously) or they are part of the problem (if they do not). Yet, the role of these institutions cannot be reduced solely to a question of whether they promote or hinder climate action; it must also include *how* they address climate issues.

How these institutions address climate issues involves whether and in what way they treat them as economic issues. While economic objectives of maximising economic welfare have often been perceived as competing with environmental protection (Hoffman and Ventresca, 1999; Newell, 2019), and economic actors as being sceptical of environmental policy, addressing climate change and related (sub)issues as economic issues induces economic actors to take it seriously. The phenomenon of economic institutions addressing climate change issues as economic issues is particularly pronounced in the cases of two policy issues that – even before the involvement of the economic institutions – have considerable economic dimensions: fossil fuel subsidies and (international) climate finance. Fossil fuel subsidies consist of subsidies for the production and consumption of fossil fuels (oil, gas and coal). According to relatively conservative estimates, they amount to USD 300–600 billion annually or twice the amount provided as renewable energy subsidies (IEA, 2016; OECD and IEA, 2019) and reforming them could deliver a quarter of the emissions reductions pledged under the Paris Agreement (Jewell et al., 2018). Climate finance refers, in the context of this book, to financial flows to developing countries ‘whose expected effect is to reduce net greenhouse gas emissions and/or to enhance resilience to the impacts of climate variability and the projected climate change’ (Gupta et al., 2014). Developed countries have

pledged to *mobilise* USD 100 billion in climate finance annually by 2020 (UNFCCC, 2009a), and the delivery of climate finance is considered crucial for a global response to climate change (Pickering et al., 2017). The definitions of both issues are essentially contested, and these contestations constitute important aspects of how they have been addressed as more or less economic issues (see Chapters 4 and 9).

This book claims that it is useful to understand the three institutions addressing fossil fuel subsidies and climate finance as instances of the ‘economisation’ of (environmental) problems: being addressed by economic actors *and* framed as economic problems. The book uses the concept of economisation to understand the three institutions’ respective *output* regarding fossil fuel subsidies and climate finance respectively, as well as *the factors that shaped this output* and *the consequences of the output* at the international and domestic levels. (see Section 1.1.2 for the discussion of how this definition of economisation relates to other uses of the term, e.g. Çalışkan and Callon, 2009, 2010). Economisation entails framing an issue in a particular way (as an economic issue) as well as – to paraphrase Michael Zürn (2014) – transport it into the field of economics, thus enabling particular (economic) actors to address the issue within their own routines. In terms of temporality, the framing does not necessarily precede economic actors addressing the issue.

I argue that such economisation may have profound consequences for how environmental problems are addressed. The existing literature has found that the roles of economic institutions have mainly been negative in terms of limiting effective action and downplaying justice objectives (Bernstein, 2001; Schalatek, 2012; Storm, 2017; see also Section 1.3). Yet, applying the concept of economisation to the institutions’ handling of the two issues provides a different set of insights into the consequences as well as causes of economisation. In this book, economisation is used as a lens to understand the output of the three institutions (i.e. their way of addressing the issues).

One example of economisation is the manner in which the IMF treated the issue of fossil fuel subsidies. Rather than just adopting the default approach (OECD, 2018b; Skovgaard, 2017a) and focusing on direct government support aimed at production (e.g. mining, oil fields) and consumption (e.g. lowering the price of petrol and diesel), the IMF argued that any fossil fuel with a price that did not fully include its externalities (climate change, local air pollution) was in fact subsidised (Clements et al., 2013; Coady et al., 2015, 2019). This definition not only led to an estimate of global fossil fuel subsidies of USD 4,700 trillion in 2015 (Coady et al., 2019); compared to the International Energy Agency estimate of USD 325 billion in 2015 (IEA, 2016), but it also led to the conclusion that virtually all countries in

the world subsidise fossil fuels. This conclusion made the IMF the unlikely hero of environmental non-governmental organisations (NGOs) around the world (Thunberg et al., 2020).

Another example of economisation is how the G20 finance ministers and central bank governors in the run-up to the fifteenth Conference of the Parties to the United Nations Framework Convention on Climate Change (COP15) in 2009 reached a preliminary compromise on financial support from developed countries for climate mitigation and adaptation measures in developing countries (so-called climate finance). Constituting a settlement on the target and the conditions attached to it, the G20 compromise established the basis for the Copenhagen Accord's<sup>2</sup> target of USD 100 billion for such finance (Kim and Chung, 2012). The agreement was made possible by the G20 bringing representatives of the powerful finance ministries together to develop a common understanding of climate finance based on their shared economic worldview.

A third example is how the OECD has addressed climate finance, including remarks by OECD Secretary-General Angel Gurría to the G7 finance ministers and central bank governors, in which he highlighted the annual investment gap in climate infrastructure amounting to USD 3 trillion, as well as the OECD's efforts to address this gap by inter alia promoting green budgeting (Gurría, 2019).

These examples underscore how economisation is becoming more and more politically and academically salient as climate policies involve economic actors, institutions and policy arenas to a greater degree. Economisation is also increasingly politically relevant, as climate politics globally is entering a stage where the radical transformation of societies is necessary to avoid a global climate catastrophe.

Beyond studying economisation itself, it is also important to study the causes and consequences of economisation. Studying the *causes* provides knowledge about the factors that stimulate economic institutions to address climate issues and that shape economisation (which does not provide a fixed set of policy responses, as discussed in Section 1.1). It describes what is needed to promote, hinder and shape economisation. Studying the *consequences* of economisation contributes crucial knowledge about the actual effects of economisation and consequently to what degree it is worth pursuing.

Studying the three institutions addressing fossil fuel subsidy reform and climate finance shows they can take climate issues seriously, mainly as economic instruments for addressing an environmental problem framed in economic terms. Furthermore, institutional worldview, entrepreneurs within the institutions and interaction with other institutions induced the institutions to address the issues

<sup>2</sup> Although not formally adopted by the COP, the Copenhagen Accord constitutes the output of COP15.

and shaped how they addressed them, and the autonomy of the IMF and OECD bureaucracies was a scope condition for the institutional worldview and the entrepreneurs. The consequences of these economisations had a more discernible effect on the international level than on the domestic, inter alia in influencing how other institutions from the Asia-Pacific Economic Cooperation (APEC) to the United Nations Framework Convention on Climate Change (UNFCCC) addressed fossil fuel subsidies and climate finance.

This chapter proceeds with defining key concepts, first, the concept of economisation and second, the distinction between international institutions and organisations. Subsequently, it outlines the relevant literature on climate governance and international institutions/organisations (particularly economic institutions) and identifies the contribution of the book to these bodies of literature. Next, the chapter explains why it makes sense to select the two cases of climate finance and fossil fuel subsidies, which are both characterised by economic institution involvement, while the relationship between their impact on state budgets and on the environment pulls in opposite directions. The section proceeds with an account of why the selection of the G20, OECD and IMF is academically relevant. The following section outlines the use of data sources and methods in the analysis. The last section outlines the remainder of the book.

