Conditions Attached to State Aid: The Approach of the Dutch Government Vis à Vis a National Steel Champion: A study on the Dutch government's policy of binding tailor-made agreements to enforce and impose strong conditionality in its state-business relationship with Tata Steel Nederland

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A study on the Dutch government's policy of binding tailor-made agreements to enforce and impose strong conditionality in its state-business relationship with Tata Steel Nederland

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Abstract

This thesis contributes to industrial policy by studying conditionality – the conditions attached to state aid – and linking this to the concepts of state capacity and political salience. First, this thesis addresses conditionality issues in the context of climate change, as the literature to date has focused on other development challenges such as industrial upgrading. Second, this thesis contributes to the literature by focusing on the study of conditionality in relation to advanced industrialised economies, as the existing literature is mainly focused on developing countries. In particular, this thesis aims to highlight the types of conditions that are relevant in this case compared to those identified in the literature. Third, the thesis emphasises the importance of the politics of conditionality, or the political will to activate existing state capacity. The thesis shows that an advanced economy such as the Netherlands has the state capacity to impose a policy of strong conditionality on business. In the studied case, however, this capacity has been activated by political salience, which has created a social coalition in support of this policy to impose strong conditionality.

Key words: conditionality, state capacity, political salience, state-business relationship

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1. Introduction

The Paris Agreement and the European Green Deal have set ambitious targets to limit global warming. To meet sustainability challenge, the Netherlands must reduce its CO_2 emissions and make significant efforts to improve its environment. The COVID-crisis and the war in Ukraine have reinforced the importance of becoming more sustainable. Both events have shown that disruptions in the supply of energy, raw materials and products, can lead to numerous vulnerabilities in industrial value chains. It is therefore important to achieve sustainability goals in order to limit global warming, improve the living environment and increase the independence of energy supply and manufacturing value chains.

In line with European targets, the Dutch government has set a legal target of a 55% CO_2 reduction by 2030 compared to 1990 levels. Societal questions arise as to how and which sectors need to reduce emissions, and by what means this is to be achieved. An important sector in meeting these targets in terms of emission reduction is the manufacturing industry. In line with this, the government needs to find ways in order for companies to comply with public goals in the area of climate and environment. The Dutch Climate Agreement of 2019 aims to achieve industrial emissions reduction of 14.3 Mton CO_2-equivalent per year by 2030 (Adriaansens, 2022a). In the coalition agreement of 2021, the Dutch cabinet has announced a new industrial policy. This policy is called *maatwerkafspraken*, a tailor-made approach of making binding bilateral agreements between the government and the ten to twenty largest industrial polluters, aiming at an additional 1 to 1.9 Mton CO_2 reduction by 2030 (Adriaansens, 2023a). The goal of this policy is to bring about a green transition in this sector in Netherlands and to prevent these companies from relocating.

The example case of this policy is Tata Steel Nederland (TSN). The company has a history of more than a hundred years of steelmaking in the Netherlands but in these times of climate and environmental challenges, TSN has become subject of discussion due to its large emissions of CO_2 and other pollutants, and its impact on the environment. For example, TSN is the largest polluting company in the Netherlands, emitting 5.8 Mton CO_2 in 2022 (NEa, 2023). As a result, the Dutch government is in the advanced stage of concluding a binding tailor-made agreement with TSN and the steel plant aims to reduce its CO_2 with 5 Mton by 2030. Next to additional CO_2 reduction, the agreement addresses other conditions such as nitrogen and noise reduction, as well as improving the living environment and air quality (Rijksoverheid, 2022). Given these requirements, the conditionality enforced by the Netherlands should be considered strong compared to other European countries (Berenschot,

2022). This thesis thus illustrates its societal relevance in light of the public questions on how to green the industrial sector and how this Dutch policy is formulated and implemented in practice.

