‘Contextualizing Public-Private Partnerships: the dynamics and development of environmental governance’

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1. Introduction

The purpose of this presentation and paper is to give a bit of analytic background or contextualization of the emergence of Public Private Partnerships (PPP) as policy tools. My focus is on the context under which they have arisen as policy tools and make some arguments about in what context they have come to seem to make sense and how we might think about the problems they pose for policy-makers.¹

2. Core arguments

I want to make three main claims here. First, the debate which dominates the public rhetoric on environmental policy is the tension (apparent or otherwise) between economic growth and environmental sustainability. For any particular problem, the first and foremost set of calculations that policy-makers, economists, business leaders, and environmentalists all engage in is a debate over the impacts of policy intervention on GDP growth. This has also had a more general background in debates since the late 1960s about the nature of environmental problems; with many environmentalists proclaiming the ‘limits to growth’, and conversely, many business leaders worrying about the impact of environmental regulations on profitability and growth. But I would argue that in practice what drives the policies that states make is not a concern with economic growth but rather with capital accumulation. These are clearly related but are not the same thing. Growth is something which concerns aggregate scale of the economy, as

¹ For fuller treatment of many of the arguments and evidence which are presented here, see Karine Mathews and Matthew Paterson, ‘Boom or Bust? The economic engine behind the drive for climate change policy’, Global Change, Peace and Security, forthcoming 2005.
measured in GDP – the total flows of money through a ‘national’ economy. By contrast, accumulation refers to a set of processes by which firms can turn investments into profits into further investments. It is not a ‘measure’ but a ‘process’, and the thing to which it refers is not an aggregate, abstract economy, but concrete individual firms.

Second, central to accumulation is the process of commodification – the turning of things into commodities which can be bought and sold on the market. In order for profitable investments to be made, firms need to be able on the one hand to create new commodities, and on the other hand to accelerate the production and consumption of existing commodities. When we look at many areas of contemporary environmental policy, including PPP projects, these can in effect be interpreted as exercises in creating markets or accelerating the development of existing ones, a point I expand on below in the context of climate change policy.

Third, the problem here is that central to the policy dilemma here is that commodification of many things is itself widely resisted; witness the public debate in Canada about water exports or the commodification of water. For many, many aspects of environmental policy involve goods which should be seen as public or common goods, and thus not subject to a pure market logic; they should either be managed collectively for a public good, or for goods which are privately consumed but which are regarded as ‘human rights’ (such as water), the state should manage the resource through subsidies, regulation, etc., to reflect its public character. So the central policy dilemma is that while for policy, to sell policies to business requires states to contribute to processes of commodification, but this creates problems for legitimizing policy beyond the business sector. The widespread opposition to PPP is paradigmatic here of these tensions, as opponents of PPP frequently object on the grounds that such projects hand over various

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2 They can also of course make profits through increasing productivity of the various factors of production, and by reducing input costs (shedding labour, for example), which can maintain profitability even without increases in commodification.

3 For paradigm examples of these arguments, see the many campaign materials on this by the Council of Canadians, at http://www.canadians.org/index2.htm, click on ‘water campaign’. Viewed 10th February 2005.
sorts of rights to private firms and undermine the ability of the state to manage resources which in their minds should be public.⁴

3. A brief history of environmental policy

To contextualize these debates and the arguments put above, it is useful perhaps to trace the development of the sorts of environmental policy tools governments have adopted since the 1970s.⁵ On the one hand, in the early 1980s there was a broad shift in environmental policy rhetoric towards what is sometimes called ‘integrated pollution control’. This entails a shift from policy-makers promoting piecemeal (sometimes called ‘end of pipe’) solutions towards more integrated management of the whole economic development process towards minimizing environmental impacts. On the other hand, the world has seen a broad shift in economic management from Keynesian/social democratic principles towards neoliberalism (especially in the Anglo-American world).⁶ In environmental policy, by the end of the 1980s, this produced a hegemonic set of ideas which counter-posed ‘command and control’ to ‘market mechanisms’.⁷ This rhetoric remains dominant in rhetorical terms (even while most environmental regulations in fact are not market-oriented in the way neoclassical environmental economics advocates). The basic elements of these policy prescriptions are familiar to most dealing with environmental policy – the use of environmental cost-benefit analysis as a method, fiscal policy as the central policy domain alongside measures to create of markets directly (as in emissions trading) and the emergence of ‘voluntary approaches’, in which PPP are sometimes included, and so on.

⁶ The literature on this shift is enormous. For one influential account, see David Harvey, The Condition of Postmodernity, Blackwell, Oxford, 1990, Part II – ‘the political-economic transformation of late twentieth-century capitalism’.
The first of these shifts (towards ‘integrated pollution control’) was a response in effect to a legitimacy crisis of older approaches to policy, which was criticized both by environmentalists along the lines of ‘we need a holistic approach to deal with the complexity of environmental problems’, and by businesses as it created various perverse incentives regarding investment and technological change. The second (the shift to neoliberalism) has operated as a larger structural change in the global political economy which in this context has created a very significant large scale push by transnational business for governments to create sites of commodification for them. Widespread privatization of state-owned assets, the current debate regarding the General Agreement on Trade in Services, debates over Intellectual Property Rights, and in environmental policy, debates about emissions trading are all good evidence of this set of pressures. In other words it has operated as a very powerful ‘push’ factor favouring these sorts of environmental policy tools. Between them, these two have produced the range of policy tools currently dominant in rhetoric. In their strongest and most coherent vision, they can be seen in the notion of ecological modernization, which increasingly underpins a range of environmental policy measures, in Europe in particular.\footnote{For an account of ecological modernization, see Arthur Mol, Globalization and Environmental Reform: the Ecological Modernization of the Global Economy, MIT Press, Cambridge MA, 2001.} Ecological modernization entails a set of arguments concerning how the state can shape economic activity to decouple economic growth/capital accumulation from its environmental impacts.

