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**Lessons about the 'Harder' elements of OMC governance for the EU Energy Union**

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**Abstract**

This paper identifies three 'harder' – potentially more constraining – features of existing OMCs (employment and social inclusion), explains why they are 'hardening', and draws lessons for the Energy Union. The first 'harder' element is 'EU benchmarks and national targets', where the former signals EU commitment and sets direction over the medium term, while the latter bind member states to develop policy in line with EU strategic priorities. The second harder element is 'two-level policy dialogue', referring to two-level administrative coordination – around national reports, EU assessment of member state performance and CSRs - which supports each individual member state. It is 'hardening', because it is structured around the key EU aims, priorities and benchmarks. The third harder element is 'policy entrepreneurs', that is high-level political commitment at the EU and member state levels. We assess that these three factors together contribute to a 'hardening' – and thus potential to change policy - of OMC-type governance, which is already taking place in Energy Union. We also note that two other factors - institutional capabilities and financial resources – are crucial in conjunction with Energy Union.

## 1. Introduction

The emerging EU Energy Union promises to be effective, as it can rely on 'harder' elements of the Open Method of Coordination (OMC), a voluntary, yet politically constraining instrument. The OMC has been used across politically sensitive and redistributive policy areas in the EU, such as employment and social policy, since the mid-1990s. The OMC consists of an iterative policy cycle including common EU policy aims and benchmarks, EU statistical databases (for comparing the situation across member states), national reporting (including recent and planned reforms), and multi-lateral surveillance (Commission-Council assessments of member state policy with respect to EU policy and aims, which may include country specific recommendations (CSRs)). The OMC, a form of soft law, is considered as a 'new mode of governance' for areas, where the EU has limited competency, but where challenges among member states are similar, and often transnational in nature (Scott & Trubek, 2002). In each OMC, EU aims are agreed (and regularly updated) among member states, based on best practices flagged by the Commission, new knowledge and political prioritization. In line with the principle of subsidiarity, member states set their own aims and quantitative targets, but are expected to move towards commonly agreed EU policies and benchmarks (Lopez-Santana, 2009). The OMC was introduced in 2000 with the Lisbon Strategy, while in 2010, an adapted and more centralized form of coordination, but with the same elements – aims, reporting and CSRs - was integrated with the Europe 2020 strategy (de la Porte & Heins, 2015).

In the literature on the OMC (and now Europe 2020), small-n analyses using qualitative methodology and data, have focused on conditions of OMC influence, including institutional capability (Ferrera & Sacchi, 2005), political priorities and receptiveness of each member state to aims in one policy area (Jessoula & Madama, 2018). The case-study based research using qualitative methods and data theorizes and analyzes mechanisms of influence, mainly focusing on socialization, learning, and with it, diffusion of ideas, framing of policy issues and policy transfer (Lopez-Santana, 2006). This literature – focusing on process - uses actor-centred institutionalism, to examine why, how and with what consequences governments and NGOs strategically use the OMC. This rich literature covers various OMC features in its analysis, including EU aims and benchmarks, national reports and CSRs, but rarely singles them out. The findings, focusing on successes, examine how policy-specific OMCs have led to policy change (Armstrong, 2010; Büchs, 2007, 2008; Jessoula & Madama, 2018; Barcevicius, Weishaupt & Zeitlin, 2014; Zeitlin & Pochet, 2005). In contrast, quantitative analyses by economists have focused on whether EMU governance, which is legally binding, is effective in terms of quantitative outcome. Overall, the analyses are more pessimistic, but they look mainly at outcome variables, rather than the process (Efstathiou & Wolf, 2019). The OMC literature does not single out the 'harder elements' of the OMC, but focuses on the OMC as a process that can lead to change of ideas, policies and outcomes. In conjunction with the European Semester, there has recently been interest in one tool of policy coordination – the CSRs (Daly & Copeland, 2018; Guidi & Guardiancich, 2018) – because it is the 'hardest' aspect of policy coordination in Europe 2020. Following this line of thinking, we have agreed with the editors of this special issue to focus on the 'harder' – potentially more constraining and influential - elements of the OMC, to derive lessons for policy coordination in climate change and energy policy.

Energy policy has several characteristics making it suitable for applying the OMC. Firstly, although there are EU regulatory standards in environmental issues, energy policy, like social policy, is institutionally embedded in member states, where governments determine the national energy mix, including sources of supply and pricing of secondary sources energy (Knodt, 2018). Thus, harmonization through EU regulation would not be politically or institutionally feasible. However, the Energy Chapter in the Treaty on the Functioning of the European Union (TFEU) enables the development of a common EU energy policy, because it is as an area of 'shared competence' between the EU and members. This means that the EU can, based on the principle of subsidiarity (de Burca, 1998), develop policy to support member states in their energy transitions, within a common EU framework. Second, climate change is currently a high political priority, to be tackled transnationally. Thirdly, countering climate change, and increasing energy efficiency and security, require not only design and delivery by state-based actors, but by a variety of actors, including business and civil society. For example, powerful industry that produces high carbon emissions needs incentives to switch to carbon neutral solutions, which can be costly, and therefore take a long time to implement. Fourth, forecasting the effects of policy measures is uncertain, because the effect on the climate may not be clearly and immediately discernable, and because climate change evolves in unpredictable ways. Fifth, climate change and ways of addressing it are moving targets, within new expert knowledge being produced continuously. Thus, policy coordination, which is flexible and can be updated faster than an EU directive, could support member states in developing and adapting their energy policies to fight climate change. Furthermore, the OMC provides tools for state, non-state actors, and businesses, at multiple levels of governance to engage in policy development, related, for example, to changing policy mixes. The paper assesses, based on the existing literature on the OMCs, three 'harder' elements that we consider more constraining, and, by way of 'lesson-drawing', relates them briefly to the features and developments in Energy Union (Knodt, Ringel & Müller, this issue).