## **1.1 The Concept of Economisation**

### **1.1.1 Dimensions of Economisation**

Economisation as defined here entails both an issue that is addressed by economic actors (including *institutions* in the sense discussed in Section 1.2) and framed as an economic issue. I refer to the former as the first aspect of economisation and the latter as the second aspect, although this does not imply that the first aspect necessarily takes place before the second. Framing climate change in (mainstream) economic terms usually centres on defining the policy problem as an externality. An externality is the cost or benefit of an activity undertaken by one actor that affects another actor not involved in the activity, thus creating a suboptimal situation, since the cost of the activity does not reflect the true costs or benefits to society (Pigou, 1932). Since the concept of an externality belongs to the wider class of concepts of ‘market failures’, climate change has been referred to as the ‘world’s biggest market failure’ (Stern, 2006). Consequently, the understanding of climate change as a market failure or an externality (in this book the term externality will be used) has been influential among economic institutions, including finance ministries (Skovgaard, 2012, 2017b). Such a framing has implications for the policy solutions that are proposed (Schön and Rein, 1994). The framing consists of characterising

a given situation or policy issue as well as defining what one ought to do in light of this characterisation, thus having a cognitive as well as a normative dimension (see Chapter 2 for a discussion of the distinction between cognitive and normative ideas and frames). Frames, in this case economic frames, are grounded in the institutions and actors that sponsor them (Schön and Rein, 1994). Hence, economic actors will not only be more likely to address issues framed in an economic way, but once they have adopted such a framing, they may promote this frame and address the issue in ways that differ from and may conflict with other ways of addressing it. Importantly, economisation entails economic actors defining an issue as economic and hence belonging to their portfolio, unlike issues they may address although they still recognise the issues as belonging to the portfolios of other actors. As an example, finance ministries are constantly involved in budgetary allocations in policy areas belonging to the portfolios of other ministries, while never disputing that these policy areas belong to the other ministries.

In mainstream economics, pricing the externality of climate change in the shape of carbon taxes and emissions trading is defined as the logical solution (Grubb et al., 2014; Rabe, 2018; Stern et al., 2013), while other economic instruments (fossil fuel subsidy reform, redirecting investment, market-based instruments generally speaking) are treated as second-best solutions when carbon pricing is not possible. Inherent to the framing is not only a way of defining the problem and how it should be addressed, but also a particular way of attributing value to outcomes, namely in monetary terms (Pearce, 1993). Costs and benefits are all measured in terms of economic impact, including so-called ‘non-market’ losses such as the loss of human lives and species becoming extinct (for criticisms of this approach, see Getzner et al., 2004; Spash, 2007; Storm, 2017). Such measurements allow for comparisons – in monetary terms – between the consequences of climate change and of different policy options put into place to mitigate it. The costs of climate change are also referred to as the social cost of carbon and measured in the costs to society of one ton of CO<sub>2</sub>.

In terms of objectives, (mainstream) environmental economics serves as an expression of neoclassical economics (and more fundamentally neoliberal ideology) that seeks to maximise economic growth (Katz-Rosene and Paterson, 2018). Environmental protection is important because it avoids the (long-term and societal) costs to economic growth resulting from environmental degradation, even if such protection may cause short-term economic loss to those subject to the protection measures (Nordhaus, 2008, 2019; Solow, 1974). Importantly, according to this approach, it is undesirable to adopt environmental protection if the (present value) costs of the protection exceeds the (present value) benefits of avoiding environmental degradation. Within mainstream environmental economics, much debate



has hinged on how much the future costs of climate change should be discounted, a high discount rate leading to a lower social cost of carbon and hence recommendations of lower carbon prices (see the discussion among Nordhaus [2007], Weitzman [2007] and Stern [2006] for an example of such a debate regarding discount rates and their implications for current action).

Economisation can take place at the international or domestic level. Economisation at the domestic level involves finance ministries, central banks, economic think tanks and university departments and other actors addressing economic policy with the aim of maximising economic welfare. At the international level, it involves economic institutions such as the ones involved here as well as individuals (e.g. Nobel Memorial Prize laureates in Economics). Importantly, private companies and associations of such companies are not seen as economic institutions in this respect, since their objective is to maximise their profits rather than the economic welfare of society (national or global). Importantly, the focus here is on economic *policy* broadly speaking, rather than on all economic activities. Thus, this book focuses on actors, which are political in nature and address economic issues, rather than on market actors and other actors engaged in economic activity in order to obtain economic gains.

Two qualifications are important to bear in mind. First, the story of economisation is not necessarily a story of paradigmatic change to the output of economic institutions and actors. While the economisation of climate change may have increased in scope and political importance, how far it has become central to the activities of economic institutions and actors remains an open question.

Second and on a more complex note, since the discipline of economics is not monolithic in its treatment of environmental issues, economisation does not entail one distinct way of framing climate change. Yet, including heterodox economic approaches to environmental issues such as ecological economics, evolutionary economics and limits to growth approaches (see e.g. Berr, 2017; Meadows et al., 1972; Mulder and Van Den Bergh, 2001) under the concept of economisation would broaden it to a degree that would severely reduce its usefulness and academic relevance. Rather, the focus here is on mainstream economic approaches to environmental problems, since they – despite internal differences – share central tenets (including a focus on prices and equilibria) which have dominated the discipline of economics and economic policymaking. Moreover, most of the key tenets of mainstream economics are unique to economics (e.g. the focus on markets and prices), whereas much of the heterodox environmental economics share key tenets (e.g. power inequalities or ecological boundaries) with other disciplines. Specifically, I define mainstream approaches as being distinguished by an emphasis

on efficiency (understood as maximum utility) while leaving questions of equity to other disciplines (Storm, 2017).

While it is difficult to exactly delineate mainstream economics, the core of mainstream economics has for the last century consisted of neoclassical economics and the theoretical strands and schools drawing on it. Neoclassical economics is broadly understood as economic approaches based on markets and equilibria between opposing forces (e.g. supply and demand as reflected in the market price) being central concepts and on methodological individualism (Vroey and Pensieroso, 2016). A range of (mainstream) economic strands have drawn on neoclassical approaches, including the so-called neoclassical synthesis, monetarism, classical economics, new Keynesian and the so-called ‘New Synthesis’, in some cases without being considered as belonging to the neoclassical economics approaches (Hibben, 2016; Vroey and Pensieroso, 2016). These approaches can be placed along a continuum based on how they conceive the role of the state vis-à-vis the market, with neoclassical approaches arguing for minimal state intervention and Keynesian approaches for direct state interventions in the market (Storm, 2017). I include all these approaches under the term of economisation, while arguing that it is important to identify the degree to which the economisation draws on purely neoclassical approaches or more Keynesian approaches. Given the predominant role of neoclassical economics within the discipline of economics, I argue neoclassical economisation is a more ideal-typical kind of economisation.

The theoretical fragmentation characterising economics on a general theoretical level is mirrored on the level of mainstream environmental economics (and even more so if one moves beyond the mainstream). Mainstream environmental economics includes differing approaches (Stern et al., 2013), most importantly regarding the role of government. While adherents of Arthur C. Pigou (1932) argue in favour of a carbon tax enforced by government and imposing the full costs of climate change on the polluter, adherents of Ronald A. Coase (1960) argue in favour of distributing tradable rights to pollute. Thus, Pigouvian carbon markets are based on a greater belief in government regulation than Coasean emissions trading systems, with Coase’s criticism of Pigou centred on the transaction costs of government intervention. This is not surprising, considering that Pigou was inspired *inter alia* by the Keynesian efforts to address market failures, and Coase was a member of the Chicago School (Katz-Rosene and Paterson, 2018). Yet, both approaches share a significant number of premises, including the key emphasis on addressing externalities, the objective of maximising economic welfare in society (Pigou is considered to be the ‘father of welfare economics’) and the belief in leaving the key decisions to the market (Aslanbeigui and Medema, 1998). Hence, Pigou and Pigouvian environmental economics are best understood as neoclassical



economists, although envisioning a slightly larger role for the state than Coase and his adherents.