Faced with the challenge of a green transition, the Dutch government wants to support TSN through possible financial support, investment in energy infrastructure and the removal of regulatory barriers. This raises the question of whether governments should use public funds to support companies. Attaching conditions to state aid could be a solution. Indeed, the exploration of possible state aid goes hand in hand with the fulfilment of sustainability conditions by TSN. In the study of industrial policy, the issue of conditions attached to the transfer of state aid to business is conceptualised as conditionality. Conditionality is still an understudied topic and there are several gaps in the literature (Bulfone et al., 2022). For example, qualitative in-depth studies of state aid to large firms can complement quantitative approaches due to the strategic nature of the firms involved (Amdsen, 2001). The existing literature on conditionality in state-business relations focuses mainly on state interventions in the economy that are inherently favourable to business, which is why scholars are urged to identify variations in the degree of subordination of business to the state (Bulfone et al., 2022). In particular, Bulfone et al. (2022) call for a renewed focus on conditionality, seeking to identify the factors that lead some countries to enact and enforce stronger conditionality than others, and suggesting a shift towards analyses of the nature of conditionality. This thesis aims to demonstrate its academic relevance by addressing these issues.

In light of these gaps, this thesis will examine the conditions of the Dutch state's relationship with TSN. More specifically, the thesis seeks to identify the reasons why the Dutch government has been able to enforce and impose strong conditionality in the state-business relationship with TSN. The thesis examines the establishment of the tailor-made policy with TSN and identifies the circumstances that hindered or favoured the introduction of strong conditionality. In addition, the thesis examines the specific conditions included in the agreement with TSN. The research question is therefore: *What factors explain the strong conditionality enforced and imposed by the Dutch state in its relationship with Tata Steel Nederland?* The main findings of the thesis show that an advanced economy like the Netherlands has the state capacity to impose a policy of strong conditionality on business. However, this case illustrates that this capacity is activated by the political salience of the issues surrounding TSN, which has created a social coalition in support of this policy of imposing strong conditionality. Public opinion in the Netherlands therefore plays a crucial role in the government's ability to act and enforce conditionality.

The thesis is structured as follows. The next chapter deals with the literature on conditionality, followed by the theoretical framework and the methodological approach. This is followed by a chapter describing the background and context of the issue. The empirical findings are then presented, based on a process-tracing case study, before the findings are analysed in the following chapter. Finally, the thesis ends with a conclusion.

2. Literature review

This chapter reviews the literature relevant to the thesis. Theories of conditionality stem from theories of comparative political economy (CPE) and industrial policy. Conditionality cannot therefore be explained without a brief introduction to the theories in the broader context of conditionality. The most important theories revolving around the issue are theories of the relationship between the state and economic actors, especially when this relationship involves the transfer of public resources to the economy. In this relationship, the existence of conditions attached to state aid is the subject of this research, which is why the concept of corporate welfare is introduced. Next, the theory is reviewed, particularly with regard to the concept of conditionality. Finally, the theory of state capacity is presented.

2.1 Corporate welfare

One theory that conceptualises the relationship between the state and business is corporate welfare. Kevin Farnsworth (2012) has laid out the beginnings of the theory, acknowledging that it is still under-theorised in the literature. He uses an expansive definition of corporate welfare, defining it to include all government regulations that serve to meet the needs of firms and protect them from various market risks (Farnsworth, 2012). In a subsequent contribution to the theory of corporate welfare, Bulfone et al. (2022) argue for a more restrictive definition of the concept. They argue that there is a fundamental political economy reason to support such a restrictive definition, because of the conditionality underlying the relationship between the state and the firm. They define corporate welfare as ‘transfers from state actors to large, small, domestic, and foreign corporate recipients, coming without strings attached, or with weak conditionality' (Bulfone et al., 2022, 270). When a state provides state aid or transfers other public resources to firms and imposes conditions firms to behave in a certain way, this should not be seen as a manifestation of corporate welfare. In fact, states can then impose their rationale for the direction of economic development. On the other hand, if a state gives unconditional state aid to business, this should be seen as a case of corporate welfare, because it shows the weakness of the state, since the state does not steer development or investment and companies can behave according to their own conditions. Thus, the manifestation of a state-business relationship without strong conditions denies that a state is able to enforce its own course of action within the economy. This is a sign of a state's structural weakness vis-à-vis business (Bulfone et al., 2022).

