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## Are the Dutch really going green? Climate politics in the Low Lands (part two)

This is the second Clingendael Policy Brief on climate policy development in the Netherlands. The first was published in January 2019 and dealt with the political context and policy proposals made between autumn 2017 and the end of 2018. This policy brief focuses on the most recent developments until mid-September 2019. During this period the Dutch Parliament adopted a Climate Bill, provincial elections were won by a climate-sceptical party, and political agreement was reached on a comprehensive package of climate policies: the national Climate Agreement. This agreement, referred to as the 'biggest refurbishment of the Netherlands since the Second World War', was pre-cooked in an extensive negotiating process between government and civil society. The policies target especially the industrial, energy, transportation, housing and agriculture sectors. A key element of the societal debate focused on the costs of climate policies and how they should be allocated. In order to hammer out a political deal, the Dutch government had to change key assumptions of its constituting coalition agreement of 2017, and adjust some of the proposals developed by civil society, notably those favoured by industry. A lesson learned from the Dutch case is that setting ambitions may be relatively easy, but translating them into effective climate action is a tougher job, particularly when political decisions have to be taken on who will pay for what.

### Introduction

The centre-right Rutte III government, which came to power in October 2017, is profiling itself as the greenest Dutch government ever. Integrated climate and energy policy is one of the four key issues in the 2017–2021 Coalition Agreement (*Regeerakkoord*). Guided by the slogan 'Confidence in the future', the government strives to engage all stakeholders in tackling major societal challenges.

Dutch climate and energy policy is rooted in the national commitment to implement the UN Paris Climate Agreements of 2015. Additionally, as an EU member

state, the Netherlands must adhere to EU agreements to reduce greenhouse gas emissions by at least 42 per cent by 2030, as compared to 1990 levels. When the new government took office in 2017, this EU target was minus 40 per cent. At that time, the Dutch government acknowledged that more would be needed for the Netherlands to contribute its fair share to the Paris Agreement and set the aim to achieve a reduction of 49 per cent by 2030. The new government also indicated that it wanted to be a European frontrunner, by seeking support among European partners to enhance the overall EU ambition to 55 per

cent in 2030. If that European-wide ambition turns out to be unrealistic, the Netherlands would still try to find agreement on additional efforts with like-minded countries.

In October 2017, the Rutte government embarked on this course of translating its ambitions into tangible policies and measures, of fitting them in a comprehensive national Climate Agreement and of framing its ambition for the longer term in a national Climate Law. This Clingendael Policy Brief elaborates on what happened between January and mid-September 2019, especially with regard to the Climate Law and the policy package assembled in the Climate Agreement. It looks at how the proposals relate to climate policy debates at the EU level, and illustrates how difficult it can be – politically – to agree on ambitious climate and energy policies.

### A national Climate Law

After adoption by the Second Chamber of Parliament on 21 December 2018,<sup>1</sup> the Senate passed the Bill on 28 May 2019 with a vast majority. Only the climate-sceptical, right-wing PVV, the Christian SGP and the animal rights party PvdD voted against. The final version of the Bill breathes compromise rather than ambition. Instead of binding targets, it includes ‘policy intentions’ to achieve a 49 per cent emission reduction by 2030, and 100 per cent CO<sub>2</sub>-neutral electricity production by 2050.<sup>2</sup> The Senate spent much time debating the question of to what extent the Bill assigns sufficient power to Parliament to interfere in – and steer – situations when agreed policy intentions may not be achieved. The answer stayed somewhat

vague: the Bill creates *hope* but no *guarantee* that the targets will be met.<sup>3</sup>

The Climate Bill provides a framework and long-term timeline for the national climate policy process. This includes a Climate Policy Plan every ten years (the first for 2021–2030), a revision of this Plan every five years (starting in 2025), and every year a Climate Policy Brief assessing current policy developments within the context of the ten-year plan. This frame and timeline correspond with EU regulations, especially those regarding the governance (i.e. monitoring and reporting) of the Energy Union: member states inform the European Commission by means of a ten-year National Energy and Climate Plan (NECP – the first, for 2021–2030, is due to be sent to Brussels at the end of 2019), and every two years with a report on the national policy proceedings.

According to this framework, the Rutte government has to send its first yearly plan to Parliament during autumn 2019. A few months later, it needs to send its ten-year plan to Parliament and to the European Commission. It is expected that these plans will be based upon the national Climate Agreement, which is currently still subject to a final check with participants of the five so-called ‘climate tables’ – the negotiation setting with stakeholders from civil society.