Importantly, the belief in leaving key decisions to the market sets Pigou and Coase's carbon pricing approaches apart from so-called regulatory approaches which impose non-tradable obligations on companies or subsidise green technologies. Hence regulatory approaches leave the decisions of how to reduce pollution or who should do it to the government rather than the market, an approach at odds with neoclassical economics but inspired by traditional Keynesianism (Lauber and Schenner, 2011). Regulatory approaches in the shape of Keynesian (or Schumpeterian) green growth or green deal policies aimed at mitigating climate change and stimulating growth have become increasingly popular following the 2008–9 economic and financial crisis (Meckling and Allan, 2020; Skovgaard, 2013). While regulatory and green growth policies are not necessarily identical (it is possible to promote regulatory policies without adhering to green growth and vice versa), they share a belief in industrial policy in which a range of decisions are left to policymakers rather than the market, and that such policies can enhance growth (Jacobs, 2012). Yet, promotion of regulatory approaches will be treated as instances of economisation only if they involve other economic framings – such as a Keynesian focus on green growth. This is because while regulatory approaches may be promoted for economic (mainly Keynesian) reasons, they may also be promoted for other reasons (e.g. to address an environmental problem for non-economic reasons, as discussed later in this section).

In practice, Pigouvian carbon taxes have generally been promoted by economic actors together with Coasean emissions trading (Katz-Rosene and Paterson, 2018), increasingly under the heading of carbon pricing (Skovgaard and Canavan, 2020). Generally speaking, the mainstream approaches to climate change and climate policy studied here always favour policies that work through providing economic incentives and leaving as many decisions as possible to the market (Grubb et al., 2014, chapters 6–8). For instance, Nordhaus (2008) argues that for a problem such as climate change characterised by non-linear costs and linear benefits, taxes are preferable in economic terms, while the trading of allowances is preferable as regards linear costs and non-linear benefits. Yet, given the political obstacles to carbon taxes, he argues that a hybrid system of emissions trading with auctioning may be the best solution when considering both theoretical economic and concrete political factors (Nordhaus, 2008).

Another, increasingly important, strand of mainstream economics addressing environmental issues consists of the literature addressing green, climate and sustainable private finance and investment (Barnett et al., 2020; Campiglio et al., 2018). This literature focuses less on the nature of climate change as an environmental problem and more on directing finance and investment to ensure the transition to a climate-friendly

low-carbon society, especially the role of risk and uncertainty in affecting such investments. Such (perceived and real) risks are relevant both to investment in green technologies and in fossil fuels (thus concerning mitigation) and to investments that may be affected by climate change and other environmental degradation (Campiglio et al., 2018). This literature is rooted in the study of finance and institutional economics rather than environmental economics and economic theory (Grubb et al., 2014; Hong et al., 2020). The focus is on overcoming barriers to climate friendly and sustainable investment, and while carbon pricing is defined as an important factor in this, other instruments such as green bonds, certificates and carbon disclosure requirements may be as important or more so.

Beyond economisation in the shape of framing climate issues in terms of environmental economics and other subdisciplines of mainstream economics, there are also other, less ideal-typical kinds of economisation based on other economic but non-academic framings. For instance, it is possible to focus on the fiscal consequences of fossil fuel subsidies or climate finance and define them as belonging to the portfolio of economic institutions (Skovgaard, 2012, 2015, 2017a, 2017b) without drawing on environmental economics. Thus, these less ideal-typical cases of economisation define a climate issue as belonging to the portfolios of economic institutions because of the economic features ascribed to it, but are not necessarily predicated on the understanding of environmental problems constituting economic problems, and do not necessarily take environmental damage into concern. Beyond the economic framings, climate change may also be framed in purely non-economic terms, that is, without defining the damage caused in economic terms, but rather in terms of impact on social justice or on the intrinsic value of environmental diversity (Clapp and Dauvergne, 2011).

### ***1.1.2 Economisation and Other ‘Ations’: A Question of Framing and the Actors Involved***

The emphasis on agency in the shape of economic actors and institutions addressing the issue, rather than solely on how the issue is addressed, distinguishes economisation from previous uses of the term economisation (see e.g. Bina, 2013; Çalışkan and Callon, 2009, 2010; Schimank and Volkmann, 2012; Wenzlaff, 2019). These previous studies of economisation have focused on processes that constitute particular ‘behaviours, organizations, institutions and, more generally, the objects in a particular society . . . as “economic”’ (Çalışkan and Callon, 2009). Scholars studying economisation in this sense mainly come from sociology, and have drawn on the description of how economic logics colonise non-economic spheres of social life going back to Karl Marx and Manfred Weber (Jessop, 2012; Wenzlaff, 2019). In spite of the historical roots of the concept, it is often used to

describe contemporary processes tied to the spread of neoliberalism (Bina, 2013; Mavelli, 2018). Furthermore, the concept is often used in terms almost synonymous with marketisation, in the sense of the adoption of market logics within non-market social spheres. Marketisation – a concept originating in the political economy and business administration literature – takes place *inter alia* through creating markets for pollution and ecosystem services (McCormack, 2017). While economisation (in the sense used in this book) may lead to marketisation, it differs from marketisation in that it also encompasses ways of addressing issues that do not involve the creation of markets, for example, through taxes, investment, subsidies, and so forth.

Studies on economisation have focused on the economisation of fields or spheres such as education, health and science (Schimank and Volkmann, 2012), with relatively few studies using the term economisation when studying the employment of economic logics within the spheres of energy or environmental protection (but see Alvial-Palavicino and Ureta, 2017; Bina, 2013; Wilshusen and MacDonald, 2017).

Economisation in this, more purely discursive and structural, understanding describes developments towards treating issues in economic terms, a treatment that in the case of environmental politics has also been described in terms of the paradigms or norm complexes of ‘market liberalism’ (Clapp and Dauvergne, 2011) and ‘liberal environmentalism’ (Bernstein, 2001). Both market liberalism and liberal environmentalism describe ways of reconciling economic and environmental objectives in a way that is predicated on economic core tenets (see also Newell, 2012; Newell and Paterson, 2010), similarly to the economisation of climate change. Yet, they focus mainly on such reconciliation within environmental institutions and actors (e.g. the 1992 Earth Summit; see Bernstein, 2001), unlike economisation in the sense used here, in which the involvement of economic actors and institutions is inherent to the concept of economisation. Furthermore, both market liberalism and liberal environmentalism are paradigms or norm complexes, while economisation describes a dynamic including the involvement of a particular set of actors and is more specific in terms of relying on approaches from (environmental) economics. Thus, there are a range of studies of how sustainable development and environmental protection have been addressed in economic ways, which have focused on the discursive and framing-oriented aspects of economisation, and not treated the involvement of economic actors as an equally important aspect of economisation.

The present approach to economisation also differs from the concepts of politicisation and depoliticisation, which focus on the processes and strategies moving issues into the field of politics (Zürn, 2014) or out of it (Burnham, 2001; Hay, 2007). Thus, politicisation and depoliticisation do not include particular framings of the issue in question (e.g. regarding its nature, how it should be addressed) beyond the

basic question of whether it constitutes a political issue or not. The political field is characterised by public communication about and contestation over collectively binding decisions concerning the common good (Zürn, 2014). Conversely, depoliticisation consists of moving issues away from such public contestation and communication, for example, by moving them from parliamentary or government bodies to technocratic ones, as has been the case with central banks which were freed from political control in the 1990s (Marcussen, 2009). While the depoliticisation literature has its roots in political economy and generally argues that we have witnessed a depoliticisation of (especially economic) policymaking in the past three decades, the politicisation literature has *inter alia* argued that we are witnessing an increasing politicisation of international institutions (Zürn, 2014). Arguably, economisation may constitute a type of (neoliberal) depoliticisation provided that the issue in question was previously politicised, but not framed as an economic issue (Madra and Adaman, 2014), as Romain Felli (2015) has argued emissions trading has done to environmental policymaking. However, moving an issue from one kind of depoliticised policymaking into the economic field does not amount to depoliticisation.

