The Win-Win Promise of Carbon Trading?

Discursive Analysis of the European Union Emissions Trading System in the Czech Republic

Jan Stahlavsky

MSc Thesis (30 ECTS credits)
Science for Sustainable development
ISRN: LIU-TEMAV/MPSSD-A--09/XXX--SE
# Table of Contents

ABSTRACT ........................................................................................................................................... 5

1. INTRODUCTION ............................................................................................................................... 6

2. AIM AND RESEARCH QUESTIONS .................................................................................................... 8

3. METHOD AND MATERIAL ................................................................................................................... 9
   3.1. CASE STUDY .................................................................................................................................. 9
       3.1.1 Literature Review ...................................................................................................................... 9
       3.1.2. Document Analysis .................................................................................................................. 10
       3.1.3. Interviews ............................................................................................................................... 11
       3.1.4. Limitations .............................................................................................................................. 12

4. THESIS OUTLINE ............................................................................................................................... 14

5. ANALYTICAL FRAMEWORK ............................................................................................................. 15
   5.1. THE CONCEPT OF GOVERNMENTALITY .................................................................................... 15
   5.2. DISCOURSE AND GOVERNMENTALITY ..................................................................................... 16
   5.3. ANALYTICAL FRAMEWORK ....................................................................................................... 17
   5.4. GOVERNMENTALITIES AND ENVIRONMENTAL DISCOURSES ................................................... 19
       5.4.1. Biopower and Green Governmentality .................................................................................... 19
       5.4.2. Advanced Liberal Government and Weak Ecological Modernisation ....................................... 20
       5.4.3. Civic Environmentalism ......................................................................................................... 21

6. RESULTS .............................................................................................................................................. 23
   6.1. INTRODUCTION TO THE EU ETS ............................................................................................. 23
       6.1.1. The creation of the EU ETS .................................................................................................... 23
       6.1.2. Emitters .................................................................................................................................. 24
       6.1.3. Cap and Trade Mechanism ................................................................................................... 24
       6.1.4. NAPs and Their Outcomes ..................................................................................................... 25
       6.1.5. The Third Phase .................................................................................................................... 26
       6.1.6. New Reform ......................................................................................................................... 27
   6.2. DISCOURSIVE ARTICULATIONS IN THE CZECH EU ETS .......................................................... 27
       6.2.1. The Objective of the Czech EU ETS ....................................................................................... 28
       6.2.2. Cap and Trade Mechanism ................................................................................................... 29
       6.2.3. Decoupling and Abatement .................................................................................................. 31
       6.2.4. Czech State and Lobby Groups ............................................................................................. 32
           6.2.4.1. National Protectionism ................................................................................................... 33
           6.2.4.2. NAPs ............................................................................................................................... 34
           6.2.4.3. The question of allocation .............................................................................................. 35
           6.2.4.4. Windfall Profits ............................................................................................................... 36
       6.2.5. Long-Term Incentives ............................................................................................................ 37

7. DISCUSSION .................................................................................................................................... 40
   7.1. DISCOURSES INFORMING THE CZECH EU ETS .................................................................... 40
       7.1.1. Cap and Trade Saving the Planet and the Economy ............................................................... 40
       7.1.2. The Win-Win Scenario ........................................................................................................ 42
       7.1.3. Decoupling ............................................................................................................................ 42
       7.1.4. Calculating Emitters .............................................................................................................. 43
   7.2. THE DOMINANT DISCOURSE OF ECOLOGICAL MODERNISATION ...................................... 45
Abstract

This thesis is using the idea that climate change is a product of discourses. It puts focus on the knowledge creation of particular climate change governance. This thesis aims to identify the discursive articulations of carbon trading in the Czech EU ETS. Environmental discourses, informed by M. Foucaults governmentality concept, have an impact on how climate change is rendered governable. Discourse analysis of the Czech EU ETS uses governmentality lens to detect fields of visibility, technical aspects, forms of knowledge and formations of identities of the particular environmental discourse to uncover, how the EU ETS is translated into the national level and how does it hold together.

Keywords: the EU ETS, climate change governance, discourse analysis, environmental discourses, governmentality
1. Introduction

Since the pre-industrial era, anthropogenic greenhouse-gas (GHG) emissions have increased to unprecedented values due to population growth and economic growth. The observed warming since the mid-20th century is mainly caused by the gradual accumulation of GHGs in the atmosphere (IPCC, 2014). Despite 2016 being the hottest year on record, global carbon dioxide (CO2) emissions have stabilized over the last two years. Even though there are indications that they may even have peaked, science is conclusive that global emissions need to be reduced dramatically in order to prevent dangerous climate change. (IPCC, 2014). Through the 2015 Paris Agreement governments around the world have therefore set a clear goal to reach net zero emissions by mid-21st century with the long-term goal to keep the global average temperature below 2 degrees C above pre-industrial levels. To further reduce the scope of climate change, countries will try to keep the temperature below 1.5 degrees C above pre-industrial levels (UNFCCC, 2015).

Which measures to take towards this goal is not specified by the Paris Agreement, but remains open to the decisions of individual states (Bäckstrand and Lövbrand, 2016). The mitigation options proposed by the parties to the Paris agreement vary significantly and open up a space for critical reflection on particular environmental discourses of climate governance and their articulation of climate change. In this thesis, I use the Paris Agreement as a reflective movement to reflect upon carbon trading as a mode of climate governance.

For that purpose, I will use the biggest carbon trading system in use, the EU Emissions Trading System (the EU ETS), often called the pioneer of carbon trading. The UN Climate Conference in Kyoto in 1997 gave birth to the idea of carbon trading as a low-cost climate mitigation option (Newell and Paterson 2010). Since then, multiple carbon trading schemes have been set up across the global North and South. Around 95 parties to the Paris Agreement are today considering pursuing carbon trading as a part of their national pledges, which would cover 58% of global GHG emissions (World Bank, 2016). Article 6 in the Paris Agreement, proposes carbon trading as one of the possible climate change mitigation mechanisms (UNFCCC, 2015). The International Emissions Trading Association (2016), a strong advocate of carbon trading, argues that it will be impossible to reach the 2 degrees Paris target at the lowest cost, without the use of carbon trading mechanisms. 13% of global GHGs are now covered by those mechanisms. Almost a half of it falls under the EU ETS (World Bank, 2016). At the same time,
the Kyoto Protocol’s carbon trading mechanisms (the Clean Development Mechanism, Joint Implementation and International Emissions Trading) are nowadays often called failed projects and the EU ETS, has undergone many reforms and faced various contestations and criticism (Newell and Paterson, 2010; Skjærseth and Wettestad, 2010; Ellerman et al, 2016).

This thesis draws upon a social constructivist literature. This literature makes a close link between governing and knowing (Miller and Rose, 2008). How we know and define environmental issues, predestines, how we govern and manage them. Making environmental issues knowable, makes them also imaginable and further governable (Agrawal, 2005). Environmental issues depend on our discourses and knowledge included in them. Climate change is not an exception. Physical phenomenon, as climate change, should be viewed from the point, how they are known. How does a specific environmental discourse articulate biophysical phenomenon, impacts, how it is perceived and how is it rendered governable (Oels, 2005). Environmental discourses define the objective of governance, design a way, how to solve it, determining possible measures and further producing the governed reality and a specific environmental mode of governance (Miller and Rose, 2008; Lemke, 2012).
2. Aim and Research Questions

As mentioned in the Introduction chapter, this thesis takes Paris Agreement as a reflective moment for carbon trading, specifically the EU ETS. The European carbon trading is considered by many EU countries as the main tool to reach the goal from Paris Agreement (EC, 2015). However, at many points the previous research brings critique and doubts about the effectiveness of the EU ETS (Newell and Paterson, 2010; Skjærseth and Wettestad, 2010; Ellerman et al, 2016). Literature dealing with environmental discourses of carbon markets detects ecological modernisation\(^1\) as the dominant discourse (Bäckstrand and Lövbrand, 2005; Von Malmborg and Strachan, 2005; Bailey, 2007; Dryzek, 2013). A rather small pool of literature comes up with the same finding, when discursively analysing the EU ETS (Oels, 2005; Bailey et al, 2011; Szarka, 2012; Bäckstrand and Lövbrand, 2016). However, this set of literature has focused on analysing the EU level and not on the country level. It hasn’t been investigated, how the EU ETS is translated into national level, having an impact on climate change is rendered governable in that country. Some countries under the EU ETS are “lagging behind” with their emission reductions. One of them is Czech Republic, still heavily dependent on coal as a source of energy (Trmalová, 2017). This thesis wishes to show, how the EU ETS is translated on national level and if the environmental discourse of ecological modernisation is also detected on national level by climate change “laggard.” The aim of the thesis is to identify the dominant environmental discourse of the Czech EU ETS. Revealing that discourse can help to understand, how climate change is understood on the Czech level through the EU ETS and how does this mode of governance hold together. This thesis further invites to research on the implications of the dominant discourse on the effectiveness of carbon trading in Czech Republic in time, where climate change “laggards” should focus on the most effective climate change governance, if the Paris Agreement goals should be reached.

The study is guided by the following research questions:

1) What are the discursive articulations of the dominant environmental discourse in the Czech EU ETS?
2) In which moments is the dominant discourse most visible?
3) Which other environmental discourses inform the Czech EU ETS?

\(^1\) Will be introduced in the Analytical Framework chapter.
3. Method and Material

3.1. Case Study

This thesis rests upon a case study of the EU ETS in the Czech Republic. The thesis focuses on those moments, where the discursive articulations come onto the surface. Such points are moments, where the EU ETS was contested, justified or narrated (Miller and Rose, 1992).

As the first step secondary literature on the carbon trading, the EU ETS and environmental discourses was used to choose and prepare stage for a case study.

The second step was to work with the country specific data sources. The study draws upon two sources of empirical data, bringing discursive articulations of the Czech EU ETS: 1) policy documents and media; 2) semi-structured interviews with actors directly or indirectly involved in the Czech EU ETS. These sources offer different entry points to the discursive articulation of the EU ETS in the Czech Republic, rendering climate change governable.

3.1.1 Literature Review

As the first sub-method of the case study, literature analysis of academic texts, was conducted. These texts can be divided into two groups\(^3\). Literature review done by this study doesn’t bring any empirics and was used purely to bring a general overview to the Czech EU ETS and EU ETS in general. Further, literature writing about ecological modernisation and carbon trading was used to gain insight into research done in this field.

The first group entails academic literature about carbon trading in general, bringing insight into this climate change mode of governance. It deals with the idea, history and specifics of carbon trading. Special focus was put on literature detecting and analysing environmental discourse of carbon trading.