### The Urgenda case

The Dutch government is pressured to act on climate change not only by public opinion, but also by a court judgment in a case filed by concerned citizens gathered in the non-governmental organisation Urgenda. The government has to deal with a 2018 Court of Appeal ruling to deliver on its intended emission reductions by 2020.<sup>4</sup> A Supreme Court ruling requested by the government on 16 November 2018, on whether political (policy) decisions by government can be overthrown by

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1 See Paul Hofhuis and Louise van Schaik, ‘Are the Dutch going green? Climate politics in the low lands heading towards crunch time’, Clingendael Policy Brief, January 2019, at [https://www.clingendael.org/sites/default/files/2019-01/PB\\_Are\\_the\\_Dutch\\_going\\_green.pdf](https://www.clingendael.org/sites/default/files/2019-01/PB_Are_the_Dutch_going_green.pdf).

2 Later, even less ambitious wording than ‘policy intention’ was used.

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3 Jesse Klaver (one of the initiators of the Bill and leader of the Green Party) in the Senate debate.

4 See Hofhuis and van Schaik, ‘Are the Dutch going green?’, pp. 2–3.

a court verdict, is still pending. In the meantime, the government has set aside an additional budget and indicated options for extra measures to reach the national 2020 emission reductions target. No action has been taken, however, as of yet. This triggered parliamentarian/societal unrest about a supposed lack of urgency in the government's activities to implement the ruling of the Court of Appeal. In early July 2019, Parliament applied pressure on the issue, by adopting a resolution urging the government to bring to the table concrete actions that would lead to the emission reductions agreed upon for 2020 no later than the end of September 2019.

## The road to a national Climate Agreement

### Assessment of the Draft Climate Agreement

The end of December 2018 saw the publication of a Draft Climate Agreement. This draft agreement was the outcome of negotiations with stakeholders in five key economic sectors on sector-specific policies and measures,<sup>5</sup> which should reduce greenhouse gas emissions on Dutch territory, applying cost-effective solutions.<sup>6</sup> After publication of the Draft Climate Agreement in December 2018, the Netherlands Environmental Assessment Agency (PBL) and the Central Planning Office (CPB) took some time until early March 2019 to assess its effects.<sup>7</sup> The main conclusion of their assessment was that 'big steps forward are possible, but the main targets will not be achieved'. The proposals would reduce emissions in 2030 by approximately 43 per cent, which falls below the government's ambition (49 per cent), and which will not

facilitate the 2050 ambition of 95 per cent reduction. Furthermore, the assessment predicted a slight decrease in purchasing power of households, especially for lower-income groups. Finally, the PBL and CPB concluded that 'it now takes political action (i.e. not technical measures)' to reach the decisive stage of ambitious climate policy development.

### Campaigning towards regional and senate elections

The assessment was presented in the final days of the campaign for the provincial elections of 23 March 2019. Climate policy had emerged as a major issue in the campaign, with polls predicting a win for the right-wing, climate-sceptical opposition. In this dynamic setting, the government prepared its response to the PBL/CPB assessment in record time. Within a few hours of the assessment's publication, Prime Minister Mark Rutte and Minister for Economy and Climate Eric Wiebes announced that the government 'took its (political) responsibility' and would amend the draft proposals to bring them better in line with issues raised earlier in the election campaign by the left opposition(!).

This government move was quite surprising. It clearly intended to genuflect to the left-wing opposition. The changes announced by Rutte and Wiebes were quite substantial: a lowering of energy taxes for households; the introduction of a CO<sub>2</sub> levy for industry; restrictions for carbon capture and storage (CCS); the skipping of proposals for extra mobility taxes; and a feasibility study on road pricing with the intent of enacting such a policy at a later date. In addition, the government announced that the adjusted package would address – more effectively – the concerns on achievability (of emission reduction targets) and affordability (referring to the effects on purchasing power). Finally, the government emphasised that the adjustments were based on changes in the 2017 political Coalition Agreement (*Regeerakkoord*) on climate and energy policy, which were major issues in the constitution of the Rutte government at that time. Notably, this regarded the potential comeback of road pricing and the setting of a CO<sub>2</sub> tax for industry.

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5 See Hofhuis and van Schaik, 'Are the Dutch going green?', p. 3.

6 The side-effect of setting a high priority for cost-effectivity was a lower priority for energy efficiency and the use of renewable energy.

7 See [https://www.pbl.nl/sites/default/files/cms/publicaties/pbl-2019-effecten-ontwerp-klimaatakkoord\\_3619.pdf](https://www.pbl.nl/sites/default/files/cms/publicaties/pbl-2019-effecten-ontwerp-klimaatakkoord_3619.pdf).