The remainder of this paper is organized as follows. Section two presents the trajectory and features of various OMCs, including an exploratory presentation of governance in climate and energy policy (Knodt, Ringel & Müller, this issue). Section three, following Knodt and Schoenefeld (this issue) focuses on three 'harder' elements in soft governance in existing OMCs (employment and social inclusion), and indicatively connects them to the emerging practices in the Energy Union, and especially the Governance Regulation that has come into effect in 2019. The harder elements of soft governance which we analyse are 'EU benchmarks and national targets', signaling EU commitment and setting direction; 'two-level policy dialogue', referring to two-level administrative coordination, which supports each individual member state; and 'policy entrepreneurs', ensuring political commitment at EU and, especially, member state levels. The concluding section sums up the main lessons of these 'harder' elements from the OMC for policy coordination in the emerging Energy Union, and argues that two other factors - institutional capabilities and financial resources – are also crucial in conjunction with Energy Union.

## 2. The trajectory of policy coordination as an EU mode of governance

Systematic, yet flexible EU policy coordination began with the Stability and Growth Pact (SGP), which supports Economic and Monetary Union (EMU). It entails legally binding policy coordination with EU quantitative benchmarks, economic policies to support monetarism, national reports and EU surveillance (EU reports of member state performance and CSRs) and core benchmarks (maximum 3% budget deficit and 60% public debt). In case the 3% budget deficit benchmark is breached, a corrective 'excessive deficit procedure' is launched between the EU and the member state concerned, to bring the deficit back under the 3% benchmark. Finally, a financial sanction can be levied in case a country does not develop the necessary policy to correct the deficit, although this instrument has never been used. However, this does give the SGP a coercive edge, which other softer OMCs do not have. The SGP process, and the Treaty-based corrective mechanism in case of deviation from core benchmarks, is the most constraining policy coordination procedure. This SGP has been emulated in other areas including in employment and social policy, with the same features, except the corrective and financial sanction procedure, because these policy areas are primarily an area of member state competency.

The first OMC to follow the SGP was the European Employment Strategy (EES), institutionalized as an 'Employment Title' in the Amsterdam Treaty in 1997. It involved EU objectives and benchmarks, national reporting, EU surveillance and CSRs. From a theoretical perspective, it involved neo-functionalist spillover from economic policy - focused on ensuring balanced budgets and growth in the EU – to employment policy, which was seen to support EMU's growth aims (de la Porte & Pochet, 2012). The EES aims to achieve a high level of employment, through flexible labour markets and a skilled and adaptable labour force. While the main EES aims have remained stable during the last two decades, others have been added. This includes 'flexicurity' (flexible labour markets, generous unemployment benefits, and high quality up-skilling) and a social investment approach to labour market participation (facilitating breaks from the labour market for education, parenting and care responsibilities without the potential loss of employment) (de la Porte & Pochet, 2012; de la Porte & Jacobsson, 2012; Vandenbroucke, Hemerijck & Palier, 2011). These policies –'uploaded' due to member state prioritization of aims at EU level, and/or due to external expert input – have incrementally been integrated into the EES. Similar to the SGP, the EES had headline benchmarks (employment rates), and complementary benchmarks (such as ensuring provision of affordable child-care for the 0-2 year olds) have been central, yet there are no formal sanctions in the case of non-compliance. It also involves broad engagement of social partners through consultation, and it has led to multi-level involvement of actors at various levels of governance in the policy process (Lopez-Santana, 2009).

Following the political support for the EES among member states, the Open Method of Coordination (OMC) was introduced at EU level in 2000 as an instrument to support member states to reach the aims of the EU's 'Lisbon Strategy' focused on competitiveness, growth and cohesion. High hopes were placed on the OMC - an iterative policy coordination process, comprising common policy aims (and benchmarks), member state reporting, peer review and EU (Commission-Council) assessment of member state policies – to achieve policy change. There were, crucially, no CSRs or corrective mechanisms in case member states did not make efforts to meet EU aims. The participative dimension – involvement of stakeholders – was an important feature of this mode of governance. In the framework of the EU's socio-economic strategy, the OMC was applied to welfare state policies, where the main competency is at member state level, including social inclusion (2000), pensions (2001), health care and care for the elderly (2004). While each OMC has its own dynamic (Zeitlin & Pochet, 2005; Barcevicius, Weishaupt & Zeitlin, 2014; Jessoula & Madama, 2018), they all benefited from the flexible, yet structured characteristic of the OMC. The aims of the OMCs were altered incrementally, following the intensity of challenges, new knowledge, political prioritization by governments. Furthermore, various stakeholders have been involved at EU and national levels (EU-level unions, and stakeholder organisations, such as the anti-poverty network), and have also set the agenda and shaped policy at EU, national and/or local levels in the OMC (Lopez-Santana, 2009)