The second group zooms in on the EU ETS. This group includes journal articles and scientific publications outlining the history, processes and main actors of the EU ETS. Points of contestation, justification and narration of the EU ETS, where the environmental discourses

---

\(^3\) This literature can be found in the Reference List.
are more visible, contributed to specifying the aim and the research questions of this thesis. It also enabled to identify the major actors, processes, rationalities and objectives of the EU ETS, relevant for detecting environmental discourses. Into this group belongs also rather small amount of literature, presenting the situation of the EU ETS in the Czech Republic was used in this thesis. It enabled the author of this thesis to get familiar with the specific features of the EU ETS in this country. Also in this group a special focus was put on publications dealing with environmental discourses, in this case shaping the EU ETS.

For searching purposes three search engines were used: Google Scholar, the Search Engine of the Linkoping University and the Search Engine of the University of Vienna. Those three search engines were chosen, because the author of this text has an academic experience in using them. Special attention was paid to the sources generated by all of the search engines.

3.1.2. Document Analysis

The second source brings empirical material and it includes three types of documents\(^4\). These sources of data are limited to the actors, who connected to the EU ETS, both directly and indirectly. However, for the discursive analysis, there was no distinction made between the directly and indirectly involved actors. The thesis looked for all possible documents talking about the Czech EU ETS.

First group are the official documents of the Czech Ministry of the Environment to represent the public actor involved in the Czech EU ETS. Those included documents providing list of installations in the Czech Republic, manuals, how emitters should register their installations etc. Documents of the Czech Environmental Ministry were accessed in printed form.

The second type to represent the media sphere were media articles covering the Czech EU ETS scene were identified and analyzed. This thesis, from logistical reasons, focuses only on written media articles/news from Czech online news websites. Non-written sources were not available or didn’t offer any coverage of the topic. Later for its relevance, online news portal EURACTIV was added, informed by the recommendations of the interviewed actors and references in other media sources.

\(^4\) List of this literature is in Appendix 1 and in the Reference List.
A third type of documents are annual reports, press statements, information materials, and position papers produced by the actors interviewed in this study. This group entails both, private and civil society sphere. Since there are very few such documents published by other actors than those interviewed for this thesis, the pool of publications in this group is limited to those, published by the interviewed actors for this thesis. The vast majority of this material were accessed in printed form either on the website of the specific actor or was sent by the actors themselves.

3.1.3. Interviews

As the third sub-method, this thesis uses semi-structured interviews. This sub-method of the case study is complementing the first two, mainly the second, material sources to generate more empirical data for the case study (Rubin and Rubin, 1995). Their semi-structural character offers a flexibility to react on the interviewees. At the same time, it is structured in a way, where the interviews can be compared, where they share the same view on the issue and where they differ and to create pattern the answers (Forschauer and Lueger, 2003). Interview questions were designed, based on the analytical framework used in this thesis, to answer the research questions and the aim of the thesis.

As Yin describes in his publication, the process of choosing the respondents was flexible to the changing circumstances (Yin, 2009). Based on the secondary sources of literature of this thesis, the thesis identified a broad variety of actors involved directly or indirectly in the Czech EU ETS. The broad variety of interviews should capture the complexity and variety of the discourse (Rubin and Rubin, 1995; Forschauer and Lueger, 2003). To cover the breadth of the actors involved in the EU ETS, there were divided into the public, private, civil society and media sphere. The thesis identified 6 various actors to be interviewed. The criteria for choosing them was their relevance for the EU ETS, derived from the secondary sources. They consisted of governmental representative, NGO, registry and three companies from different sectors with different intensity of emitting. The process of contacting and interviewing people generated a different group of actors. None of the emitters answered authors request for conducting an interview. The Czech registry OTE a.s., created for the Czech companies within the EU ETS,

---

5 Based on https://www.mzp.cz/cz/seznam_zarizeni_euets
6 Actors not answering or refusing to be interviewed, other actors were recommended by the interviewees or identified as a relevant actor based on the answer of the interviewees.
couldn’t offer any interview because of their internal rules considering the neutrality of the registry within the EU ETS.

6 Interviews were done over skype call. Their length was designed for 45 minutes that was kept by all the interviewees. Except of two interviews (due to technical issues) all interviews were recorded with the consent of the respondents and later transcribed and translated, since they were made in Czech language. During all interviews notes were taken as a backup in the case, where the technical problems may occur. Interviews were then coded and patterns for the comparison purposes were found. All interviews were informed if their names and statements are directly mentioned in the thesis.

3.1.4. Limitations

This case study doesn’t aim to produce generalizable results. Setting a clear set of research questions and thesis aim, research is driven into a specific direction, closing other directions. It offers a possibility to further elaborate on the issue, discussed in this thesis and either to confirm the findings of this case study or not. Overall designing of a case study is affected by a certain level of subjectivity and individual preferences (Yin, 2009). For instance, choosing the EU ETS as a representative of the carbon trading does not include other carbon trading mechanisms, which do not work on the cap and trade basis. Or typing other keywords into the search engine will produce a different set of literature. By motivating my choices, I indirectly acknowledge other possible ways of designing this study. Yins non-linear and flexible approach allows to reflect upon one’s research process. If additional information and findings should appear, this kind of reflection allows returning to each step of the thesis and revising them (Yin, 2009).

By designing interview questions and choosing respondents, one must be aware of not being biased. One should try to be flexible and change the process due to changing circumstances and be flexible to change the intended direction (Forschauer and Lueger, 2003). However, it still entails a certain amount of subjectivity and preferences. I am aware that choosing different

---

7 The final list of the interviewed respondents can be found in Appendix 2.
8 The interview guide can be found in Appendix 3.
9 By which respondents this technical issue appeared, is noted in Appendix 2.
actors\textsuperscript{10} could bring different answers. Also, a different set of questions will get different set of answers. Due to technical issues two interviews were not recorded and answers could be analysed only based on the notes taken during the interview. This can have an impact on the analysis of those interviewees. By interpreting respondent's answers, a certain amount of subjectivity can’t be overcome.

Translating Czech sources to English could lead to losing some linguistic nuances. This point has to be taken into account, especially by direct quotes.

This thesis focuses on discourses, but it itself is a part of a certain discourse. Specific knowledge was used in this thesis. Choosing the analytical framework used in this thesis offers only a limited number of environmental discourses and possibilities to analyse the discourse. Because the analytical framework is the backbone of this thesis, it has an impact on methods, research questions, choosing respondents, material etc. of this thesis. This may limit this thesis to “think out of the box”. Also, once detecting the dominant environmental discourse of the Czech EU ETS, it is not an easy task to detect the minor discourses, since the dominant one can obscure them.

\textsuperscript{10} For instance not divided into the private, public, civil society and media sphere.
4. Thesis Outline

This thesis follows with introducing the analytical framework. Here the governmentality concept is briefly presented and linked to the concept of discourse, since this thesis conducts a discourse analysis, informed by governmentalities. The thesis presents three environmental discourses, inspired by the governmentality concept. The discursive categories, stemming from the analytical framework are portrayed to further be used for detecting the environmental discourses in the Czech EU ETS.

After the chapter dedicated to the analytical framework, the thesis moves to the results brought by the case study. First, the chapter comes up with a short overview of the EU ETS in general. In the second part of this chapter, discursive articulations in the official governmental policy papers, interviews, media articles and statements, position papers etc. of the actors directly and indirectly involved actors in the Czech EU ETS are discursively presented to be further discursively analysed.

The thesis turns to the discursive analysis of the results generated by the case study and two sub-methods used. Here the thesis identifies the dominant environmental discourse informing the Czech EU ETS and further answers the research questions of this thesis, presenting and discussing the main finding of the thesis.

The thesis concludes with a chapter, where the findings are summarised.
5. Analytical Framework

In this thesis, I draw upon discourse analysis to study the Czech EU ETS and its discursive articulations rendering climate change governable. This thesis approaches discourse analysis both, as a method and as a theoretical framework that allows me to analyse the empirical material obtained from the case study. The discourse analysis advanced here is informed by Michel Foucault’s governmentality concept.

This thesis is inspired by the article by Angela Oels (2005). In her article she is tracking shifts in environmental discourses throughout history. She does so with the help of the concept of governmentality. Since knowledge production is central to both, governmentalities and discourses, her article is arguing that a shift in governmentality coincides with a shift in discourse. This thesis seeks to use this method of detecting with the help of governmentality environmental discourses. The link between discourse and governmentality will be explained further in this thesis.

5.1. The Concept of Governmentality

The concept of governmentality was first mentioned in the lectures of Michel Foucault in 1978-9 at Collège de France (Lövbrand and Stripple, 2010). Foucault’s governmentality concept extends the meaning of government and interprets it as a specific, historically situated art of government. It means, how we govern objects and domains, and which means, and knowledge do we use (Foucault 1980; Lemke 1997; Dean, 2003; Inda 2005). It is a conduct of conduct, which could be of the state, household and both, collective and individual (Allen, 1991; Dean, 1994). Governmentality is not pre-given or stable, rather it is a fragile process, by which objects are made visible, aiming to achieve specific ends with specific means and knowledge (Frankenberg 1993; Dean 1994; Miller and Rose 2008; Lemke 2012). Governmentalities can coexist, and they and to some extent they are recode other governmentalities (Foucault, 2000).

Governmentality studies examine the link between the worlds of practice and the knowledge as the modality of government to optimise population (Dean 1994; Dean 2010). It is a mode of analysis that seeks to reveal rationalities, technologies of government and the technologies of self, belonging to a particular art of government (Inda, 2005). In the next paragraphs the latter two concepts will be explained. The former one from these three concepts will be presented in
the next chapter, where the knowledge/ rationalities dimension of governmentality will be portrayed.

Technologies of government are practical mechanisms, translating thought, conduct, aspirations, rationalities into practice, methods of intervening reality (Miller and Rose 1990; Frankenberg 1993; Dean 1994; Inda, 2005). Technologies of governmentality are practical ways, how to operationalise the goals or ideals (Rose and Miller 1992). Technologies of government are the solution to the problem. Problematisation is however continuous (Rose and Miller 1990).

Technologies of self are diverse types of actors, agents and identities that stem from and inform governmental activity. Their form result from rationalities and technologies, further helping to facilitate the art of government (Inda 2005). The concept of technologies of the self, includes various formation of subjects, which are essential for self-regulation, ways of governing others and selves, by individuals or groups in various institutions, which are embedded in the broader framework of power with the aim to stabilize the power system within a specific set of truths (Frankenberg, 1993; Lemke 2001; Rose et al, 2006; Rutherford 2007). Power is not possessed or held by one group but constantly produced and contested by different actors, both, those, who govern and who are governed, who are co-producing the knowledge through their actions and processes in which they are involved in (Foucault, 1980).