### The national Climate Agreement of 28 June 2019

Overview of intended key policies and measures by the economic sector

#### Buildings

- Enhancing the energy efficiency of 1.5 million homes and 1 million utility buildings
- New buildings will no longer be heated with natural gas
- Municipalities take the lead in a local, participatory approach
- Stronger tax incentives for energy efficiency and CO<sub>2</sub> reduction

#### Mobility

- All new passenger cars to be emission-free by 2030
- Tax incentives for electric vehicles, including for second-hand cars
- 1.8 million charging stations by 2030
- Modal shift from car to bicycle/public transport
- Smart logistics solutions to enable more efficient and sustainable transport

#### Industry

- Introduction of a carbon levy, starting at €30 per tonne in 2021 and rising to €125–150 per tonne in 2030
- Subsidy scheme for renewable energy and CO<sub>2</sub> reduction options in industry, such as carbon capture and storage
- Funding for innovations to enhance the use of hydrogen and other sustainable fuels

#### Electricity

- Phasing out coal-fired electricity generation by 2025/2030; first plant to be closed by 2020
- Accelerating investments in offshore wind power and in onshore wind and solar energy
- Subsidies for additional renewable energy capacity (wind and solar) until 2025; target: 70 per cent renewables' share in electricity production by 2030
- Introduction of a minimum CO<sub>2</sub> price for electricity production

#### Agriculture and land use

- Enhancing sustainable heating in greenhouse horticulture
- Reducing methane emissions from livestock through improved manure processing
- Carbon storage in soil and vegetation through pilot programmes for climate-friendly land use
- Incentives for climate-friendly food consumption and reducing food waste

Based upon: <https://www.government.nl/topics/climate-change/news/2019/06/28/climate-deal-makes-halving-carbon-emissions-feasible-and-affordable>

The unexpected move by Rutte's government had multiple effects on the heated climate debate during the March 2019 election campaign. First, it invalidated the fresh, still wet PBL/CPB assessment, because of substantive modifications to the policy package. Second, it disarmed the election campaign strategy of the left opposition, as the main climate issues of its campaign – a CO<sub>2</sub> tax for industry and lower costs for households – were now incorporated in the revised government proposals, supported by the four coalition parties in Parliament.

Third, it gave the right-wing, climate-sceptical opposition an extra campaign boost. And finally, not all stakeholders that had participated in the climate negotiations earlier, notably industry and transportation groups, were pleased with the government's U-turn.

The government announced its intent to present – at the end of April 2019 – a final Climate Agreement, in which its amendments would be incorporated, and with which the 2030 and 2050 emission reduction targets

could be achieved ‘without bankrupting the country’.

### **Election result, and its impact**

The rapid government response to the PBL/CPB assessment just ahead of the March 2019 elections was considered by some to be a masterful political move. It did indeed disarm the leftish opposition. However, it arguably also helped the most explicit climate-sceptical new Forum for Democracy (FvD) party to become the largest party. Because of the link between provincial elections and seat assignment for the Senate, this unprecedented win meant that FvD obtained twelve Senate seats, just as much as Prime Minister Rutte’s own VVD party. The left-wing opposition (GL, PvdA, SP and PvdD) lost two seats (2019: 21; compared with 2015: 23), and the centre-right governing coalition (VVD, CDA, D66 and CU) lost six seats (2019: 32; compared with 2015: 38). A crucial effect of this outcome is that the four-party government coalition is no longer supported by a Senate majority, even though three FvD senators split from their party later during summer 2019. In practice, the election outcome means that implementation by regulation of certain elements of the Climate Agreement will only be possible with votes from the left-wing opposition in the Senate(!).

### **New, amended final (?) Climate Agreement**

Just days before Parliament left for summer recess, four Cabinet ministers presented the revised Climate Agreement.<sup>8</sup> In the months and weeks before, rumours about laborious meetings of the various involved political parties, and even a looming government crisis on the issue, remained constant.

However, the government presented an impressive package of 237 pages, containing comprehensive proposals for policy action in five key economic sectors: buildings; mobility; industry; electricity; and agriculture.<sup>9</sup> This comprehensive five-

sector approach is a unique concept that is to date unprecedented in European climate policy development. In the Netherlands the package is considered to be the ‘biggest refurbishment of the Netherlands since the Second World War’, since it has huge implications for *inter alia* housing and office building (for example, heating and cooking), mobility and transportation modes, land use and industrial production. It will hence have implications for the daily life of all the country’s citizens.

