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# THE COST OF PERCEPTION

## How the Perception of Public Support Influences Decision Making in Multi-level Climate Governance

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We still have a long road to global sustainability before us, as nations struggle to implement sufficient measures on a large scale. Climate governance is undergoing a shift from a centralised approach towards a multi-level governance approach. This approach offers more flexibility to deal with a heterogeneous policy environment and implement policy that matches local preferences. The perception of regulatory costs with respect to raising public support is investigated in a multi-level governance setting. A qualitative research using semi-structured interviews is performed in a case study of the Regional Energy Strategy in Friesland, a multi-level climate governance arrangement currently in the making. From this research it is concluded that perceived costs of raising public support are high, leading to high uncertainty and retention of the status quo in the policymaking process.

**Keywords:** multi-level governance; MLG; climate governance; regulatory costs; public support

## INTRODUCTION

*“Solutions to the climate crisis are within reach, but in order to capture them, we must take urgent action today across every level of society.”*

— Al Gore, before the Paris climate negotiations in 2015

This statement eloquently articulates one of the biggest hurdles that we are facing today. Even though many technological and societal solutions exist to global warming, it seems that human society has much difficulty with the immediate implementation of adequate measures on a global scale. Since the creation of the United Nations Framework Convention on Climate Change (UNFCCC) in 1992, many climate summits have been organised among the international governing community to establish agreements regarding international climate action. The Kyoto Protocol from 1997 is a well-known early example of such a treaty that has attempted to curb climate change and keep global warming within “safe” boundaries (see e.g. Rockström et al., 2009). The treaty was designed to address climate change in a highly top-down approach, laying out country-specific emission targets in the hope that this would in time effectively lead to a world-wide price on carbon (Barret, 2008). While this and other such accords have been lauded by some as impressive steps towards a fossil-free world, there has also been a lot of critique to the treaties: it can be argued that while necessary, the ambitions spelled out in these international treaties are not sufficient to stop temperatures from rising well above safe levels. Furthermore, even on the commitments that have been made, the progress of many countries does not seem enough to reach their emission reduction goals (Barret, 2008).

In more recent years, it has been increasingly recognized that instead of – or, next to – this centralised, top-down approach to governance, “multi-level governance” has a critical role to play in addressing the climate crisis. No all-encompassing climate governance solution exists; only combined efforts from all levels of government, private firms and individuals have the potential to realise the decarbonisation of economies (Ostrom, 2007, 2010; Piattoni, 2009).

While multi-level governance has been studied since the inception of the European Union (e.g. Bache, 1998; Hooghe, 1995; Marks, 1992), its application in climate governance is still quite a new phenomenon. Only the most recent effort to curb the global climate crisis shows a clear multi-level governance perspective: the Paris Agreement, adopted in 2015 and signed in 2016, was set up “in the light of different national circumstances”, explicitly recognising “the importance of the engagements of all levels of government and various actors” (Paris

Agreement, 2016: 2). A key advantage of multi-level governance (MLG) is that it increases the flexibility to adapt strategies to the challenges and capabilities of each region (Cygan, 2013). Thereby, MLG has the capacity to match local preferences and the community's identity (Bagarani, Bonetti, & Zampino, 2007; Hooghe & Marks, 2003).

In this research, the Regional Energy Strategy (RES) in Friesland is studied as a case example of multi-level climate governance. Through a "long-term cooperation between all regional parties" (Dutch Climate Agreement, 2019: 232) solutions to the energy transition are sought within a specific region. The RES is still in its preparatory phase, which is to say that the policymakers are currently working on gathering relevant information, coming up with policy options, negotiating compromises between these options, and planning for the next phase of implementation.

A particular problem in climate governance is that it is unknown what the (best) solutions to climate change are (Levin, Cashore, Bernstein, & Auld, 2012; Rittel & Webber, 1973). Therefore, decisions are often made on the basis of "judgement, gut-feeling, intuition, experience, [and] knowledge" (Buckley & Chapman, 1997: 138).