5.2. Discourse and Governmentality

This thesis focuses on the discourses, since it aims to discursively analyse carbon trading. Discourses are part of the governmentality. They form the knowledge dimension of governmentalities. Since the environmental discourses, used by this thesis are informed by the governmentalities, both concepts will be introduced here to show the link between them.

Both, discourse and governmentality analysis put emphasis on the power of knowledge production (McIlvenny et al, 2016). Discourses set the boundaries of thinkable and knowable by fixing the meaning in particular domain and reflecting meanings through knowledge in already existing objects, creating a reality. (Laclau and Mouffe, 2001; McIlvenny et al, 2016). It is, where the reality meets perception and creates a discourse. Objects get meaning through discourses (Laclau and Mouffe, 2001; Fadyl et al, 2013). Discourses rely on specific regularities, concepts, thematic choices and types of statements, which exist on the expense of
another ones (Foucault, 1972). Different discourses produce different set of truths/knowledges (Fadyl et al, 2013).

The governmentality analysis offers a similar reasoning. Reality and its domains first have to be made thinkable to become governable. Governmentality and its concept of rationalities uncover, how different domains are constituted as governable and administrable (Inda, 2005; Dean, 2003). The art of government or conduct of conduct entails regularities, self-evidence and specific reasoning, which makes certain practices possible and further creates set of truths/knowledges. Practices are produced from different arrangements of power and knowledge (Foucault 1998; McIlvenny et al, 2016). Hajer, inspired by Foucault, describes discourse as “specific ensembles of ideas, concepts and categorization that are produced, reproduced and transformed in a particular set of practices.” (Hajer 1995, pp.45). What is said and what is done, interconnects. Sets become self-evident and define, what is visible, imaginable and governable (Dean, 1994; Paterson and Stripple, 2012). Their normative character diminishes the force of another set of knowledges that gets marginalised (Rutherford, 2007; Paterson and Stripple, 2012). Power and knowledge interpenetrate each other and are constantly produced and contested (Frankenberg, 1993).

Like governmentality, discourses are produced by discontinuous practices producing a reality (Hook, 2005). Governmentality and discourse, create a certain set of truths, which sustain them (Foucault 1998; McIlvenny et al, 2016). Discourses are open to contestations, are contingent, temporary and always changing (Foucault, 1998; Lemke, 2012). There are always more discourses at the same time, some of them are dominant and some of them are marginalised (Rutherford, 2007). Discourse is central to how the conduct of conduct is exercised. By detecting governmentality, one sheds light on the discourses, their forms of knowledge, in which discourses are embedded and objects, which get meaning through them (Foucault, 1998).

5.3. Analytical Framework

As mentioned earlier, this thesis builds on the article by A. Oels (2005). In her paper she outlines a framework for understanding how governmentalities reflect environmental discourses. She concentrates on shifts of governmentalities and environmental discourses that happen simultaneously (Oels, 2005). She introduces Michel Foucaults governmentalities and
later three types of environmental discourses, first proposed in paper by Bäckstrand and Lövbrand (2005).

Her paper was chosen for its relevance in the field of climate policy research and for detecting environmental discourses in the global climate governance. She belongs to the pool of literature recognising environmental discourse of ecological modernisation as the dominant one in carbon market and the EU ETS and therefore it offers tools to detect environmental discourses in this case study. Her framework draws upon the concept of regime of practices, developed by M. Dean (2003). This concept was first developed for comparing governmentalities. Is consists of the following categories: fields of visibility, technical aspects, forms of knowledge and formation of identities. She traces discursive articulations of environmental discourses by using discursive categories built on Deans regime of practices. Fields of visibility shed light on, what is obscured and what is illuminated by the objective of particular governmentality. Technical aspects are the means, how to achieve the objective of the governmentality. Forms of knowledge correspondent the rationalities and knowledge produced by the specific governmentality. Governmentalities are producing subjects, which is the discursive category of formation of identities (Oels, 2005). By identifying discursive/analytical categories derived from the concept of governmentality, her text is revealing the knowledge dimension, where discursive articulations of environmental discourses can be found. In other words, identifying governmentality with the help of analytical categories means identifying discourses. This thesis is using her analytical framework for tracing the dominant environmental discourse in the Czech EU ETS. Table 1 shows an example of ecological modernisation and its discursive/analytical categories.

Table 1: Analytical framework

<table>
<thead>
<tr>
<th>Analytical Category</th>
<th>Questions</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fields of visibility</td>
<td>What is illuminated and what is obscured? What problems are to be solved?</td>
<td>State failure and insufficient water access in a community</td>
</tr>
<tr>
<td>Technical aspects</td>
<td>Which instruments, procedures and technologies aim to accomplish the rule?</td>
<td>Privatisation of the water access</td>
</tr>
<tr>
<td>Forms of knowledge</td>
<td>What kind of knowledge is produced and informs the governance?</td>
<td>Market competition</td>
</tr>
<tr>
<td>Formation of identities</td>
<td>What forms of self are presupposed by practices of government?</td>
<td>Rent-seeking companies</td>
</tr>
</tbody>
</table>

Source: Based on A. Oels (2005, pp.189)
5.4. Governmentalities and Environmental Discourses

Oels (2005) article is presenting three environmental discourses, first designed in the article Bäckstrand and Lövbrand (2005). It is the environmental discourse of green governmentality, ecological modernisation and civic environmentalism. The former two are directly linked to two discourses developed by M. Foucault, namely biopower and advanced liberal government (Oels, 2005).

5.4.1. Biopower and Green Governmentality

This thesis is using three environmental discourses sourced from the article of Bäckstrand and Lövbrand (2005). The first environmental discourse, green governmentality is a manifestation of governmentality of biopower. To govern through biopower, respectively green governmentality, means to activate the role of state. The state aims then at the social body as a whole and its capabilities through governmental management. It thrives to manage life and its every aspect, including environment (Luke, 1999). The idea of biopower, respectively green governmentality, justifies the expansion of governments competences. Security apparatus and regulation, management, governance and using statistics are the main technologies of government. Techno-scientific rationality is the dominant one. Subjects of the state are understood as subjects with interests (Luke, 1999).

Green governmentality portrays environmental issues as planetary problem of complex socio-technical system, where ecosystem services require the right collective, systematic and administrative management to safeguard the planet and its risks. This situation justifies governmental intervention on transnational level, which act as stewards, optimising lives and the planet itself (Luke, 1999; Rutherford 1999; Oels, 2005; Rutherford, 2007). Green governmentality calls for scientific and technological eco-knowledge of organised interest groups which should bring sustainable development (Luke, 1999; Rutherford 1999; Oels, 2005). Targets and timetables are created to support the planetary management. Those targets and timetables are based on statistics, informing the state apparatus. (Oels, 2005). Control, surveillance, assessments, regulations knowledge are the prominent tools for environmental
management (Rutherford, 2007). Measures under the green governmentality carry normalising and global action, imposing normative code of conduct on individual bodies (Luke 1999).

5.4.2. Advanced Liberal Government and Weak Ecological Modernisation

Oels (2005) in her article presents the latest type of Foucault’s governmentality, called advanced liberal government. With time, liberalism and the idea of welfare state became dominant over the world (Oels, 2005). Society is seen as a pool of resources, where the subjects, as different units (community, family etc.) are self-optimising themselves and competing with each other through market logic and mechanisms. Identities of subjects are created and then left to reproduce themselves under the organising principle of market, as the extension of state. Advanced liberal government is creating calculating, competitive actors. Timetables, targets and statistics are the technical aspects of this governmentality (Oels, 2005). In short, this governmentality is bearing neoliberal characteristics. Creating new markets, as an extended tool of states, is justified as a solution to environmental problems. Markets, as the technologies of government, should indicate the costs of interventions. This governmentality uses inventories, market and cost-benefit logic as the key rationalities (Oels, 2005).

The second environmental discourse, based on Bäckstrand and Lövbrand (2005), to be presented here, is ecological modernization derived from advanced liberal government. This discourse bears also signs of the previously presented discourse of green governmentality (Hajer, 1997). It is based on Hajer’s (1997) ecological modernization concept, however here it will be talked only about the weak variant of it, since it is the most common form of the ecological modernization in policy practice (Oels, 2005).

This paragraph briefly distinguishes strong ecological modernisation from the weak one. Strong ecological modernisation is promising deep institutional and economic changes in society. It emphasizes democratic decision making and multiple approaches towards desired solutions (Hajer, 1995). Weak ecological modernisation seeks to bring less deep changes in society and is based on technocratic/ corporatist style of governance by elites, offering a technological solution. It provides a single path on political and economic development (Hajer, 1995). From now on the speech is only about the weak variant of ecological modernisation.

The discourse of ecological modernisation puts focus on limited governmental incentives. Governments role is substituted by the market and environmental problems started to be
understood as economic inefficiency (Hajer, 1995). Governments action gets challenged and government becomes a framework facilitator. As an answer, safe human operating space must be identified and costs to nature internalised. Before taking an environmental measure, its cost to economy is calculated in order to be legitimised (Hajer, 1995; Lutes, 1998). Environmental problems are discussed in cost-benefit and economic terms, which should secure that economic growth and environmental protection can go hand in hand, “greening” of economy, such as low carbon paths (Paterson, 1996). Market decides, where and how the measures should be taken (Paterson 1996; Lutes 1998; Oels, 2005). Focus of environmental measures is put on technological progress and innovation, which should be more environmental friendly, as is the example of alternative energy and its low carbon intensity (Hajer, 1995). Advanced liberal government mobilises actors among spectrums through markets. Self-regulation and voluntary approach are important for this discourse. Governance becomes multi-level and multi-actor phenomenon (Bulkeley and Newell, 2010). In the case of carbon trading, emitters are the main actors on the market, driving the reductions. They are understood as responsible, normalised, and calculating agents entering the cost-benefit analysis of their actions optimising the economic inefficiency caused by environmental issue (Paterson, 1996; Bäckstrand and Lövbrand, 2005; Oels, 2005).

5.4.3. Civic Environmentalism

The last environmental discourse, inspired by Bäckstrand and Lövbrand (2005) and used in Oels (2005) article, is the civic environmentalism. Civic environmentalism tries to change the face of the present environmental governance. This discourse understands climate change as an outcome of many flaws in the present structures (Bäckstrand and Lövbrand, 2005). For that reason, the main objective of this discourse is a far-reaching change aiming at the flaws of the present structures, which are causing environmental degradation, hunger, poverty, colonialism etc. The present climate change mitigation mechanisms are seen as inefficient and bringing another negative effect, not targeting the structural issues. An important point for the civic environmentalism is the unequal participation and power relations in the climate change governance structures (Bäckstrand and Lövbrand, 2005; Bäckstrand and Lövbrand, 2016). Therefore, the discourse of civic environmentalism highlights the importance of grassroot organisations, local communities bottom-up approaches and green-red initiatives, since those groups are often the ones mostly affected by the climate change (Bäckstrand and Lövbrand,
The focus on profit-making and economic growth should be diverted to the social issues. This how the discourse of civic environmentalism is further described in Bäckstrand and Lövbrand (2005). Political revolt and protests are the ways, how this discourse is demonstrated (Bäckstrand and Lövbrand, 2016).