Finally, and not a minor detail, the revised package was not yet supplemented with a proper assessment, ‘because of insufficient capacity of the PBL’.<sup>10</sup> As a result, a profound comparison with the earlier draft proposals is not yet available.

A Parliamentary debate on the new package, hastily scheduled on 3 July 2019, showed that a vast majority urged the government to deliver the missing assessment as soon as possible. Furthermore, the debate brought to light that only a small majority of the Second Chamber – that is, the four coalition parties – supported the new package proposals. As highlighted above, the implementation of crucial elements of the package will need extra support from opposition parties in order to obtain a majority in the Senate. Leader of the Green Party (GL) Jesse Klaver stated during the 3 July 2019 debate that the revised package is ‘a government proposal, not a broad-based agreement’. Minister Wiebes confirmed later that not all of the stakeholder organisations that participated in the negotiations had shown their full commitment to the amended agreement.<sup>11</sup> ‘It is inevitable that full implementation of the package will include some command-and-control legislation’, Wiebes added during the debate. As already emphasised, such command-and-control legislation will require support of the Second Chamber *and* the Senate, notably of the Green Party and the Labour Party. The four coalition parties have

8 See <https://www.klimaatakkkoord.nl/documenten/publicaties/2019/06/28/national-climate-agreement-the-netherlands>.

9 The textbox provides an overview of the package.

10 Minister Eric Wiebes in parliamentary debate on 3 July 2019.

11 Parliamentary debate in the Second Chamber on climate and energy policy on 4 September 2019.

to live with the fact that this support cannot be taken for granted.

## In splendid isolation or in a European context?

It is not yet fully clear how the national climate proposals position the Netherlands within the European climate policy context. At its start in 2017, the Rutte III government set the ambition for the Netherlands to become a leader on climate change within the EU. The Netherlands would demonstrate that it is possible within one generation (that is, 30 years) to transform the economy to climate neutrality *and* maintain the country's international competitiveness. While doing so, the Netherlands would lobby other European member states to join its ambitions,<sup>12</sup> by advocating for setting EU-wide emission reduction targets of minus 49 per cent or even minus 55 per cent by 2030, and minus 95 per cent (that is, climate neutrality) by 2050. The government considers the revised Climate Agreement as a major step towards delivering on this promise.

A 'reality check' on this international/European ambition drew some media attention, but so far it has not filtered through to the political debate. The European diplomatic lobbying power of the Netherlands can be questioned, however, and mainly on two points. First, monitoring data of the Netherlands' factual climate policy performance, recently published by the European Commission,<sup>13</sup> show that the country does not perform very well, especially on energy efficiency and the use of renewable energy. Second, in legal terms the proposals still have to be

transferred into laws and regulations, while they are based only on 'indicative targets', in line with the 2019 national Climate Law. With regard to this issue, the government made a remarkable statement in June 2019, saying that 'the emission reduction target of 49 per cent for 2030 is not yet final and may be influenced by the outcome of international debate'.<sup>14</sup> This would imply that the targets can still be adjusted, upwards or downwards.

In this respect it is interesting to follow to what extent the new European Commission will be able to stick to its bold climate and energy ambitions for 2019–2024, announced by its new President Ursula von der Leyen. The new Commission Executive Vice-President Frans Timmermans definitely has a challenging portfolio here, particularly in forging a real European Green Deal. In the same context, Minister Wiebes recently stated that 'he is hoping that EU climate policy – particularly on the EU's emissions trading system – will develop so fast that a national CO<sub>2</sub> levy will be unnecessary'(!).<sup>15</sup> Again, this triggers the question of to what extent the Netherlands' ambitions to lead the European policy developments are realistic.

## What comes next?

Now that the revised Climate Agreement has been agreed upon by the four political parties supporting the Rutte III coalition, the road ahead lies open. However, some obstacles are looming on this road.

A first hurdle to be taken is a renewed PBL/CPB assessment of the revised package, with a focus again on achievability and affordability. On 3 July 2019, Parliament asked the government to table the missing assessment as soon as possible. On 10 September 2019, Minister Eric Wiebes informed<sup>16</sup> the Parliament that the PBL will not be able to assess the full package.

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12 The most recent lobbying activity was a bilateral Netherlands–Germany meeting on 22 August 2019, when Dutch Prime Minister Rutte and German Federal Chancellor Angela Merkel discussed climate issues behind closed doors.

13 See the European Commission's assessment of the draft NECP for 2021–2030, 18 June 2019, available online at [https://ec.europa.eu/energy/sites/ener/files/documents/necp\\_factsheet\\_nl\\_final.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/necp_factsheet_nl_final.pdf).