In his work, Farnsworth points out that globalisation has shifted the balance of power in state-business relations in favour of business. However, the focus on numbers in corporate welfare research prevents it from documenting how state-business relations have changed in practice. For this reason, Bulfone et al. (2022) suggest changing the focus from comparing the transfer of state aid to firms to a more comprehensive analysis of the nature of the conditions involved. This new focus should describe the factors that lead to some countries, regions or cities being able to set and enforce stronger conditionality than others (Bulfone et al., 2022). This is in line with Amsden (2001), who suggests research into in-depth qualitative studies of specific cases of government support for large firms that are analytically relevant because of the size of the subsidies or the strategic nature of the firms involved.

2.2 Conditionality

Accordingly, the literature on corporate welfare and the relationship between the state and business more broadly shows a central focus on conditionality. Bulfone et al. (2022) stress that although conditionality is rarely of interest to CPE scholars, the concept has been widely discussed in development studies literature. In her book, Alice Amsden has done important work in emphasising conditionality. In her examples of industrial subsidies in Asian countries such as South Korea, China, Taiwan, Indonesia and Malaysia, but also in some countries in South America, state actors implemented results-oriented and redistributive performance standards as a control mechanism (Amsden, 2001). A control mechanism could be seen as a set of institutions that discipline economic or corporate behaviour on the basis of feedback information. In this way, Amsden argues that successful industrial modernisation in these countries depended on the state's ability to create these mechanisms to control and discipline the behaviour of firms (Amsden, 2001). Such control mechanisms involved the principle of reciprocity. In an earlier paper by Amsden and Hikino (2000), they call this a reciprocal control mechanism and argue that states need to allocate subsidies in a disciplined manner. These countries provided large subsidies to firms, but they were not simply given with no strings attached. The recipients of state aid were subject to monitorable performance standards that were redistributive and results-oriented. The control mechanisms thus disciplined aid recipients while minimising government failure (Amsden & Hikino, 2000). This research has shown how conditionality in the form of performance standards has been successful in industrial development in a wide range of countries. Performance standards in India, Indonesia, Korea, Taiwan and Turkey have been deliberately stringent in order to

prevent foreign investors from becoming dominant players in all industrial sectors (Amsden, 2001). Other conditions included in state aid transfers include export targets, local content requirements, national ownership, regional location criteria, debt-equity ceilings, investment commitments and, later, product quality specifications and environmental regulations (Amsden, 2001).

Other literature on conditionality includes the work of economist Mariana Mazzucato (2013). In her book, she argues that the economic success of the United States has been the result of various forms of government investment in innovation, R&D and technology, rather than the operation of free market forces. In her work, Mazzucato argues that when examining the relationship between the state and business, it is difficult to draw conclusions without questioning the conditions attached to state aid and the transfer of public resources to business in general (Bulfone et al., 2022). For example, she addresses the conditionality of loans and guarantees, arguing that when the state provides loans and guarantees, it should not do so without conditions (Mazzucato, 2013). For example, she writes about income-contingent loans compared to student loans. An important argument in her work on conditionality is the possibility of considering a direct return to the state for its investment in innovation, for example through equity retention (Mazzucato, 2013). She gives the example of Finland, where the public funding agency retained equity in its early-stage investments in Nokia (Mazzucato, 2013).

