Journal of Political Sciences & Public Affairs

Arora, J Pol Sci Pub Aff 2019, 7:4

Review Article Open Access

Domestic Actors in Energy Governance System: A Case Study of India and China

Sachna Arora*

Department of Political Science, Panjab University, Chandigarh, India

***Corresponding author:** Sachna Arora, Department of Political Science, Panjab University, Chandigarh, India, Tel: 8284856194; E-mail: sachna1822@gmail.com

Received date: Dec 13, 2018; **Accepted date:** May 29, 2019; **Published date:** Jun 06, 2019

Abstract

Energy is the material basis of life. Very few countries are self-sufficient in energy. The rest have to import energy to meet their survival and economic needs, making them dependent on other nations and endangering their national security in times of disruption of energy supplies. Integrating energy concerns with climate change policies has been the central focus of the international negotiations for India and China. The whole debate on climate change misses the point that international agreements influence domestic actions in countries, even against the grain of domestic politics. The drive for change in energy system will come from the domestic politics in country after country, but the international process can amplify and provide leverage for these domestic actors. What are these domestic factors and forces? In what manner, and to what extent, do they influence the policy decisions being taken? These are questions that need to be answered, especially in the case of India and China.

Keywords: India; China; Energy security; Domestic actors; Climate change

Introduction

Energy is the material basis of life. We all need energy in one form or the other, thus making it a vital component of our life, especially in the modern-day living. This precious marketable commodity is important, not just for survival, but also for the economic growth and development.

Very few countries are self-sufficient in energy. The rest have to import energy to meet their survival and economic needs, making them dependent on other nations and endangering their national security in times of disruption of energy supplies. It can happen when the relation between the producer or transit countries and the consumer countries deteriorates causing supply disruptions, sometimes leading to a war-like situation. Energy exporters do not hold all the aces, always. Transit states can also play a dominating role by setting conditions and getting them implemented in their own interests. The threat is not from the producer or transit countries alone. Natural disasters and economic crisis play their role too. These threats become obstacles in ensuring accessibility to energy resources.

IEA defines energy security "as the uninterrupted availability of energy at an affordable price. The long term aspect of energy security deals with the timely investments for the future supplies to ensure economic development and fulfilment of the environmental needs On the other hand, short term energy security focuses on the ability of the energy system to react promptly to sudden changes in the demand-supply balance" [1].

Integrating energy concerns with climate change policies has been the central focus of the international negotiations for India and China. They both have tried hard to avoid any limitations imposed on their growing energy needs and the path that leads to development. The principle of eco-efficient economy, energy security and local sustainability provide motivation of the first-order for adopting enhanced policies. As it is, energy remains at the heart of global climate change solutions with enhanced efficiency and a dramatic scale-up of investment in renewables.

Every party at the global negotiating table within the framework of UNFCCC is working for its own 'national interest'. The outcomes of these negotiations reflect the power status of these countries, with each trying to get the best deal possible. This brings us to the question that what all comprises national interest in relation to climate change and how the policy positions are framed [2]. There is a need to understand the central role that energy security plays in framing policies on climate change in India and China, which in turn have a direct bearing on the positions adopted by them in term of climate diplomacy and related international negotiations.

The whole debate on climate change misses the point that international agreements influence domestic actions in countries, even against the grain of domestic politics. The drive for change in energy system will come from the domestic politics in country after country, but the international process can amplify and provide leverage for these domestic actors. Any programme, policy, rules and regulations on climate change will impact the masses. Therefore, it is important to understand how domestic factors influence the climate change policy and are in return influenced by a climate policy. The interplay between the two is far from being straightforward and influenced by a number of intervening factors and forces.

What are these domestic factors and forces? In what manner, and to what extent, do they influence the policy decisions being taken? These are questions that need to be answered, especially in the case of India and China. This is due to the great difference between the political climates of the two countries - India is a democracy, while China is not. This difference becomes critical since it affects the way in which the climate change debate shapes up domestically and translates into the international positions for both the countries.

Domestic Actors in Energy Governance System

The governance system of both India and China is highly fragmented and has led to many mistakes and faulty policies that led to distortions in the use of proper energy mix. There is no single regulatory body that takes care of all the aspects and types of energy from development to consumption, and also at the same time takes care of the environmental aspect.