\section{4. Climate change as an example of these processes.}

If we avoid the easy question, ‘how good is the climate policy of country X?’, but rather ask ‘what does country X do when they create what they call climate policy?’ then what becomes clear is that the policy tools fit closely with the story I have told above. The most innovative policies in particular are in effect all about creating new sites at which firms can make profitable investments through commodification. A number of examples of this can be given; I will group them into 4 categories.
The clearest example is in emissions trading systems which entail the direct creation of a
market. These in effect create a system whereby an actor (a state or a firm, depending on
the level at which a market is created) has obligations to limit/reduce its greenhouse gas
emissions, but where this obligation is presented in terms of a number of permits, which
may then be bought or sold in an emission market. Countries/firms which find it difficult
to reduce their emission to the level of the number of permits they hold may then buy
them from others who find it easier. A market for these has been created at the
international level through the Kyoto Protocol, which comes into force on 16th February
2005. They have also been created at the level of the European Union, within some of its
member states, and are being widely considered at a range of other regional, national, and
sub-national levels. Officially justified in terms of reducing GDP impacts (as it aims to
equalize marginal costs of abatement across countries or firms), and early on in particular
in terms of global justice,9 what is clear that the enthusiasm for such markets (witness
organizations like www.CO2e.com, the existence of the Emissions Marketing
Association, or the numbers of participants are various Carbon Finance conferences) is
increasingly driven by market actors who see possibilities for direct commodification and
all of the secondary markets (derivatives, insurance, etc.) associated with the emissions
market.

Second, the other ‘flexibility mechanisms’ in Kyoto – the Clean Development
Mechanism (CDM) and Joint Implementation (JI), can be seen in terms of the creation of
and perhaps in particular the legitimation of markets abroad for Western firms. JI enables
Annex B countries10 to invest in projects (such as renewable energy or reforestation) in
other Annex B countries which would reduce the emissions in the target country

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9 The first proposal for emissions trading in international climate change politics was made by Michael
Grubb in 1989. His principal arguments were that ET would be more economically efficient than
straightforward targets, they would thus much more feasible to negotiated (as the costs to countries of
compliance were lowered), and they would enable substantial amounts of North-South transfers to be
organized to ‘green’ development in the South, but without a large international organization organizing
such transfers as would be the case with an international carbon tax. See Michael Grubb, The Greenhouse
10 These are states which have obligations to reduce their emissions under Kyoto may do this – these are
known as ‘Annex B’ countries in the Kyoto Protocol. These are largely what are elsewhere known as
‘industrialized countries’. For a general survey of the Kyoto Protocol, see Michael Grubb, Christiaan
concerned, but where those reductions may then be counted against the investing country’s obligations to reduce emissions under Kyoto. The CDM is an equivalent mechanism which enables such investment by Annex B countries in developing countries. In many ways, they can be seen as international level equivalents of PPP projects – projects involving the state creating enabling conditions for private firms to engage in public infrastructure development and to benefit economically and politically from them.

Third, most states are (some have been for a while) in the process of developing various policy mechanisms designed to accelerate the markets for renewable energy. The most innovative policies are now focused on means of creating cycles of investment and market uptake of renewables. The policy tools here involve greatly expanded support for Research and Development, subsidies for market access, regulatory advantages, and so on. It is clear that one of the drivers here is a push by some states for first mover advantage in gaining sufficient economies of scale to dominate international markets in these emerging technologies.

Finally, many states have climate policy measures which fit into the category of voluntary approaches (including PPP projects). The reasons for the emergence of these is often fairly clearly because of the need to secure business consent for policies and/or the recognition of (alleged) weakened state power in the face of globalisation, but it is also about the creation of market opportunities – this especially the case with PPP.

One incidental conclusion here is that once we look at policy development this way, the image of the US becomes rather different. Specifically in the context here it becomes much more positive, especially when compared with say Canada. It would be fair to say that in effect the US has an (emerging, and still contested) strategy which aims to embed reducing CO₂ emissions in a strategy for developing particular markets.

5. Conclusions

See Matthews and Paterson, ‘Boom or Bust?’ for details of these.
For policy-makers, the important conclusion for me of this analysis is that the question is GDP is a red herring and should be squarely sidelined. Similarly, fig leaf targets such as those in the Kyoto Protocol, should be seen as secondary to the question of finding a strategy for commodification and thus accumulation which meets environmental policy goals. But the big challenge is then legitimation of such policies. With PPP, much of the opposition is to commodification (to be distinguished from privatization, which is different) which is ethical – both in terms of the objection to subjecting certain things (water, health, genes) to a market logic, and in terms of social justice, in terms of differential impacts on different social groups (access to utilities with PPPs in that domain, access to use of global commons or differential impacts of fiscal policies for climate change)

So the challenge is that the economic side of the strategy then has to also entail a political coalition-building element; to find a coalition which includes some business groups and some social and/or environmental groups which can support the economic strategy politically. We have seen some support from environmental groups for emissions trading (Environmental Defense, most notably) which helped the US to legitimize it in run up to Kyoto. This can be seen in some senses as a co-option of environmental groups by others, but from policy-makers’ points of view is essential if a policy or strategy is to work.

References