Economisation in the sense used in this book shares fewer similarities with (de) politicisation and economisation in a discursive sense than with concepts such as climatisation and securitisation, which all include framing issues in particular ways as well as them being addressed by particular actors or policy spheres. The focus on particular actors means there is a stronger emphasis on agency than in the purely discursive versions of economisation. Climatisation, as defined by Aykut and Castro (2017), consists of ‘attempts to frame questions ... as issues of climate policy, and attempts to enable the climate regime to tackle those questions within its own organisational routines’. The opposite of climatisation is *declimatisation*, or the ‘counter-strategies and institutional dynamics that conspire to maintain existing separations between climate governance and fossil fuel regulation’ (Aykut and Castro, 2017). While economisation focuses on treating climate change as an economic issue and climatisation focuses on treating issues such as fossil fuel use as a climate issue, they share an attention on framing as well as on the procedures and policymaking spheres of actors. Climatisation and its framing of climate change as a global environmental problem shares similarities with economisation and its framing of climate change as a global externality, but differs in that the former leads to policy instruments *mitigating* rather than *pricing* emissions as their ultimate end, and particularly to addressing climate change within a *distinct climate regime* rather than economic institutions.

Securitisation, or treating an issue as an existential security threat (Buzan et al., 1998), also focuses on the framing of the issue as well as the consequences of the

framing in terms of policymaking. Securitisation entails that an issue constitutes a threat to the existence of an entity, and hence has to be addressed beyond the normal political logic of weighing priorities against each other (Buzan et al., 1998).<sup>3</sup> Furthermore, the concept of securitisation differs from economisation in that it focuses on the discursive elements of an issue being defined as a threat through a speech act and the subsequent acceptance of the claim by an audience, unlike the concept of economisation, which focuses on framing and the issue being brought into a policy field. While the possibilities for securitising climate change have earlier been the subject of speculation, especially in connection with the 2007 discussion of climate change in the UN Security Council in the past ten years the economic framing of climate change have been far more prominent (see Aykut, 2016; Katz-Rosene and Paterson, 2018).

Finally, financialisation refers to a development in which financial motives, markets, actors and institutions play an increasing role in the operation of domestic and international economies (Epstein, 2005). This process differs from economisation as described in this book in that it portrays a process within the economic sphere rather than within non-economic spheres.

To summarise, what I refer to as the first aspect of economisation involves moving an issue into the economic field, and thus allowing it to be addressed by institutions and actors dealing with economic policy issues at both the domestic and international levels. Hence, economic institutions treat climate change as an issue that belongs to their portfolio because of the economic features ascribed to it, rather than belonging to the portfolio of other institutions although it is still relevant to them because it also affects economic objectives. These economic institutions are characterised not only by their economic worldview rooted in mainstream economics (Chwieroth, 2008; Kingdon, 2003; Wildavsky, 1986; Woods, 2006) but also by their relative power compared to domestic (e.g. environment ministries) and international environmental institutions (e.g. the UNFCCC). Hence, economisation in terms of the involvement of economic institutions has significant transformational potential. Besides involving a preference for economic policy instruments as well as institutions more powerful than environmental ones, the activities of economic institutions cut across a wider range of policy areas than environmental policymaking. This is important, as action on climate change that is not siloed but involves the integration of climate policy objectives into wider policymaking can increase policy impact (Adelle and Russel, 2013; Jordan and Lenschow, 2010; Nilsson and Pallemmaerts, 2009; Nilsson et al., 2012).

On the whole, the outcomes of economisation are not pre-given. Besides the fact outlined in this section that the economic framings of climate change may differ, the

<sup>3</sup> This 'normal, political' logic share similarities with politicisation as discussed in the preceding text.

economic institutions also differ in terms of their worldview, relations with other actors and the role of individual entrepreneurs in the institutions studied (see also Chapter 2). These factors may shape how they frame climate change issues as economic problems. For instance, their worldview may influence the economic framing of climate change the institution adopts. Furthermore, different issues may be economised in differing ways, depending inter alia on their characteristics (particularly economic consequences). For instance, fossil fuel subsidy reform (which has a positive impact on fiscal balances) may be addressed in a different way than climate finance (which has a negative fiscal impact on the countries providing the finance), as discussed in Section 1.5. Rather, it is important to explore how the important dynamic of economisation unfolds in practice, including the causes and consequences of this dynamic.

## 1.2 On International Institutions and Organisations

Both ‘international institutions’ and ‘International Organisations’ (IOs) have long been key concepts in the literature on international relations, and are often used in ways that overlap (Barkin, 2013; Martin and Simmons, 2012). Robert Keohane (1989, p. 3) defined international institutions as ‘persistent and connected sets of rules (formal and informal) that prescribe behaviour, constrain activities and shape expectations’, and IOs as constituting one subset of these institutions. The three institutions studied here are not only formal institutions, but they also – drawing on Lisa L. Martin and Beth A. Simmons (2012) – belong to the subset of formal institutions that are entities rather than rules.<sup>4</sup> More precisely, Martin and Simmons (2012) define the formal entities as associations, mainly of states, with membership criteria that take positions in the name of their membership and thus constitute ‘corporate actors’ (2012). Yet, the IMF and the OECD are also IOs in the commonly used sense of being bureaucracies. For instance, Tallberg et al., (2016) define IOs as ‘intergovernmental, multilateral and bureaucratic organisational structures established to further co-operation among states’. Thus, international bureaucracies constitute a necessary characteristic of an IO, and consequently the G20 is not an IO (for the argument that they do, see Rittberger et al., 2012; Roger, 2020).

I argue that while the question of whether an institution has a rotating secretariat<sup>5</sup> or a permanent international bureaucracy constitutes an important variable characterising that institution, it is not sufficiently important to rule out a comparison between the G20 and the other institutions. Rather, I argue that it makes sense to treat the international bureaucracies as actors within the institution; the concept of

<sup>4</sup> On a similar but more general note, North (1990) defined organizations as ‘groups of individuals bound by some common purpose to achieve objectives’, and institutions as ‘underlying rules of the game’.

<sup>5</sup> The G20 secretariat rotates between the member states holding the Presidency.



institution also including the ideational framework inherent to the institution as well as the member states of the institution (Biermann et al., 2009b). More specifically, this book will define the institutions as consisting of the decision-making organisational structures involving member state representatives and, in some cases, international bureaucracies, as well as the worldviews institutionalised (to varying degrees) within these structures. Thus, the role of the bureaucracies of the OECD and the IMF constitute important factors to explore when explaining the output of the three institutions (see Chapter 2).

Importantly, the book focuses on intergovernmental institutions, not private or hybrid institutions with non-state members from business or civil society. A third related concept, international regimes, are often defined as a subset of international institutions (Keohane, 1989), more specifically as ‘set of implicit or explicit principles, norms, rules and decision-making procedures around which actors’ expectations converge in a given area of international relations’ (Krasner, 1983, p. 186). Here, the term regime will be used to refer to such sets of principles, norms, rules and decision-making procedures centred on specific multilateral agreements, such as the UNFCCC, which constitutes the core of the United Nations climate regime. Given the overlapping use of the terms institutions, regimes and IOs, and the close relationship between the empirical and theoretical inquiries into the three concepts, I draw on the literature on all three concepts.