This discourse can be divided into two streams. Those streams differ in their approach towards the sovereign state and capitalist economy. The first one is reform-oriented. It aims at increased participation by the global environmental governance. There must be more cooperation between various actors in fighting the climate change. The second, more radical stream wishes takes increased stakeholder participation as insufficient. It is contesting the structures of neoliberalism and calls for deep system transformation (Bäckstrand and Lövbrand, 2005).
6. Results

The first part of Results is dedicated to the introduction of the EU ETS. This part offers a brief overview of the creation and history of the EU ETS to provide a basic understanding for the reader. Here the sources from literature review were used.

The second part consists of the empirics and results generated by other two sub-methods of this case study and should set the stage for the discursive analysis in the Discussion part. Document analysis and interviews, share the equal importance in this thesis. The same approach counts for the actors analysed in this thesis. In other words, private, public, civil society and media sphere sources have the same contribution to the analysis. This part of the thesis is divided into thematic parts based on the moments, where the discursive articulations are most visible.

6.1. Introduction to the EU ETS

6.1.1. The creation of the EU ETS

The idea of establishing European wide carbon trading system was inspired by the Kyoto Protocol targets (1997). This Protocol came with principles of absolute quantitative emission targets for its parties. One of the motivations of creating the EU ETS was the fact that the EU agreed under the Protocol to cut the emissions by 8% compared to 1990 levels between 2008-2012. Another reason was the EUs 2020 Climate and Energy Framework with the goal till 2020, to reduce emissions by 20%. However, the EU ETS sets itself more ambitious goal and aims at 21% (Ellerman et al, 2016; Davidová and Lassen, 2016). Further the EU ETS introduced the goal, based on the Kyoto Protocol and the EUs 2030 Climate and Energy Framework, to cut emissions by 40% by 2030 to 1990 levels, aiming to lower the emissions by 43% by 2030 compared to 2005 levels (Davidová and Lassen, 2016).

The EU ETS came into force in 2005. The EU ETS is divided into trading phases. The first one starting 2005-2007, was designed as a trial period. The second phase running from 2008-2012 coincided with the first commitment period of Kyoto Protocol. Currently the EU ETS is in its third phase, running from 2013 to 2020 (Zetterberg, 2014; Ellerman et al, 2016). The EU ETS now covers 9% of the global GHGs emissions (Crossland et al, 2013).
In 2004 was the EU ETS enacted in the Czech Republic by creating a law 695/2004 Sb. In the Czech Republic, the EU ETS is managed and administered by the Czech Ministry of the Environment. The role of the Ministry consists of supervising emitters, ensuring the compliance and setting administrational and legislative framework (Ministerstvo Životního Prostředí České Republiky, 2016).

6.1.2. Emitters

Emitters are defined as sectors listed under the EU ETS. Those sectors include energy-intensive industry as oil refineries, steel works and production of iron, aluminum, metals, cement, lime, glass, ceramics, pulp, paper, cardboard, acids and bulk organic chemicals and energy generating companies (Ministerstvo Životního Prostředí České Republiky, 2016b). In short energy-intensive and energy providing industry branches. Companies, operating within the EU ETS, are obliged to register by the unified EU registry that enables the access to the market with carbon credits/ allowances. In the Czech Republic, this registry is managed by the company OTE a.s. (Ministerstvo Životního Prostředí České Republiky, 2016). However, not only emitters can open accounts by the registry, but anyone, who wants to buy or sell allowances. This invites also actors, who don’t participate directly in the EU ETS. Carbon trading functions like any other ordinary market, involving brokers, hedge funds or organized exchanges (Crosslands et al, 2013; EC, 2015). EU ETS has its rules for monitoring, reporting and verifying, called the ETS compliance cycle. Companies monitor themselves and then submit their emission-reports for the given year to the certified verifiers. After verifying, emitters must submit the equivalent amount of allowances. In the case of emitting more than allowed, monetary penalty is charged (EC, 2015).

6.1.3. Cap and Trade Mechanism

There are more types of carbon trading mechanisms. The EU ETS uses the cap and trade mechanism. The idea behind the cap and trade carbon trading is to set a maximum amount of emissions that can be traded and issue a certain amount of credits/ allowances that are derived from that amount. The carbon market trades carbon units\(^{11}\). One carbon unit equals one

\(^{11}\) One tonne of CO2 equivalent.
allowance. Carbon market distributes then those allowances between the emitters (Newell and Paterson, 2010; Paterson and Stripple, 2012; Bryant, 2016). The number of emissions allowed by the cap is based on the already mentioned goal of the EUs 2030 Climate and Energy Framework\(^\text{12}\).

6.1.4. NAPs and Their Outcomes

In the first phase, the EU ETS functioned under decentralised cap, which was calculated after each state delivered their National Allocation Plans (NAPs). NAPs were based on the number of allowances that were demanded by the national emitters (Markussen and Svendsen, 2005; Crossland et al, 2013; Zetterberg, 2014; Ellerman et al, 2016). NAPs were then revised by the European Commission and either confirmed or sent back to revision (Zetterberg, 2014). In the first phase the most of allowances were distributed among emitters for free (Bryant, 2016).

Mainly because of the combination between setting the cap too high and free allocation, the first phase ended up with overallocation of allowances and low prices of allowances on the market. Emitters received more allowances than they used (Crossland et al, 2013; Ellerman et al, 2016; ICAP, 2016). Allowances couldn’t be banked at this stage, which further decreased their value (EC, 2015).

At the beginning of the second phase, the EU ETS tightened the cap by 6.5% compared to 2005. In this phase, 10% of allowances started to be auctioned. Both measures were designed to deal with the overallocation and low prices of allowances (Zetterberg, 2014; EC, 2015; Ellerman et al, 2016). At the end of the second phase the EU ETS was still showing low prices of allowances and their overallocation on the market.

The carbon exchange market was hit by the financial crisis in 2008, further decreasing the prices of allowances and accelerating their overallocation (Crosslands et al, 2013; ICAP, 2016). The crisis lowered the pace of production within the EU ETS, causing lower emissions and decreased interest in buying allowances. 2011 the market experienced the historical minimum of the prices (Crosslands et al, 2013; Ellerman et al, 2016).

After the second phase, more reforms came into force to deal with the issue of oversupply and low prices of allowances. Since the start of the third phase, the allowances could be banked.

\(^{12}\) To lower emissions by 40% by 2030 to 1990 levels (EC, 2015).
Emitters can save the allowances for another phase and in general for the future, waiting for more suitable time to decouple. This in turn should stabilise the prices of allowances on the market (Ellerman et al, 2016).

6.1.5. The Third Phase

Starting 2013, there is a unified EU-wide cap on the total amount of GHG emissions allowed within the EU ETS (Schleicher et al, 2016). The motivation behind is to overcome the issues stemming from the decentralised cap, where too many free allowances were allocated. From that year the cap will decline by 1.7% per year and later from 2020 by 2.2% per year and it is proposed in the upcoming reform that the cap should decline even faster by 2.4% to lower the amount of allowances on the market (EC, 2015; Ellerman et al, 2016).

Based on the agreement of the European Commission, since 2013 the electric utility sector (50% of the EU’s emissions) is now fully under auctioning, with the justification that this sector is not fragile to international competitiveness. Companies must buy their allowances in auctions now (EC, 2015). Sectors that face international competition and where the so-called carbon leakage\(^\text{13}\) can appear and energy-intensive sectors\(^\text{14}\) are still receiving certain amount of allowances for free. However, these sectors will gradually phase out free allocation, ending up with full auctioning by 2027 (Ellerman et al, 2016). Nine countries, among them also Czech Republic, got an exception from auctioning, due to their lower economic power and their large dependence on fossil sources of energy. They still use free allocation of allowances as allocation mechanism, mainly for their energy generating companies to avoid abrupt increases in prices of energy (Ministerstvo Životního Prostředí České Republiky, 2016). Money generated from auctioning are distributed to the member states based on their share of verified emissions from EU ETS installations in 2005 or the average of the 2005-2007 period, depending on which one is higher. Member states must channel at least the half of the revenues from auctioning into climate change policies (EC, 2015).

\(^\text{13}\) This relocation, so called carbon leakage, would undermine the integrity of the carbon policy (Zetterberg, 2014).

\(^\text{14}\) For instance, processing. Emissions from processing can’t be reduced in the process as easy as in energy generating sector when switching from coal to gas (V. Trejbal, personal communication, March 30, 2017).
6.1.6. New Reform

The EU ETS still hasn’t solved the issue with overallocation and low prices of allowances. There are currently 2 billions of overallocated allowances and the price is currently settled around 5 EUR, however the desired prices moves around 30 EUR (Jevnaker and Wettstad, 2017). The EU ETS is currently preparing a broad reform to deal with that issue. It is motivated by the goal stemming from the EU’s 2030 Climate and Energy Framework. Partly it should contribute to the goals under the Paris Agreement, since this goal is included in the Intended Nationally Determined Contribution of the EU (EC, 2015; Salant, 2016; Schleicher et al, 2016; Jevnaker and Wettstad, 2017). There are different measures as backloading, which means postponing issuing of a certain amount of allowances. The European Commission calls this concept a short-term measure, since it can change the balance between supply and demand. It enables companies to purchase and use already issued allowances on the market and it should secure more stable prices. It doesn’t reduce the overall amount of allowances for auctioning in the third, but it changes the distribution of them in this phase. (Schleicher et al, 2016; Jevnaker and Wettstad, 2017). The reform includes also cancelling a number of allowances in 2021, or the Market Stability Reserve, where the supply and demand should be adjusted. A number of allowances will be withdrawn, which will be decided on the national authorities, and put into this reserve. Further the back-loaded allowances will fall here. Overall reduction of allowances will fasten the pace of lowering the cap (Salant, 2016; Schleicher et al, 2016; Jevnaker and Wettstad, 2017).

6.2. Discursive Articulations in the Czech EU ETS

Interviews, policy documents, press statements or position papers were used to identify the discursive articulations of the EU ETS. Those articulations are translated into discursive categories, namely, fields of visibility, technical aspects, forms of knowledge and formation of identities. This part of the thesis is divided into thematic parts, presenting moments, where those categories can be traced.
This chapter should prepare a stage for the discussion, where the discursive articulations captured in the results, will be assigned to environmental discourses and further discussed answering the research aim and questions set by this thesis.