In an MLG setting, multiple stakeholders all with their own (economic and political) interests continuously negotiate and collaborate about possible solutions. The involvement of more actors in the policy making process means that a higher level of coordination is needed to facilitate this process (Hooghe and Marks, 2003). This incurs so-called "regulatory costs", including costs for raising public support (Marneffe & Vereeck, 2011). To minimise the regulatory costs of the policymaking process, policymakers make decisions based on their perception of these regulatory costs, since the actual costs are inherently unknown before a decision has been made. The aim of this paper is to investigate how decision making with respect to raising public support is affected by policymakers' perceptions of regulatory costs in a multi-level climate governance process. The main research question of this study therefore is: How are the costs of raising public support perceived in the Regional Energy Strategy in Friesland?

This study will have both theoretical and practical relevance. It responds to calls for more empirical testing of MLG arrangements (e.g. Piattoni, 2009), by strengthening the understanding the decision-making process in multi-level climate governance. Through an in-depth analysis of perceived regulatory costs of the decision-makers in charge, further insights can be gained into how policy is made in domains for which no clear-cut solutions exist. This knowledge can then be applied by policymakers to enhance the effectiveness and efficiency of

the policymaking process. This is particularly timely because the Regional Energy Strategy is currently still in the making.

The next section will discuss the available literature on multi-level governance and regulatory costs. Then, a description of the methodology is provided, including the research context, data collection, and data analysis. Afterwards, the findings of the study are written up. Finally, the conclusions of the study are presented along with its practical implications, the limitations of the research, and avenues for future research.

## **THEORY**

### **Multi-level Governance**

Multi-level governance (MLG) as an analytical concept originates largely from studies done on the dynamics of the European Union (e.g. Marks, 1992; Hooghe, 1995; Bache, 1998). It describes the interrelations between governments and the way in which they negotiate, collaborate and coordinate at different (territorial and jurisdictional) levels – i.e. local, regional, national and supranational – as well as the relationships between governmental and non-governmental actors (Marks, 1993; Fairbrass & Jordan, 2004; Sabel & Zeitlin 2007). Schmitter (2004: 49) defines MLG as “an arrangement for making binding decisions that engages a multiplicity of politically independent but otherwise interdependent actors – private and public – at different levels of territorial aggregation in more-or-less continuous negotiation/deliberation/implementation, and that does not assign exclusive policy competence or assert a stable hierarchy of political authority to any of these levels.”

Multi-level governance is not necessarily a replacement for centralised governance, but should rather be viewed as a complementary way of dealing with problems that cannot effectively be solved on one particular governmental level. The main reasoning is that regulatory investments in a regional setting are likely to be more effective than a similar investment from a centralised policy context. Both the problems and the solutions to problems can vary greatly per city and region; this is especially true for environmental policy (Hooghe & Marks, 2003; Ostrom, 2007; Paavola, 2016). Local knowledge, resources, and attitudes all play a role in how issues are perceived and how the answers to those issues can be found in the most effective way (Fairbrass & Jordan, 2004; Hooghe & Marks, 2003; Oates & Portney, 2003).

A core principle of MLG is called “subsidiarity”, which means that actions or decisions should not be taken by a higher level of government if it can also be effectively taken at a lower

level of government. In other words, governance should happen as closely to the citizen as possible (Føllesdal, 1998; Cygan, 2013; Wanzenböck & Frenken, 2020).

The shared responsibility of policymaking between all layers of governance – rejecting the strictly hierarchical or pyramidal form of governance – leads to increased flexibility to deal with heterogeneous territories on different scales (Cygan, 2013). In the MLG model, power and competences are redistributed over a network of existing and new institutions existing of both public and private actors. It moves policymaking from top-down instructions to dialogue, negotiation, and bargaining (Stephenson, 2013).

