Public support for the public good? What factors explain the policy design of the Dutch industry climate transition fund?

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Introduction

General Introduction

In a recently published report, scientists from The Intergovernmental Panel on Climate Change (2022) emphasized that a significant reduction in CO2 emissions would have to take place before 2030 in order to achieve the goals of the Paris climate agreement. In order to achieve this significant reduction, governments worldwide are increasingly embracing the principle of green industrial policy: active government intervention aimed at reshaping the industry in a more green and sustainable way (Matsuo & Schmidt, 2019). Even in countries that are generally known as economically liberal, the principle of green industrial policy is now being embraced. For example, the Prime Minister of the United Kingdom, Boris Johnson, spoke of the need for government intervention that would lead to a "green industrial revolution in Britain" (Allan, Lewis & Oatley, 2021, p. 1), and US President Biden introduced major investment, focused on low-carbon production to reinvigorate US industry (The White House, 2022). Green industrial policy is now also playing a significant role in Dutch climate policy. In the coalition agreement, written by the new Dutch government coalition, which took office in 2022, it can be read: "It is our ambition to be in the leading group of this transition to a green industry. This requires a green industrial policy" (Coalition Agreement VVD-D66-CDA-ChristenUnie, 2022, p.11). The significant role that green industrial policy now plays in Dutch climate policy is visible in the industry climate transition fund (In Dutch: *Klimaat- en transitiefonds*) set up, a fund consisting of subsidies, that are intended to support industrial companies in making a switch to carbon neutrality. The fund consists of 22 billion euros, which will be spent over ten years. The expenditure will consist of subsidies aimed at stimulating the development of technology by industrial parties that can contribute to CO2 reduction, the development of a sustainable energy infrastructure that can be used within the industrial sector, and targeted subsidies to the largest industrial emitters to stimulate sustainable innovation. These three goals are therefore financed by the industry climate transition fund (Coalition Agreement VVD-D66-CDA-ChristenUnie: Budgetary Annex, 2021, p.15).

Nevertheless, the design of the climate transition fund has sparked controversy. The Netherlands Environmental Assessment Agency, the government's most influential adviser

on climate policy, stated in a reflection on the coalition agreement, for example: “The agreement often makes use of the subsidy instrument. There is a risk that subsidies will cause prices not to reflect the actual costs, so that the demand for certain non-sustainable products and materials will not decline.” (Netherlands Environmental Assessment Agency, 2021a, p.7). The president of the Dutch central bank, Klaas Knot, was also critical of the use of subsidies. Knot expressed his concerns on the popular Dutch current affairs program ‘Buitenhof’ by stating: “Normally the polluter pays, and now the polluter receives. This is not the most effective means of pursuing climate policy” (Buitenhof, 2022). The use of the investment fund, consisting of subsidies rather than, for example, a more strict pricing or tax instrument, thus is something that is not unequivocally supported.

Given these divergent views, this thesis will answer the following research question: “What factors explain the policy design of the Dutch industry climate transition fund?”.

In addition to the increased attention that the topic of industrial policy has received from governments and policymakers, the topic is also receiving increasing attention in the scientific literature. In the literature, a significant amount of attention is paid to possible rationales and motivations for undertaking industrial policies in different contexts (e.g., Warwick, 2013; Bailey et al., 2015). The work of Durazzi (2021) goes beyond outlining possible rationales for industrial policy. By analyzing education reforms, Durazzi (2021) outlines reasons for actual industry-related government intervention through empirical case study research. However, this work focuses specifically on education reforms and not on government intervention with the aim of making the industry more environmentally sustainable. The latter is exactly what the aim of this thesis is, to outline actual explanatory factors for a specific kind of green industrial policy, namely the Dutch industry climate transition fund. Therefore, this thesis contributes to the existing literature by identifying explanatory factors for the policy design of a certain form of industrial policy. This is something that has not yet been addressed in the literature.

The social relevance of this research is twofold. Firstly, the results of this research may contribute to an improvement of democratic control over the decision-making process. The results will clarify which factors played a role in the policy design of a highly salient piece of policy. The fact that this will become clear, and that it will therefore also become clear to citizens which factors can explain the decision of policymakers, ensures that citizens can ask themselves the normative question of whether it is good for these factors to play an explanatory role in the design of a policy. The fact that citizens can ask themselves this

normative question contributes to democratic control of the policy-making process and to transparency in a broader sense.

Secondly, the results of this research might contribute to pacifying social tensions. By providing insight into the factors influencing the design of a specific type of policy, the figurative distance between policymakers and society can be reduced as the motivations of the former become apparent to the latter. The reduction of the figurative distance can ensure that the discussion about policy can take place from a more objective starting point, namely the factors that can explain the design of the policy. This more objective starting point can make for a more pacified discussion than is the case when discussing based on assumptions in either group.

The structure of this thesis is as follows: first, there will be a brief explanation of the concept of green industrial policy. Then follows an explanation of the case that is central to this research, the Dutch case with regard to the industry climate transition fund. In the following section, three possible explanatory factors for the transition fund's policy design are presented, and three different hypotheses are formulated on this basis. These possible factors and hypotheses will serve as a theoretical framework. After drawing up the theoretical framework, an explanation of the methodology used follows. This is followed by a discussion of the results found and an analysis thereof. Finally, a conclusion follows, in which attention will also be paid to shortcomings of the research and suggestions for future research.

Introduction on green industrial policy

In a general sense, industrial policy is conceptualized as government intervention targeted at "changing the structure of the economy" (Wade, 2012, p. 227). In the literature, a distinction is often made between horizontal and vertical industrial policy. Horizontal industrial policy focuses on bringing about structural change by targeting policies on multiple sectors and companies. Policies made within this form of industrial policy affect a wide range of economic actors, mostly, in theory at least, with positive externalities of government intervention. Horizontal industrial policy can, for example, consist of investing in forms of education, the construction of widely-usable infrastructure, or tax measures aimed at realizing innovations (Lazzarini, 2012). Vertical industrial policy focuses on bringing about structural change by targeting policies on specific sectors and companies. Within this form of industrial

policy, government interventions are targeted, for which specific policies can be tax benefits for specific sectors or subsidizing specific companies, sometimes with the aim of creating so-called national champions, who, with government support, could act as the figurehead of a country on the world stage (Lazzarini, 2012).

Green industrial policy is a specific form of industrial policy aimed at achieving structural changes in economies regarding technologies and resource use. Economists often see green industrial policy as a means of giving economic actors incentives to make production processes more sustainable and to invest in green technologies. The structural changes that would be implemented by these incentives would not, or should not, be at the expense of economically essential concepts such as productivity and wealth. Combining structural change aimed at making the economy greener and more sustainable and creating wealth and productivity is an enormous challenge for economies in which green industrial policy could play a role (Altenburg & Assman, 2017).

Within the specific form of green industrial policy, there are many possible policy instruments that can be used. These instruments may consist of heavily taxing investments in environmentally harmful technologies, nudging consumer behavior towards a sustainable consumption pattern, or subsidizing green and sustainable investments (Altenburg & Assmann, 2017). Green industrial policy instruments can be implemented horizontally or vertically by targeting specific sectors and companies or by targeting the policies at a broader range of actors. All of these different policy instruments have different consequences. Taxes on carbon emission, for example, have a more direct impact on the costs of emission for emitters than subsidies, while the latter can have a more positive impact on the development of green innovation in the long term by lowering the costs of innovation measures for emitters (Meckling, Sterner & Wagner, 2017).

Although, in theory, there are solid arguments for pursuing green industrial policy, there are also experts who have doubts about the desirability of the consequences of green industrial policy in practice. For example, the literature regularly points to the danger that green industrial policy, in particular when implemented by deploying vertical policy instruments, will result in protectionism, disruption of international market competition, and thus a decrease in efficiency. Also, the government would face a sub-optimal information position when it comes to choosing technologies and companies to support, leading to inefficient outcomes (Rodrik, 2014). The well-known economist Dani Rodrik (2014), therefore, characterizes the case for green industrial policy as “strong in theory, ambiguous in

practice" (p. 470). The case for green industrial policy thus depends on the implementation of the policy through different instruments. The design of policy instruments, therefore, is a salient subject of research.

Introduction on the Dutch case

As stated earlier, it is the case that green industrial policy now plays a significant role in the Dutch political debate and that, as announced in the newly concluded coalition agreement, this green industrial policy will play an even more significant role in the future. The support for green industrial policy from the Netherlands has certainly not always been there. Within the European Union, the Netherlands has always been qualified as one of the most publicly skeptical member states when it comes to far-reaching interventions in the economy and in the industry specifically. Fears often arose from the idea that, for example, supporting certain companies as part of industrial policy would, for whatever reason, lead to protectionism, a situation in which certain countries would create an unfair advantage for domestic sectors and companies, a disruption of free trade flows and less interdependence. (Molthof, Zandee & Cretti, 2021). It is important to note that the Netherlands has had bad domestic experiences with industrial policy in the past, for example, with regard to the so-called 'RSV affair,' an affair that took place in the 1970s. This affair revolved around the shipbuilder "Rhine-Scheldt-Verolme," which received more than two billion guilder (The Dutch national currency before the implementation of the Euro) in state subsidies to continue to compete internationally and thus maintain employment. Eventually, the shipbuilder went bankrupt, after which the invested tax money was never seen again. The affair caused lasting trauma for Dutch economic policymakers (Molthof, Zandee & Cretti, 2021).

It would not be correct to say that the Dutch fears have now completely disappeared; this is not the case. However, the embrace of green industrial policy, with the industry climate transition fund as part of it, could indeed be seen as a (minor) paradigm change regarding Dutch policy. The industry climate transition fund is the first case of policy actually implemented following the explicit goal of embracing industrial policy. This is what makes the fund's policy design so interesting and relevant.

Theoretical framework

There are several possible factors that, based on substantiation from the existing literature, can explain the policy design of the Dutch industry climate transition fund. This section will present three of them that are particularly relevant to this analysis: the influence of the fossil industry; the influence of the European Union, and the occurrence of policy diffusion. These factors will generate different hypotheses that will be tested in the analysis section. The first possible explanatory factor is the influence of fossil fuel interests. The fossil fuel industry is the most significant emitter in the Netherlands, accounting for 32% of total emissions (Central Bureau for Statistics, n.d.), and therefore is significantly affected by greening policies. One could expect that the fossil fuel industry wants to maximize its financial and economic position, for which it could be the case that it would have an interest in receiving public support in the form of subsidies, coming from an investment fund. Subsidies, instead of, for example, tax instruments, will less likely hurt the international competitive position of the industry. Subsidies will increase the amount of investment money possessed by firms, which can be used to compete internationally, whereas taxes will likely decrease these investment monies (Cai & Liu, 2009). By lobbying, the fossil fuel industry could present its interests to policymakers, thereby influencing policy designs. The second possible factor is the factor of Europeanisation. This factor consists of the possible influence of the European Union on the Dutch policy design of the transition fund. The European Union can influence policy designs both through formal and informal pressure. The third possible factor is the factor of policy diffusion. This factor consists of the spreading of ideas, norms, and best practices among states, concerning, in this case, greening and climate policy. Ideas and norms that are dominant in one state, or are shared by multiple states, can spread through state interaction, after which these ideas and norms can influence the policy designs in other states. Also, states can search for examples of good policy from other states, which can be incorporated in domestic policy designs. This is also a way in which policy diffusion can take place.