### **1.3 Standing on the Shoulders of Giants: The Literature This Book Builds Upon**

#### ***1.3.1 Global Climate Governance***

The present volume is indebted to a range of different literatures. Starting with the broadest bodies of literature, the literature on global climate governance (Bernstein and Hoffmann, 2019; Biermann and Kim, 2020; Jordan et al., 2018; Keohane and Victor, 2016) provides important context for this book, namely studying how the three institutions have addressed climate issues and thus been part of global climate governance. As mentioned at the beginning of this chapter, David Victor (2011) has pointed out that most of the decisions affecting the climate are made outside the environmental policymaking domain, which is detrimental to the response to climate change. This book addresses this problematique by exploring it at the international level, where it plays out without the constraints of domestic politics and has potentially far-reaching consequences for a range of countries. In doing so, it also draws on the literature on the institutional complexity or polycentricity of global climate governance (for institutional complexity see Biermann et al., 2009a; Keohane and Victor, 2011; for polycentricity see Jordan et al., 2018; Ostrom, 2010). This literature

has described the global governance of climate change in terms of a range of institutions addressing climate change while interacting in various ways. Although the UNFCCC occupies a central place within this complex, institutions such as the World Trade Organization, the Montreal Protocol, hybrid and non-state initiatives like the Forestry Stewardship Council also constitute elements of the system. Central to this literature is the notion that the role of individual institutions cannot be understood in isolation, but that studying their roles includes studying the effect of other institutions on them as well as their effect on other institutions. This book addresses an aspect of such complexity by studying three institutions that are part of this complex and *inter alia* studying their role within the complex and their interactions.

Much of the institutional complexity or polycentricity literature originates from studies of climate governance but is relevant to wider studies of international institutions. Thus, in yet more general terms, the book draws on literature on the factors influencing institutional output, as well as the output's influence on other international institutions and at the domestic level. Regarding the former, the analytical framework of the book (outlined in Chapter 2) draws – beyond the previously mentioned theories of institutional interaction and complexity – on theories explaining institutional output in terms of IO bureaucracies (e.g. Barnett and Finnemore, 2004) and relations with member states, including principal–agent theory (Nielson and Tierney, 2003). Furthermore, regarding the consequences of the institutional output, the framework distinguishes between the domestic and international consequences (see also Young, 2001). Concerning the domestic level, the framework draws on literature on how institutional output may affect ideational or incentive-based dynamics (e.g. Checkel, 2005; Kahler, 2000) as well as literature on the policy process (e.g. Kingdon, 2003; Sabatier and Weible, 2014). Regarding the international level, the framework draws on literature on the dyadic interaction between institutions (Oberthür and Stokke, 2011; Stokke, 2001, 2012) and IOs (Biermann, 2008; Kranke, 2020; Momani and Hibben, 2015), and on the previously mentioned polycentricity/institutional complex literature (Biermann et al., 2009a; Jordan et al., 2018; Keohane and Victor, 2011). A common theme of the framework is that the causal mechanisms through which the institutions are influenced may be of an ideational (normative dynamics or cognitive) character as well as involving changes to the incentive structures facing actors.

### ***1.3.2 Environmental–Economic Relations***

The present book also relies on literature on environmental–economic relations (Ekins, 2000; Grubb et al., 2014; Katz-Rosene and Paterson, 2018; Newell and Paterson, 2010; Stevenson, 2019). As should be evident from the preceding

discussion of the concept of economisation, this concept is greatly indebted to this literature, as it describes one way of reconciling economic and environmental objectives by framing an environmental problem as an economic one. One relevant strand of the literature on environmental–economic relations explores whether economic and environmental objectives are framed as synergistic or conflictive, finding that the framing of the objectives as conflicting would lead to the prevalence of economic objectives (Hoffman and Ventresca, 1999; Jacobs, 2012; Skovgaard, 2014). Another key strand within this literature concerns the role of (especially international) economic institutions in maintaining policy paradigms based on markets and economic growth (Bernstein, 2001; Dauvergne, 2016). According to the literature on economic–environmental relations, environmental policymaking predicated on economic principles has been prominent *inter alia* because of support from powerful economic actors and resonance with economic discourse (Bernstein, 2001; Newell, 2012; Newell and Paterson, 2010). At the same time, such policy-making predicated on economic principles has often led to policy responses that prioritise economic efficiency over justice concerns and which do not constitute a radical departure from existing policy paradigms.

### ***1.3.3 Fossil Fuel Subsidies and Climate Finance***

In a more empirical vein, the book draws on the literature on climate finance and fossil fuel subsidies, particularly the political aspects of these issues. The literature on fossil fuel subsidies (see Chapter 4 for more detail) has mainly focused on technical and economic aspects, although the political aspects have been developed more recently (see for instance the contributions to Inchauste and Victor, 2017; Skovgaard and van Asselt, 2018b; van Asselt and Van de Graaf, 2017). Although much of this literature focuses on the domestic politics of fossil fuel subsidies (see e.g. Overland, 2010; Rentschler, 2018; Rentschler and Bazilian, 2017b), the global attempts to address fossil fuel subsidies, including the role of the norm of fossil fuel subsidy reform (Van de Graaf and Blondeel, 2018), have been the subject of studies focusing *inter alia* on the G20, the IMF and the OECD (Skovgaard, 2017a, 2018). The literature on climate finance, including on the political aspects, has a longer track record (see e.g. Keohane and Levy, 1996), and a stronger emphasis on the international level (Haïtes, 2013; Skovgaard et al., 2017; see also Chapter 9). This difference in emphasis on the international level is perhaps not surprising, given that fossil fuel subsidies are domestic policies, whereas climate finance (understood as financial flows from developed to developing countries) are international in nature. The international governance of climate finance has been the subject of studies that have focused on the climate system (Pickering et al., 2017), individual

institutions such as the Green Climate Fund (Abbott and Gartner, 2011), how to determine whether climate finance commitments are being met (Pauw, 2017; Roberts and Weikmans, 2017; Weikmans et al., 2020), as well as which normative ideas should guide the generation and allocation of climate finance (Ciplet et al., 2013; Moore, 2012; Stadelmann et al., 2014).

### ***1.3.4 The International Economic Institutions***

The book also draws on the literature on the three institutions studied for empirical knowledge (see also Chapter 3). Given their nature as economic institutions, it is perhaps not surprising that much of the literature has focused on their role regarding economic governance (see Babb, 2013; Chwioroth, 2008, 2010; Woods, 2006 regarding the IMF; Carroll and Kellow, 2011 regarding the OECD; Cooper and Thakur, 2013; Slaughter, 2015 regarding the G20). The IMF literature has outlined the significant power of the institution to influence national policymaking, especially in countries under IMF programmes, owing to these countries receiving financial assistance (Kentikelenis et al., 2016; Pop-Eleches, 2009). The IMF's role regarding environmental policy has been subject to much less attention, *inter alia* because of the Fund's limited interest in the topic and its emphasis on economic growth at the expense of environmental protection (Harvey, 2005; Lindenthal and Koch, 2013; Polak, 1991). The G20 literature has focused on the role of the institution as a global steering committee (Cooper, 2010; Held and Young, 2013) consisting of twenty of the world's largest economies and covering 85 per cent of global GDP. Although the role as a steering committee has been most pronounced regarding economic policy, especially in the response to the 2008–9 global economic and financial crisis, its role regarding environmental policy has also been significant (Kirton and Kokotsis, 2015; Slaughter, 2017). The G20's role in environmental governance has in particular been studied with regard to greening the fiscal stimulus following the 2008–9 economic and financial crisis (Barbier, 2010; Klein, 2019, Meckling and Allan, 2020; Tienhaara, 2016). Finally, the OECD has, arguably because of its more limited influence within global governance, been the subject of fewer studies (but see Carroll and Kellow, 2011). Given that the OECD covers a wider range of policies in its day-to-day practices (albeit from an economic perspective), much of this literature has focused on the impact of the OECD on governance within fields such as education (Niemann and Martens, 2018) and environment (Busch, 2009). The OECD's economic approach to environmental issues has been characterised as 'liberal environmentalism', a normative compromise between environmental protection and economic growth that predicates international environmental protection on the promotion and maintenance of a liberal economic order (Bernstein, 2001).