This model of shared competencies allows local governments to look at governance not as a ‘zero-sum game’, but rather as a positive-sum collaboration with increased problem-solving capacities (Awesti, 2007). However, while MLG has shown to increase participation, cooperation, and consensus, it can also lead to conflict and resistance because it challenges existing power structures (Stephenson, 2013). Bagarani, Bonetti, and Zampino (2007: 6) mention several conditions which an MLG model must satisfy in order to be successful, among which “the ability to match society[‘s] preferences”. Successful MLG can thus be seen as an expression of community, as local public and private actors are more likely to pursue policy options that match their community’s identity (Hooghe & Marks, 2003).

### **Regulatory Costs**

Multi-level climate governance includes actors across multiple levels including both public and private actors to maximise the quality of climate policy. To assess the quality of policy, its cost-effectiveness should be determined, rather than just its effectiveness. For example, a 20 km/h speed limit is highly effective for road safety, but the costs of this policy would outweigh the benefits (Marneffe & Vereeck, 2011).

Therefore, this research will draw on the theory of transaction cost economics (TCE) while studying policymaking in a multi-level governance setting. TCE research has traditionally focused on transactions within and between firms (e.g. Coase, 1937; Williamson, 1989), and although some authors also simply refer to transaction costs in the context of policymaking, this can lead to some confusion. Public policies aim to solve a certain policy problem, and the creation and implementation of these regulations do incur costs. However, “an important benefit, if not the very essence” of public policymaking is to lower transaction costs as a main result or side-effect (Marneffe & Vereeck, 2011: 354). Therefore, the subtle distinction between regulatory costs and (market) transaction costs allows us to separate the means and the goal more clearly.

Broadly speaking, policymaking can be separated into two phases: the preparatory phase and the implementation phase. In both phases, regulatory costs are incurred, but this research will focus on one aspect of regulatory costs in the preparatory phase, namely the costs for raising public support as part of the decision-making costs (Marneffe & Vereeck, 2011).

### **Bounded Rationality and the Social Construction of Reality**

Humans have a limited capacity for storing and processing information. This is also known as bounded rationality. The more complex and uncertain a problem is, the harder it is to come to an optimal solution; by bringing down the complexity or uncertainty (or both) of the problem, a solution closer to the optimal solution can be expected to be found. Chiles and McMackin (1996: 12) call this reduction of uncertainty and complexity “economizing on bounded rationality”.

Williamson (1975) distinguishes between “computational constraints” and “language limitations” in relation to bounded rationality. An absence of computational constraints then, together with a perfect language – being able to fully and objectively express anything about the world – would hypothetically get rid of the problem of bounded rationality.

According to Buckley and Chapman (1997), computational constraints and language limitations should not be treated as separate concepts since language limitations are actually “consubstantial” with computational constraints. Real-world decisions are made predominantly on the basis of language, and not on (numeric) computation, so it is unhelpful – if not impossible – to view the two apart from each other in real-world decision making.

Buckley and Chapman further argue that language does not “objectively” express reality but instead is involved in the construction of reality itself. To an important extent, language determines what can be expressed and envisaged. In this sense, language is “reality defining” (Buckley & Chapman, 1997: 142).

Taking this from a more positivist angle, one can argue that if some truth exists, a communication system (i.e. language) can move from being less adequate to being more adequate in expressing that truth. Consequently, this would reduce the boundedness of its user’s rationality.

From the discussion above we can conclude that language plays a big role in decision making – not just in choosing from a set of options, but also in creating the frame in which these options are perceived.

## **The Effect of Perceived Regulatory Costs on Decision Making**

This research will focus on the *perception* of regulatory costs that influence the decision-making process “ex ante”. This is called the managerial-choice or deliberate approach of transaction cost economics (Chiles & McMackin, 1996; Nelson & Winter, 1982).

From the managerial-choice viewpoint, economic costs are indeed “inherently subjective, because different decision makers sacrifice different alternatives at the moment of choice based on different perceptions of and preferences for the alternative opportunities in a world of uncertainty” (Chiles & McMackin, 1996: 4). Collins and Fabozzi (1991: 29) agree, saying that “opportunity costs are inherently unobservable”. Not only the ex-ante costs of regulation are subjective, but also its benefits are immeasurable beforehand and hence assumed by the policymaker (Marneffe & Vereeck, 2011).