The influence of fossil fuel interests

As stated earlier, there are doubts in the literature about the desirability of the consequences of green industrial policy in practice. An important reason for these doubts may be that green industrial policy can create a situation in which there is a strong interdependence between policymakers and industrial actors. With a government that actively interferes in the organization of an economy or of a specific sector, the figurative distance between government and external parties becomes smaller. Fossil fuel industry actors, such as fossil fuel industry interest groups, would, from a rent-seeking point of view, seek government support in making the energy transition in order to strengthen or at least stabilize their economic position, certainly in view of their international competitiveness (Nahm & Urpelainen, 2021). The quest for government support and public funding from powerful fossil fuel actors could, through external pressure, influence policy goals and the tools used to achieve those goals. This would mean that the interests of actors who make themselves most audible in the public and social debate can exert a large influence on the goals set and the means used within forms of green industrial policy (Di Tommaso, Tassinari, Barbieri & Marozzi, 2020). Rodrik outlined the danger of green industrial policies by stating about governments who desire to use green industrial policies: “They invite rent-seeking and political manipulation by well-connected firms and lobbyists. Industrial policy becomes driven by political rather than economic motives” (Rodrik, 2014, p. 472). The moment this happens, a situation of corporate state-capture can arise, in which “public power is exercised primarily for private gain” (Innes, 2014, p.88).

However, it is not a natural law that green industrial policy is driven by external pressure from firms and interest groups. The extent to which this happens depends on the position these firms and interest groups have within a society and the possibilities they have to exert actual pressure (Shen, 2017). In order to be able to reason a hypothesis regarding the possible influence of fossil fuel actors on the Dutch industry climate transition fund, it is, therefore, necessary to outline the extent to which firms and interest groups can exert external pressure on policymakers based on their position and freedom in the Netherlands.

Comparative empirical research shows that the Dutch political system can be qualified as strongly corporatist (Siaroff, 1999). The qualification strongly corporatist here means that the power to make policy is shared to a large extent by parliament and

government with all kinds of semi-private organizations. These kinds of semi-private organizations are often interest groups, such as trade unions, employers' organizations, and other umbrella organizations that have a clearly qualified following (Siaroff, 1999). Industrial parties, in particular because they are seen as parties that are responsible for a relatively large amount of Dutch employment, play a significant role within the Dutch policy process (Günther, 2021).

In the Netherlands, the strongly corporatist model is often described as the 'polder model.' Like the vast polders, sharing power instead of top-down governance of the country is also said to be a characteristic of the Netherlands (Vos, de Beer & Lathouwer, 2002). The Dutch political scientists Hans Daalder and Galen Irwin (1974) also argue that there is a large network of interest groups in the Netherlands that have a great deal of power to influence policy processes within the Dutch institutions. The two political scientists outline a number of reasons for this institutional setup in the Netherlands. For example, the large degree of influence of interest groups could be explained by the limited size of the country, a wide variety of minority groups, a traditional aversion to centralized power, and certain constitutional aspects that allow interest groups to mingle, such as the fact that Dutch governments always consist of coalitions of several parties, which are often forged out of the view of the voter (Daalder & Irwin, 1974).

Considering this information about the Dutch institutional system, an expectation can be drawn from the corporate state-capture perspective regarding the extent to which the interests of fossil fuel industry actors can be an explanatory factor for the policy design of the Dutch industry climate transition fund. With the vulnerability of the Dutch 'polder model' to influence by interest groups, on top of the vulnerability to political influence that is already created by green industrial policy, and the interest that fossil fuel industry actors can have in the transition fund, the hypothesis based on this approach is:

> H_1: The Dutch climate transition fund was designed in line with the preferences of the fossil fuel industry.

For this hypothesis not to be rejected, a correspondence should be found between the interests and ideas about climate policy and energy transition expressed by the fossil fuel industry and its interest groups and the content of the transition fund's policy design and motivations for

this policy design, given by policymakers. An indicator of the possible influence of the preferences of the fossil fuel industry on the policy design of the Dutch industry climate transition fund could also be that the policy design of the fund has become more aligned over time with the expressed interests of the fossil fuel industry. A process of convergence should then be observable between the interests of the fossil fuel industry and the policy design of the transition fund over time.

However, it is not the case that the observations about green industrial policy and the Dutch institutional system must, by definition, lead to more influence of fossil fuel industry actors on the policy design of the transition fund. For example, there are researchers who point to the existence of a "Democracy–Civil Society Paradox" (Bernauer, Böhmelt & Koubi, 2013, p. 88). This paradox means that the more democratic a country becomes, the more space is created for civil society groups, such as fossil fuel industry groups, after which the competition for political influence becomes stronger, which can weaken the influence of each individual civil society group on the whole (Bernauer, Bohmelt & Koubi, 2013). In a solid democratic system like The Netherlands, with many involved civil society groups that all have a lot of institutional space, this would mean that the specific power of the fossil fuel industry groups would not be that great at all.

The influence of Europeanization

If the latter is the case, and the influence of fossil fuel industry groups on the policy design of the transition fund would not be fundamental, there may be alternative factors that can explain the policy design of the transition fund. Contemporary research into factors that influence policy designs in European states cannot be done without taking into account the influence of the European Union. There is an ongoing link between policies at the national levels of the European Member States and policies made by the European Union, and it is almost impossible to imagine an area where the Member States are not confronted with European legislation and the standards, obligations, and boundaries imposed by European legislation that govern their policymaking (Cowles, Caporaso & Risse, 2001). The specific way in which vertical pressure from the European Union on member states influences policy in these member states is described as the process of Europeanization. The political scientists

Claudio Radaelli and Kevin Featherstone (2003, p.30) define the process of Europeanization as:

> Processes of construction, diffusion, and institutionalization of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things', and shared beliefs and norms which are first defined and consolidated in the making of EU public policy and politics and then incorporated in the logic of domestic discourse, identities, political structures, and public policies.

The conceptualization above is quite broad, certainly in the sense that the conceptualization focuses on rules, procedures, policy paradigms, styles, 'ways of doing things', and shared beliefs and norms constructed throughout the EU public policy-making process. Given the many actors involved in the entire EU public policy-making process and thus the almost innumerable ways in which the European Union can influence domestic public policies, the above conceptualization makes it complicated to actually use the process of Europeanization for empirical research and can create a situation in which almost every observation can be qualified as an example of Europeanization. In order to be able to use the concept of Europeanization for the empirical research to be carried out here, the conceptualization of the concept of Europeanization will be reduced to:

> Processes of construction, diffusion, and institutionalization of formal and informal rules, procedures, policy paradigms, styles, 'ways of doing things', and shared beliefs and norms which are first defined by the European Commission and the incorporated in the logic of domestic discourse, identities, political structures,and public policies.

The difference here is that the source of the vertical pressure that arises on the Member States as a result of the process of Europeanization is thus only the European Commission. The European Commission is the institution that takes policy initiatives and, unlike, for example,

the European Council, consists of actual officials in the service of the European Union. This means that a clear distinction can be made between pressure from the European Union and pressure from other Member States, for example, in the European Council (Riddervold, 2016).

In order to determine whether Europeanization can be a possible explanatory factor for the policy design of the Dutch industry climate transition fund, two questions are important. Firstly, the question is to what extent rules, procedures, paradigms, and standards with regard to climate policy and greening of industry originate from the European Commission. Secondly, the question is to what extent it can be expected that the Netherlands will incorporate these rules, procedures, paradigms, and standards with regard to climate policy and greening industry in domestic policy.

With regard to the first question, it is clear that the European Commission has deployed significant resources with regard to climate policy and the greening of the industry that can influence Member States' policies. The most important means for this are the European Green Deal and the so-called 'Fit for 55' plan. These policy packages comprise all kinds of rules, procedures, paradigms, and standards that should ultimately lead to the major goal of the European Commission: to make Europe the first climate-neutral continent of the world (Hillebrand Pohl, 2020). The European Commission has not only set goals but also outlines policy proposals, standards, and ideas on how these goals should be achieved. For example, the Commission established a Just Transition Fund (JTF), an investment fund with the aim, among other things, to "address structural changes in the EU" (European Commission, nd). The fund is also specifically aimed at boosting "innovation activities" and the "transformation of existing carbon-intensive installations" (European Commission, nd). The example of the JTF is one of many examples of policy proposals made by the Commission to achieve the 2050 target. It is therefore clear that the Member States are confronted with all kinds of legislation and informal rules, standards, and procedures that could influence their domestic policies. The example of the JTF is one of many examples of policy proposals made by the Commission to achieve the 2050 target. It is therefore clear that Member States are confronted with all kinds of legislation and informal rules, standards, and procedures that could influence their domestic policies.

With regard to the second question, to what extent can it be expected that the Netherlands will incorporate legislation, informal rules, standards, and procedures into domestic policy, it can be stated that the Netherlands meets a number of conditions that are set in the literature for countries that would be relatively diligent in transposing European

vertical pressures into their national legislation. A country with both few official veto players and a form of political leadership that allows for the voices of opponents to be heard and allows for compensation of the potential losers of policy implementations would be more energetic in meeting European demands than countries that do not have these qualities (Héritier, 2001). In the Netherlands, there are few official veto players, and there is a consensual way of decision-making, in which it is possible to overcome objections from opponents and in which agreements can be made about possible compensation (Héritier, 2001). It can therefore be expected that the Netherlands will act energetically in incorporating vertical pressure from the European Commission into domestic policy, especially because domestic opposition can be overcome.

From a Europeanisation perspective, an expectation can be expressed about the explanatory power that the factor Europeanisation can have on the policy design of the Dutch industry climate transition fund. With the major role that the European Commission plays in the dissemination of rules, procedures, paradigms, and standards, the significant presence of these rules, procedures, paradigms, and standards regarding climate policy and the greening of the industry coming from the Commission and the diligence with which The Netherlands can be expected to incorporate vertical European pressure into domestic policy, the following hypothesis can be formulated:

> H_2: The policy design of the Dutch industry climate transition fund was influenced by the approach to Green Industrial Policy advocated by the European Commission.

For this hypothesis not to be rejected, it should be reported that hard legislation or informal rules originating from the European Commission have been incorporated into the policy design of the transition fund. Therefore, one would expect that references are made to legislation and regulations from the Commission and that particular language use is, for example, adopted from the Commission and its officials.