After a decade of proliferation of the OMC to various policy areas, the policy coordination related to the EMU, the EES and other OMCs were streamlined in 2010, in the 'European Semester'. In this more centralized governance process, the governance of the EMU was strengthened – via stronger surveillance and enforcement - through the Six-pack, the Two-pack and the Budgetary Treaty (de la Porte & Heins, 2015; Dehousse, 2016). New tools were introduced for detecting budgetary imbalances, with upper and lower budgetary limits across 14 indicators in the 'macro-economic imbalance procedure'. In case of non-compliance with these new budgetary limits, corrective procedures could be launched, and ultimately, in the case of continued non-compliance, sanctions could be levied. Thus, for the governance of EMU, convergence and stability programmes and additional reports, with a higher degree of constraint, were developed. At the same time, the 'Europe 2020' strategy, became the framework covering employment policy, education policy, anti-poverty/social inclusion policy, research and development, and, for the first time, climate change and energy policy. Contrary to the decade of the Lisbon strategy, where OMCs were decentralized in various sectoral DGs and Council formations, there were no longer separate OMC reporting cycles in the Lisbon Strategy. Instead, all policies previously covered by an OMC, were reported in one central 'Europe 2020' report, coordinated by national finance/economic ministries rather than sector-specific ministries. Yet, stakeholders continue to be involved in Europe 2020 in other types of initiatives, but less in the actual policy coordination process (Jessoula and Madama, 2018). In terms of the political priorities, balanced budgets are more in focus compared to before the financial crisis of 2008, decreasing the budgetary room for manoeuvre for social invesmtne and other policies (de la Porte & Heins, 2015; Verdun, 2015). Regarding the other features of the OMC, the benchmarks and core aims, yearly summits, EU analyses of member state performance were still central elements of policy coordination. Furthermore, CSRs could be given to member states in all areas covered by Europe 2020, while previously, it was only in the EES and not other softer OMCs. Thus, the OMCs have undergone a process of institutional change within the existing EU governance structures and procedures. Currently, negotiations are taking place about the future framework and political priorities for the next decade.

*Climate and Energy Policy*

Alongside Europe 2020, a '2020 Framework was developed for EU climate and energy policy, consisting of a mix of hard law and policy coordination. The 2020 Framework comprised three headline benchmarks for 2020: a 20 % GHG emission reduction, a 20 % share of renewable energy in final energy consumption (both of them binding on member states), and a 20 % improvement in energy efficiency. The 2020 Framework has been implemented through EU hard law: three Directives (on the EU emissions trading system ETS, renewable energy and energy efficiency) and an "effort-sharing" decision on reduction targets for member states' GHG emissions, outside the emissions trading system.

The subsequent 2030 Framework relies on the three, partially updated directives (on the ETS, RE and EE) and three regulations (one on Effort-Sharing in GHG emission reduction, one on the inclusion of GHG emissions and removals from land use, land use change and forestry, one on Governance of Energy Union and Climate Action) upgrading and updating the three headline targets for 2030. This includes a binding target of reducing GHG emissions by at least 40 % (from 1990 levels) to be implemented through the ETS Directive and the Effort-Sharing Regulation; a new renewable energy target for 2030 of 32 % of final energy consumption and a new indicative energy efficiency target of 32.5 % improvement by 2030 (Oberthür, 2019: 18).

Most relevant in terms of policy coordination, the 2018 Governance Regulation establishes an integrated framework for planning, reporting, and review related to the 2030 Framework (including new elements of the Energy Union, such as energy security). Building on related provisions in the existing renewable energy and energy efficiency directives, it required each member state to submit in 2019, and every ten years thereafter, an integrated National Energy and Climate Plan (NECP). This plan comprises national contributions to the EU-wide renewable energy and energy efficiency targets, plus related existing and planned policies and measures. Furthermore, it is to be updated after five years. Thus, rather than short coordination cycles that characterized OMC governance, these plans have a longer-term perspective. The Governance Regulation furthermore mandates the European Commission to monitor progress and take any remedial action, assisted by the European Energy Agency (EEA). In addition to regularly assessing overall progress by the Union, the Commission and the Council, assesses individual member states' plans and progress in their implementation, including the ex-ante assessment of draft plans before they are finalized (Oberthür 2019: 19). Thus, climate and energy policy has more legal regulation, yet also has policy coordination similar to the OMC, although the time perspective of the NCEPs is longer than typical OMC cycles, due to the long-term planning involved in this area.