These observations have substantial implications for decision-making in the public domain. Before pursuing a piece of information, an actor (in this case, the policymaker) makes an initial cost-benefit evaluation. A relative high-benefit evaluation incentivises the actor to learn more, while a relative high-cost evaluation will discourage the actor from learning (Lubell, Hillis, & Hoffman, 2011). Furthermore, loss aversion and status quo bias lead decision makers to overestimate costs and underestimate future benefits, especially under uncertain circumstances (Kahneman, Knetsch, and Thaler, 1991). Hence, if initial perceptions of costs and/or benefits are inaccurate, decision makers are likely to preserve knowledge gaps, pursue sub-optimal policy options, and/or maintain the status quo (Lubell, Hillis, & Hoffman, 2011).

## **Decision Making in a Multi-level Governance Setting**

We have now firmly established that policymakers’ perceptions have a significant influence on their decision making. Therefore, it is worthwhile to investigate how regulatory costs are perceived with regards to raising public support, an important aspect of decision making. This is especially interesting in a multi-level governance setting, as one of the core benefits of multi-level governance is that it has the potential to arrive at policy solutions that match closely to the community’s preferences and identity.

## **METHODS**

This study is conducted with a qualitative approach to investigate how regulatory costs are perceived in the multi-level governance process of the Regional Energy Strategy in Friesland.

As Buckley and Chapman (1997) argue, and in line with the considerations as discussed in the theory section, (perceived) regulatory costs are best expressed in language instead of numbers.

Research on multi-level (climate) governance is a relatively recent phenomenon, and especially since the relation to transaction cost economics theory is largely absent in the literature, an exploratory study is suitable to elaborate on existing theory and generate new theory (Rowley, 2012). The Regional Energy Strategy is particularly interesting in this regard, because it is an ongoing process that has started only fairly recently.

## **Research Context**

*The Regional Energy Strategy.* In line with the method and goals of the Paris Agreement, the Dutch government has created the Dutch Climate Agreement in the typical Dutch “polder model”. Working together with over 100 different parties (amongst which industrial stakeholders, civil society organisations, and others), they have tried to maximise public support while coming up with this national plan (Dutch Climate Agreement, 2019). While the agreement covers several topics related to climate governance, this research will focus on one aspect in particular: the Regional Energy Strategy (RES), covered under the chapter on cross-sector cohesion. In short, the Netherlands is split up into several regions, which all create their own vision for the energy transition. Among other things, the RES is described as “a way of organising long-term cooperation between all regional parties” (Dutch Climate Agreement, 2019: 232). Together, the strategies that are produced by the regions should add up to achieve the national climate goals for 2030.

The regions each consist of a combination of municipalities, provincial government, the regional network operator, local water boards, and other relevant stakeholders. A National Regional Energy Strategy Programme exists to facilitate and support the regions with a unifying framework so different Regional Energy Strategies will be comparable and cumulative (Dutch Climate Agreement, 2019).

The process consists of several steps: first, each region creates a draft version of their RES, in which they make a “bid” in which they specify (among other things) how much and what kind of renewable energy they plan to produce in 2030. These bids are then assessed by the PBL (the Netherlands Environmental Assessment Agency) in terms of feasibility and sufficiency to reach the national climate targets. Then, the drafts are further developed into the RES 1.0 until March 2021. Hereafter, the RES is reviewed every two years and succeeded by the RES 2.0 in 2023, the RES 3.0 in 2025, etc. (Dutch Climate Agreement, 2019).



**RES Friesland.** The unit of analysis for this study is the region of Friesland, which geographically corresponds to the province of Friesland (this is not the case for all regions; most provinces are split up into multiple regions). The region includes all actors directly involved in the process of creating the Regional Energy Strategy, which means that valuable insights from many viewpoints can be obtained. Furthermore, the research will be relatively easy to be reproduced, compared, or applied by other regions, since the structure of all regions is more or less the same.