2.3 State capacity

The next concept relevant to the research question is state capacity. Theda Skocpol has defined this concept as the ‘capacities of states to implement official goals, especially over the actual or potential opposition of powerful social groups or in the face of recalcitrant socioeconomic circumstances’ (Skocpol, 1985, p. 9). In the context of conditionality, therefore, state capacity is relevant to the question of whether a state has the capacity to impose conditions on the transfer of state aid. One scholar who builds on Mazzucato and Amsden's work on conditionality is Erez Maggor. In his work on conditionality, Maggor makes two contributions to the debate linking conditionality to state capacity. First, he adds to the theory the state capacity to condition public resources and the conditions and obligations attached to them, as well as the capacity to enforce discipline when firms do not comply with the state's conditions. Second, he addresses the role of the state and politics in economic development (Maggor, 2021). His research includes a case study of Israel's industrial policy,

particularly its innovation policy. Maggor finds that conditionality and state discipline have been a key factor in the success of Israel's innovation economy.

The conclusions of the research highlight that the effectiveness of Israel's innovation policy depended on the state's ability to condition state aid and its ability to enforce discipline (Maggor, 2021). Maggor unpacks this theory with reference to Amsden. He argues that state capacity is required to condition subsidies on monitorable performance standards and to discipline firms that fail to meet these targets (Maggor, 2021). Maggor adds that this capacity is even necessary to ensure the social and economic returns of the state more broadly within the economy, and therefore not just for the benefit of firms. More specifically, in this Israeli case, conditionality was characterised by protectionism and the imposition of financial and production specifications and performance standards. For example, requirements in government-funded projects included that all products developed in these projects had to be manufactured exclusively in Israel and that intellectual property could not be transferred to other states. In addition, the power to discipline companies was given to a special office within the Ministry of Trade and Industry, which was independently empowered to withhold or cancel previously granted funds and to demand full repayment, even with interest, if projects did not develop as planned (Maggor, 2021).

The analysis also shows that politics is a key causal factor in the implementation and potential transformation of innovation policy. Maggor shows the institutional capacities for the emergence of a political coalition formed by different state and business actors in Israel to support its economic development, arguing that the conditions require the political support of a broad social coalition. The specific actors involved in this coalition are members of industry, finance and trade unions, but also leading entrepreneurial scientists, engineers and former military elites (Maggor, 2021). He attributes the formation of this coalition to the nation's developmental past, as the coalition emerged from an earlier period, as well as the involvement of interest groups in this coalition. Broadly speaking, the coalition included private industry and the national trade union, which had its origins in Israel's early industrial development. Maggor notes that the industrial unions were central to the transition to an innovation-driven economy in Israel (Maggor, 2021). Political involvement was significant, as these organisations participated in parliamentary debates. This is consistent with other examples in Scandinavian countries, where trade unions have played an important role in high-tech development. Maggor concludes that the state's successful industrial upgrading, and its ability to condition and enforce discipline to support recipients, was based on the institutional legacies forged during Israel's first industrialisation (Maggor, 2021).

Given Maggor's emphasis on the state capacity to impose conditionality and the aim of the thesis to examine the reasons why a state is able to implement strong conditionality, the literature on state capacity is reviewed in depth. Jonas Meckling and Jonas Nahm have written several articles on state capacity and climate policy. In one of their articles, Meckling and Nahm (2018b) also use Skocpol's theory as a starting point for their research on state capacity and climate policy formulation. In their work, they argue for a shift in focus from the process of policy implementation to policy formulation, concluding that states differ in their capacity to design and formulate effective policies against the resistance of industry interests. The article argues that the allocation of trade between state bureaucracies and the legislature in the policy formulation stage determines state capacity. A bureaucratic policy design divides this trade by having the legislature set policy goals while delegating policy design and formulation to bureaucracies. This design is less prone to regulatory capture because bureaucracies are more insulated from pressure from interest groups. In contrast, in a legislative policy design, the executive sets policy goals and delegates the policy design of individual measures to the legislature. This makes the policy design more vulnerable to regulatory capture since legislatures are more susceptible to lobby groups than bureaucracies (Meckling & Nahm, 2018b).