6.2.1. The Objective of the Czech EU ETS

“New weapon of the EU against the climate change is created.” (EU Zbrojí proti Změně Klimatu, 2005)

This is a title of a media article welcoming the creation of the EU ETS in Czech Republic. This positive attitude was shared by broad variety of actors. Czech NGOs understands the EU ETS as the main and the biggest mechanism of the EU in the fight against climate change. Both, Greenpeace and Hnutí Duha in their joint statement praised the idea of the EU ETS (Vyjádření Českých NGO ke vzniku EU ETS, 2005). K. Polánecký, from the Czech environmental NGO Hnutí Duha adds and explains, how climate change is generaly understood and what is the objective of the EU ETS:

“The problem with the rising temperatures can be only stopped, when we manage our emissions. And the EU ETS offers the right management.” (K. Polánecký, personal communication, March 21, 2017)

The Association for the District Heating of the Czech Republic, an institution representing heat generating companies (České Teplárenské Sdružení, 2015) and the Confederation of Industry of the Czech Republic, representing energy-intensive industries and transport sector (Svaz Průmyslu a Dopravy České Republiky, 2016a) in their publications state that emissions are the biggest threat to the climate change. Only by effective management the rising temperatures can be stopped. Both organizations pledge to set a limit for their emitting activities. The Czech EU ETS motivates emitting companies to monitor their emissions and report them (České Teplárenské Sdružení, 2015; Svaz Průmyslu a Dopravy České Republiky, 2016a). O. Boreš from the energy-company ČEZ, the biggest energy providing company in Czech Republic, understands taking measures against climate change as a responsibility of the company:

“Climate change equals global warming. We must stop it. And ČEZ will do everything to contribute to stopping it.” (O. Boreš, personal communication, March 28, 2017)

Big emitters are united in this point, since J. Vecka, from the Confederation of Industry of the Czech Republic confirms the sense of responsibility, but brings a criterion for taking measures:
“Yes, we have to take care of our planet, but we also have to look on our economy. Only an effective management can combine both.” (J. Vecka, personal communication, April 03, 2017)

The next part explains, how environmental management can function without jeopardizing the economy, as J. Vecka is suggesting.

6.2.2. Cap and Trade Mechanism

The Ministry of the Environment, the guarantor of the EUs trading mechanism in Czech Republic, understands the cap and trade as a clever mechanism that enables companies to do their business further, but at the same time to care about the environment (Ministerstvo Životního Prostředí České Republiky, 2016). In other words, the Czech EU ETS portrays climate change mitigation as a potential threat to the economy.

“The cap can be understood as the maximum allowed amount of emissions to be released. The system15 trades EU emissions allowances (EUAs). The cap ensures that the emissions do not rise above the agreed amount and the fixed number of allowances secure it.” (Ministerstvo Životního Prostředí České Republiky, 2016b)

O. Boreš, representing the biggest energy generating company ČEZ is pleased by the cap and trade mechanism, since it can sustain the economic growth and save the environment at the same time.

“We can continue with our economic growth and save the planet at the same time. How do we16 know, how much to emit? The cap will tell us. It is so designed, that we can’t go beyond the dangerous limit.” (O. Boreš, personal communication, March 28, 2017)

Such belief in this mechanism is also expressed in the publication of the Confederation of Industry of the Czech Republic. The Confederation sees setting a new cap as the way, how to make the supply more flexible in current situation, where the market is oversupplied with cheap allowances (Svaz Průmyslu a Dopravy České Republiky, 2016b). V. Trejbal speaking on behalf of energy-intensive industries in personal interview shares this opinion. The circumstances, in which emitters operate, are constantly changing. This has an impact on the demand for allowances. The cap should be ready for such changes in demand, otherwise it can lead to

---

15 From now on the use of the term „system“ means the EU ETS.
16 Meant: emitters under the EU ETS.
oversupply, decreasing the prices of allowances (K. Trejbal, personal communication, March 30, 2017).

All sources of this study emphasize the important aspect of the Czech EU ETS, namely its cost-effectiveness. Internet news platform Euractiv, specializing on EU-related topics, writes in its article that without market mechanism there would be no significant emission reduction, as it is reported in media (Reforma EU ETS může s přebytkem povolenek skoncovat rázněji, tvrdí studie, 2016a).

Industry groups under the Confederation of Industry of the Czech Republic interpret the meaning of cost-efficiency in the Czech EU ETS vocabulary. It says that the market and its mechanisms should ensure that the emissions reductions will not hinder the economic growth.” (Svaz Průmyslu a Dopravy České Republiky, 2016a). Association for the District Heating of the Czech Republic recognises price signals as an orientation, where the emissions reductions should take place (České Teplárenské Sdružení, 2015). “How to understand the EU ETS?”17, publication from the Confederation of Industry of the Czech Republic, writes following sentences about the idea of the market mechanism:

“Companies with the lowest decoupling costs go earlier. Companies emitting less are then allowed to sell their saved allowances and those with higher need of them can purchase them. Saved costs can be then channelled into other climate change mitigation activities.” (Svaz Průmyslu a Dopravy České Republiky, 2016a)

The informational material of the Confederation of Industry of the Czech Republic about the Czech EU ETS describes the advantage of the design of this mechanism, namely, purchasing of allowances, should create a situation, where allowances are scarce and their price higher, making emitting costlier (Svaz Průmyslu a Dopravy České Republiky, 2016a). In other words by the Czech Ministry of the Environment the external costs are internalized in the production costs of the emitters, making emitting costlier than decoupling (Ministerstvo Životního Prostředí České Republiky, 2016a).

“The driving force is the fact that companies have to consider additional costs, coming from the allowances, when making their future investments and decisions. One thinks twice before opening a new coal factory.” (O. Boreš, personal communication, March 28, 2017)

---

17 Translated into English.
Czech companies under EU ETS discuss the new reform, where the oversupply of cheap allowances on the EU's carbon market should be targeted with the logic of cap and trade mechanism. The values of allowances will decline annually by 1% to increase the motivation to emit less (Svaz Průmyslu a Dopravy České Republiky, 2016b). To prevent carbon leakage, several measures should be introduced, including updating benchmarks due to technological innovation, focusing on the sectors with the highest risk of carbon leakage and the most energy-intensive sectors. A considerable number of free allowances will be reserved for new and growing installations (Reforma EU ETS může s přebytkem povolenek skoncovat rázněji, tvrdí studie; Obchodování s emisemi se zpřísní, rozhodl Parlament, 2017).

O. Boreš perceives the new reform as a possible turning point. For him and for his company, new reform symbolizes an opportunity to correct the surplus and higher the prices and if this would be reached, the biggest drawback of the Czech EU ETS will disappear (O. Boreš, personal communication, March 28, 2017).

"There is no alternative to the EU ETS in the EU, so we have to make the best out of the system and hope that it will be more flexible." (K. Sutlovičová, personal communication, March 22, 2017)

6.2.3. Decoupling and Abatement

In the publication of the Confederation of Industry of the Czech Republic stands that decoupling should be triggered by the scarcity of allowances on the market, creating incentives for emitters to decouple and abate. Such section can also be found in publication coming up with guidelines and introducing the EU ETS for the Czech industry. It says that the EU ETS should accelerate the technical innovation and abatement of emitters (Svaz Průmyslu a Dopravy České Republiky, 2016a). The Ministry of the Environment perceives greening of economy as the main strategy in the fight against climate change and it channels state money into decoupling initiatives (Ministerstvo Životního Prostředí České Republiky, 2016a). Even the Czech environmental NGOs, as Hnutí Duha and Greenpeace, believe in greening of the economy as the right way in climate change mitigation (Greenpeace and Hnutí Duha, 2005). The importance of decoupling and greening strategies can be summarized in the following citation from J. Tůma, an expert on climate and energy at the Czech Ministry of the Environment:
“Another great advantage of the system lies in its design, where it incentivizes emitters to decouple. Decouple, decouple. That is the key word. Without it the industry and the energy generating companies will still be using fossil fuels and nothing will change. We need to decouple as soon as possible and the EU ETS is exactly pushing for that.”

Despite various doubts and criticism of the Czech EU ETS all sources of this thesis claim that the EUs carbon market has contributed to emissions reductions in the sectors under the Czech EU ETS. J. Tůma extends this argument:

“It has to be stated that the system has driven down the emissions in the sectors under the system. By how much and what is the real contribution of the system is unclear, but it can be taken for granted that the system and its price signals, even if low, make emitting costlier.” (J. Tůma, personal communication, March 21, 2017)

Here the respondent answers the question, what are the positive sides of the Czech EU ETS. How much emissions haven’t been released thanks to the Czech EU ETS is not clear, since there are other mechanisms and forces driving emissions down (A. Denková, personal communication, March 24, 2017). O. Boreš from energy generating company ČEZ praises the Czech EU ETS and reports that energy sector experienced the biggest drop in emissions (O. Boreš, personal communication, March 28, 2017). Confederation of Industry of the Czech Republic and adds that the use of coal has sunk after introducing the Czech EU ETS. It further goes saying that there will be a bigger pressure put on this sector, since decoupling is becoming less costly due to the higher availability of new technology (Svaz Průmyslu a Dopravy České Republiky, 2016b). On the other hand, there are industry branches, where decoupling is more difficult. Like processing industry, where not many alternative energies exist yet, says K. Polánecký from the Czech environmental NGO Hnutí Duha (K. Polánecký, personal communication, March 21, 2017).

6.2.4. Czech State and Lobby Groups

Political and economic character of the Czech EU ETS and the lobby of big companies are according to press statement of Hnutí Duha slowing down the Czech EU ETS (Hnutí Duha, 2015).
There are four moments in the history of the Czech EU ETS, where this relationship between the Czech state and lobby groups can be traced. The first was in the preparation stage, where the question, if to introduce EU-wide carbon tax or to create a trading mechanism, had to be answered. The second point was the phases of NAPs. As the third point, this thesis chooses the exception of the Czech Republic from the auctioning. The last point talks about the windfall profits of emitters.

6.2.4.1. National Protectionism

The question, if to introduce EU-wide carbon tax or trading mechanism, was widely discussed. “Taxation is still seen as the privilege of the states. This is one of the main reasons, why there is no EU-wide carbon tax.” (A. Denková, personal communication, March 24, 2017)

Adéla Denková, from the media group Euractiv, offers an explanation how the discussion was solved. The publication of the Czech Ministry of the Environment confirms this. It says that taxation is an area, where governments see themselves as the only ones responsible for introducing taxes, since states are those ones responsible for the population (Ministerstvo Životního Prostředí České Republiky, 2016a).