However, the presence of vertical pressure from the European Commission does not necessarily mean that European and national policies have actually been harmonized. The extent to which there would be harmonization strongly depends on how a Member State ultimately decides to implement rules, procedures, paradigms, and standards from the European Commission. This is because the Commission often leaves room for the Member

States themselves and their diversity in its statements and legislation. This aims to secure compliance, which could be compromised by a very rigid approach from the Commission that could confront the Member States with very radical changes over which they themselves have little control (Radaelli & Featherstone, 2003). With the significant say that remains for the Member States in shaping the incorporation of the vertical European pressure, the Europeanization factor would therefore have limited explanatory power for the policy design of the Dutch industry climate transition fund.

The influence of policy diffusion

Along with Europeanisation, globalization also plays an increasingly important role in the analysis of policymaking across states. With the increasingly intertwined world, policymaking within states would be increasingly influenced by international factors. Policy choices made within different states can often be seen as interdependent (Meseguer & Gilardi, 2009). An important source of this interdependence would be the process of policy diffusion. Policy diffusion is defined as: "A process in which policymaking and policy outcomes in one polity influence policymaking and policy outcomes in other polities" (Blatter, Portmann & Rausis, 2021, p.2). The strong interdependence between states can therefore ensure that a certain degree of homogenization takes place between policies in different Member States. The policy diffusion can be driven by several mechanisms.

First, homogenization could take place because states learn from the experiences and policy decisions of other, often equal or competing states (Blatter et al., 2021). This mechanism is strongly related to the principle of mimetic isomorphism, in which actors, organizations but also states, model themselves in uncertain situations after actors who are thought to handle the uncertain situation in the right way. In doing so, states would adapt their actions with regard to uncertain issues to the actions of apparently successful states, thus also adopting the policies of these successful states by the uncertain states (DiMaggio & Powell, 1983).

Second, homogenization could take place because states feel peer pressure to adopt policies formulated by others. This mechanism is driven not so much by uncertainty or the will to learn from the experiences of other states but by the will not to be seen as strange or deviant. Through interaction, especially between like-minded states, the pressure can be felt

by states to act in accordance with the majority of states that can be seen as like-minded out of fear of falling behind in a certain area or deviating from the majority (Kvist, 2004). The difference with the previous possible explanatory factor, that of Europeanisation, is that the process of policy diffusion is driven by horizontal pressure from other states rather than vertical pressure, expressed by the European Commission.

In order to be able to assess the mechanism of policy diffusion as a possible explanatory factor for the policy design of the Dutch industry climate transition fund, the question is to what extent other states had set up similar policy designs or had expressed ideas for this prior to the emergence of Dutch policy design. It is also questionable to what extent it could be expected that the Netherlands would incorporate these policy designs and ideas into its own policy.

In answer to the first question, it can be established that states that can be seen as similar to the Netherlands, in an economic and cultural sense, already before the Netherlands announced its policy design for the climate transition fund and even before the new Dutch government coalition was involved in the discussions about the policy to be implemented. Germany, for example, already introduced advanced plans in the first half of 2021 to make public money available to fund the greening of the industry (Reuters, 2021). Around the same time, the United Kingdom, as part of the "green industrial revolution," introduced a plan for a public fund package to contribute to innovations and a green infrastructure for the heavy infrastructure in the country (UK Government, 2021). It is therefore clear that there were policy designs and ideas that could have been incorporated into Dutch policy design through the mechanism of policy diffusion.

Whether it can be expected whether this will actually be the case depends on the uncertainty of the situation and the pressure that the Netherlands could experience. The uncertainty of the situation with regard to climate policy and policy for the green industry can be qualified as very significant. Both at the national and international levels, there are major uncertainties with regard to future developments, costs, benefits, and consequences of different types of climate policy (Barradale, 2014). This makes it likely that states will look for learning opportunities and examples of good policy from other states. In addition, the pressure that can arise on this specific point on states not to deviate from other states is great since, in the absence of some form of public investment resources for the greening of industry, its own industry on the international stage would fall behind. The moment competing German and British industrial actors could lay claim to public funds for the climate transition, but

Dutch industrial actors could not, this could worsen the competitive position of Dutch industrial actors, which could also harm the Dutch economy. The fear of falling behind could therefore be significantly present in this case.

From a policy diffusion perspective, given the early presence of similar policy designs and ideas in other states, the uncertainty surrounding climate policy, and the possible great pressure on the Netherlands to adopt the designs and ideas previously formulated by other states, the following hypothesis can be formulated: formulated:

> H_3: The policy design of the Dutch industry climate transition fund was influenced by Green industrial policy measures implemented by other countries.

For this hypothesis to not be rejected, it should be possible to establish that standards and ideas about pursuing climate policy and making an energy transition present in other countries are included in the Dutch policy design of the transition fund. One would expect that examples of approaches from other countries would be mentioned as examples in the Dutch decision-making process and that other countries' approaches would be mentioned as legitimacy for the policy design of the transition fund.

As with the vertical coercive EU pressure, it is also the case with regard to horizontal pressure that this pressure does not necessarily have to lead to the adoption of ideas or standards or to change in general. This has to do with cultural or institutional differences that can lead to ideas about good policy that are dominant in one country not being adopted at all by other, different states. Forces can also arise within a country, opposing dominant ideas in other countries. In short: Horizontal pressure from similar countries does not have to be an explanatory factor for the design of the transition fund.

Methodology

The methodology of this research is built on a qualitative case study. A qualitative case study allows a researcher to gain in-depth understanding of a case. Phenomena can be unpacked based on a case-specific context, after which new theoretical insights can be obtained based on this unpacking. A qualitative case study design allows a researcher not only to find a

relationship between two variables but also to show how exactly these variables relate to each other (Toshkov, 2016). This is precisely the aim of the present research. Since the research question central to this research focuses on explaining the origin of a phenomenon in a specific context, the qualitative case study offers the best method for this.

The case selected for this case study research is the policy design of the Dutch industry climate transition fund. The case was chosen because this case represents, as explained in the introduction section, a paradigm shift in industrial policy thinking in the Netherlands. This makes the case not only unique but also a possible representative of other cases in which a switch has been made to active state intervention in the economy through green industrial policy. Thus, understanding the factors that played a role in the present case can also help to understand the broader development in which countries that have often been (publicly, at least) critical or active state interference in the industry have shown renewed interest in green industrial policy.

The mode of qualitative case study analysis used in this research is the mode of process tracing. Process tracing as a mode of doing research focuses on discovering causal processes whereby events can be linked together in order to unpack a causal chain. Process tracing is, in particular, a suitable way to investigate actors' motivations and the incentives that led to a phenomenon (Toshkov, 2016). Process tracing is seen as “arguably the most important tool of causal inference in qualitative and case study research” (Mahoney, 2012, p. 571). This makes the mode of process tracing particularly suitable for the present research since the aim of this research is to find out which factors have motivated policymakers to choose a specific policy design. In this study, the various possible explanatory factors form the causal mechanisms that may lead to the event of the case, the policy design of the Dutch industry climate transition fund.

The method of data collection that will be applied consists of document analysis and two semi-structured elite interviews. The interviews were held with two persons involved in the policymaking process. The first interviewee is a policy expert and lobbyist connected to a Dutch environmental organization. The second interviewee is a former member of the scientific bureau of the Dutch green party, who wrote a report on green industrial policy. More information about the interviewees can be found in appendix A, together with the interview questions and more information about each interview.

The document analysis will serve to discover possible patterns in the rationales and motivations for the policy design of the Dutch industry climate transition fund. These patterns could be found in various documents. For the research, 36 documents have been used directly. These include policy reports by Dutch, European and international (non-) governmental organizations, parliamentary debates, answers to parliamentary questions, policy documents by Dutch, European, and international (non-) governmental organizations and lobbying organizations, media interviews, party programs, press releases, government letters, and blog posts.

It is important to note that in social science, unpacking causal relationships can be complicate. As Toshkov (2016) notes: “Few causal connections would be so apparent that mere observation would be enough to prove their causal relevance” (p. 299). Therefore, this study will combine document analysis with semi-structured elite interviews, which can lead to more direct evidence for the contributing factors and motivations and thus for rejecting or not rejecting a hypothesis. However, the possible problem of missing data remains since, for both the document analysis and the interviews, it is possible that not all data that is relevant for the possible causal mechanisms would be known. This could be the case, for example, if policymakers do not want certain factors that were important for their motivation for the specific policy design to be made public. This complicates the process of causal inference (Gonzalez-Ocantos & LaPorte, 2019). While it is thus difficult to uncover actual causal relationships on the basis of observable knowledge gained through process tracing, it is one of the few ways to provide actual explanations for individual cases, such as the policy design of the Dutch industry climate transition fund (Toshkov, 2016).

A relationship between the dependent variable, the policy design of the transition fund, and the three possible explanatory factors identified in the literature review can be found in several ways. For the first hypothesis, focused on the fossil fuel interest, a pattern can be found by comparing the patterns in the dependent variable with the statements made by the fossil fuel industry in which their interests and ideas about climate policy and green industrial policy come to the fore. These expressions can be found in published papers, media appearances, and publications on websites. The term 'fossil fuel industry' is operationalized for this research by looking at the two peak interest groups representing the Dutch industry, namely VNO-NCW and MKB-Nederland. Since not only these interest groups but also the fossil fuel companies themselves put forward the interests and ideas of the fossil fuel industry, expressions of the top ten largest industrial emitters are also included in this research. Based

on the organization of companies' emissions, as shown by the Dutch media outlet RTL nieuws (2021), the ten emitters that can be seen as the most significant industrial emitters in the Netherlands are displayed in Table 1. These ten companies and their statements will thus be included in this study.

Table 1

Ten Largest Industrial Emitters in The Netherlands in Tons of CO2 per Year

Ranking number	Name of emitter
1	Tata Steel IJmuiden bv BKG 1
2	Shell Nederland Raffinaderij B.V.
3	Vattenfall Power Velsen
4	Uniper Centrale Maasvlakte
5	ESSO Raffinaderij Rotterdam
6	RWE Eemshaven Centrale
7	Vattenfall Magnum Centrale Eemsmond
8	Energie Productie Clauscentrale
9	BP Raffinaderij Rotterdam B.V.
10	Enecogen

Ultimately, analyzing expressions of both the interest groups and the individual largest emitters will lead to a complete picture of the fossil fuel industry's interest.

The testing of the second hypothesis, focusing on Europeanisation, will be performed by comparing patterns in the dependent variable with norms, rules, and beliefs reflected in Commission officials' statements, EU legislation coming from the Commission, policy documents from the Commission, and best practices, identified by the Commission.

Testing the third hypothesis, aimed at informal pressure from other states, is more complex. The document analysis might show that ideas and norms of other states are directly mentioned as being a source of inspiration. Since incorporating ideas from other states does not have to be accompanied by the direct naming of this incorporation, however, conducting structured interviews can offer a solution. In these structured interviews, ideas and norms that may not be explicitly mentioned but have been meaningful for the realization of the transition fund can be identified. This means that semi-structured elite interviews can be important not only for testing the third hypothesis but for validating the outcomes found by the document analysis in general. The latter claim stems from the doctrine of triangulation, in which combining multiple qualitative research methods can lead to the assumptions associated with each method being tested and that the iterative process performed using multiple research methods can increase the validity of the results (Denzin, 2012).