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14 See Cabinet's letter to Parliament, accompanying the Climate Agreement, 28 June 2019.

15 Parliamentary debate in the Second Chamber on climate and energy policy on 4 September 2019.

16 See Minister Wiebes' Letter to Parliament, 10 September 2019.

However, ‘a qualitative analysis and – where possible – a quantitative interpretation of major package revisions’ will become available before the end of 2019. Whether Parliament will accept this, will become clear when Minister Wiebes’ letter will be discussed later this autumn.

A second hurdle is the implementation of the package itself. This will be a step-by-step process. Parts of it require (only) a majority in the Second Chamber, while other parts require amending existing or establishing new regulations, which will need additional majority support in the Senate. As highlighted above, such Senate support requires additional opposition votes. On 10 September 2019, the government has sent a legislative agenda for the Climate Agreement to Parliament. This agenda includes crucial building blocks of the agreement, such as funding proposals in the 2020 Government Budget, a proposal for amending energy taxes on households and proposals for a CO<sub>2</sub> levy for industry. All of these issues will require approval from the Second Chamber and the Senate. Additional implementation hurdles are the questions of whether central, regional and local governments have sufficient capacity, expertise and financial means for the immense implementation challenge of the package, and to what extent the ruling of the Supreme Court in the Urgenda Case – expected before the end of 2019 – will influence the implementation debate.

Third, interaction may occur between Dutch national decision-making and the progress the EU will make on the Union’s climate ambitions for 2050 and 2030. The Dutch climate lobby in the EU for very ambitious emission reductions by 2050 and 2030 may no longer be as effective, now that Prime Minister Rutte remains in office in The Hague instead of moving to the new European political constellation in Brussels. It remains to be seen what will happen to support for the bold national ambitions of, in particular, Dutch industry when the EU compromises on less-ambitious targets for 2030 and 2050 than now are included in the Dutch climate agreement. Industry’s argument for the need to maintain a proper European economic level-playing-field could then start again to

play a role, which may influence the lasting support of the centre-right parties in the Rutte III coalition for the Climate Agreement.

In this context, the aforementioned and just as bold climate promises of new President of the European Commission von der Leyen to the European Parliament may have induced some feelings of comfort on the part of Dutch policy-makers. However, as on the national level, the proof is in the pudding in Brussels, too. The support of the European Council is so far uncertain. And in the European Parliament the Greens/EFA may have won 23 seats (increasing from 51 to 74) in the 2019 elections, but eleven of these 74 seats come from the UK! A crucial question is whether the green power of the European Parliament has increased enough to make von der Leyen’s ambitions come true.<sup>17</sup>

### In summary: complicated politics ahead

As highlighted above, the national Climate Agreement includes very high ambitions and an impressive package of comprehensive policy proposals. Generally speaking, it is already politically complicated to implement such a policy package. However, the sequence of events around the March 2019 elections have made implementation even more complicated, both on the national and European levels.

The most important complication on the national level is the issue of allocating implementation costs to economic sectors and consumers. Here, political consensus is still far away. Solutions at this point are not included in the Agreement, and the election debates in March have made the issue very precarious. The battle has already started, for instance on a minor point of whether green households that shift from gas to electricity must pay to shut down their gas connection.

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<sup>17</sup> See ‘Von der Leyen’s climate promises run into Brussels reality’, in *Politico*, 5 September 2019.

On the European level, a key complication is the issue of Dutch credibility within the EU as an advocate of high climate ambitions for the EU. As long as the implementation process of the Dutch national Climate Agreement cannot show concrete results in terms of emission reductions, higher energy efficiency and/or a higher use of renewable energy, the Netherlands' ambitions as a leader for Europe will inevitably have to be somewhat moderate.

For 2020 and beyond, key challenges for the Rutte III government are, first and foremost, to deliver the concrete results that were promised to voters on the national level, and to show to other EU member states that it really is possible to reach broad societal consensus on the urgent need to achieve decarbonisation of the Dutch economy without ruining its competitiveness. Effective diplomatic and international lobbying power starts and finishes with charisma, enthusiasm and success at home. If Rutte's government manages this correctly, they might receive a place in history books. Europe is watching!

### About the Clingendael Institute

Clingendael – the Netherlands Institute of International Relations – is a leading think tank and academy on international affairs. Through our analyses, training and public debate we aim to inspire and equip governments, businesses, and civil society in order to contribute to a secure, sustainable and just world.

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