## 3. 'Harder' elements of the OMC

This section presents 'harder' elements of policy coordination (Knodt & Schönefeld, this issue), based on the experiences in employment and social policy and touches upon the status of these 'harder' elements in the Energy Union. The main characteristics of these 'harder' elements are presented in table 1 below.

**Table 1.** Overview of 'harder' elements of OMC governance

| Element | Description | Hardening mechanism |
|---|---|---|
| EU Benchmarks and national targets | 'Hard' quantified benchmarks to be reached in medium term as EU average and requirement for each member state to set national quantified targets | Political visibility & comparative league tables of member state performance |
| Two-level policy dialogue | On-going EU-member state dialogue guided by EU priorities, involving formal instruments (national and EU reports, CSRs) | Political ownership by the administrative actors at EU and member states in a 'two-level game' |
| Political entrepreneurs | Individuals mobilizing for policy decisions related to the aims of an OMC at EU and member state level | Ensuring political commitment at the higher political level in the EU; ensuring political commitment in member states, including planning and budgetary commitment |

### *3.1 'Harder' EU benchmarks and national targets*

The first 'harder' element we present here is 'EU benchmarks and national targets', which is visible at the highest political level – European Council - and thus has the potential to influence member states. The EU benchmarks are the most visible aspect of any OMC, and are therefore important in terms of political profiling at EU and national levels. Some benchmarks are legally binding (EMU), while others are 'hard' politically.

In EU policy coordination, benchmarks are 'hard' because they entail quantitative aims, which member states have agreed to work towards within a medium-term time horizon (five to ten years). A prerequisite for benchmarking is a statistical database, to be able to compare member state performance and monitor progress across member states towards agreed quantitative aims. Formally, benchmarks are to be achieved as an EU average, although they do bind each member state politically. More specifically, member states must specify national 'targets' yearly, depending on their initial position, as well as infrastructure and resources. In 2000, 'hard' benchmarks were agreed in the EES for the year 2010: to achieve a 70% employment rate, a 60% female employment rate, and a 50% employment rate of older workers. These benchmarks embodied the central aim of achieving high employment rates in order to boost growth and to ensure welfare states would be financially sustainable in the long-term. Through the benchmarks, the EES contributed in member states to a focus on labour force participation, especially for women and for older workers. Partly due to the EES, which raised the issue of labour market participation on national agendas, employments rates increased across member states. For example, Germany's female employment rate increased from 57,6% in 1995 to 69,7% in 2010; in Spain, it rose from 34,9% in 1995 to 44,5% in 2010 (de la Porte & Jacobsson, 2012). In 2010, a new EU-wide employment rate benchmark of 75%, to be reached by 2020, was agreed. The benchmark was revised upwards at EU level after the first decade of the Lisbon strategy, because the average EU employment rates had increased over the previous ten-year period. After two decades of the EES, employment rates across the EU have increased, from 62,7% in 2004 to 69% in 2018. Thus, benchmarks – even if just representing the tip of the iceberg - did have a real 'hard' effect in most member states in areas where parties across the political spectrum agree on the priorities. However, this was achieved in different ways across member states (de la Porte & Jacobsson, 2012).

Other supportive benchmarks were agreed in the EES, such as in child-care, because this is central to female labour market participation: 33% of children under 3 and 90% of children from 3 until mandatory school age should be in early childhood education and care (ECEC) by 2010. By 2010, only a few member states had met the EU benchmarks in ECEC. Since then, more efforts have been made, and the EU benchmarks are close to being met (in 2016, 32,7% of 0-2 year older were in ECEC and 86,7% of children three years until mandatory school age were in ECEC). However, in 2010, no new benchmarks were agreed in ECEC, because progress had not been rapid, and because it was no longer a political priority among member states. Although the EU-wide benchmarks in employment rates have, on average, been achieved, the ECEC benchmarks have almost been achieved. However, there are significant disparities among geographical regions and welfare-labour market models. For instance, the Scandinavian countries have a high rate of children in ECEC, while the eastern European countries are lagging behind (European Commission, 2018c).

Overall, member states have adopted changes that are in line with the core benchmarks and aims of the EES, even if the EES is not the only reason for these changes (Buechs, 2007; de la Porte & Jacobsson, 2012). In fact, the influence of EES depends on various factors, not least political priorities (Stiller & van Gerven, 2012). Thus, some countries have actively sought to meet EU benchmarks (and the policies to reach these), while others have not made major efforts, due to lack of resources, infrastructure, institutional capability and/or political will. The changes that have taken place during the last two decades in employment policies are part of a broader shift from male-breadwinner to dual-earner models across EU member states, to which the EES contributed. Thus, the EES has been a vehicle through which to set political aims - reflected by core benchmarks – and to maintain focus on these priorities over a period of time. The political visibility of the headline benchmarks – discussed among heads of state and government in the European Council - is what makes the mechanism 'harder' at EU, while the requirement to set national targets is 'hardening' at member state level. The progress among EU member states is discussed annually at the Spring European Summit, where member state performance relative to EU benchmarks is centre-stage.