Interviews have been conducted with employees from different organisations participating in the Regional Energy Strategy in Friesland. Because of the circumstances surrounding the corona crisis and the limited time and resources of both the researcher and the organisations, not all intended organisations have been interviewed, but the final sample of interviews is considered sufficient to confidently draw useful insights and conclusions about the perceived regulation costs of the RES in Friesland.

### Data Collection

Semi-structured interviews have been conducted with employees of different organisations in the RES. Interviews are an appropriate tool to gain insight into experiences and processes within an organisation and can provide more details and insights than for example questionnaires (Rowley, 2012). The participants for the interviews have been selected based on their knowledge of, and involvement with, the Regional Energy Strategy. This way, a deep understanding of the occurring phenomena in the collaborative network can be achieved.

Table 1 shows an overview of the selected interviewees. The real names and functions of the interviewees are not shown to ensure the confidentiality of the respondents.

<b>Name*</b>	<b>Organisation</b>	<b>Date</b>	<b>Duration</b>
Arnold	Municipality Smallerland	29 April 2020	34 minutes
Bob	Wetterskip Fryslan (water board)	4 May 2020	35 minutes
Chris	Province Friesland	6 May 2020	41 minutes
David	Frisian Energy Alliance	6 May 2020	29 minutes
Elisabeth	Municipality Smallerland	13 May 2020	58 minutes
Frank	Liander	25 May 2020	40 minutes

Table 1. Interviewee overview.

\*Pseudonyms are used instead of real names for confidentiality.

A topic list was used as a basis to conduct the interviews. These topics were chosen in a way to extract experiences from the interviewees related to the regulatory costs that they perceive

in the multi-level governance arrangement they are working in (i.e., the RES). However, during the interviews, especially in the later ones, discussions did deviate from these topics as other interesting subjects surfaced during the conversation.

Before the interviews, a consent form was sent to the participants which they were asked to sign to ensure they understood the research aim and agreed to the recording and analysis of the interviews. The interviews were all conducted in Dutch, because it was expected that using English would raise a language barrier so the interviewees will not be able to optimally express themselves about the topic. The quotes used in the findings section are translated as closely as possible to the intent of the original Dutch quote.

Furthermore, the starting document for the RES Friesland and the draft version of the RES Friesland are used as additional information sources.

### **Data Analysis**

The interviews have been digitally recorded to be able to analyse the collected data. Then, I have familiarised myself with the data by going through the recordings several times to identify emerging patterns or themes in the interviews relating to the research question. Finally, through a largely abductive process these findings have been related to the concepts as described in the theory section (Gioia, Corley, & Hamilton, 2007; Ruona, 2005). Note that this has not been a strictly sequential process, but rather an iterative one in which the different stages were (re)visited multiple times. This way a thorough understanding of the data has been gained to enhance the opportunities to generate knowledge from it.

## **FINDINGS**

The starting document of the RES Friesland, drawn up and agreed on by the policymakers, states that “the RES can only be successful if it has a participative process in which local (social) parties and residents are involved from the start.”

When comparing this to the draft version of the RES Friesland, a seeming change of heart can be observed. Right in the introduction, it says: “There might be support for more energy production in Friesland than what is shown in this draft version of the RES. Whether that is the case, we will investigate in the process towards the RES 1.0”.

This discrepancy is explained by multiple interviewees as the result of how the draft version of the RES Friesland has been set up. It only includes existing projects (i.e., solar and wind installations that have already been built) and projects that are in the pipeline (i.e., installations

that have a permit to be built). The reasoning, as stated in the draft RES, is that “during the preparatory phase and the permit processes attention has been paid to public support”.

Several interviewees agree with this line of reasoning. “Citizens have already had the chance to voice their opinion on these projects”, according to Arnold. Chris thinks that “the current bid is a good starting point for further discussion in Friesland to see if there is enough public support for more”.