The results of this research will be ordered and analyzed following the order of a policy process. This ordination was chosen because factors' influence on the final policy design can differ per phase (Tresch, Sciarini & Varone, 2013). Strehlenert et al. (2015) distinguish the following phases within a policy process: Agenda setting, Policy formulation, implementation, monitoring, and evaluation. These policy phases are regularly used in policy analysis research (e.g., Pelletier, Frongillo, Gervais, Hoey, Menon, Ngo, Stoltzfus, Ahmed & Ahmed, 2012; Koduah, van Dijk & Agyepong, 2016). Since this research focuses specifically on the development of the policy design, only the first three phases are relevant. In the agenda-setting phase, it will be investigated to what extent the possible factors have influenced the reports of policymakers and advisory groups and the emerging debate about green industrial policy. In the policy formulation phase, the possible influence of the explanatory factors will be examined by analyzing the advanced political debates, detailed policy proposals, reactions to the proposals put on the agenda, and party programs written prior to the parliamentary elections in the Netherlands. In the policy implementation phase,

the possible influence of the explanatory factors will be investigated by analyzing the actual policy design as included in the coalition agreement and laid down in actual intentions for legislation and regulations. It may be helpful to know that the new Dutch government coalition took office at the beginning of 2022, after the parliamentary elections in March 2021.

Analysis

Part 1: The agenda-setting phase

First of all, this analysis section will test within the agenda-setting phase to what extent the three different possible explanatory factors can be found.

1. *The explaining factor of fossil fuel interests*

The agenda-setting phase for the Dutch industry climate transition fund is largely formed by a number of reports from influential governmental and non-governmental organizations. In April 2021, just after the Dutch parliamentary elections, the OECD (2021) published a report entitled: "Policies for a climate-neutral industry: Lessons from the Netherlands." This report outlines where the Netherlands stands when it comes to moving towards a climate-neutral industry and what steps still need to be taken. The report contains various recommendations that relate to the climate transition fund that was set up later. For example, the OECD writes:

> Reaching carbon neutrality in 2050 will require a major structural transformation towards the use of green emerging technologies, in the Netherlands as in other countries. This requires bringing down the costs and improving the productivity of existing clean technologies, and developing new breakthrough technologies. Public policies are needed to help trigger these investments (OECD, 2021, p. 10).

This recommendation, aimed at deploying public policy to promote investment in technologies, was positively received by the then Dutch cabinet. The then Minister of Economic Affairs and Climate stated in answers to parliamentary questions that were asked in response to the published OECD report:

> According to the OECD, new techniques are needed to achieve climate neutrality by 2050. The OECD thus endorses the government's commitment to opt for an addition to the range of instruments so that the upscaling of less cost-effective techniques is also encouraged (Dutch parliamentary paper 29696 nr. 15, 2021, p. 5).

The scaling up of less cost-effective techniques is closely related to the Dutch industry climate transition fund, with the primary aim of stimulating the development of technology by industrial parties that can contribute to CO2 reduction by means of subsidies (Coalition Agreement VVD-D66-CDA -ChristenUnie: Budgetary Annex, 2021, p.15). The idea that the government should play a significant role in stimulating and making investments in new technologies bearable is also reflected in the expressions of the fossil fuel industry. The employers' organization VNO-NCW, for example, writes in their agenda for the Netherlands up to 2030: "The government can contribute to accelerating the transition agendas by: - more budget for circular innovations; - the (partial) removal of financial risks. - scaling up the government's role as launching customer in tenders" (VNO-NCW, 2021a, p. 34). The Royal Association of the Dutch Chemical Industry (VNCI), the representative of the chemical industry in the Netherlands, including Shell Nederland as a member, also found that the instruments for promoting technology development for industrial sustainability were still insufficient by stating that:

> We run the risk that more expensive but essential techniques for the long term will not be promoted until later in time. Because the current instruments only stimulate a limited number of techniques, we also run the risk that the target of stimulating CO_2 emissions at the lowest possible cost will not be achieved (VNCI, 2021, p.27).

The fact that it is essential to free up public resources for innovations and to remove the costs and risks associated with these innovations was, therefore, something that was discussed in the agenda-setting phase and what, based on the expressions of various fossil fuel actors, was also in the interest of the fossil fuel sector.

In addition to this consensus, an important similarity can be found in the agenda-setting phase between the interests of the fossil fuel sector and the content of the recommendations and considerations in this phase. This like-mindedness is the emphasis placed on the danger of carbon leakage. In the aforementioned OECD report, it was written that:

> Policies should limit the impact of the transition on the short run competitiveness of domestic firms, while not compromising on providing an incentive for decarbonisation in the longer run. A loss of competitiveness in the short run could not only affect economic prospects, but also, absent mechanisms to penalise carbon-intensive imports, lessen the efficiency of the low-carbon transition by partly shifting emissions abroad rather than reducing them (a phenomenon referred to as “carbon leakage”) (OECD, 2021, p. 11).

Another important report, written by a scientific bureau affiliated with the Dutch green party, also warned of the risk of an industry departing, which would negatively affect greening in the long term. This agency wrote in a report entitled “Building the Green Age” the following:

> If basic industry leaves due to stricter climate policy, aren't we missing the companies (and their capital and knowledge) that we need to convert and build a green basic industry? That would be a shame, but luckily it doesn't have to be. After all, green industrial policy also provides the carrot for investing in future-proof, green basic industry. It is therefore important to develop a strong, green industrial policy that will make the Netherlands an attractive location for basic industry that does have a future (Scientific Bureau GroenLinks, 2021, p. 209).

This describes the potential problem of a departing basic industry with possible carbon leakage and, at the same time, offers a solution: green industrial policy. This green industrial policy could offer so-called 'carrots,' meaning rewards for making moves towards a more sustainable model. The provision of these rewards is being shaped by the establishment of the climate transition fund. In 2020, the Dutch cabinet stated in a vision letter regarding the future of the manufacturing industry that it was important to maintain the business climate for the industry by stating: "There is still a significant challenge to ensure that basic industry chooses the Netherlands. as a location to make investments in making production more sustainable" (Ministry of Economic Affairs, 2020, p. 11). This also shows that in the agenda-setting phase, importance was attached to maintaining and expanding the industry and the fear of losing competitiveness at an international level.

This importance is reflected in the expressions of fossil fuel industry actors. For example, Annemarie Manger, the chief executive of the large steel manufacturer "Tata Steel" spoke in an interview with the newspaper "NRC" about the importance of preserving the industry in the Netherlands by stating:

> We must all reduce CO2. There are two ways: remove the industry, or ensure that the industry reduces emissions. I am convinced that it is important to maintain the steel industry in the Netherlands. The taxpayer also uses steel (NRC, 2021a).

The CEO of the refinery “BP” also spoke about the importance of the industry for the Netherlands and the danger of this industry leaving. In an interview with interest group VNO-NCW she stated:

> No more industry could mean less employment, higher taxes, and the disappearance of technical universities, to name just a few consequences. And the petrol then simply comes from other countries, because people still want to continue driving. Then I'd rather bridge the gap to politics to find a solution together (VNO-NCW, 2022).

Both the importance of more instruments for innovation and the importance of retaining and attracting industry by providing a 'carrot' and searching for a joint solution for the greening of

the industry were thus visible in the agenda-setting phase, both in expressions of the government and advisory bodies as well as in the expressions of fossil fuel industry actors.

2. *The explaining factor of the influence of Europeanisation*

In the agenda-setting, the role of the European Union is certainly not left untouched. The relationship between Dutch policy and the policy of the European Union is frequently discussed in the advisory reports. The Advisory Council on International Affairs, an important advisor to the Dutch government on international issues, published a report on industrial policy in which it was stated that Dutch industrial policy could not be viewed in isolation from European industrial policy. The report stated that:

> In 2022, the Netherlands is de facto an integral part of a large, increasingly relatively closed economy, namely that of the European Union as a whole, in the context of the global economy. This forces a different strategy, a different view of the country's opportunities and threats (Adviesraad Internationale Vraagstukken, 2022, p. 24).

What is important about the above quotation is that it talks about the threats and opportunities that the Netherlands faces as a result of changes in the global economy. Later, in the same report, the changing context and the threats and opportunities for the Netherlands are clarified:

> There is now a well-founded apprehension throughout Europe — including in the Netherlands — of industrial power being exercised by the great powers of China, Russia, and occasionally the US with their respective state-owned enterprises, energy empires, and tech giants. Brussels' new industrial policy has recently revolved around ensuring a collective ability to sustain wealth and jobs in the raging global power struggle. There are very great public interests for the Netherlands. The geopolitical situation forces a repositioning and European and national reflection on the place and future of industrial policy (Adviesraad Internationale Vraagstukken, 2022, p. 6).

The industrial power exercise of other superpowers aimed at the European market is also discussed in other reports. Specifically, the importance of safeguarding essential production facilities is mentioned, as happened in the paragraph below of a previously mentioned report:

> A green basic industry also offers geopolitical advantages. International trade wars are still lurking. It is therefore strategically and geopolitically wise to maintain crucial production facilities within the European Union. Think of the fight against the corona pandemic: many wondered why the Netherlands and other European countries did not produce mouth caps themselves and had to import them from China (Scientific Bureau GroenLinks, 2021, p. 195).

Preserving crucial production facilities is closely related to the concept of 'strategic autonomy.' Europe, including the Netherlands, should protect certain economic sectors and companies in order to preserve their resources in Europe for fear of over-dependence on potentially unfriendly or unreliable countries. The importance of 'strategic autonomy' is also mentioned in a 2020 report on the international economy, written by bureaucrats from the Dutch Ministry of Finance. These bureaucrats cited "strategic autonomy" as a motivation for government intervention, stating:

> We do not want to become dependent on third countries for certain activities, raw materials, or technologies, and we want to be on the side of caution. Then government intervention is required. The aim then is to increase resilience, adopt a less open and more defensive attitude towards the global economy, and obtain what is also referred to as 'strategic autonomy' (Ministry of Finance, 2020, p. 37).

The notion of 'strategic autonomy' comes directly from the European Commission. In a document setting out “a new industrial strategy for Europe,” the Commission writes:

> Europe's strategic autonomy is about reducing dependence on others for things we need the most: critical materials and technologies, food, infrastructure, security and other strategic areas. They also provide Europe's industry with an opportunity to develop its own markets, products and services which boost competitiveness (European Commission, 2020, p. 13).

European Commissioner for the Internal Market, Thierry Breton, emphasized the importance of strategic autonomy in a blog post. In this post, he wrote:

> The need for a more autonomous Europe goes far beyond the issue of vaccines. Europe must give itself the means to take its economic and industrial destiny in hand. We must ensure that Europe is not in a position of great dependence in the years to come. I believe in a Europe that leads on the markets of the future, not one that is a mere subcontractor. To do this, we must develop our industrial capacity in Europe (European commission, 2021c).