In social inclusion, by contrast the EU member states agreed on another type of quantitative target in 2010: to reduce the number of people below the at-risk-of-poverty rate (below 60% of median income) by 20 million by 2020. However, such an aim does not indicate the expected contribution of each individual member state to curbing the number of people at the risk of poverty. Thus, although the target intends to signal that each member state should be ambitious about poverty reduction, this 'softer' benchmark is not as constraining as an quantitative benchmark expressed as a %, which *all* member states should strive to achieve in the medium term. In terms of outcome, poverty has not decreased since the benchmark was agreed, which is mainly because of the *Great Recession* that started in 2008, where unemployment and poverty increased across the EU, especially in the peripheral economies. However, it is also because the 'softer' benchmark is not effective in terms of 'hard' political signaling. In sum, based on the experiences in employment and social inclusion policy, 'hard' benchmarks should be as precise as possible and expressed as a % that all member states should strive to achieve over a reasonable period of time (5 to 10 years). Using benchmarks in this way provides political signaling at the highest level at EU and national levels. In addition, high quality EU comparative data should be available, to monitor member state progress towards main benchmarks.

Energy and climate change policy was included – for the first time - as a core area of public policy, in Europe 2020, alongside employment and social inclusion policy. Thus, key aims and benchmarks were agreed for a ten-year time horizon in energy and climate change policy, requiring member states to report – although briefly - on energy and climate change policy (Stuchlijk, 2017) in Europe 2020 (da Graça Carvalho, 2012; Helm, 2014; Liobikiene & Butkus, 2017). The main activity, however, takes place via the energy efficiency and the renewable energyE directives, which is why the reporting on climate change issues in Europe 2020 has been rather slim. In three of Europe 2020's policy areas, there is one key benchmark for 2020, while in one area there are two key benchmarks.[1] In 2010, three headline benchmarks were agreed for 2020 in Energy Union: 20% of EU energy from renewables; 20**%** cut in greenhouse gas emissions (GHG), from 1990 levels; 20% improvement in energy efficiency. The benchmarks have since then been revised upwards: the most recent EU ambitions are reflected in the 2018 Governance Regulation on Energy Union that sets new benchmarks for 2030: an energy efficiency target of at least 32.5% and a binding renewable energy target of at least 32% - to be met by 2030 (European Commission, n.d.)[2]. The more ambitious benchmarks signify that the EU can and does include new knowledge and political ambitions related to climate change, especially after the 2015 Paris Agreement, which set aims for 2050 (EU Commission, n.d.)[3] Thus, the flexibility of the OMC is used to update political priorities, while integrating benchmarks in a directive adds an extra element of 'bite'.

While the EU benchmarks indicate the political salience of this area at EU level (da Graça Carvalho, 2012), they also suggests that the EU's statistical data and resources (personnel) related to the Energy Union is very well developed. At the same time, climate change and energy policy is addressed in various processes, which means that regarding Energy Union, Europe 2020 is simply a side-show (see Knodt & Ringel, this issue).

The first lesson from the OMC for the governance of energy policy is that the multiplicity of complementary aims and benchmarks, should be monitored on an on-going basis in the Energy Union. Benchmarks ensure political visibility, enable the EU to compare member states in league tables, and send a clear signal to member states about the strategic direction of the EU. If member states are required to set national targets – as in the EES – then it is likely that, in the medium term, they also change policy to reach these aims. However, the EU benchmarks and even national targets are not enough to lead to

[1] For employment: 75% of people aged 20–64 to be in work; research and development (R&D): 3% of the EU's GDP to be invested in R&D; poverty and social exclusion: at least 20 million fewer people in – or at risk of – poverty/social exclusion), while in education, there are two key indicators: rates of early school leavers should be below 10% & 40% of people aged 30–34 having completed higher education.
[2] EU Commission (n.d.). Clean Energy for all Europeans. Source: https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/clean-energy-all-europeans
[3] EU Commission (n.d.) Governance of the Energy Union. Source: https://ec.europa.eu/energy/en/topics/energy-strategy-and-energy-union/governance-energy-union

change among all member states. For this, administrative ownership at EU and member state levels, in two-level policy dialogue, is necessary.

### *3.2. Two-level policy dialogue at the administrative level*

The notion of a two-level policy dialogue – see also Büchs, 2008 - entails a structured vertical dialogue between the EU and national levels around EU policy aims. The common EU aims proposed by the Commission and decided by the European Council, are the starting point of dialogue, after which member states administrations write national reports about planned policy reforms. The Commission has administrative country 'desk officers' who have a dialogue with each member state about challenges and reforms, based on their national reports, and considering their situation in terms of infrastructure, resources and to some degree, what is politically feasible. The dialogue around the national reports, in turn, feeds into the EU assessment of each member state's policies and performance, and the CSRs, which enable the Commission to highlight specific reform recommendations for each member state. Thus, policy dialogue – around national reports, EU assessment and CSRs – is 'harder' because it entails ownership at the administrative level, to keep focus on particular issues. While benchmarks focus on the overall outcome, the two-level policy dialogue among administrative actors focuses on the process to change policy and to meet EU aims. The OMC literature shows that even in OMCs with no core benchmarks, policy dialogue around EU aims has kept issues on member state agendas. Furthermore, actors in the administration have been able to use the OMC reports strategically to raise priorities and to try to obtain political commitment at a higher level (Barcevicius, Weishaupt & Zeitlin, 2014; Jessoula & Madama, 2018; Armstrong, 2010). In the following, we discuss two tools that are central in policy dialogue: the national reports and the CSRs.