China

The regulatory system of the country acts as a major factor in the energy development and management. The regulatory system initially followed by China was not for the regulation of energy sector, but to help in governing it in such a way as to make it a business enterprise. This sector was completely dominated by the state regulator. Under the earlier system, each of the key energy industry was under the control of a single institution, which meant it was under a national corporation or under the ambit of a ministry. These ministries as well as corporations used to participate actively in policy making, regulatory planning and enterprise management [3].

But the Chinese energy sector, during past few years, has witnessed a remarkable policy and management change. The new regulatory system has done a strategic reorganization of the energy sector. It focuses on three main objectives: saying no to government's interference in the functioning of enterprises, making energy system market oriented and working towards increasing energy efficiency of the energy sector. In a way, a complete separation of the role of the government and the industry has been made. The state council acts as a supervising agency having six parallel ministries looking after different aspects of the energy industry. The China Association of Coal industry is responsible for the regulation of the coal industry, while the state electricity regulatory commission is authorized by the state council to act as an administrative and regulatory body to govern the national electric power according to the laws and regulations. The NDRC – another leading body, is accountable for other aspects of the energy governance system, which it does through the SAE, like fixing energy price ceilings, allowing a higher market access grid electricity price to power generation units and looking after the energy investment and construction, etc. [4].

The Chinese energy sector structure is fragmented which has led to the emergence of the sub-state actors like the local governments as the dominant players in the energy industry. State-owned energy corporations have also started to overrule the government authority and assert dominance because of their expertise and technical knowhow, which these ministries are generally lacking. It is surprising to know that the world's largest energy-consuming nation was without an energy ministry since 1998. It went through six major reorganizations in 1982, 1988, 1993, 1998, 2003 and 2008. Energy administration is highly decentralized and fragmented and there are 16 ministerial bureaucracies under the State Council looking after different aspects of the energy sector. The ministries themselves have been further fragmented into various departments. For example the National Development and Reform Commission- the nodal agency to look after the China Energy Governance- is itself fragmented among at least five departments which make the overall coordination process very tough [4].

The National Energy Administration was established in 2008 as China's chief governing body but it had to bargain with the other departments and ministries for everything it wanted to do. Then the absence of a comprehensive energy law is another major problem of energy governance in China. There is no clarity as to who is responsible for what, when and how, thus depriving the country of the ability to address an issue of national importance and develop long-term strategies to deal with it. Later on another effort for coordination was made in 2010 with the establishment of the National Energy Commission headed by the Prime Minister and constituted by the heads of various central ministries. But again it remained an ad hoc body with little powers that used to meet irregularly and had no permanent staff, thus making it an informal organization which couldn't do much [3].

The increasing autonomy of the local governance is also creating a hindrance in the smooth functioning of the energy governance. The new rule clearly states that the local government are themselves responsible for their economic growth. This means that the greater is their growth, the greater will be the funds that they get from the Centre. Consequently, what the local governments have been doing is that they are just focusing on growth without paying much attention to the environment degradation associated with it. They don't mind overshooting the energy and climate targets set by the central ministry if these can bring them dividends. They deliberately underperform when they are asked to make some sacrifices in the context of mitigating climate change and increasing energy efficiency. They refused to close the energy insufficient and highly polluting industries as it affected their growth rates. They feel they can't afford to lose on this sphere. Because of the fragmented energy sector at the Centre, the energy industry has witnessed the emergence and increasing influence of the state owned energy enterprises in the Oil, Gas and Nuclear Energy Sector. Reasons for their increased influence are that there is no Energy Ministry at the Centre and no bureaucratic clout among the bureaucracies. Sometimes the commercial interest of these enterprises goes against the strategic interest of the state. Lastly the technical knowledge and expertise help them in maintain their hold over the energy industry [5].