### 1.4 The Contributions of the Book

This book contributes to the literature it draws upon in a number of ways. The main contribution is to study six instances of economic institutions addressing climate change issues (two issues each being addressed by three institutions) at the international level through the lens of economisation, thus providing new knowledge about the factors shaping such economisation and its consequences. An important aspect of this contribution is the development and application of the concept of economisation. By using this concept to study the three institutions addressing the two climate issues, the book explores to what degree and in what way it is possible to reconcile economic and environmental objectives in economic institutions, in a manner based on core economic tenets. Studying the causes and consequences of economisation is important in this respect. Much of the literature on economic–environmental relations has mainly focused on these relations within environmental institutions, rather than on *how* environmental issues have been addressed by the more powerful economic institutions (Bernstein, 2001). The question of *how* is important, since the power of the economic actors means that their involvement holds significant transformational potential, and different factors may influence their roles, hence leading to different approaches among the economic institutions.

Furthermore, the concept of economisation also contributes to ongoing debates about similar dynamics, including whether the world is characterised by the climatisation of other policy domains (Aykut and Castro, 2017). While economisation, climatisation, and securitisation (Buzan et al., 1998) are not mutually exclusive concepts, they draw attention to different aspects of political phenomena, the economic aspects being particularly politically and academically relevant in a time when the roles of economics, economic thinking and economic institutions are being intensely debated. Furthermore, the concept of economisation allows for a comparison with other policy issues experiencing similar economisation dynamics (e.g. education) and draws attention to economic institutions and framings which historically have been very important.

Beyond the concept of economisation, this book contributes to the literature on international institutions and organisations by developing and applying a framework analysing the causes and consequences of institutional output (see Chapter 2). This framework includes intra-institutional factors (institutional worldview and entrepreneurs operating within the institutions) as well as extra-institutional ones (relations with member states and interaction with other institutions). While some of these factors (worldview, entrepreneurship and membership relations) are often included in studies of institutional output (see e.g. Biermann et al., 2009b), the inclusion of institutional interaction means that each institution is not treated as an isolated entity, but that the influences from its institutional environment are also included.

Furthermore, the book contributes to the literature on international institutions and organisations by studying how institutions have addressed issues beyond their normal portfolio, and identifying factors influencing how far they could go regarding such new issues.

Furthermore, there are more empirical contributions to the literature on climate finance and fossil fuel subsidy reform in terms of analysing and comparing the relatively underexplored role of the three institutions (but see Kim and Chung, 2012; Skovgaard, 2017a), and by providing an overarching comparison between the two issues. Finally, the book contributes to the broader literature on climate governance and the role of economic institutions therein. Although scholars have provided theoretical accounts of individual instances of economic institutions addressing climate change (Busch, 2009; Downie, 2015; Lehtonen, 2007; Ruffing, 2010; Skovgaard, 2017a; Slaughter, 2017), the present book provides a more exhaustive overview and allows for a comparison between the two policy areas and the institutions. By studying the interaction between these institutions and other international institutions addressing climate change, the book offers an empirical account of the role of these institutions in the wider complex. Likewise, the book contributes to the literature on the three institutions (see Cooper and Thakur, 2013; Park and Vetterlein, 2010a; Woods, 2006), especially those focusing on policy change within the institutions (Chodor, 2017; Chwiero, 2010; Hibben, 2015; Seabrooke, 2012; Vetterlein and Moschella, 2014).

## **1.5 Case Selections**

### ***1.5.1 International Economic Institutions***

The economisation of climate change at the international level has taken place within a range of economic institutions, from the newly founded Coalition of Finance Ministers for Climate Action to the World Trade Organization (WTO), and covers a range of topics from climate change in general to climate insurance. The three institutions have been chosen on the basis of their individual importance in international economic governance and the variation that they represent (see also Chapter 3 for more detail on their similarities and differences). The IMF has played an important role in promoting the Washington Consensus and neoclassical economic policies (Babb, 2013; Momani and Hibben, 2018), the G20 was crucial in addressing the 2008–9 global economic and financial crisis (Drezner, 2014) and the OECD has shaped the knowledge basis for policies addressing inter alia education, environment and development (Carroll and Kellow, 2011). Furthermore, all three institutions have economic growth and stability as main objective, while covering



a range of issues, unlike other institutions such as the World Bank (which has development as its objective) or the WTO (which has a narrow focus on trade).

While sharing the fundamental characteristic of being economic institutions, the three institutions also represent a variation on theoretically relevant variables that may influence their output (see Chapter 2), allowing for a comparative exploration of their influence beyond the process-tracing of the individual case studies. First, they differ in membership, with the G20 covering twenty of the world's largest economies, the OECD all developed countries and the IMF virtually all countries in the world. Second, they also differ in their decision-making processes, with the G20 and the OECD using consensus-based procedures to reach agreements among the member states and the IMF using voting based on countries' financial contributions to the IMF, a system that grants the major developed countries a position close to a combined veto power. Third, the fact that the IMF and OECD have international bureaucracies, and the G20 does not, allows for a comparison of the influence of such bureaucracies. Fourth, the IMF and the OECD differ in the degree of autonomy their bureaucracies enjoy vis-à-vis the member states, with the IMF being significantly more autonomous. Fifth, the institutions differ in the governance functions they perform. Whereas the G20 is a political forum for debating and agreeing on how states should address political issues, the OECD is a knowledge provider that analyses and evaluates member state policies and the IMF is an operational institution that can pursue policies independently of member states.

### 1.5.2 The Policy Issues

The policy issues of fossil fuel subsidies and climate finance are also characterised by similarities and differences (see Chapters 4 and 9). Both offer very clear-cut cases of economisation and are relatively new arrivals to international climate politics (fossil fuel subsidies having been introduced more recently than climate finance), having rapidly increased in importance within the last decade. These characteristics distinguish these issues from issues such as adaptation, mitigation (understood in a broad sense) or renewable energy, which have been much less economised, and which have been part of international climate politics for longer, making it more difficult to identify the consequences of economisation on these issues. Unlike issues such as adaptation, mitigation and renewable energy, the two issues are both defined in terms of their relevance to climate change policy (*climate finance* and *fossil fuel* subsidies) and to economic policy (*climate finance* and *fossil fuel subsidies*).