First, national reports are central to involving member states in a dialogue with the EU level of governance (Commission and member states)[4]. The quality of a (national) report to some extent depends on the capabilities in particular ministries, but also on the prioritization of an issue at EU and national levels. Previously, each issue-specific OMC involved comprehensive national reports on a regular basis (annual or bi-annual). The EES has raised the issue of combining work and family life, in particular through the focus on female labour market participation and child-care, while the social inclusion OMC has led to policy debate and initiatives about poverty, social exclusion and homelessness. In these OMCs, the EU policy aims, together with national reporting and sometimes co-funding, have been central in maintaining focus on issues addressed in OMCs (Jessoula & Madama, 2018; Barcevicius, Weishaupt & Zeitlin, 2014). The process at national level has led to downwards policy dialogue and policy dialogue among lower levels of governance, referred to as 'intragovernmental policy dialogue

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vertically (among multiple levels of governance) and intergovernmental policy dialogue horizontally (between regions and/or local authorities). This has been especially prominent in federal countries (Jacobsson and Johansson, 2009; Lopez-Santana, 2009).

Concerning Energy Union, we briefly examined member states' Europe 2020 reports to the European Commission (2011-2018), with a focus on the relative importance of national reporting on climate change and energy policy. Our exploration reveals that national reporting on climate change and energy policy in Europe 2020, has not been central, in most cases representing under 10% of the Europe 2020 reports (see online annex 1: table 1). This is because energy policy is reported primarily in the Energy Union process defined by the Governance Regulation, especially regarding renewables and energy efficiency (Knodt & Ringel, in this issue). In this process, the first draft National Energy and Climate plans (NECPs) – covering a ten-year period - have been sent to the Commission. In their NCEPs, member states should take account of the Paris Agreement-related obligations and the CSRs received in the European Semester (Interview Climate action network, 2018a).

Second, CSRs in areas covering Europe 2020[5], developed jointly by the European Commission and the Council, target each member state's specific challenges. CSRs also represents a way for the Commission to highlight priorities, depending on the main socio-economic challenges, new knowledge and political priorities (Copeland & Daly, 2018). Issues raised in CSRs are *a priori* discussed between administrative actors in the member states and the Commission, following their national reports. In this way, member states to some degree co-create recommendations with the Commission. This, in turn, increases the chance that member states address the agreed issues, although not all member states are equally receptive of non-binding CSRs. Despite this, CSRs, as a component of policy dialogue, represent a 'harder' tool for discussing policy challenges and specific solutions between the Commission and member states (Zeitlin & Pochet, 2005). Qualitative analyses highlight that institutional capabilities are an indicator for the likelihood to develop policies to respond to CSRs (Ferrera & Sacchi, 2005). Similarly, a recent quantitative analysis finds that countries with well-functioning governance structures are more likely to develop policy in response to binding *and* non-binding CSRs. Furthermore, a recent analysis suggests that harder recommendations via the governance of economic and monetary union are not more effective – i.e. leading to policy reforms – compared to the CSRs in Europe 2020, which has a weaker legal base (Efstathiou & Wolf, 2019). This is because the on-going dialogue is an important part of the CSRs through Europe 2020, while recommendations in the macro-economic imbalance procedure are driven by a more technocratic logic. This means, that

[5] The CSRs related to EMU, by contrast, are developed mainly on the basis of technocratic criteria, following the legal basis (Guardiancich and Guidi, 2018).

despite a weak legal base, CSRs are hardening because they are co-created between member states and the Commission.

We have briefly looked at CSRs from the period 2011-2018 for climate change and energy policy, to get an idea of how integrated energy and climate change policy is in Europe 2020. Between 2011 and 2014, there were 16 CSRs in climate change and energy policy across all member states, where energy efficiency and energy mix were dominant topics (see Online Annex 1, tables 2 & 3). After 2015, a new process regarding energy efficiency was launched in 2015, and thus, the CSRs addressing climate change and energy policy in Europe 2020 were discontinued. Thus far, climate change and energy policy CSRs has been lightly integrated in Europe 2020. It remains to be seen what the character of the CSRs in the Energy Union will be in the context of the new Commission and European Parliament elected in 2019.

The second lesson from the OMC for Energy Union is that two-level policy dialogue should ensure ownership of the OMC among administrative actors in the Commission and the member states. In particular, the national reports provide a basis of dialogue among member states and the Commission, while the CSRs enable the Commission and member states to agree together on core policy measures to meet main EU's strategic aims in climate change and energy policy over the medium term. This is hardening because it entails ownership at EU and member state levels, through a structured, yet contextualized policy dialogue. However, the commitment to fully address a CSR must come from the political level.