### **High Uncertainty**

So, what the policymakers do know is that there is public support for the projects that have been granted so far. However, they do not know how much public support there is for new projects on a larger time horizon.

In the draft RES it is written that “we will take a full year (2020) for the process of thorough consultation and collaboration, which will result in the RES 1.0”. However, at the time of writing (June 2020), there has been (to the knowledge of the author) little public participation yet. Arnold goes as far as to say, “of the 57000 people living [in the municipality], maybe 1 percent knows what the RES is”.

Some interviewees have stated their concerns about this lack of raising public support, or even public awareness. Elisabeth for example believes that “the participation of citizens could be better”, and David says that “the agreement must have strong public support, not just the support from governors of the municipality, the province, and the water board. How do the citizens of Friesland look at different choices?” Arnold has seen that the topic of public support “has led to some tensions between colleagues in different municipalities, because of the differences in opinion”. During a discussion about how to involve local residents, he recalls that “one councillor thought we should enter the conversation with all residents, while another found it unnecessary to ‘set up a whole circus’ for that”.

Eventually, an attempt has been made to involve residents in the process, using a questionnaire held among residents in Friesland. Elisabeth describes the questionnaire as being “about the energy transition in general ... the questions were very broad; I believe the Regional Energy Strategy was not really part of the questionnaire, not substantially”.

In conclusion, the uncertainty about public support seems to be quite high. This leads to a higher susceptibility of inaccurately perceiving the costs and benefits of increased public participation.

## **Perception of Regulatory Costs**

What came up quite often during the interviews were past experiences in Friesland with regards to energy projects. The region seems especially apprehensive with regards to wind energy. In the past, there have been troubles with the involvement of the public in the strategy on wind energy in the province. Some processes did not turn out as intended and have angered some residents. Frank remarks that “some bad memories remain about this, so people want to prevent a retake of such a process”. David agrees, saying “politicians assume that there is much resistance against the energy transition ... there is a fear for revolt from the public”.

By not investing in raising public support early on and holding on to an image of public resistance, the policymakers take a risk of making this a self-fulfilling prophecy. The acceptance of residents is also hinged on their understanding and knowledge of the energy transition. David thinks “they will not accept some abstract goals for 2030 if they will be confronted with the practical consequences, unless you make good agreements on how that will be arranged locally.”

Since words like “assumption” were explicitly used by the interviewees with regards to perceptions of public support, from this we can conclude that the policymakers largely rely on their past experiences and gut feeling with regards to how much public support they perceive for the energy transition. Since these past experiences were overall quite negative, the perceived costs of raising public support are relatively high.

## **Retention of the Status Quo**

The draft RES states: “For the Friesland region the process around the RES is a tool to make our ambitions concrete and bring them closer where possible”.

However, the options for those ambitions seem to be limited beforehand. As Chris puts it: “In theory we might conclude from the RES that there should be much room for wind, but political parties have said that that room is limited”.

This type of language use seems to create a framing in which wind is not really considered an option. Frank: “The sentiment against wind energy is not very positive in Friesland, at a political or governing level ... it causes them to be very cautious in their thinking about different options and visions for the future. If they are apprehensive to take steps in that we won't come to new solutions or insights.”

According to Frank, policymakers do not sufficiently incorporate the knowledge that they get provided from their private partners in the process. There are some very practical implications with regards to the consequences some forms of renewable energy production

have on the grid. Because solar and wind power are intermittent energy sources (i.e., they do not yield a constant supply of electricity), focusing too much on a single source may cause problems on the network. For example, Frank says: “Solar parks produce 10 times as much energy in the summer as in winter, which endangers the security of supply. We advise the working group that a combination with wind energy would be better, both for the network and the security of supply”.

It should be noted here that wind energy is not the only option next to solar. Frank explains “we think it is important to look at the possibilities of wind energy, but also for example of green gas, to keep the impact on the network as low as possible”.

Relating back to the question of public support, he simply states: “Even though we see the aversion against wind parks, that does not mean the impact on the network will be any different”.