In both cases, the practices now defined as constituting fossil fuel subsidies (and their reform) and climate finance took place long before the two concepts emerged. Subsidies have been provided to the consumption and production of fossil fuels since at least the end of the Second World War (Steenblik, 1999), and the financing of projects that mitigate climate change in developing countries, for example, renewable energy, also dates back decades (Michaelowa and Michaelowa, 2011b). Yet, the concept of energy subsidies only date back to the 1980s (World Bank, 1983), and fossil fuel subsidies to the 1990s (Larsen and Shah, 1992). Likewise, the concept of climate finance emerged only following the 1992 Earth Summit. On a closely related note, both issues have been characterised by heated debate regarding what exactly can be defined as fossil fuel subsidies (Koplow, 2018; Skovgaard and van Asselt, 2019; see also Chapter 4) and climate finance (Roberts and Weikmans, 2017; see also Chapter 9). Such definitional contestation has resulted in estimates of their global volume that range from 300 to 5,000 billion in the case of fossil fuel subsidies (Coady et al., 2019; IEA, 2019) and from 2.2 to hundreds of billions in the case of climate finance (Dasgupta and Climate Finance Unit, 2015; UNFCCC Standing Committee on Finance, 2018). The size of (most of) these estimates points to the economic importance of both issues. For comparison, the GDP of Indonesia was USD 1,000 billion in 2018; and that of the UK was 2,900 (World Bank, 2020c). Although the estimated economic impact of temperature increases of 3–4 degrees lies in the range of 2–15 per cent of GDP<sup>6</sup> (Kahn et al., 2019) and is thus much greater, the reform of fossil fuel subsidies and the provision of adequate climate finance are crucial for the mitigation of climate change (Gupta et al., 2014; Skovgaard and van Asselt, 2019).

Yet, the two issues also differ. First, regarding the nature of the issue addressed, they differ in their fiscal impact, with climate finance constituting expenditure for the countries providing it, whereas fossil fuel subsidy reform constitutes a way of reducing expenditure. Fossil fuel subsidy reform can be framed as a policy instrument that reduces emissions *and* saves public money *and* removes macroeconomic distortions, a triple-win situation that is attractive to finance ministries in particular, a key constituency of the three institutions. Climate finance does not allow for such resonance. Second, the international discussions of climate finance are characterised by political contestation between developed and developing countries to a much larger degree than the discussions of fossil fuel subsidies. This is because climate finance concerns the flow between these two groups of countries and fundamental issues of climate equity, whereas fossil fuel subsidies are primarily domestic phenomena. Arguably, mainly developing countries enjoy the benefits of

<sup>6</sup> Global GDP is currently at 85,000 billion USD (World Bank, 2020c), but will be significantly higher when the impacts of climate change are fully present.

climate finance (although developed countries also benefit from mitigation and from reduced refugee flows caused by adaptation finance) and the costs of climate finance fall on developed countries, whereas both the costs and benefits of fossil fuel subsidies are domestic (except for the impact on climate change). Third, climate finance was already an established issue by the time the three institutions started addressing it, unlike fossil fuel subsidies which were mainly put on international and domestic agendas by the G20's commitment to reform them. Thus, regarding climate finance, the institutions were forced to navigate in a system in which other international institutions (particularly the UNFCCC) were already active. Fossil fuel subsidies were from the beginning an issue the economic institutions were able to address without encroaching on the turf of other institutions.

### *1.5.3 Illustrative Country Cases*

To illustrate the domestic consequences of the output of the three institutions, I focus on five countries: Denmark, India, Indonesia, the United Kingdom and the United States. These countries have been selected based on their important roles in the international discussions of fossil fuel subsidy reform and climate finance, yet they vary in terms of experience of both issues. Regarding fossil fuel subsidies, while the United Kingdom and Denmark have been reluctant to acknowledge having fossil fuel subsidies, the other countries acknowledge their subsidies, but the extent to which the reform was successful ranges from very limited (the United States), to mixed (Indonesia pre-2014) and finally to high (India, Indonesia in recent years). Interestingly, while the United Kingdom and Denmark have actively promoted fossil fuel subsidy reform internationally, India has been outright sceptical of the international efforts regarding fossil fuel subsidy reforms. Concerning climate finance, all five countries have been very active in the international climate finance negotiations. Denmark, the United Kingdom and the United States are listed in the United Framework Convention on Climate Change's Annex II (UNFCCC, 1992), which obliges them to provide climate finance, whereas India and Indonesia as developing countries are entitled to such finance. While the United Kingdom and Denmark provide relatively large volumes of climate finance per capita (about USD 30 per capita in 2015; UNFCCC Standing Committee on Finance, 2018) compared to other Annex II countries, the United States has provided much lower numbers even under the Obama administration (about USD 9 per capita in 2015; UNFCCC Standing Committee on Finance, 2018). Both Indonesia and India are among the top recipients of climate finance. In the United States, climate finance and other climate issues have been subject to considerable political contestation and radical policy changes from the Obama to the Trump

administration, whereas the topic has been characterised by relative political consensus in Denmark and the United Kingdom. In the international climate finance negotiations, Denmark, Indonesia and the United Kingdom have generally sought to build bridges between developed and developing countries, whereas India and the United States have generally (also under the Obama administration) been among the hardliners in their respective country groupings. Finally, the countries cover both developed and emerging economies (but not Least Developed Countries because of their lesser share of global fossil fuel subsidies), and G20 members as well as one non-G20 member.

### **1.6 Sources and Methods**

The analysis in this book has been carried out using qualitative methods on the basis of interviews with key informants, official sources and secondary sources. The key informants (more than fifty in total) are civil servants from the IMF and the OECD bureaucracies as well member states characterised by a strong commitment to fossil fuel subsidy reform or climate finance (Denmark, India, Indonesia, Sweden, the United States and the United Kingdom). Within the IMF and OECD, a limited number of officials have fossil fuel subsidies and climate finance as their main responsibility, and in both cases I have interviewed a significant share of these officials, as well as officials having fossil fuel subsidies and climate finance as a minor but important part of their responsibilities, for example, officials working with IMF country programmes. The informants were interviewed during the period 2011–20 at the headquarters of the two organisations; in the national capitals; at national representations to the OECD; and via phone, Skype, Zoom or (in a couple of cases) email. The interviews were semi-structured, with the informants being asked similar general questions as well as more specific questions regarding their individual responsibilities. Several of the informants interviewed at the beginning of the 2011–20 period were re-interviewed in 2019–20 to update the findings from the original interviews and ask follow-up questions.

The analysis has uncovered how the institutions have addressed fossil fuel subsidies and climate finance as well as the causes and consequences of the way in which they addressed the two issues. Their output has been identified mainly on the basis of official documents, whereas the analysis of causes and consequences has relied on the interviews and secondary sources. Regarding the consequences, the analysis focuses on both the international level (other institutions) and the domestic level. Interviews with officials working within the institutions (especially officials working for the OECD or IMF bureaucracies or G20 presidencies) have been particularly important for the identification of the causes influencing the institutions.

As mentioned earlier, I use five countries – the United States, the United Kingdom, India, Indonesia and Denmark – as illustrative case studies for illuminating the domestic consequences of the institutions' output. In these case studies, I have operationalised ideational change influencing the public agenda by identifying the articles in the two leading newspapers of each country that link the international institutions' activities regarding fossil fuel subsidies or climate finance to the country in question. This number is compared to the total number of articles referring to fossil fuel subsidies or climate finance domestically and internationally. The analysis also focuses on whether domestic actors (e.g. NGOs) have used the activities of the international institutions to change national policies on fossil fuel subsidies or climate finance successfully. Ideational change and change to incentives with a direct influence over the policy process have been studied through process tracing, relying on a combination of official documents, key informant interviews, second-hand sources and the author's observations as an official working on the topic. The official documents originate from the governments and institutions in question. Since ideational and learning-based influences predominantly take place via direct interaction between officials and the institutions, the informants selected have been central to this interaction, which is why most of them come from finance ministries. Other informants come from development, environment and foreign ministries. Ideational change can be identified in terms of whether official documents indicate changed beliefs (including beliefs about how best to achieve goals) and goals among policymakers, and whether informants point to such changes stemming from the institutions. Power-based change is identified based on the interviews with key informants and secondary sources indicating such change.