In their article, the authors compare climate policy in California and Germany, in the latter case demonstrating the influence of industry lobbying in relation to the German state capacity to formulate strong climate policy. German policy in the electricity sector was supported by various interest groups, resulting in significant carbon reductions in that sector. In contrast, lobbying from the transport sector prevented climate policy for this specific sector, resulting in a failure of the state to formulate effective climate policy. This was due to legislative policy design that prevented bureaucrats from exercising their power at the policy formulation stage, leaving the formulation process vulnerable to interest lobbying (Meckling & Nahm, 2018b). In contrast, in California's bureaucratic policy design, the legislature focused on setting overall policy goals, while bureaucrats were tasked with policy design and formulation. This led to the state's capability to make significant and cross-sectoral progress towards climate goals despite lobby opposition (Meckling & Nahm, 2018b). In earlier work, the authors analyse the political dimension of state intervention in promoting industrial and technological change (Meckling & Nahm, 2018a). They argue and show that patterns of interest intermediation by industry shape the state's ability to drive this change. The two patterns that they identify are political coordination and political competition. Political coordination refers to consensus negotiations between the state and industry on technological change, which

inherently prioritises the interests of sunset industries that benefit from existing technologies. Political competition refers to interest-group competition, which allows the state to mobilise coalition parties that support technological change against current interests. Thus, the authors suggest that the state can effectively engage in sectoral innervation to stimulate industrial and technological change (Meckling & Nahm, 2018a).

With regard to state capacity and a state's willingness to activate state capacity and impose conditionality, Pepper D. Culpepper's argument of political salience and quiet politics may be influential. In his work, Culpepper examines state-business relations and reviews the political conditions that support or hinder the implementation of strong conditionality, looking in particular at the influence of issue salience. Culpepper defines political salience as an issue that refers to its importance to the average voter relative to other political issues (Culpepper, 2010). In his work, Culpepper provides a framework for understanding the sources of managerial power in the politics of corporate control that emphasises the advantages of managerial organisations under conditions of low political salience (Culpepper, 2010). Political issues of low salience are what Culpepper calls 'quiet politics'. In contrast, '[...] the more the public cares about an issue, the less managerial organisations will be able to exercise disproportionate influence over the rules governing that issue. In other words, business power goes down as political salience goes up' (Culpepper, 2010, 177). Thus, in the context of conditionality, the greater the salience of an issue, the greater the state capacity to implement and enforce conditionality.

In a chapter on corporate control in the Netherlands, Culpepper showed how large Dutch firms successfully defended takeover protection against attacks from politicians and institutional investors. His conclusion showed how the low salience of an issue makes the expertise of corporate managers a powerful political weapon, defining low salience as the political feature of the Dutch regime of corporate control (Culpepper, 2010). Thus, in terms of conditionality, low salience of an issue enhances corporate power in the Netherlands because managerial expertise can be used as a powerful influence in politics. High salience, on the other hand, could reshape the state-business relationship in favour of state power. High salience of the TSN issue could influence public opinion about TSN, which could activate the state to use its capacity to impose strong conditionality. This is in line with Culpepper's argument that in case the public opinion urges political parties to deal with an issue, as a result 'long-standing compromises can be shattered and radical change is easily imaginable' (Culpepper, 2010, 196). These concepts, which revolve around this potential relationship

between the factors that lead to the imposition of strong conditionality and their application to this case, will now be further explained in the theoretical framework.