“Big emitting companies were fast in making themselves familiar with the system and from early stages are they able to influence the decision making.” (A. Denková, personal communication, March 24, 2017)

This respondent further adds that the Czech government is listening to this voices from lobby groups (A. Denková, personal communication, March 24, 2017). Report from the environmental NGO Greenpeace confirms this suspicion (Greenpeace, 2015). Both sources agree that big companies understood EU-wide carbon tax as a threat to their economic performance, joined their voices in lobby groups and blocked the idea, in favour carbon trading mechanism (A. Denková, personal communication, March 24, 2017; Greenpeace, 2015).
At the end of the first phase, the Czech EU ETS, as the rest of the EU ETS, received more allowances than needed and emitted less than “allowed.” The Czech EU ETS ended up with surplus of cheap allowances. Media were constantly reporting about the outcome of the first phase. They blamed the protectionist behaviour of the Czech government, who were asking for more allowances than needed in the countries NAP (Podniky v ČR loni vypustily do ovzduší méně CO2, než směly, 2008). Czech environmental NGO Hnutí Duha names the second culprit, namely free allocation as an outcome of effective lobby of big emitters (Hnutí Duha, 2008). Following quote from media article confirms this critic:

“Big emitters were able to influence the number of free allowances, they received from the state in the NAPs. This reduced the price of allowances. Selling the oversupply drove their prices even lower.” (Vlivná Lobby Zpomalila Boj s Emisemi, 2008)

“The EU ETS is a political system and each decision takes a long time to be implemented. The second phase didn’t react on the biggest mistakes from the first phase, so they were repeated.” (O. Boreš, personal communication, March 28, 2017)

O. Boreš from the company ČEZ comments the character of the second phase of the Czech EU ETS. K. Polanecký gives another example of the protectionist behaviour of the Czech government and the political process behind the decision making in the Czech EU ETS. He says, that in the preparation of the second phase, the proposed Czech NAP by the Czech government was widely debated. He continues saying that some voices, especially from the Czech environmental NGOs and even from the Ministry of the Environment, demanded that the proposed amount of allowances should be lowered (K. Polanecký, personal communication, March 21, 2017). The same view was shared in the media coverage (EK Česku nedovolí zvýšit emise, Říman zvažuje žalobu, 2007). The environmenttal NGO Greenpeace and Hnutí Duha published a joined statement, condemning the proposal. These events were captured in media articles (Greenpeace zablokovali ministerstvo kvůli povolenkám, 2006). News article was reporting that finally, after the revision, the European Parliament18 (EP) lowered that number by 15%, still by 5% more than the country could emit (Podniky dostanou více emisních povolenek, než kolik vypustily CO2, 2007). A wave of criticism, mapped by the

----

18 European Commission is accountable to the European Parliament and the procedure of NAPs had to pass the Parliament.
media, hit the decision of the EP, arguing that this number of allowances will slow down the pace of the Czech economy. Mainly the Ministry of Industry and Trade voiced those concerns (EK Česku nedovolí zvýšit emise, Říman zvažuje žalobu, 2007). The Confederation of Industry of the Czech Republic can serve as an example of Czech emitters fearing their future. In its publication it was pointed out that the emitters need much more allowances than the EP agreed upon. According to the Confederation, this situation could lead to lower competitiveness of Czech industry (Svaz Průmyslu a Dopravy České Republiky, 2007).

6.2.4.3. The question of allocation

Even though there is one cap and there is a shared legislative, Czech Republic, with other 8 countries, has negotiated for their energy generating sector an exception from full auctioning for the entire third phase. This exception should save the economy from sudden increases of energy prices, since the country depends on coal as a source of energy, as it is explained in one news article, presenting shared root for justification for this exception (Emisní povolenky v ČR budou i nadále zdarma, ovšem s podmínkami, 2012). In return for receiving free allowances, recipients must invest into decoupling strategies and technological innovation, comments another press article (Emisní povolenky vynesou desítky miliard - pomůžou s pokračováním Zelené úsporám, 2012).

Karel Polánecký in interview for this thesis, thinks that this exception was also part of the effective lobby of strong energy companies from the Czech Republic and this exception is just an excuse, how to emit further (J. Tůma, personal communication, March 21, 2017).

With a justification comes the biggest energy company in Czech Republic ČEZ that represents the thinking of companies under the exception. In its press statement, the company welcomes the slow pace of phasing out of free allocation:

“We are strongly dependent on coal sources. We need time to rebuild our infrastructure. It needs a lot of money. In the future, where the technologies will be more available and cheaper, transition to cleaner sources of energy will be less costly for us. The EU ETS understands this point.” (ČEZ, 2012)

After changing the rules of allocation to auctioning, starting in the third phase, the debate turned to the question, where the money from auctioning should be channelled. Another political
decision had to be made. J. Tůma offers clarification, what happens with the money from auctioning:

“The EU set a criterion that at least one half of the money from auctioning should be spent on investments into innovation, transformation and decoupling. The Ministry of the Environment channels receives one half and channel it into the project called “Zelená Úsporam”\(^{19}\), an initiative aiming at less energy efficient households. The Ministry of Industry and Transport the second half and it goes to greening of industry.” (J. Tůma, personal communication, March 21, 2017)

The revenues are channelled into greening initiatives in the housing sector (The Ministry of the Environment) and in the industry (The Ministry of Industry and Transport), adds an article from the Czech Television (Výnosy aukcí povolenek na ekologii půjdou spotřebitelům i průmyslu, 2012).

According to the publication from the Confederation of Industry of the Czech Republic, purchasing allowances in the auctions leads to significant costs for carbon intensive firms and may have implications on their competitiveness. If these carbon related costs should not be compensated at all, companies may move their production to lower cost regions (Svaz Průmyslu a Dopravy České Republiky, 2016b) Some states protect their industry sectors and subsidize the cost of allowances, but Czech Republic is not one of them, adds a media article from online news portal Euractiv (Pravidla emisního trhu se rýsuji, boj členských států s europoslanci ještě přijde, 2016).

6.2.4.4. Windfall Profits

Many critical voices across the media scene and the NGOs complained about the windfall profits of big emitters, when projecting the prices of allowances into the prices for customers. Big emitters were also the biggest receivers of free allowances. The biggest share of emissions was by energy companies, making 2/3 of all Czech emissions (ArcelorMittal a ČEZ vydělávají miliardy na emisních povolenkách, 2010). Media repeatedly report about these profits as an outcome of lobby groups (Velké firmy si osvojují trh s emisemi, 2010).

\(^{19}\) Translated into English-Green Savings.
“The system isn’t working, as it was designed, but at least some companies gained a lot of money.” (K. Sutlovičová, personal communication, March 22, 2017)

K. Sutlovičová from Glopolis leaves a sarcastic remark on the account of large lobby groups. The position paper of the Confederation of Industry of the Czech Republic shares this view. O. Boreš from ČEZ defends the side of the companies and says that this has never been proved and that companies can’t project the full price of the allowances into the prices for customers (O. Boreš, personal communication, March 28, 2017).

A. Denková warns before one of the characteristic of the EU ETS, where it works as any other exchange market, including purely financial actors, as speculators, hedge funds actors and brokers (A. Denková, personal communication, March 24, 2017). Media covered the end of the second stage the EU carbon market, where the Czech EU ETS as the rest of the market was hit by the 2008 financial crisis and the resulting recession. As a reaction, media brought doubts about the functioning of the Czech EU ETS. One news article pointed out that the economic crisis drove emission reductions faster than the Czech EU ETS itself (Emise CO2 loni klesly na 73,8 milionu tun, 2010).

6.2.5. Long-Term Incentives

Hnutí Duha claims that for smaller emitters within the EU ETS it is difficult to design long-term goals, if there is a strong lobby from big emitting companies, who want to secure their short-term profits (Hnutí Duha, 2017). On contrary, big emitters find this situation favourable. In the publication from ČEZ (ČEZ, 2016), as an example of a big emitter, stands, that ČEZ is satisfied with low price of allowances, because it enables the company to gain enough time to switch their installations from coal sources of energy to natural gas, making decoupling less costly (ČEZ, 2016). More sources blame the fact that the prices of allowances are still under the switching moment, which means that it is less expensive to invest into coal than gas as a source of energy (České Teplárenské Sdružení, 2015; Ceny emisních povolenek spadly za rok na polovinu. Je jich nadbytek kvůli levnému plynu i nižší spotřebě, 2016)

Association for the District Heating of the Czech Republic blames the Czech EU ETS, because of its rigid character. The EU carbon trading doesn’t bring long-run incentives and stable

20 Meant is the EU ETS.
environment for decoupling. The Czech EU ETS is failing to tackle the biggest flaw, namely the oversupply of allowances and their low price on the market (České Teplárenské Sdružení, 2015).

“As an outcome of the systems rigidity and volatility to external shocks, like political and economic events, and current low prices of allowances on the market, the system brings uncertainty when decoupling. Companies tend to wait then for more favourable circumstances, postponing the decoupling.” (K. Polánecký, personal communication, March 21, 2017).

The Confederation of Industry of the Czech Republic, representing energy-intensive companies, in its report reveals the characteristic of emitters. The Confederation doesn’t welcome the idea of raising the prices of allowances. The association fears that higher prices of allowances and their scarcity on the market will present a threat to their international competitiveness and a risk of carbon leakage due to increased production costs for the companies under this association (Svaz Průmyslu a Dopravy České Republiky, 2016b). This idea is not supported only by this association, but also online news portal Euractiv comes up with the same concern (Pravidla emisního trhu se rýsuí, boj členských států s europoslanci ještě přijdě, 2016). Faster decreasing cap, more allowances to be auctioned and new reform, where the overall number of allowances will be lowered, present a threat to the emitters. Even if the company has the highest technology\textsuperscript{21}, it will have to purchase more allowances in the future, raising the production costs of the companies and threatening its international competitiveness (Svaz Průmyslu a Dopravy České Republiky, 2016c).

V. Trejbal, energy manager from the Confederation of Industry of the Czech Republic, as a representative of energy-intensive industries, doesn’t welcome the “mingling” of state and the EU into the functioning of the carbon market (V. Trejbal, personal communication, 30 March 2017). His following words summarize views of other sources:

„The EU ETS is still an outcome of political decisions and states negotiations. It is a multinational system managing the risk of climate change. There must be many political decisions made before some reform can take place. This characteristic slows down the system to adjust to ever-changing circumstances.” (V. Trejbal, personal communication, 30 March 2017)

\textsuperscript{21} For some sectors introducing new technology is costly. The companies have to fulfil benchmarks for given sectors, which are based on the best available technology (Svaz Průmyslu a Dopravy České Republiky, 2016c).
The Czech Ministry of the Environment is the organisation providing supervision, ensuring compliance and providing the administrative and legislative framework (Ministerstvo Životního Prostředí České Republiky, 2016). The publication from the Czech Ministry of the Environment explains the role of the Ministry and says that the EU ETS is run by the states, which cooperate on the EU level. Czech Ministry of the Environment represent Czech Republic on the multinational forum of the EU. The EU level sets the framework for the market and emitters (Ministerstvo Životního Prostředí České Republiky, 2016a). The multinational cooperation between states shapes the Czech EU ETS. The EUs carbon market is often described as a mechanism, where the rationality of the government has an impact on the functioning of the Czech EU ETS. K. Sutlovičová said to this matter:

“The system brings reform after reform, fix after fix, it has so many rules and exceptions that it becomes too bureaucratic and messy. It doesn’t bring any favourable and long-term incentives to decouple.” (K. Sutlovičová, personal communication, March 22, 2017)
7. Discussion

In this part of the thesis, the Czech EU ETS will be discursively analysed. The analytical/discursive articulations of the Czech EU ETS will be assigned to discursive categories, designed by A. Oels (2005). They are derived from primary made for comparing governmentalities. Since knowledge production is central to discourses and governmentalities and discourses are part of the knowledge dimensions of governmentalities, detecting governmentality goes hand in hand with detecting discourse. Therefore, this thesis uses these discursive articulations to identify the environmental discourses in the Czech EU ETS, with the focus on the dominant environmental discourse. This chapter seeks to answer the research questions and aim of this thesis.