The idea of the European Commission is that high dependence equals weakness and that dependencies should therefore be limited. In the interview with the former member of the scientific bureau of the Dutch green party, he confirmed the influence of the idea of strategic autonomy on government policy in member states such as the Netherlands. In the interview, he stated:

> A different wind has started blowing in Europe. On a global scale, we as Europe are becoming too small and too dependent. The idea is that we can compete with China and the US and need an active government for that. This idea has been successfully disseminated to the Member States by the European Commission, making active government intervention more acceptable (E. Nieuwenhuis, personal communication, May 28, 2022).

In the agenda-setting, various advisory reports thus emphasized the preservation of industrial resources with the aim of gaining strategic autonomy. This strategic autonomy would not be

possible to achieve without a basic industry existing in Europe and in the Netherlands since losing this basic industry, and its resources would mean that the Netherlands and Europe become more dependent on other parts of the world for industrial products. The aim of gaining strategic autonomy is completely in line with the wishes of the European Commission. In this case, the legitimation for more government intervention and the pursuit of green industrial policy, for example, in the form of setting up the industry climate transition fund, comes fairly directly from the Commission.

3. *The explaining factor of the process of policy diffusion*

In the agenda-setting phase, it is visible that there are concerns about the actions of other countries, which may put the Netherlands and its industry behind. This is one of the mechanisms underlying peer pressure that can cause some form of policy homogenization, as explained in the theoretical section. The peer pressure that the Netherlands should feel is described quite explicitly in the report of the Advisory Council on International Affairs, where an important recommendation is:

> Get moving. A proactive positioning of the Netherlands in EU industrial policy presupposes clear industrial policy at national level. Apart from its usefulness for national prioritization, an updated vision of the place and future of Dutch industry is necessary in order not to lose touch with the rest of the Union. If the Netherlands lags behind in this respect compared to neighboring countries (Germany, Belgium, France, and also the UK), the business climate will become relatively less attractive (Adviesraad Internationale Vraagstukken, 2022, p. 7).

Losing the connection is, therefore, following the quote above, important for the Netherlands. In the above case, this specifically concerns finding connections with neighboring countries, often also members of the European Union. In the agenda-setting phase, it can often be seen that the Dutch climate policy should take into account the position of the Netherlands and its industry in relation to other countries. For example, the aforementioned report, written by bureaucrats of the Ministry of Finance, states:

> In addition, declining economic openness outside Europe and increasing winner-takes-all dynamics within specific sectors (such as digital platforms) may be reasons to invest more in everything that can contribute to radical innovation: innovation that allows the Netherlands and Europe to continue to lead the way in the field of innovation on the global level (Ministry of Finance, 2020, p. 42).

Where earlier it was about finding connections and the fear of falling behind other countries, the above quote is about the importance for the Netherlands of being able to stay 'ahead.' The consensus between the two approaches is that the changing dynamics of the global economic scene are forcing the Netherlands to take action, specifically in the field of industrial policy and boosting innovation. The aim of the industry climate transition fund is precisely to take steps in this direction. Following other countries in order to maintain or even improve position is a possible driving mechanism for policy diffusion.

The position of the Netherlands in relation to other countries is also discussed in an opinion article in the Dutch newspaper "NRC," written by the chairs of the youth organizations affiliated with the liberal Dutch political parties "VVD" and "D66".

The op-ed appeared in 2021, even before it was clear that both liberal parties would actually form a governing coalition with two other parties. The two chairmen write in their article, entitled: "The Netherlands must be a forerunner in green industrial policy," the following:

> By tackling the climate crisis, current political leaders have an opportunity that few leaders get: the Netherlands can become a frontrunner in the field of sustainability. With a new green industrial policy, the Netherlands is creating a sustainable market from which we will benefit for years to come. If the Netherlands does this quickly, it will still have a competitive advantage (NRC, 2021b).

Here too, the position of the Netherlands in relation to other countries is emphasized, and it is stated that if the Netherlands acts quickly, it can still gain a competitive advantage. In other words, if this doesn't happen soon, this competitive advantage will disappear because other

countries will trade and reap the benefits. So it is again the fear of falling behind that should prompt the Netherlands to follow global economic movements.

In the agenda-setting phase, policies in other countries are also explicitly mentioned as legitimizing support for industrial parties. In a debate on Dutch industry in the Dutch parliament, the MP, on behalf of the Christian Democratic Party "CDA," argues that helping the industry is legitimized. He substantiates this, among other things, by stating:

> For example, if we look at a country like Germany, which is also very active in its car industry, we see that other countries also cherish certain industries. What is wrong with us, as the Dutch government, saying: that sector, we are good at that, that is important, and so we lend a helping hand? Other countries do that too (Dutch Parliament, 2021a, p.10).

Here, the policy in another country, neighboring Germany, is thus used as legitimacy for helping industrial parties, something that happens with the policy design of the industry climate transition fund. So the idea that other countries have certain policies, in this case, industrial policies, is a reason to consider these policies too, to a certain extent.

Concluding remarks on the agenda-setting phase

In conclusion, it can be stated that in the agenda-setting phase, the importance of pursuing (green) industrial policy is often substantiated and emphasized by pointing to international economic competition and the possible negative consequences of losing basic industry and the associated losses of means of production and employment. These substantiations can be found in the similarities between the reasonings in favor of a policy design such as the climate transition fund, the expressed fossil fuel interests aimed at preserving industry for the Netherlands and preventing carbon leakage, the pressure from the European Commission to achieve strategic autonomy for Europe and its Member States and to reduce dependency on other states and blocs and in the rationales based on the position of the Netherlands on the global economic stage, where green industrial policy and supporting companies would ensure

that the Netherlands would not fall behind or even take the lead, so that the Netherlands would follow trends on the world stage, leading to a form of policy diffusion.

Part 2: The policy formulation phase

In the second step, this analysis section will test within the policy formulation phase to what extent the three different possible explanatory factors can be found.

1. *The explaining factor of fossil fuel interests*

In the second phase, the policy formulation phase, relatively many similarities can be found with the first phase, that of agenda-setting. The importance of preserving industry, self-reliance, and strategic autonomy is also emphasized in this phase, together with the action that the Netherlands must take to this end. The Christian political party "Christenunie," which was part of the previous Dutch cabinet and would also be part of the following, current cabinet, writes in the election program, for example, that it has a wish:

> More self-sufficient production. The government creates the preconditions for an internationally competitive manufacturing industry in our country and in Europe. For example, with a good knowledge and innovation policy and by helping out where necessary. This will give Europe and with it the Netherlands greater self-sufficiency in crucial production chains (Christenunie, 2020 , p. 89).

The Christian-democratic party “CDA,” which was both part of the previous cabinet and would also be part of the following current cabinet, also states at this stage that industrial parties must be prevented from being chased away. In a vision paper on climate policy, written by the parliamentary faction and the scientific bureau of the party, it is stated, prior to the start of the coalition negotiations, that the following wish exists:

> We make ambitious, tailor-made agreements for CO2 reduction with the twelve major emitters: we do not chase these companies away but enter into ambitious agreements in which the government itself is also committed to complying with these agreements (CDA, 2021, p. 18).

Not wanting to chase companies away in order to retain industry was a wish that was already widely recognized in the agenda-setting phase. What is new in the above quote is that it calls for tailor-made agreements with the largest emitting parties in the Netherlands. This proposal has not yet been put forward in the agenda-setting phase. The tailor-made agreements would be agreements between the government and the major emitters. The emitters would agree on reducing a certain amount of CO2 emission, for which the government would agree to make a certain amount of subsidies available. In contrast to more general subsidy instruments, these tailor-made agreements involve direct contact between the government and the emitter to facilitate the specific needs of the emitter to make it possible to reduce the agreed amount of CO2. Expressing the wish for tailor-made agreements and targeted subsidies is not a one-off. Later, in the same document, written by the CDA party, it is written:

> A green industrial policy means that the government, together with the business community and knowledge institutions, takes an integral look at what is needed to strengthen the earning capacity of the Netherlands, to bring emissions to zero before 2050, and to develop the technologies that are also applied in the rest of the world. This requires customization from the government with regard to financial support (CDA, 2021, p. 12)

Here too, issues that were noted earlier in the agenda-setting phase, such as the desire to develop technologies and strengthen the earning capacity of the Netherlands, recur. Once again, however, we see a plea for customization in the field of subsidies. This was not so explicitly the case in the agenda-setting phase.

The call for customization does not only come from the CDA political party. The political party "SGP," a strongly Christian party, which has played an opposition role during both the previous and current cabinet term, also argued for tailor-made financing for large

industrial emitters. In a parliamentary debate held in 2021 on the future of “Tata Steel,” the largest industrial polluter in the Netherlands, the spokesman for the “SGP” stated:

> With a huge CO2 emitter like Tata Steel, why does the government not opt for a tailor-made approach, with a separate budget and separate agreements? That makes it easier for such a group to make future-proof choices (Dutch Parliament, 2021b, p.30).

The tailor-made agreements could and can count on support from industrial parties. The Royal Association of the Dutch Chemical Industry (VNCI), the representative of the chemical industry in the Netherlands, including Shell Nederland as a member, stated to the Dutch newspaper "De Telegraaf" in response to plans to make customized agreements and targeted financing instruments to use for the largest emitters:

> We are pleased that the parties are willing to make tailor-made agreements with the industry and to make proposals for accelerated investment in infrastructure. This also allows the chemical industry to make concrete commitments to make major investments that lead to CO2-neutral and circular production by 2050 (De Telegraaf, 2021).

The largest employers' organization in the Netherlands, VNO-NCW, also responded positively to plans to make customized agreements in the field with the largest industrial emitters. The employers' organization states on its own website:

> VNO-NCW is positive about the plans to reach tailor-made agreements with large industrial companies. No one can achieve the energy transition alone. Infrastructure and permits, for example, are a government responsibility. Only by making these kinds of agreements with each other can the Netherlands achieve its climate goals. At the same time, the Netherlands will then become the place where the industry takes the lead. We think it is sensible for companies, government, and social partners to work together on this (VNO-NCW, 2021b).

In the second policy implementation phase, it is therefore striking that proposals are made for making tailor-made agreements with the largest industrial emitters. Ultimately, paying targeted subsidies to the biggest polluters would be one of the goals of the established industry climate transition fund. The agreement between these proposals and the interests of the fossil fuel industry seems to have been found by the fact that the latter group reacted positively to the proposals with this content in the policy implementation phase. In one of the interviews with the representative of the environmental organization “Natuur & Milieu”, the policy expert confirms the existence of interests of fossil fuel industry actors reflected in the proposals about tailor-made agreements. The expert states:

> There is a large lobby from companies for more financial support because the European CO2 tax hurts so much that money is needed to survive. The biggest polluters, in particular, lobby for more targeted support because the European CO2 tax causes them a lot of damage with their emissions (M. Prins, personal communication, May 12, 2022).