This shows how the perceptions of policymakers lead to retention of the status quo, while maintaining or even increasing the uncertainty around the energy transition. The three factors of uncertainty, perceived cost-benefit ratio, and retention of the status quo have a reinforcing effect on each other (see figure 1).

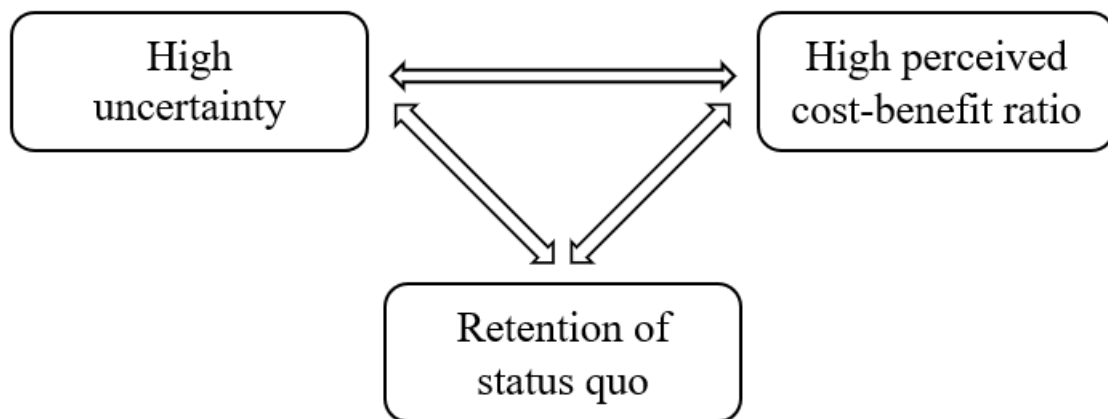


Figure 1. Three factors that reinforce each other in the policymaking process.

### Going Forward

Perceptions are not immutable, as Arnold powerfully explains how the RES forces policymakers to reassess their beliefs: “The most positive thing [about the RES] is that people ... are now confronted with the practicalities of [energy] usage and production. When trying to lay it out on a map, a mindset of ‘no solar panels on agricultural land’ is simply impossible. Or ‘no windmills’, it’s simply impossible. We need them both.” Bob agrees that certain choices

have to be made: “Dykes can be raised to a certain extent, but not indefinitely ... doing nothing is also very expensive”.

David sees how redistribution of power and competences can reduce uncertainties between the actors and force policymakers to reflect on their perceptions: “An outcome [of this process] could be a conversation between municipalities and the province on the basis of equity. ‘Why do you hinder something that [society] thinks is a good idea?’” Chris personally sees “a chance to improve the collaboration around climate and energy ... a common feeling of urgency, which leads to more and better collaboration”.

This process evidently forces all stakeholders to reflect on their roles and responsibilities with regards to the energy transition. David says “things should go different now [than in past energy projects], but everyone has to get used to their role. To be brave enough to say as a politician, this is good for our residents or for our municipality, but that doesn’t really happen yet.”

All interviewees did agree that since the start of the RES, communication, knowledge exchange, and collaboration have improved notably. Bob: “The mutual understanding has improved about the enormous task at hand. We wouldn’t have gotten here without this process”. Elisabeth sees that the stakeholders are now really working together in this new form of collaboration.

## CONCLUSION

This paper set out to answer the question, “how are the costs of raising public support perceived in the Regional Energy Strategy in Friesland?”

Through a qualitative analysis, it has been shown that overall, the perceived cost-benefit ratio of raising public support is quite high among the policymakers of the RES Friesland.

As noted before, for successful multi-level climate governance, “the ability to match society preferences” needs to be achieved. This is also the case for the Regional Energy Strategy; the RES as a product should express the community’s identity and match its preferences. At best, we can say that it is currently unclear whether the RES Friesland has achieved this. The uncertainty here stems from the fact that no strong attempt has been made so far to involve citizens in Friesland in the process itself. The policymakers seem to perceive the cost-benefit ratio of raising public support as too high in this phase of the process. By basing their perception mostly on historical experiences, policymakers make certain assumptions which have not been verified. Because of the lack of public participation, there is no opportunity to bring perceptions

closer in line with reality. As such, the uncertainty and status quo with regards to policy options are maintained.