### *3.3 Political entrepreneurs*

While processes and actors in the administration are important for maintaining focus on an issue, and to ensure that a policy challenge is effectively addressed in relevant measures, political entrepreneurs are important to obtain political support for an issue. If political actors prioritize a policy raised through an OMC politically, this can have a tremendous 'hardening' effect. 'Policy entrepreneurs' are actors capable of identifying problems and finding solutions, advocating new ideas and mobilizing political support for a political decision. So conceived, they are a broad category of actors that may be 'in or out of government, in elected or appointed positions, in interest groups or research organizations' (Kingdon 1995). Related to this, 'ideational leaders' in national-level political executives, have used the EES and the OMC to gather support for reforms enabling their implementation and subsequently to legitimize policies (Stiller 2010; Stiller & van Gerven 2012). Politically, entrepreneurs are important at the EU and national levels, and sometimes, they are active strategically at both levels (Büchs, 2008).

At the EU level, policy has been developed in the OMC by political entrepreneurs in the Commission and in the European Council. However, although political entrepreneurs may be successful in developing and raising an issue on the EU agenda through the OMC, EU commitment is volatile due to changes in political agendas. For example, when core actors that mobilize for an issue are no longer central in the policy arena, then a policy aim can be removed from the arena, particularly when there is a weak legal base (de la Porte & Natali, 2018). In the following, we exemplify political entrepreneurship, based on the OMC in employment and social inclusion, and we then connect briefly to the emerging Energy Union.

Several political entrepreneurs in the Commission, among member states, and close to the European policy-making circles, enabled the adoption of the 'Employment Title' in the Amsterdam Treaty. Building on the legacy of the Delors White Paper, a former Swedish Finance Minister, Allan Larsson, was especially influential in the Commission. He was director of Directorate General 5 in the Commission (now DG employment, social affairs and inclusion) from 1995 to 1999, where he developed an EU approach to employment and social policy. At EU level, Larsson argued that an active employment policy constituted a crucial bridge between EMU and social protection. This perspective, inspired by the Nordic model, was also congruent with the New Left political approach supported by Tony Blair in the UK and Gerhard Schröder in Germany. The entrepreneurship of these and other actors enabled the Employment Title to be adopted, due to a social-democratic majority of member states in the European Council. Likewise, political entrepreneurs have been crucial in the development of the OMC as a mode of governance (de la Porte, 2011). Political entrepreneurs are particularly important for policy agreed in soft governance, which can be re-defined flexibly. This also means that if a policy process does not have a sufficiently strong legal anchoring, then the EU commitment to an issue could disappear once the entrepreneurs no longer rally for it (de la Porte & Natali, 2018).

Regarding the Energy Union, a number of EU level actors have championed it, including Commission president Juncker (2014-2019), who put it on the agenda; as well as Vice-President for Energy Union Šefčovič and Climate Action and Energy Commissioner Arias Cañete, who are in charge of moving the project forward. It is beyond the scope of this paper to analyze the entrepreneurial activities of these and other actors, but the fact that the strategy for an Energy Union has been moved forward in turbulent times – including financial and migration cries - indicates that a number of political entrepreneurs have been successful in obtaining high ambitions, combining hard and soft law instruments, for Energy and climate policy.

Political entrepreneurs are also essential for securing national-level political commitment. In that respect, national political executives have OMCs to achieve policy changes (Stiller & van Gerven, 2012). With respect to Energy Union, political commitment appears to be high in some countries, such as in Scandinavia, while some CEEC countries have been critical of strengthening EU activity (Poland, Slovakia, Czech Republic, Hungary, Bulgaria and Romania). There is a partial East-West cleavage in the EU, and, difficult decisions are still pending on the next EU budget (Knodt, 2018). Following developments in climate change in recent years, the political commitment to climate change is rising, even among countries that have previously been skeptical. For example, Zuzana Caputova, the Slovak President, identifies climate policy as one of her main priorities.

The third lesson from OMC for the Energy Union is to ensure, across EU institutions, that political entrepreneurs continue to strive for a sound anchoring of the Energy Union at the EU level, as it is volatile to changes in political priorities. In addition, the political commitment of prime ministers and energy/climate ministers, who are central in prioritizing an energy transition towards GHG-low and energy-efficient economies, is central to enable a 'harder' impact of policy coordination in member states.

## 4. Discussion and conclusion

More than two decades of experience with the OMC and policy coordination reveal that three of its 'harder' or rather, 'hardening' elements enhance its 'bite' in terms of policy influence, which is relevant for the emerging Energy Union. First, EU benchmarks are essential to flag the political commitment and aims of the EU over the medium-term, which should resonate with policy responses in each member state. Each member state should include national quantitative targets to signal that policy developed to meet EU benchmarks. One explanatory factor for the centrality of benchmarks as a harder element of soft governance in the OMCs, Europe 2020, and in the emerging Energy Union, is that the quantitative targets do help member states to orientate their policies towards EU strategic aims. Furthermore, benchmarks via the OMC respect the principle of subsidiarity, if applied in an area of shared competency, by defining a common aim (and quantitative target), yet member states decide how to respond to that aim, in line with their own institutions, resources and political priorities. Often, changes related to core benchmarks in member states are a result of policy change, which may have been taking place for decades, or which follows major reforms (such as the Hartz reforms in Germany, after which the female employment rate increased considerably). In Energy Union, there was progress towards benchmarks agreed in 2010, indicating that the 'hardening' impact of benchmarks does encourage change. Thus, when national targets approach EU benchmarks, it is due to policy changes in member states, facilitated by, rather than coerced, through an OMC.