With the information from the interview, it can be concluded that, indeed, the tailor-made agreements can be seen as in the interest of fossil fuel industry actors and that these actors have, at least, tried to influence the policy design in a way that reflects this interest in more targeted public support.

2. *The explaining factor of the influence of Europeanisation*

It is also apparent in the policy formulation phase that a link is made between the European Commission's wish to be less dependent on others for production and thus achieve strategic autonomy and the role that the Netherlands, as a Member State, should play to achieve this. The Christian political party "Christian Union" writes in its election manifesto about its dependence on Europe:

> The corona crisis has once again made it clear how much we depend on international industrial production chains, also for vital sectors such as healthcare. In order to avoid excessive dependence on production outside Europe, we are committed to a robust industrial policy on a European and national scale. We are therefore fully committed to a sustainable manufacturing industry in the Netherlands. Innovation ensures better medical care, a safer world and clean and economical production techniques. We therefore want to strengthen the innovation policy (Christenunie, 2020, p. 88).

The link used in the quote above is the link between less European dependence on international production chains and the necessary industrial policy at the national level, with a major role for innovation. A sustainable manufacturing industry in the Netherlands and the EU can be maintained with this innovation. Promoting industrial innovations is a fundamental goal of the industry climate transition fund.

It is striking that in the above quote, the corona crisis is mentioned as one of the reasons for the necessity of industrial policy. The European Commission also refers to the corona crisis in its communication on industrial policy. In a communication document addressed to the European Parliament, the Commission writes about the corona crisis:

> During this period, we were exposed to new vulnerabilities and older dependencies. The crisis revealed the interdependence of global value chains and the value of a globally integrated Single Market. It also illustrated the need for more speed in the transition towards a cleaner, more digital, and more resilient economic and industrial model (European Commission, 2021b, p. 1).

In addition to the similarities between thoughts about strategic autonomy and the urgency that the corona crisis has shown to accelerate industrial policy, the policy formulation phase also refers directly to rules and standards from the European Commission. In a document prepared by the political parties “VVD” and “D66”, two of the four negotiating political parties during the formation phase of a new cabinet, ideas about policy were set out. Concerning industrial policy, it was written:

> We will increase the climate targets for 2030, take additional measures, and at least meet the target of the EU Green Deal (55%). This requires a strong coordinating role from the government and extra efforts from all sectors. The greatest gains can be made in the industry. We are pursuing a green industrial policy so that the business community can make an accelerated leap towards sustainability in order to maintain its earning capacity in the long term. Partly with public investments, we are accelerating the construction of crucial energy infrastructure (Document VVD-D66, 2021, p. 5).

In the above quote, the European Green Deal, legislation from the European Commission, is cited as the cause of the need to take additional measures and implement green industrial policy and make public investments available. The aforementioned European green deal is also mentioned in a report written by a group of civil servants, who together formed the so-called "study group infilling the climate task," in which future policy options with regard to climate policy are outlined. The introductory section of the report reads:

> On 11 December 2019, the von der Leyen Commission presented its European Green Deal, with which it aims to tighten up European climate policy. Although the exact consequences of the Green Deal and its elaboration on the Climate For the Netherlands component are still uncertain at the moment, it seems sensible for the next government to be prepared for an additional task (Study group infilling the climate task, 2021, p. 10).

This points out to the government that the pressure to tighten up climate policy, originating from the European Green Deal, presented by the European Commission, would present the new government with an additional task. Various proposals are made in the report regarding the implementation of this task. For example, the report argues for "support" for techniques to be able to make an industry transition:

> The industrial transition requires infrastructure and a commitment to technology that is still market unripe but necessary for the future. Generic pricing alone will not allow new technologies to mature. The scaling up and commercialization of clean technology require stable, long-term, and targeted support for currently relatively expensive but promising techniques (Study group infilling the climate task, 2021, p. 37).

Supporting market immature but promising innovative techniques and building infrastructure, advocated in the report, are both goals of the industry climate transition fund. As can be read in the quote, the report states that pricing alone, such as through a CO2 tax, is not sufficient to allow new technologies to flourish. This idea corresponds to a strategy of the European Commission, whereby the Member States are supported by means of public funds in developing projects that are market-unripe but can lead to breakthrough innovations. This strategy is described in the aforementioned communication document from the Commission, which states: "The Commission will continue to support Member States' efforts to pool public resources via Important Projects of Common European Interest (IPCEIs) in areas where the market alone cannot deliver breakthrough innovation" (European Commission, 2021, p. 14). Supporting promising immature techniques at the national level with public money, as recommended by the "study group on the implementation of the climate task," is therefore in line with the policy of the European Commission and would ultimately also form part of the industry climate transition fund.

The report of the "study group on the implementation of the climate task" also mentions the relationship between national climate and industrial policy in the form of public support and European autonomy. The report states: "Public support requires additional instruments compared to the current instruments. Such an instrument can also provide the industry with political and geopolitical benefits, such as increased resilience of the European economy and reduction of energy dependency" (Study group infilling the climate task, 2021, p. 48). This quote also states that specific support for technologies and innovations through new instruments, and public support, can contribute to European strategic autonomy,

Finally, it is important to note that making tailor-made agreements, proposed in the policy formulation phase and supported by the fossil fuel industry, cannot count on explicit

support from the European Commission. The Commission does not refer to tailor-made agreements as a way of giving substance to the climate transition or green industrial policy, while it does show itself critical of state aid. On targeted state aid with environmental goals, the Commission writes:

> One potentially harmful effect of State aid for environmental and energy objectives is that it prevents the market mechanism from delivering efficient outcomes. That might lead to a situation where, due to the aid granted to some firms, more efficient or innovative competitors, for example competitors with a different technology, that would otherwise be able to enter and expand are unable to do so (European Commission, 2014, p. 21).

There is, therefore, no link between the presence of a proposal to make tailor-made agreements made in the policy formulation phase and the pressure from the European Commission to make tailor-made agreements with firms.

3. *The explaining factor of the process of policy diffusion*

In the policy implementation phase, it is striking that, just as in the agenda-setting phase, the position of the Netherlands in relation to other countries is highlighted. The way in which the Netherlands deploys its industrial policy and climate policy could have consequences for the position of Dutch companies, as stated in the report of the "Study group infilling the climate task," consisting of civil servants, which states in their advice:

> With a strong national (including financial) input, the Netherlands can seek links with European programs and cooperation. Emphasis can be placed on those techniques in which the Netherlands has specific strengths. Climate policy and industrial policy can be an extension of each other here. Scaling up widely applicable technology in the Netherlands (the 'enablers') increases the action perspective of industry in the Netherlands and positions companies to take up a position in new global industrial

> value chains for climate-neutral technology (Study group infilling the climate task, 2021, p. 38).

It is argued that a solid (financial) contribution from the Dutch government can give Dutch companies a good position on the international playing field and can achieve a good connection with Europe. If this does not happen, the Netherlands will miss this opportunity, and the position of the Netherlands and the Dutch companies will be reduced. It is, therefore, the fear of losing the connection and thus missing the opportunity to take a good position that should form the reason for making a solid financial contribution. This is a mechanism that is part of the theory of policy diffusion.

In addition to the reasonably indirect way in which a process of policy diffusion is visible in the policy implementation phase via the fear of falling behind, the policy implementation phase also refers explicitly to other countries when making policy proposals. The published climate vision of the political party "CDA," containing the climate policy principles for this party for the coalition negotiations that would follow, reads:

> Green industrial policy requires a different role for the government. The government has been too risk averse in recent years. As a result, we miss opportunities. For example, Germany is investing 8 billion euros in developing the hydrogen economy. The Netherlands has only committed itself to several tens of millions of euros. If we don't act, we'll miss the boat. This means that the Netherlands must proactively and risk-bearing invest in the infrastructure that is necessary for companies to be able to become more sustainable (CDA, 2021, p. 12).

The above quote once again shows the fear of falling behind, as it is argued that the Netherlands would lag behind other countries if no action were taken in the field of investment in the field of innovation, in this case in the field of hydrogen and infrastructure. In addition, the above quote specifically refers to Germany, a neighboring country of the Netherlands, which would give an example of what the Netherlands should do. This example is investing significant amounts in innovation in the field of sustainability. So it can be seen here that when making policy plans, the actions of other similar countries are looked directly at, which would set an example for the Netherlands. An excellent example of policy diffusion.

An important report with policy proposals for the new Dutch cabinet, drawn up before the negotiations about this new cabinet started, also focuses on examples from similar countries. The report was written by The Netherlands Environmental Assessment Agency (2021b) and is entitled: “Experiences with energy and climate policy in neighboring countries: What can we learn from it?” In the introduction to the report, it is written:

> The energy transition is not easy in any country. But some are further ahead than others. It is not about giving 'report figures' for which countries are doing more or less 'well.' But the Netherlands is not the only country that is working on the transition, others have sometimes been working on the transition for a while, and a sharp look around us can teach us from successes or problems that have been achieved or experienced elsewhere (Netherlands Environmental Assessment Agency, 2021b, p. 4).

The above quote provides the basis for the process of mimetic isomorphism, in which the experiences of other, more experienced countries are looked at to learn lessons about the implementation of a complex energy transition. The process of mimetic isomorphism is a possible mechanism causing policy diffusion. Later, in the same report, a concrete example of the UK's policy on greening industry is mentioned. The report details proposals made by a UK climate policy advisory group, the Climate Change Committee (CCC):

> Like the Dutch industry, British industry is bundled together in a few clusters, six in the British case. The problems are also comparable with the Dutch. According to the Climate Change Committee (CCC), this requires substantial subsidies in addition to a CO2 price. The CCC's approach starts with an emphasis on subsidies for CCS, infrastructure, and hydrogen demonstration projects in four industrial clusters (Netherlands Environmental Assessment Agency, 2021b, p. 45).

The aforementioned example of British ideas about greening industry resembles in some respects the ultimate plan of the Dutch industry climate transition fund. The agreements are in the field of subsidies, specifically for infrastructure and innovative projects, such as

hydrogen. It is clear that in the policy implementation phase when thinking about policy proposals, practices from other countries were looked at.

It is striking that the countries chosen as objects of analysis for identifying best practices are all European countries that are pretty comparable to the Netherlands, at least culturally and economically. Both the country mentioned in the climate document of the "CDA," Germany, and the countries analyzed in the report of the Netherlands Environmental Assessment Agency, besides the United Kingdom also, Sweden, Denmark, Germany, France, and Belgium, are European countries which are reasonably comparable to the Netherlands.