The end result is that little decision making is actually done on the side of the policymakers. Because they assume little support with regards to the energy transition, they act as if there is little public support, leading to little ambition being shown in the (draft) RES.

### **Theoretical Contribution**

The RES is a very complex climate policy process with many uncertain factors. Multi-level governance is used as a means to try to reduce the complexity and uncertainty by bringing the policymaking process closer to the local public, with the idea that lower levels of government have a better understanding of local capabilities and preferences. However, what we have seen from this research is that precisely because policymakers are close to the citizens, they do not invest in explicitly finding out about public support, but instead make assumptions based on past experiences. It is perceived that there is little public awareness, which further impedes public support. Therefore, the policymakers perceive investing in raising public support as having a high cost-benefit ratio. This maintains uncertainty about public support for the RES, which increases the bounded rationality of the policymakers and leads them overestimate the cost-benefit ratio further because of loss aversion and status quo bias.

In this sense, from the bounded rationality of policymakers a certain reality is created in which their own perceptions come true. In the end, the perception of regulatory costs of the policymakers thus has a real effect on the actual regulatory costs, creating a kind of self-fulfilling prophecy.

This paradox shows that although multi-level governance has the potential to match local preferences and identity, policymakers in an MLG process should be wary of their own perceptions with regards to public support to prevent a cycle of inaction, uncertainty and high perceived cost-benefit ratios.

Thus, this research adds to the multi-level governance and transaction cost economics literature showing that MLG does not inherently promote community engagement but can lead to obstacles in decision making when policymakers base their decisions on assumptions.

### **Practical Implications**

The Regional Energy Strategy has a lot of potential to come up with effective policy that is widely supported by the public, because the multi-level governance nature of the process allows policymakers to come up with regulation that matches the community's preferences and

identity. However, the fact that decisions are made close to the residents of the region does not automatically translate into public support.

The perceived ex-ante regulatory costs pertaining to raising public support have so far limited the RES Friesland to involve their citizens in the drafting stage of the product. By having a draft before involving residents, a starting point of the discussion has already been framed from the perspective of the policymakers who created the document.

Therefore, when involving residents of the region in the process towards the RES 1.0, it is important to treat citizens as a fully-fledged stakeholder in the process of the RES and facilitate an open discussion in which they are able to fully express their views. This will reduce the uncertainty from both the side of the policymakers and the side of the public, opening up the collective frame to new ideas and viewpoints and thus moving away from the status quo.

Finally, a knowledge gap seems to exist with regards to the practicalities of the power grid. By strengthening the collaboration with Liander this gap can be closed by looking for “objective” information on the practical side of the energy transition.

## **Limitations**

One limitation is that the number of interviews in this research is quite limited. Some of the intended interviewees were unfortunately unavailable, which means that a somewhat limited pool of respondents remained. Furthermore, the corona crisis has a non-negligible impact on the overall process of the RES. The impacts of the consequences of this crisis warrants an entire research on its own. Where possible, I have tried to address the effects where appropriate, but it is hard to say what the exact influence on this study has been.

## **Future Research**

This study has only focused on the region of Friesland; to compare the results, it would be very valuable to perform a similar study in other regions as well.

Furthermore, a longitudinal study design may shed light on the transition from the preparatory phase to the implementation phase of policymaking. The consequences of decisions made in the early stages can then also be studied ex post, which may yield further insights into how certain decision-making processes lead to certain outcomes.

Lastly, a quantitative study may be attempted to capture from a positivist perspective the regulatory costs of this process. Additionally, a structured questionnaire can be used to compare the perceived regulatory costs from the regulator’s perspective to the perceived regulatory costs from the resident’s perspective.



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