Secondly, the process through which the EU can support member states in changing their policies and infrastructures to meet EU aims – including the benchmarks - is a structured, and therefore 'hardening' two-level EU-national policy dialogue among administrative actors, based on national reports, EU assessments of member state performance, as well as CSRs. There are two explanatory factors for the centrality of policy dialogue in OMC-type processes as a hardening process: it facilitates ownership, and with it policy learning. In Energy Union, this process has been initiated, with the preparation of the NECPs, which is a first step in policy coordination. It would also be relevant to introduce CSRs, through the European Semester and/or the process governing Energy Union. Similar to the areas of employment and social inclusion, the CSRs pertaining to Energy Union are not legally binding.

Third, political entrepreneurs at EU level to secure that the Energy Union process continues to be prioritized, while, entrepreneurs in member states are responsible for ensuring commitment to policies prioritized in Energy Union. The explanatory factor of political entrepreneurs as an element harder soft governance is their capacity, in a leadership position, to take decisions that lead to change. Based on various OMCs, early engagement and commitment by political entrepreneurs at a high level in member states is central to lead to policy reforms and change in line with EU aims. The more institutionalized the procedures and aims with Energy Union are – legally and politically - the more likely they are to used by political entrepreneurs in member states. These features are already in place, because the governance regulation for Energy Union has been adopted, and politically, climate and energy are major issues on the EU agenda, especially following the 2019 European Parliament elections, where green parties made considerable headway.

However, the potential impact of the emergent OMC in Energy Union also depends on at least two other factors, which are linked to, but not part of the OMC. One factor concerns member states' institutional capabilities, that is, their capability to introduce change via policy planning, including sufficient administrative capability to prepare, implement, evaluate and update policy. In fact, in the experiences with the EES and OMCs in member states, an unintended but positive effect of the OMC has been the development of such capabilities (Ferrera & Sacchi, 2005). A second factor is sufficient financial resources, which should be available to countries that are far behind in terms of the transition to a carbon-free economy. Funding through European Social Funds is allocated at regional and local levels, while the EES and OMC operate between EU and national levels. In the EES and the OMC, funds have sometimes contributed to developing institutions, such as public employment services, in countries where they were underdeveloped. In this way, the ESF has been a channel through which ideas related to OMC aims have been diffused (Lopez-Santana, 2008). As regards the impact of ESF projects, scholars have found that the more concrete EU policy aims have been in projects, the more this has led to concrete initiatives with a measurable output. When EU policy aims have been vague, then EU aims have merely been re-bottled with existing initiatives (Dabrowski 2008, 2014). In the ESF, policy dialogue and political entrepreneurs have been 'hardening', in the sense that they have increased the likelihood of policy impact of the funding (Mendez, 2011; Verschraegen et al., 2011). Regarding Energy Union, the transition to renewable energies and energy efficiency, and further reduction of GHG emissions is costly. This is particularly challenging for countries affected seriously by the financial crisis of 2008, which – monitored in the European Semester - have to prepare plans to bring down their public debt in the medium-term. Even in employment and social policy, progress made in OMCs was rolled back during the financial crisis, due to prolonged and intense fiscal constraint. Thus, in countries with high debt, there are few resources for investing in a costly transition to a carbon-free economy. Furthermore, long-term greening policies can conflict with the short-term aims of politicians. There has already been funding in conjunction with energy policy: €5.35 billion (between 2014-2020) available for energy infrastructure projects under the Connecting Europe Facility (European Commission, 2018a) and European Structural and Investment Funds (European Commission 2015). While there will be EU funding in the transition to renewable energies and energy efficiency, in conjunction with the Energy Union, the amount, design and criteria for accessing the funds is still to be decided.

While 'hardening' features of the OMC for Energy Union, as discussed in this paper, are relevant to ensure it is effective, we would like to underline that the OMC's flexibility is also a strength. EU actors have used the flexibility of OMC-type governance to reframe problems and policy solutions in the years preceding Energy Union, and will hopefully continue to do so. There will be a review of the OMC-type NECP in Energy Union every 5 years, enabling further revisions of the core benchmarks and policy aims. At the same time, this flexibility could be used to identify new tools to support member states that are lagging behind with the aims of the EU's Energy Union. This may be related to institutional capabilities, EU co-funding, or providing incentives for businesses to engage in an energy transition. Future research should analyse not only the extent to which the instruments related to Energy Union are implemented, but also how the various EU and international obligations complement or reinforce each other in encouraging member states to move towards the aims of Energy Union and a carbon-free economy. Finally, new research could explore the conditions under which the 'hardening' elements of soft governance are most effective, as well as the impact of the presence of all three hardening elements simultaneously.

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