Concluding remarks on the policy formulation phase

In the policy implementation phase, the importance of public support for the industry in making the energy transition, a form of industrial policy, is described as a necessity to accelerate innovations and the construction of green infrastructure for industry. This is seen as necessary to comply with the European Green Deal, issued by the European Commission, which obliges the Netherlands to achieve a significant reduction in greenhouse gas emissions. It is also the case that the importance of stimulating innovation through public support is pointed out because, in this way, the Netherlands and Europe can maintain a strong and sustainable industry that reduces dependencies, in accordance with the wish of the European Commission. Furthermore, supporting the industry transition with public money is legitimized by pointing to the actions of other European and similar countries that make public money available to stimulate companies to innovate and provide good infrastructure to make the transition easier, in which the Netherlands should not lag behind. It is also striking that in this phase, the element of tailor-made agreements is given a more prominent place in the policy process, something that has been able to count on the approval of the fossil fuel industry. This approval cannot be found at the European Commission, which is even critical of targeted state aid to specific firms. Nor were any examples found of other, at least European, states that make tailor-made financing agreements with a select number of large polluters, whereby only large polluters would qualify for these targeted agreements. Policy diffusion, therefore, seems to have played a limited role in the emergence of the idea of tailor-made agreements.

Part 3: The policy implementation phase

In the third step, this analysis section will test within the policy implementation phase to what extent the three different possible explanatory factors can be found.

1. *The explaining factor of fossil fuel interests*

In the policy implementation phase, it is striking that, again, the importance of preserving industry is emphasized, which would serve as legitimacy for financially supporting the industry in making a green transition. Specifically, financial support, in the form of subsidies and tailor-made agreements, would be necessary to keep industry in the Netherlands, maintain employment, and prevent carbon leakage.

After the publication of the Dutch coalition agreement, the newly appointed Dutch Minister of Economic Affairs & Climate Policy sent a letter to parliament setting out the government's plans with regard to the elaboration of the coalition agreement in the field of greening industry. In the letter, the minister writes:

> The climate will not benefit if activities and emissions are moved abroad. Making the industry more sustainable will have to take place here. Companies that want to become more sustainable are therefore supported by the government to make the transition. This is done with subsidies for sustainability and innovation by focusing on making renewable energy and the necessary infrastructure available in good time (Ministry of Economic Affairs & Climate Policy, 2022, p.2).

In order to keep companies in the Netherlands and to encourage them to become more sustainable while they remain established in the Netherlands, financial support from the government would be needed. This support consists of the components of the industry climate transition fund. Later, in the same letter, the minister reiterated the concerns about the departure of industrial companies abroad and the action that is being taken because of this:

> Companies that want to become more sustainable are not only encouraged to do so by standardization and pricing but are also supported and facilitated by the government at the same time. In this way, we ensure that sustainability takes place here and that emissions and activities do not leak out to other countries (Ministry of Economic Affairs & Climate Policy, 2022, p. 4)

The above quote explicitly states that standardization and pricing alone will not work and that financial support is also necessary for the goal of retaining sustainable industrial companies. The fossil fuel industry has already expressed this point of view. As early as 2019, the interest group VNO-NCW opposed a national CO2 price, pointing out the risk of the industry that would relocate itself. In a letter to parliament, the organization writes:

> VNO-NCW rejects the route of a generic, national CO2 tax for Dutch industry. Such proposals have such a cost-increasing effect on production that production in the Netherlands will become considerably more expensive. As a result, industrial companies are unable to make the sustainability investments required for the government's ambition. Production and associated employment will then move outside the Netherlands. On balance, nothing and nobody has been gained with it: a lot of job and income loss and no benefit for the climate at all (VNO-NCW, 2019,p. 7).

The risk of carbon leakage was reiterated by VNO-NCW in the same year in a press release, published together with the entrepreneurs' organization MKB-Netherlands. The two interest groups jointly wrote, in a public response to cabinet plans:

> We are concerned about the international position of companies in agriculture and industry. We must ensure that the playing field in the sectors in which the Netherlands earns its money on the international markets is not disrupted. Further elaboration must not lead to a leakage of CO2 and jobs. After all, the Netherlands is already out of step within the EU (VNO-NCW & MKB-Netherlands, 2019, pp. 1-2).

According to the interest groups, pricing CO2 by means of a levy for the Dutch industry will lead to carbon leakage caused by high costs and the inability of companies to make sustainability investments. It is this warning from the interest group of the large companies that is used in the policy implementation phase to legitimize financial support in the form of subsidies. According to the interviewed representative of the environmental organization, "Natuur en Milieu," the concerns of the industrial interest groups are being taken on board in the policy implementation phase. In the interview, she states about the ministry of Economic Affairs & Climate Policy:

> The department is mainly focused on supporting companies. The interests of companies are very much on the radar of the ministry. There is a great deal of self-evidence to talk to companies and their representatives (M. Prins, personal communication, May 12, 2022).

With this information from the interview, the similarity between the concerns about carbon leakage and heavier taxes shared by both the fossil fuel industry and the Ministry of Economic Affairs & Climate and the minister of that department can be explained.

The aforementioned tailor-made agreements are also discussed in the policy implementation phase. In the coalition agreement, the newly formed coalition writes: "On the basis of solid tailor-made agreements, we ensure that Dutch industry in Europe and worldwide sets the sustainable standard. In this way, we strengthen the business climate and maintain sustainable employment for the Netherlands" (Coalition Agreement VVD-D66-CDA-ChristenUnie, 2022, p. 7). Retaining employment for the Netherlands and thus preventing it from disappearing abroad is also used here as legitimacy, this time for making tailor-made agreements with large industrial polluters. The plan regarding tailor-made agreements is further explained in the aforementioned letter from the newly appointed Minister of Economic Affairs & Climate sent to parliament after the new cabinet took office. In this letter, the minister writes about the group of largest industrial emitters:

> I want to go one step further with this group of largest industrial emitters. I want to work with them to shape fundamentally new sustainable technologies and, at the same time, make agreements about a program for faster and more ambitious CO2 reduction, whereby I want to maximize the CO2 reduction potential of the industry with a tailor-made approach. This will help the Dutch industry to become a global leader and nursery for sustainable technology and business operations (Ministry of Economic Affairs & Climate Policy, 2022, p. 6).

The tailor-made agreements are mentioned here to make the Netherlands a source of technology and business operations. For this, it is necessary that the innovations are actually made in the Netherlands and that the departure of companies and leakage effects are thus prevented. The minister emphasized the importance of extra efforts by means of tailor-made agreements and the relationship between these agreements, and the prevention of departing companies in a debate about the new plans of the cabinet. In this debate, the minister stated her vision for the industry and the position of Tata Steel, the largest industrial polluter in the Netherlands:

> That vision is that we need a manufacturing industry and that we need a basic industry. That's why we make an effort for Tata. This is important. In the previous debate I said to you: suppose we close Tata, then steel will come from outside and steel from outside is much worse. So we also have to keep thinking about what we are actually doing (Dutch Parliament, 2022, p. 39).

Extra efforts for large polluters would therefore be justified in order to prevent leakage effects and the exit of industry. Tata Steel itself, as an important industrial actor, has already stated that it needs targeted government support. The company wrote about the change of course towards sustainable production:

> In order to realize this change of course, support from the national and regional governments is indispensable. This involves subsidies, the construction of infrastructure for hydrogen transport, and the issuance of the necessary permits. To be

> able to transition as quickly as possible, we want to work together with the government and local residents: toward green steel in a clean environment (Tata Steel, n.d.).

There are similarities between the appeal by Tata Steel, which the industrial interest groups also expressed, and the statements in the policy implementation phase regarding the necessity of financial support in the form of subsidies, and therefore not just levies, in order to maintain industry in the Netherlands, prevent carbon leakage and maintain employment in the Netherlands. The specific tailor-made agreements with the largest polluters were also legitimized in this way, which seems to have responded to the calls from fossil fuel industry actors.

2. *The explaining factor of the influence of Europeanisation*

As in previous phases, in the policy implementation phase, the link is made clear between making the Dutch industry more sustainable and the desired reduced dependence and increased autonomy of the European Union. In a letter on behalf of the Dutch cabinet, written by the new Dutch Minister of Economic Affairs & Climate, it is written:

> Industry forms the basis of many products that we use every day, from foodstuffs to medicines and from cars to furniture, and is essential for the security of the supply of these products. Production of steel, plastics, and fuels by European companies, therefore, plays an important role in our livelihoods and contributes to the strategic autonomy of the EU (Ministry of Economic Affairs & Climate, 2022, p. 1).

Here too, as in previous phases, it is emphasized that maintaining a producing industry in Europe is important for the autonomy of the European Union and the security of supply within this Union. The concept of strategic autonomy, which the above quote strongly touches on, comes directly from the European Commission. The Commission writes in a communication document, for example:

> Europe must focus on enhancing its strategic autonomy, economic security and potential for job creation. The Commission is proposing a new Strategic Investment Facility to support cross-border investments to help strengthen and build European strategic value chains (European Commission, 2020, p. 13).

The desire of the European Commission to achieve strategic autonomy serves as a direct motivation for Dutch policymakers to state that industry plays an important role in the Netherlands. This position, in turn, serves as a motivation to prevent the industry from moving away and, therefore, to support them in the energy transition, as explained in the previous part of the analysis.

In addition to the goal of maintaining a sustainable industry in the Netherlands, the means of setting up a transition fund with subsidies for the industry is also related to statements from the European Commission. In particular, the necessity of making public money available to support the green transition is made clear by the European Commission. To reduce the impact of the corona pandemic on the economies and societies of the European Member States, the European Commission introduced the Recovery and Resilience Facility (RRF). This instrument makes money available, which member states can use to reduce the impact of the corona pandemic. Before Member States can claim money from the RRF, a national plan must be submitted by each Member State describing the plans to be implemented with the money. In assessing these plans, the Commission makes making public funds available for the green transition a condition for obtaining money from the RRF. The Commission writes:

> The very large investments required, and their potential to create jobs and growth and reap the benefits from the green and digital transitions, the Commission has strongly encouraged Member States to include in the national Recovery and Resilience Plans investment and reforms in a limited number of flagship areas. The Commission is now carefully assessing the national plans and will monitor their implementation to ensure in particular that at least 37% of funding is dedicated to green investments (European Commission, 2020).

By making it a firm requirement that significant public resources be made available to promote the green transition, the Commission indicates that promoting the green transition by making public money available is reasonable and even necessary.

In addition to promoting the investment of public money for the climate transition by setting requirements for public investments in the green transition by the Member States, the Commission also encourages making public funds available for the green transition by adjusting guidelines on state aid. The Commission monitors compliance with the rules and guidelines regarding state aid in the European market. The Commission amended these rules to give Member States the opportunity to accelerate the green transition with public money. With the new guidelines, making public money available to companies to benefit the green transition would be less likely to be regarded as unlawful state aid. European Commissioner Margrethe Vestager spoke about the amended guidelines as follows:

> Europe will need a considerable amount of sustainable investments to support its green transition. Although a significant share will come from the private sector, public support will play a role in ensuring that the green transition happens fast. The new Guidelines endorsed today will increase everything we do to decarbonise our society. Among others, they will facilitate investments by Member States, including in renewables, to accelerate the achievement of our Green Deal (European Commission, 2021a).