Energy regulation plays a crucial role in ensuring China's energy security as well as its future economic development. However, there are some grey areas, which need to be removed to make the country's regulatory system a mature and well-regulated energy sector. Firstly there is a need to clearly demarcate the separation of powers between the political and the regulatory authority. Till now all the efforts made in this regard have failed. For example, the NDRC's overall policy making authority creates a sort of controversy. Besides controlling the "energy policymaking, strategic planning and demand estimation", the NDRC also interferes in the access to the energy market and price setting. These are the micro economic responsibilities beyond the scope of the NDRC, which basically deals with the macro-economic policy making. Secondly there is no regulator for the oil and gas industry, and as far as the electricity sector is concerned, the State Electricity Regulatory Commission, SERC, was handling the management and regulation of the electricity generation and power industry till 2013. However, because of many loopholes and lack of clarity regarding the role and independence of the SERC, its orders were rather difficult to implement [6].

India

The Indian energy sector's political organization is also fragmented. Different ministries working independently of each other have rendered impossible the formation of any comprehensive and cohesive policy. The Planning Commission tried to bring the much-needed

coordination, but it is only an advisory body with no implementation authority. Now it has been replaced with a new body called the NITI Ayog. One more attempt to bring coordination resulted in the formation of the Energy Coordination Committee under the Chairmanship of the Prime Minister, but its functions remained sporadic. India's federal polity is another problem, as the division of the subjects between the Centre and the state becomes an obstacle for the smooth functioning of the energy sector. Coal, petroleum, natural gas and atomic energy are in the Union list, while electricity is in the Concurrent list, thus giving power to both the Centre and states to legislate on it. Access to land from which minerals are to be extracted is under the State List and so is water, but offshore mineral extraction is in the domain of the Centre [7].

We can say that Indian energy model follows a three-pronged strategy: hydrocarbons for fulfilling the demands of the transportation sector, coal for satisfying the electricity needs, and domestic energy needs. It does not pay much attention to the domestic wrongdoings, but focuses on managing the external dimensions. The problems created by the electricity sector are the result of our own policies, which depict the failure in dealing with this issue. The distortions in subsidies given to some of the fuels led to the increase in the use of diesel-run cars and trucks, which led to an increase in the import dependence as well as an increase in the carbon emissions. Freight movement through trucks increased whereas railways were a much cheaper medium. So the half-hearted, ineffective and fragmented policies have failed to a great extent to deal with the problems of the energy sector [8-10].

Conclusion

Energy anywhere in the world should be an integrated management as energy sources are distributed over several ministries. Petroleum, coal power, water resources, atomic energy, new and renewable energy projects, all are dependent on the availability of land and environmental clearance. Then come the financial matters, which are looked after by the finance ministry. The coordination is looked after by the planning commission which says that "the different energy sources need to be consistent with each other and the overall framework for energy must be consistent with achieving the objective of inclusive growth". Then there is a need to create a balance between the Centre and the states because there are so many issues related to energy which comes under the state control, like urban transport, city planning, building codes etc. Energy pricing is also an important issue, as energy should be provided at a minimum affordable cost to all. Thus policies with regard to energy pricing become a significant area of concern. The need for regulator becomes all the more important because of all these factors.

References

1. IEA (2015a) CO2 emissions from fuel combustion. International Energy Agency.
2. Abbasi DR (2006) Americans and climate change: closing the gap between science and action: A synthesis of insights and recommendations. Yale F&ES Conference on Climate Change, New Haven, CT: Yale School of Forestry & Environmental Studies.
3. Liguang Liu (2013) Institutions of renewable energy governance in China. In Earth System Governance Tokyo Conference, United Nations University Headquarters, Tokyo, Japan, pp: 28-31.
4. Kong B (2011) Governing China's energy in the context of global governance. Global Policy, 2: 51-65.
5. Cunningham EA (2015) The state and the firm: China's energy governance in context (Working Paper No. 1). Boston: Global Economic Governance Initiative, Boston University.
6. Lazzerini I (2014) Plug in China. An overview of current energy perspectives. Enel Foundation.
7. TERI (2014) Governance of renewable energy in India: Issues and challenges. New Delhi: The Energy and Resources Institute.
8. TERI (2014) TERI environmental survey 2014. New Delhi: The Energy and Resources Institute.
9. IEA (2013) World Energy Outlook 2013. IEA Publications Paris.
10. IEA (2015b) Energy balances of non-OECD countries. International Energy Agency.