7.1. Discourses Informing the Czech EU ETS

7.1.1. Cap and Trade Saving the Planet and the Economy

To govern a certain object, first the object must be made thinkable to be further governable (Dean, 1994). Climate change is first problematised and then a solution in a form of governance is offered. Problematisation of a certain object illuminates certain aspects and obscures other ones. The Czech EU ETS portrays climate change as a global issue, in a form of warming caused by human made emissions.

For actors of the Czech EU ETS rising temperatures equals climate change. Emissions are the biggest threat to climate change. It is a threat to our planet, in need for optimisation, specifically effective management. This is a trace of green governmentality. According to the actors covered by this thesis, solution to climate change is an effective management. However, there is a criterion, how this management should be done. All actors in the Czech EU ETS recognise the urgency of the climate change mitigation action, but at the same time they emphasize the importance of economy that shouldn’t be hindered by the mitigation action. This view, where the economy and environment should be equally considered, is shaped by the discourse of ecological modernisation.

States gather on the multinational level and create a regulatory framework for the emitters. In this case it is the EU level and the carbon market. The Czech Ministry of the Environment is
the guarantor of the Czech EU ETS, supervising the emitters. Results of this thesis indicate that
the Czech EU ETS is a political governance, administered by states. Non-governmental actors
complain about this feature. They arrogate the rigid and slow character of the Czech EU ETS
to the significance of state in the trading scheme. Reforms and decisions have to pass many
negotiations, each taking considerable time. The Czech EU ETS is an outcome of political
decisions. The biggest flaw, named by the sources of this thesis, is the overallocation of
allowances and their low price on the market. As the material indicates this situation is
contributed to the rigid character of the Czech EU ETS, caused by the role of the government
and the multinational negotiations on the EU level within the trading scheme.

The state mobilises actors in the society through market mechanism. It creates normalised
character of emitters. This feature of the Czech EU ETS bears the rationality of ecological
modernisation. The cap and trade mechanism is the main technical aspect of the Czech EU
ETS. It is a form of climate change management. Cap, based on statistics, is managing emitting
activities by setting a target. It is a pollution prevention by putting price on carbon through
market mechanisms (Skjærseth and Wettestad, 2010). Here once again the ecological
modernisation steps in. Climate change mitigation is here portrayed as a potential threat to the
economy and as an economic inefficiency. Once the Czech EU ETS is informed by ecological
modernisation, climate change as such is obscured and the focus is turned towards market and
economy. In the Results chapter, after presenting climate change through the discourse of green
governmentality, there is no word about climate change as such. The discourse talks then about
preventing the threat to economy and solving the economic inefficiency. For instance, many of
the actors agreed that the cap was set too low, but they never talk about the impacts of this flaw
on climate change itself. It was only discussed in the relation to the rigid supply, not matching
the flexible demand.

The Czech EU ETS is using statistics as a mean of representing this physical phenomenon.
Statistic are used in the reports from the emitters. One of the respondents doesn’t agree with
the idea to put the whole industry in one report, presented by numbers. He states that the
emitting is more complex than this. This in turn can have impact on, how climate change is
portrayed, and it can obscure the complex issue of it. The first NAPs were based on statistics,
when deciding the number of allowances that should be delivered to Czech emitters. Statistics
further laid the ground for calculating the cap. This scientific approach is a trace of the
governmentality of advanced liberal government, or of the environmental discourse of
ecological modernisation.
7.1.2. The Win-Win Scenario

The cap and trade mechanism promises a win-win scenario. It sets a “healthy” limit to what the planet and the economy can take. All the actors in the Results chapter understand cap and trade as the optimal solution, where climate change issue is tackled and at the same time the economic growth is compromised. This is one of the main ideas of ecological modernisation, that is built on such win-win idea. Ecological modernisation is informed by the advanced liberal government that bears features of neoliberalism (Oels, 2005). Neoliberalism puts strong focus on markets and economy. Voß (2007) argues that ecological modernisation seeks to dilute the goal of environmental measures to reconciliation for economy with environment. He even suggests that the states made such design on purpose not to jeopardise their economy (Voß, 2007). The discourse of the Czech EU ETS confirms this suspicion. The win-win promise of carbon trading has been also found by the previous studies (Szarka, 2012; Bailey et al, 2011), to which this thesis wishes to contribute. This thesis sees this promise as a key characteristic of the Czech EU ETS, since it sets a framework for actors, rationalities and measures of this carbon market mechanism.

Because of defining safe amount emissions that can be produced, emitters feel safe with their activities and they believe in it. This mechanism is often mentioned by the actors as the solution to the biggest flaw of the EU ETS, namely the overallocation of allowances and their low price on the carbon market. The reform in preparation is planning to lower the cap. The same measure was proposed by some actors of the Czech EU ETS, when talking about the rigid supply of the carbon market, where the rigid supply doesn’t match the flexible demand.

Valuating win-win scenario is done by counting the cost, the cost to the economy, obscuring the climate change itself. Cap and trade opens the door to the market and its logic to steer the emissions reductions. The cap provides the framework for the market. As mentioned above, climate change, specifically, climate change mitigation is understood by the emitters as a threat to their economic activity. Trading allowances on the market secures the economic viability. The market mechanisms show the cost of mitigation compared to the cost of emitting. The market should find the most cost-efficient way, how to decouple. Actors in this thesis believe that without market there will be no emission reductions. The cost-efficiency is the key word.

7.1.3. Decoupling
Repeating rationality is appearing in the results. The Czech EU ETS puts focus on decoupling, informed by ecological modernisation. Decoupling and greening becomes the magic word. One of the effects of cap and trade mechanism should be a situation, where the scarcity on the market motivates emitters to decouple, since it should be cheaper than emitting. Costlier emitting should lower the price of new technology. Czech Ministry of the Environment, Czech industry and heating companies are emphasizing the importance of decoupling and without this measure they can’t imagine any effective climate change action. However, as mentioned by some the Czech NGO Hnutí Duha, some sectors have easier and less costly decoupling than others. For instance, more pressure will be put on the energy generating sector, where there are many available alternative energy sources. Here the calculating character of emitters can be traced. Emitters decide, based on price signals, if it is the right moment for them to decouple. Even companies under the exception are not spared to this technical aspect. In return for receiving allowances for free, they have to invest a certain amount of money into decoupling strategies. Also, governments are part of this idea. Governments as administrators of the market are receiving revenues from the market and channelling them into green initiatives. That’s why there was a debate, where the money from auctioning should be channelled.

7.1.4. Calculating Emitters

Ecological modernisation also construes the identities of emitters. The Czech EU ETS is public-private partnership, one of the main signs of ecological modernisation (Bailey, 2007; Bailey et al, 2011). The Czech government activates emitters as economic, competing, calculating and self-optimising agents. It creates a multi-level and multi-actor mode of governance, where the EU-level meets with the national governments and national emitters. Each decision is a compromise between these three actors. Emitters enter cost-benefit analysis of their actions. Led by supply, demand and price signals, they see costs of their abatement. They self-optimize their situation using the cost and benefit logic. Here a kind of responsibility can be traced. Namely the responsibility to take the right decision. The right decision means to take such measures, which don’t compromise economic growth. Again, climate change as such is obscured and the economy put into the spotlight. Market is the mean through which those actors act. Market decide, where, when and who abates. As the results show, the market points at those moments, where abatement presents the lowest cost to emitters. Emitters, analysed by this case study, often mention the cost to their activities stemming from mitigation action. As
an economic inefficiency, the EU ETS aims to internalise the external costs. This inefficiency is solved by the market. Many emitters under the Czech EU ETS welcome low prices of allowances, because they can further cheaply emit. As calculating actors, protecting their interests, they merge their forces in lobby groups influencing the decision process of the EU ETS. They try to lower the price of allowances, whenever it is possible. In the following moments the key character of emitters as an outcome of the ecological modernisation design of the EU ETS are listed. This can be traced in the preparation phase, where the EU-wide carbon tax was opposed by lobby groups. They understood it as a threat to their economic activities. The next moment, were the phases of NAPs, where they could pass their interests on the Czech government, who were negotiating the number of allowances for the first two phases. And the third time was the exception from auctioning for the Czech Republic. At last the debate around the Czech EU ETS largely discusses the windfall profits of big emitters. Companies, receiving free allowances, project those prices into customer bills.

Further, at more points the emitters refuse to abate, if the cost of allowances is too high, presenting a risk to their economic performance. For instance, the Czech EU ETS hasn’t reached the switching moment, where the coal is more expensive than natural gas. For that reason, emitters wait for more favourable moment to decouple. Climate change mitigation action is justified, when the cost of it passes the cost benefit analysis. Repeatedly the sources of this thesis talk about the competitiveness of the emitters. Emitters act as competitive agents, fearing to lose their competitiveness. For that reason, the Confederation of Industry of the Czech Republic mentions this fear, when talking about the effects of raising prices of allowances. The Czech EU ETS discourse constantly talks about low prices of allowances on the market. This goes against the idea of the cap and trade mechanism, where allowances should be scarce, raising their prices and motivating emitters to abate and decouple. Discussion about the effects of such measures and developments, like low and high prices of allowances, on climate change itself isn’t a part of the Czech EU ETS discourse.