3. Theoretical framework

The central concept in this thesis is conditionality. The literature reviewed illustrates the importance of the concept in state-business relations and broader economic and industrial development. However, the literature also suggests that the phenomenon is still understudied by scholars of CPE and industrial policy. Perhaps as a result, the literature lacks a clear definition of conditionality. This thesis therefore defines conditionality as the conditions imposed by the state on the transfer of public resources to business. The literature review has elaborated on the theory of conditionality and the place of the concept in broader CPE and industrial policy theory. The work of Amsden (2001) illustrates the importance of conditions, such as performance standards, in government support to corporate recipients. She argues that industrial development depends on the ability of the state to create control mechanisms to discipline corporate behaviour. Mazzucato (2013) and later Maggor (2021) have called for strong conditionality, problematising state aid from public funds that comes without conditions. Meckling and Nahm (2018a; 2018b; 2021) and Maggor (2021) extend the literature on conditionality by examining state capacity and focusing on the factors that drive it. Maggor (2021) also highlights the role of politics and social coalition building in supporting conditionality. In addition to the political aspect, Culpepper (2010) illustrated the argument of political salience that influences the relationship between the state and business. In light of their findings, one can conclude that there are two main aspects to focus on when studying strong conditionality in state aid measures, namely the state's capacity to formulate and implement conditions, and the political circumstances – such as party preferences, coalition building and political salience – that encourage or discourage conditionality. Thus, the existing literature tends to illustrate a causal relationship between state capacity and successful state intervention. It has also shown how the political power of business can be reduced as a result of political salience. Therefore, the following hypothesis is formulated: *If the political salience surrounding TSN increases, the political power of TSN will decrease and the political circumstances will change. In this case, the Dutch government is able to activate use its state capacity to impose and enforce strong conditionality.*

Given the gaps identified in the introduction and in the literature reviewed, this thesis contributes to the existing literature in the following ways. First, this thesis addresses conditionality issues in the context of climate change, as the literature to date has focused on other development challenges such as industrial upgrading. Second, this thesis contributes to

the literature by focusing on the study of conditionality in relation to advanced industrialised economies, as the existing literature is mainly focused on developing countries. In particular, this thesis aims to highlight the types of conditions that are relevant in this case compared to those identified in the literature. Third, the thesis emphasises the importance of the politics of conditionality, or the political will to activate existing state capacity, which is arguably more relevant in the case of advanced economies. The focus here is on what determines the absence or presence of this political will to enforce conditionality.

4. Data and methodological approach

This chapter operationalises the research method, which consists of the method of data collection and the method of analysis. In order to investigate the possible reasons that led the Dutch government to attach conditions to possible state aid, a single case study should be considered the most useful. This is because the aim of this case is to derive inductively information about possible causal ideas that can explain the specific case (Toshkov, 2016). The rationale for choosing this particular case is explained in this chapter.

This particular case was chosen because of its importance and relevance to academic and social debate. As a result of the challenges facing society, the demands society places on government and business have changed. This case illustrates this development, particularly in the Netherlands. Compared to other industrialised countries, the Netherlands seems to be one of the few examples where strong conditionality is enforced and imposed on business (Berenschot, 2022). This is in line with the gap in the existing literature and the urge for scholars to identify factors that lead to some countries being able to impose stronger conditionality than others. In particular, in times of climatological challenges, society may expect companies to contribute more than they do now, and the state is the actor that enforces this. In addition, the Netherlands is an interesting research object because the literature focuses mainly on developing countries. Advanced and industrialised countries have not been the subject of research on conditionality. The specific sector chosen is the steel sector. The steel industry faces considerable challenges in meeting the EU's emission reduction targets. Given these environmental implications, as a sunset industry in terms of becoming sustainable and future-proof, the steel industry lends itself to a case study. Also because of the question of the extent to which government should intervene in a sector facing such challenges. TSN is the largest steel producer in the Netherlands and the largest polluter in the Netherlands (NEa, 2023). In addition, TSN was the first company to be included in the tailor-made policy and TSN may have been the reason why this policy was implemented industry-wide. The choice of TSN as a case study is therefore obvious.