The main focus is on the period after 2009, when the 2009 G20 commitment to reform fossil fuel subsidies and the COP15 to the UNFCCC, also known as the Copenhagen Summit, meant that the institutions' interest in fossil fuel subsidies and climate finance were raised to a different level.

### **1.7 An Overview of the Book**

Beyond this introduction, the book comprises four parts. Part I sets the stage for the rest of the book by outlining the analytical framework (Chapter 2) and describing the three institutions (Chapter 3). The analytical framework is intended for the classification of institutional output, the factors shaping the output and the consequences of the output at the international and domestic levels. Chapter 3 describes the G20, the OECD and the IMF, particularly their respective histories, governance functions, organisational set-up, worldview, membership and decision-making

procedures, interaction with other institutions, environmental track record and, in the case of both the OECD and the IMF, the autonomy of the IO bureaucracy as well. Following the 2008–9 economic and financial crisis, the G20 became *the* global forum for the coordination of economic policy, and the emphasis on economic objectives is visible in its prioritisation of issues and their economic impact. As one of the most powerful international institutions, the IMF has a strong track record as regards influencing state policy but has traditionally not paid much attention to environmental protection. Finally, the OECD promotes policies improving the economic and social wellbeing of people, and since the 1970s it has influenced environmental policy at the global level and within the OECD countries, especially by promoting liberal environmentalism.

Part II of this book applies the analytical framework to how the institutions have addressed the issue of fossil fuel subsidies and their reform, thus studying three cases of economisation. Chapter 4 introduces fossil fuel subsidies and the various attempts to address them at the domestic and particularly the international levels. It outlines how fossil fuel subsidies, despite their environmental and economic costs, have been difficult to reform, and how the politics of fossil fuel subsidies have been intertwined with discussions about how they should be defined, estimated and framed. The subsequent Chapter 5 analyses the role of the G20 using the analytical framework. The 2009 G20 commitment to reform fossil fuel subsidies has proved to be a catalyst for the efforts to promote such reform. The chapter outlines the factors shaping this commitment (particularly the policy entrepreneurship of the US government but also the G20 worldview and membership circle) as well as subsequent efforts to ensure that member states live up to this commitment and other consequences of the commitment. The G20 commitment catalysed action in a range of other institutions including the World Bank, the OECD, the International Energy Agency and the Asia-Pacific Partnership, and elevated the norm of fossil fuel subsidy reform from obscurity to a level of salience in which numerous countries were forced to deal with it. In the case of the OECD, which is the subject of Chapter 6, the G20 commitment to the reform of fossil fuel subsidies lifted OECD fossil fuel subsidy output to a new level, and the worldview of the OECD shaped how it was addressed. The OECD influenced how the G20 and other international institutions addressed fossil fuel subsidies and has been important in providing knowledge about fossil fuel subsidies to states. Chapter 7 analyses the role of the IMF, which played an unexpectedly pro-environmental role when defining fossil fuel subsidies in terms of inadequate pricing of externalities including climate change, and in inducing countries under IMF programmes to reform their subsidies. The IMF's worldview based on neoclassical economics and IMF staff acting as policy entrepreneurs were key factors shaping its approach. The IMF's efforts in countries



under IMF programmes had considerable influence in inter alia Indonesia, whereas the Fund's fossil fuel subsidy definition led to fossil fuel subsidies moving up the agenda in some countries, as well as to cognitive changes within countries and institutions. The final chapter of Part II (Chapter 8) compares how the three institutions addressed fossil fuel subsidies. It finds that although they adopted somewhat different approaches, their output was mainly synergistic and shared a common economic framing of fossil fuel subsidies, shaped by the fundamental elements of their worldviews, institutional interaction and overlapping memberships. The differences between the institutions, most notably the IMF and the OECD, can be explained by differences in their institutionalised worldview, policy entrepreneurship and their relationships with member states.

Part III of the book turns to climate finance. Chapter 9 describes climate finance, its increasing importance over the past twelve years both within the climate negotiations and in the implementation of climate policies, and the key issues of contestation in this regard. Issues relating to the definition of climate finance and generating and allocating finance (especially the roles of the normative ideas of equity and efficiency) are discussed in detail. The chapter also discusses the role of other international institutions in the governance of climate finance. Chapter 10 analyses the role of the G20, which has addressed climate finance since the run-up to COP15 in 2009, stressing cost effectiveness, the economic consequences of climate change and the use of economic instruments to address it. The consequences of the G20 output were most pronounced at the international level, particularly the UNFCCC and the commitment of developed countries to the mobilisation of USD 100 billion in climate finance. Chapter 11 focuses on the OECD and how it addressed climate finance from a development and an investment perspective. The former perspective involved the OECD framing climate finance as a subtype of development aid while stressing economic aspects (efficiency, leveraging private finance). The latter perspective involved framing climate finance as an instrument for redirecting investments from 'brown' to 'green' and linked it to fossil fuel subsidy reform, carbon pricing and institutional investment policy. In terms of consequences, the two OECD approaches had cognitive influences on how both the G20 and the OECD member states addressed climate finance. The less extensive IMF output on climate finance is the topic of Chapter 12, which shows how the IMF mainly addressed climate finance as a way of addressing climate change as an externality (e.g. by promoting carbon pricing as a source of climate finance), an approach shaped by the worldview of the IMF. The IMF's approach had direct but limited consequences predominantly for the international level, particularly the G20. Finally, Chapter 13 compares how the institutions addressed climate finance. It finds that despite the overarching convergence between the institutions

as regards addressing climate finance as an economic issue, the institutions diverge to some degree on climate finance. This is particularly the case concerning whether carbon pricing was essential to raising climate finance and whether climate finance constitutes a subtype of development aid. The convergence resulted from their shared characteristics as economic institutions as well as institutional interaction, while their different institutional worldviews and degrees of autonomy resulted in divergent approaches, with the IMF notably acting more independently of its member states than the other two institutions.

Part IV contains the concluding chapter of the book, which summarises the findings of the book: international economic institutions address climate issues as economic issues, a dynamic that can be understood in terms of economisation, yet there are important differences in how exactly such economisation defines the issue at hand, underscoring that economisation does not produce one given result. These differences have mainly been shaped by the institutional worldview of the institution and entrepreneurship, and to some degrees by the relationship with member states and institutional interaction. Regarding the relations with member states, the degree of autonomy of IO bureaucracies has constituted an important scope condition for the influence of institutional worldviews and entrepreneurs. The institutions have been more influential regarding fossil fuel subsidies than regarding climate finance (the G20 and especially the IMF have also prioritised climate finance less than fossil fuel subsidies). This difference in outcome is due to fossil fuel subsidy reform having a positive fiscal impact and being addressed by a very limited number of international institutions when the three institutions started addressing it, both factors differentiating it from climate finance. These findings are discussed in the wider perspective of economic institutions and climate policies more broadly speaking, arguing that economisation does not lead to a paradigm shift away from established practices. Subsequently, the broader theoretical implications for the study of economic–environmental relations and the study of institutions are discussed, as are the perspectives for future research, both including a focus on the concept of economisation and the analytical framework. While the book has contributed by introducing the concept of economisation as a way of understanding how economic actors address environmental issues, and demonstrated the usefulness of combining intra-institutional factors with both member-state relations and inter-institutional interaction, future research could focus on a broader set of cases beyond climate change, and focus on domestic level economisation to a greater degree and on developing the concept of economisation. Finally, the implications for policy and practice are discussed, arguing that whether and how issues should be subject to economisation should be treated as a political choice.