According to the Commission, supporting the green transition by making public money available is necessary. By adjusting state aid guidelines, it is easier to actively support the green transition with public funds, as is the case with the Dutch industry climate transition fund. The Commission, therefore, plays a guiding role here, encouraging public support by means of standards and concrete legislation and regulations.

3. *The explaining factor of the process of policy diffusion*

In the policy implementation, again, reference is made to the position of the Netherlands and its companies on the international playing field compared to the rest of the world. In an in-depth letter that the new Dutch Minister of Economic Affairs sent to parliament, in which Dutch policy on the industry is explained, the minister writes: “By starting the necessary transition earlier than others, companies can take a leading position and remain distinguished in sustainable production. This also increases the export opportunities for the manufacturing industry and service providers that help make this possible” (Ministry of Economic Affairs & Climate, 2022, p.2). This quote shows that the position of the Netherlands and Dutch companies relative to others on the world stage determines the export opportunities and thus the Dutch economy as a whole. Waiting could therefore damage the position of the Netherlands. The fear of falling behind turns out to be another reason to accelerate the industry transition. This desire for acceleration can be seen as a justification for setting up the industry climate transition fund.

The existing fear of falling behind is also made clear in a piece about the design of green industrial policy by the member of parliament of the political party “CDA,” Henri Bontenbal. This piece was published after the coalition agreement, in which the member of parliament in question himself cooperated as a member of one of the coalition parties, was published. The blog post writes about the design of the Dutch green industry policy, stating:

> In Europe, there are countries such as France that have strong government involvement in, for example, the car industry (Germany, France) or the energy sector (France with EDF). As a trading country, the Netherlands benefits enormously from international trade, but at the same time it is also often the best-behaved boy in the class (Blog post Henri Bontenbal, 2022)

The above text makes it clear that there are concerns about the consequences of government intervention by other countries in industrial sectors for the position of the Netherlands on the international trade stage. This fear of falling behind can lead to policy diffusion when the perceived pressure to adopt the policy of others becomes significant. This seems to have happened, given the increased government involvement associated with the new Dutch green industrial policy and the industry climate transition fund.

It is striking that, again, the countries mentioned as examples and used as legitimacy are European countries that show many similarities with the Netherlands in several respects. Both Germany and France are countries that are in close proximity to the Netherlands, literally and figuratively.

Concluding remarks on the policy implementation phase

In the policy implementation phase, the importance of the industry climate transition fund as part of green industrial policy and the energy transition is substantiated by pointing out the importance of preserving the industry, the necessity of public and financial support for accelerating the energy transition and for maintaining the Dutch competitive position on the international trade stage. Declarations by the fossil fuel sector regarding the fear of having to leave the country because of the excessively onerous transition costs correspond to the substantiation in the policy implementation phase using the leakage argument. This argument is also used to legitimize tailor-made agreements with the biggest polluters, corresponding with concerns expressed by a polluter like Tata Steel. The vertical influence of the European Commission can also be observed, among other things, in the similarity between the European Commission's wish to acquire more strategic autonomy and the reference to this goal in the policy implementation phase and in the similarity between the desire and requirement from the European Commission to make public funds available for the green transition and the content of the Dutch policy. Finally, it is also visible that in the policy implementation phase, reference is made to other countries that are said to be actively involved in industrial policies and to the position of the Netherlands vis-à-vis other countries. The Netherlands, compared to these other countries, could fall behind. This points to policy diffusion, although the evidence for the presence of this mechanism as an explanatory factor within the policy implementation phase is not excessive. There is not much reference to other

countries and best practices. However, it is striking that the countries mentioned as examples in documents are all European countries that are, literally and figuratively, located at a close distance from the Netherlands.

Conclusion

General conclusion

Green industrial policy plays an essential role in the discourse and policy surrounding the green transition. In the Netherlands, this critical role is mainly reflected in the policy instrument of the industry climate transition fund. The establishment of this industry climate transition fund, just like green industrial policy in general, is not without controversy. This thesis focused on the research question: "What factors explain the policy design of the Dutch industry climate transition fund?". Three different hypotheses were formulated prior to the empirical analysis. Possible explanatory factors that have been tested are the pressure and lobbying activity from the fossil fuel industry, the vertical pressure from the European Commission, and the horizontal pressure from other states, possibly leading to policy diffusion. These three hypotheses were tested employing process tracing based on document analysis and elite semi-structured interviews.

The first hypothesis that has been drawn up is the hypothesis: the Dutch climate transition fund was designed in line with the preferences of the fossil fuel industry. The analysis showed evidence for the existence of similarities between the interests of the fossil fuel industry and the contents of the industry climate transition fund. The fossil fuel industry has expressed in statements that it had an interest in financial support, instead of, for example, heavier taxes on emissions, in order not to get into financial problems and to remain competitive. The fossil fuel industry has clarified this importance by pointing out the danger of carbon leakage, whereby the industry would move away if there were poor financial support in the Netherlands. According to the industry, this would reduce production capacity, and employment would be lost, which would be bad for the Netherlands. This argument has also been used by policymakers and advisory bodies, pointing to the need to provide public financial support to preserve the industry and its associated economic resources.

The influence of the fossil fuel industry is most clearly visible in the design of the tailor-made agreements, which the industry climate transition fund finances. These tailor-made agreements appeared in the policy process during the policy formulation phase. The tailor-made agreements were supported and allegedly advocated by the fossil fuel industry. In

contrast, the instrument of tailor-made agreements does not correspond to wishes or encouragement expressed by the European Commission or other states.

The second hypothesis that has been formulated is the hypothesis: the policy design of the Dutch industry climate transition fund was influenced by the approach to green industrial policy advocated by the European Commission. Evidence has been found for the influence of the European Commission's approach to Green Industrial Policy on the design of the Dutch industry climate transition fund. Particularly in the agenda-setting phase, the importance of public financial support for industrial actors is substantiated by referencing the European Commission's wish to become less dependent on other continents for production and thus achieve strategic autonomy. This dependency could only be reduced by maintaining a basic industry in the Netherlands and Europe, which would require public support. Furthermore, in both the policy formulation and the policy implementation phase, reference is made to the pressure from the European Green Deal, with ambitious climate targets, which would ensure that the Netherlands should accelerate the aging process through more public investment through the transition fund. It is also the case that the importance of public investment is generally encouraged by the European Commission and is even used as an assessment criterion for Member States' plans.

The third hypothesis formulated is the hypothesis: the policy design of the Dutch industry climate transition fund was influenced by Green industrial policy measures implemented by other countries. There is also evidence for this hypothesis. Particularly in the agenda-setting phase and in the policy formulation phase, reference was made to the position of the Netherlands and its firms, which would deteriorate compared to other countries without public support. The fear of falling behind is visible in the rationale for setting up the industry climate transition fund. This has been made explicit, referring specifically to the public support that other states provide to their industries. These policy measures from other countries have been used to legitimize the Dutch policy design of the industry climate transition fund. It is striking that the states explicitly mentioned are all European states, which show many similarities with the Netherlands in economic and cultural terms. It is also striking that the process of policy diffusion in the policy implementation phase is less visible.

Evidence was thus found for all hypotheses, which concludes that all three hypotheses are not rejected based on the present research.

It is striking that the arguments aimed at the competitive position of the Netherlands, the acquisition of strategic autonomy, and the retention of employment are not arguments aimed at the climate or environment. Due to the different explanatory factors, geopolitical and economic arguments, in particular, seem to have been used to establish the industry climate transition fund. Therefore, the question is whether the fund's emphasis is on the climate or mainly on the industry.

Discussion & suggestions for further research

The research conducted has several weaknesses that cannot be left unmentioned. First, it remains complicated to determine the actual influence of the various factors. Finding similarities does not mean that these similarities are caused by actual influence. Therefore, the correlation found does not mean that there is an actual causal relationship, for example, between the influence of the fossil fuel industry and the policy design of the industry climate transition fund. Second, concerning the methodology, limited use was made of the semi-structured elite interviews. Of these, only two have been taken. This may affect the representativeness of the data that emerged from the interviews. Although these semi-structured elite interviews were used as an addition to the document analysis so that the total picture consists of a representative amount of data, the limited number of semi-structured elite interviews may have implications for the results found. Third, it is important to note that the external validity of the results of this study may be limited. The research focuses on a specific case within the Dutch context. This means that generalizing the results to other contexts is problematic.

There are several recommendations for further research. First, it is recommended to conduct similar research using a methodology consisting of a more significant number of interviews. This increased amount of interviews, specifically with policymakers and other stakeholders in decision-making processes, could provide even more insights into explanatory factors of policy designs of similar funds filled with public money for climate transitions. Secondly, it is recommended to repeat similar research in other contexts. In other states where public investment funds also exist, the results could differ with regard to explanatory factors.

Finally, it is recommended to pay attention in future research to the conditions imposed on receiving financial support in the context of green industrial policy. Analyzing the precise interpretation of the conditionality of green industrial policy instruments aimed at providing public financial support can be an addition to the existing literature on green industrial policy. When analyzing the degree of conditionality, an analysis can be made of the factors that may explain the degree of conditionality and its interpretation. In addition, when looking at the degree of conditionality and its content, it would be interesting to pay attention to the possible influence of industrial actors, firms, and organizations such as the European Commission.

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Appendix A

Information about the conducted interviews

For this research, the following questions stood at the basis. These questions were asked in every interview. Depending on the development of the interview, other follow-up questions were asked spontaneously. These follow-up spontaneous questions are not included in this appendix.

1. There seems to be a newly occurred consensus on the necessity of Green Industrial Policy in the Dutch policy debate. Do you agree, and how could this new consensus be explained from your point of view?

2. From your point of view, are there specific actors that contributed to Green Industrial Policy now being on the Dutch policy agenda?

3. From your point of view, what are the main differences in opinion in the Dutch Green Industrial Policy debate?

4. The new Dutch cabinet has stated explicitly that it wants to be at the forefront of Green Industrial Policy. The most significant measure to achieve this is the newly set up "industry climate transition fund." Why do you think that the specific policy design of a public investment fund was chosen?

5. Are you satisfied with the design of the fund?

6. A specific and important part of the transition fund is the wish to make tailor-made agreements with the largest CO2 emitters. How do you see these tailor-made agreements as an environmental organization?

7. What do you think are the main motivations for setting up the industry transition fund, which fills in the Dutch desire to be at the forefront of Green Industrial Policy?

8. Does your environmental organization have tried to influence the policy process regarding the setting up of the industry transition fund?

Two interviewees contributed to this research. These interviewees are:

1. Michelle Prins, program leader of industrial policy at the environmental organization "Natuur & Milieu." The interview took place on 12-05-2022 at the office of "Natuur & Milieu" in Utrecht, The Netherlands. The interview took place in a face-to-face setting, and the duration was approximately one hour.
2. Evert Nieuwenhuis, former head of research at the scientific bureau of the Dutch green party, "GroenLinks." In this role, Mr. Nieuwenhuis was responsible for the research project concerning industrial policy. The interview took place on 28-05-2022. The interview took place on Microsoft Teams, and the duration was approximately one hour.