There is a certain notion of responsibility and urgency among the emitter created by the discourse informing the Czech EU ETS. Emitters themselves, even the large ones as ČEZ, repeat that they must take the action and are the ones responsible for climate change mitigation. Emitters are obligated to monitor themselves and report their emissions. This measure further spreads the normalising character of the intervention through the EU ETS. The idea of ecological modernisation is to mobilise actors through governmental intervention.
7.2. The Dominant Discourse of Ecological Modernisation

This thesis identifies ecological modernisation as the dominant discourse in the Czech EU ETS. There is a small sign of green governmentality, when problematising climate change as a global issue needing global action. However, ecological modernisation bears still some traces of green governmentality ( Lövbrand and Bäckstrand, 2007). Since the ecological modernisation is the dominant discourse in the Czech EU ETS, this sign of green governmentality is perceived by the thesis as a part of ecological modernisation that doesn’t fully exclude other discourses, but often only recodes them (Foucault, 2000). The Czech EU ETS illuminates the economic dimension of climate change, obscuring the physical part and the emissions themselves. The main technical mean, how to solve the issue of climate change is introducing market, in this case carbon market. The market knowledge production is focused on cost-benefit analysis, price signals and economic rationality. Czech government, as a guarantor of the system, sets a framework for the market, bringing technocratic mode of climate change governance with public-private partnership. The discourse of the Czech EU ETS shapes actors, who are mobilised by the government to self-optimise the situation. They behave as competing, rational, cost-benefit analysing agents, driven by market incentives. The Czech EU ETS is a multi-actor and multi-level mode of governance, crystallising into the cooperation between the EU level, national states and their emitters, who self-regulate themselves by deciding, when to decouple. Everybody has some voice, but nobody has the full control. In Table 2, the discursive articulations, based on the discursive categories, detecting the dominant environmental discourse are presented.

Table 2: The dominant environmental discourse in the Czech EU ETS

<table>
<thead>
<tr>
<th>Analytical Category</th>
<th>Weak Ecological Modernisation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fields of visibility</td>
<td>Illuminated: Climate change as global issue and threat to economy</td>
</tr>
<tr>
<td></td>
<td>Obscured: Climate change and emissions as such</td>
</tr>
<tr>
<td>Technical aspects</td>
<td>Market mechanism, Technological innovation</td>
</tr>
<tr>
<td>Forms of knowledge</td>
<td>Economic rationality, Cost and benefit analysis</td>
</tr>
<tr>
<td>Formation of identities</td>
<td>Czech Government as Facilitator, Competitive, calculating and responsible emitters optimising their situation</td>
</tr>
</tbody>
</table>
There is a wide belief in the Czech EU ETS. This belief is shared by all the actors covered by this case study. This thesis covers wide variety of actors of the Czech EU ETS. Despite their different nature, they use the same discourse and the same language, when talking about the Czech EU ETS. As reported by the sources of this case study, the system has brought some emission reductions in the sectors under the EU ETS. In interviews with A. Denková and J. Tůma one can detect the uncertainty, by how much the Czech EU ETS has driven the emissions down. Also, other sources don’t reveal, how much is the contribution of the Czech EU ETS to reducing emissions. Despite this fact, sources covered by this case study believe in the Czech EU ETS and its effectiveness. Actors within the Czech EU ETS see the new reform as a possible turning point. They name especially overallocation of cheap allowances and the rigid character as an issue that is hoped to be solved. However, “the cure to the symptoms” is stemming from the same discourse. The moments, where the discourse of ecological modernisation is most visible, are those, where the system is preparing or implementing reforms, especially, when the price of allowances, linked to the economy of the emitters, was discussed. Examples are opposing EU wide carbon tax, preparation of NAPs or the exception from full auctioning. Those moments are also, where the discourse is contested, narrated and justified. The discourse is framing the problem and proposing solutions at the same time. Previous research on ecological modernisation and carbon markets often comes up with locked-in characteristic of this discourse (Bailey, 2007; Bailey et al, 2011). calls carbon trading the grand policy experiment of neoliberalism. Once ecological modernisation gets legitimised and institutionalised, it offers only a small space for other discourses to step in and secures vested interests of certain groups (Giddens, 2009). In the case of the Czech EU ETS it is the lobby groups, who fear of losing their competitiveness and prefer low allowance prices to maintain their business as usual. All the sources analysed by this thesis present a similar view on the Czech EU ETS, despite their varying character. Governmental body, large emitter, media, industry, civil society and heating sector are within the same discourse and don’t offer any critical points. Since the implementation of the Czech EU ETS none of the analysed actors has criticised the dominant discourse.

The positive sum up game of ecological modernisation promises cost efficient climate change governance (Hajer, 1995). The future should be green and competitive at the same time. The relationship, designed by the ecological modernisation, between environment and economy offers a win-win scenario. However, in the case of the Czech EU ETS, the discussion is about
the impacts of this carbon market on economy. Specifically, the effects of the biggest flaw, recognised by the sources of this thesis, the oversupply of cheap allowances. The debate leaves only limited space for emissions and climate change itself. The win-scenario for the environment lies in long-term goals, however the win-scenario for vested interests of the economy lies in near future. This short-term vs. long-term perception of future is seen by this thesis as the main flaw of the Czech EU ETS causing the issue with oversupply of cheap allowances and rent-seeking. This was also acknowledged in the report from Hnutí Duha (2017). The long-term EU climate goals, the EU’s Climate and Energy Frameworks, on which the Czech EU ETS is based, aren’t discussed by the Czech EU ETS actors. The key to the win-win scenario, namely decoupling and technological progress, that is emphasized by the Czech EU ETS actors themselves, is indirectly put into question by the sources of this thesis, since they mention that the switching moment hasn’t come yet. However, it is stated as a fact and there is no further investigation, what are the roots. The same counts for criticising the Czech EU ETS to its proneness to lobby and the case of windfall profits. The sources only state this flaw and don’t ask further. This lack of reflexion of the actors involved in the discourse shaping the Czech EU ETS is caused by the character of ecological modernisation. This environmental discourse reduces resistance of other discourses (Bailey, 2007). Szarka (2012) found similar optimism among the actors of the EU ETS, stemming from the “non-self-reflective” character of the ecological modernisation. This thesis argues that this character is the reason, why there is no trace of green governmentality and especially civic environmentalism that seeks to bring structural deeper changes of environmental governance. However, as mentioned in the Limitations chapter, once the dominant discourse is detected, it is more difficult to find discursive articulations of other environmental discourses.
8. Conclusion

Paris Agreement leaves decision to states, which measures to take towards the goal set by this Agreement. It offers a moment to analyse our current climate change governance. Carbon trading is considered by many countries as a possible mode in climate change governance. The EU ETS is currently the biggest carbon trading mechanism in use. This thesis wishes to contribute to the literature dealing with the environmental discourses of carbon trading and conducts a case study of the Czech Republic to detect the dominant environmental discourse by climate change “laggard”. The previous research showed that ecological modernisation, informing the EU ETS, is rendering climate change governable. This thesis comes up with the same findings. The Czech EU ETS is informed by the environmental discourse of ecological modernisation that has impact on the effectiveness of the EU ETS translated into the Czech level.

The main finding of this case study shows that the win-win promise of ecological modernisation is questionable. The design of the Czech EU ETS leaves space for emitters to lobby and secure their vested interests. The debate turns towards cost-effectiveness in economic means, leaving the cost to the climate obscured. This thesis recognises this feature as an obstacle for the Czech EU ETS, causing the biggest flaw of the Czech EU ETS, the oversupply of cheap allowances and rigid character of the market, not being able to answer that flaw. The Czech EU ETS is proposing solutions to the biggest flaw, stemming from the same discourse. The locked-in approach of the Czech EU ETS lies in the character of the ecological modernisation that doesn’t offer space for resistance, critical voices and other environmental discourses. The Czech EU ETS ends up securing short-term interests at the expense of the long-term goals for climate action. The dominant discourse is visible mostly in moments, where the Czech EU ETS is discussing price-related reforms. This tendency supports the argument of this thesis that the short-term interests of emitters are secured by the design of the Czech EU ETS, informed by ecological modernisation. Hajer (1995) recognises ecological modernisation either as an institutional learning or as technocratic project. The latter counts for the Czech EU ETS. Since the previous research came up with similar findings, this thesis calls for deeper analysis of the environmental discourse of ecological modernisation and the EU ETS to find possible ways out of the current path dependency, aiming at true win-win scenario, if the goal of Paris Agreement should be reached.
9. Acknowledgments

I would like to thank my supervisor Eva Lövbrand for guiding me through the thesis. I appreciate her support and valuable comments.

I want to thank the Stockholm Resilience Centre, where I had the privilege to write a part of my thesis, while doing my internship. Special thanks go to Sarah Cornell for her mentoring.

I am thankful to my friends and family for supporting me in every possible way during this process.
10. References


ČEZ (2012). Skupina ČEZ vítá vyjímkou z aukce pro ČR. Praha: Skupina ČEZ.

ČEZ (2016). Evropský trh s emisemi a připravované reformy. Praha: Skupina ČEZ.


11. Appendices

11.1. Appendix 1

Media articles:


Other sources:
ČEZ (2012). Skupina ČEZ vítá vyjímku z aukce pro ČR. Praha: Skupina ČEZ.


ČEZ (2016). Evropský trh s emisemi a připravované reformy. Praha: Skupina ČEZ.


11.2. Appendix 2

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Name</th>
<th>Position</th>
<th>Interview Made</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Think Tank Glopolis</td>
<td>Klára Sutlovičová</td>
<td>Head of Energy and Climate Change Programme</td>
<td>22. March 2017</td>
<td>Due to Technical Issue Not Recorded</td>
</tr>
<tr>
<td>Media Group Euractiv</td>
<td>Adéla Denková</td>
<td>Editor-In-Chief</td>
<td>24. March 2017</td>
<td></td>
</tr>
<tr>
<td>Confederation of Industry of</td>
<td>Ing. Václav Trejbal</td>
<td>Energy Manager</td>
<td>30. March 2017</td>
<td>Due to Technical Issue Not Recorded</td>
</tr>
<tr>
<td>the Czech Republic</td>
<td>PhD.</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Duha</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Company ČEZ</td>
<td>Ondřej Boreš</td>
<td>Project Manage-Public Affairs</td>
<td>28. March 2017</td>
<td></td>
</tr>
</tbody>
</table>

11.3. Appendix 3

Opening Questions:

1. What is your role and function in XXX (refer to the interview respondents’ organisation here)?

2. To what extent and how is your organisation involved in the EU ETS?

3. Do you work with the EU ETS yourself in your professional practice? If so, how?

Questions in Focus:
4. How is the EETS operationalised? Who are the actors, responsibilities, processes etc.? 

5. What do you see as the main flaws and strengths of the EETS? 

6. How would you describe the effectiveness of this policy for the Czech Republic, the EU and the global level? ALT-What do you see as a more promising policy? 

7. Has there been any critique against the system? If so, what does it consist of and how does the EETS react? 

8. How has the role of the EETS changed over time? 

9. What role should the EETS play in the future? 

10. What is the place of the EETS in the climate change? 

Closing Question: 

11. What does climate change mean for you or for your company?