The research design is operationalised by the method of data collection and the method of analysis. Documentary research will serve as the main method of data collection. Various types of documents were examined. The main sources consulted in the thesis are government and parliamentary documents, which include government policy briefs, letters from ministers to parliament, transcripts of parliamentary debates, parliamentary questions

and motions from members of parliament. These 25 documents cover the period from June 2020 to March 2023. This period was chosen because it was during this time that the political debate that led to the current policy was taking place. Additional history is sometimes given, but possible causal influences are more difficult to establish over a longer period. Since the aim of the thesis is to identify the factors that led to a particular policy and the political establishment of that policy, this type of source is well suited for this purpose. Furthermore, this method was chosen because these documents provide a comprehensive overview of the parliamentary history of the current policy.

The method of analysis is a within-case analysis by means of process-tracing. This process is defined as 'the use of evidence from within a case to make inferences about causal explanations of that case' (Toshkov, 2016, p. 297-298). A direction for process tracing research is reconstructing the chronology of events leading in as much detail as possible to an outcome of interest within its institutional context (Toshkov, 2016). In particular, 'process tracing tests can be used to help establish that (1) an initial event or process took place, (2) a subsequent outcome also occurred, and (3) the former was a cause of the latter' (Mahoney, 2021, p. 570). This thesis aligns with this direction as it tries to find causal mechanisms that bind the sequence of events, which will be illustrated by different pieces of observations coming from the various data collected. The possible causal relation between the concepts and the observations in the evidence of this case is demonstrated in the findings and analysis of the thesis. In that way, the thesis' aim is not to identify average causal effects that can be generalised. It tries to discover and comprehend inferences to the best explanation in this specific case. To this end, Mahoney (2012) identifies test in order to validate hypotheses based on the empirical evidence. He mostly elaborates on hoop tests and smoking gun test. In a hoop test, a piece of evidence must be present for a hypothesis to be valid. Yet, if this evidence is found, the hypothesis could still be false. Thus, passing a hoop test does not confirm the hypothesis. In contrast, a smoking gun test proposes that if a given piece of evidence is present, the hypothesis must be valid. Consequently, if the evidence is found, the hypothesis is unlikely to be false and the hypothesis could still be true if the evidence has not been found (Mahoney, 2012).

These policy developments have been reported in the media, so newspaper articles, website articles and other media coverage are included. Media coverage can be an important indicator that confirms the salience of the issues surrounding TSN. The two main newspapers examined in the thesis are the FD and the NRC. In addition to these two newspapers, articles from other major Dutch newspapers such as De Telegraaf, AD and De Volkskrant are

included. Other and more popular newspapers could help to indicate the degree of salience of the issue in question. In addition, an interview was conducted with a policy officer from the Dutch Ministry of Economic Affairs and Climate Policy. By using these methods and different types of sources, the collected data can be verified and the conclusions can be validated. Therefore, this thesis uses data triangulation.

5. Background and context

5.1 Historical background

TSN has a long history of steel production in the Netherlands. On 20 September 1918, Koninklijke Nederlandsche Hoogovens en Staalfabrieken (Koninklijke Hoogovens or Hoogovens) was founded in The Hague (Tata Steel Europe, n.d.). The main reason for establishing a Dutch steel plant was to become less dependent on steel imports. Given the geographical location of the Netherlands, with its access to the sea, the country was seen as ideal for the establishment of an iron and steel company. The company itself was established in IJmuiden, a town close to the North Sea with good inland access via the North Sea Canal. Raw materials used in the production process and the export of finished products could thus be easily transported to and from the production site (Tata Steel Europe, n.d.). After raising capital from companies, private investors, the Dutch government and the city of Amsterdam, construction began in 1920. The first blast furnace was opened in 1924 and iron production began. By the mid-1930s, the Hoogovens had become the world's largest exporter of pig iron (Tata Steel Europe, n.d.). In addition to the pig iron and cast iron pipe processes, steel production began in 1939. Later, in the 1960s, the company decided to diversify into aluminium. At the end of the last century in 1999, Hoogovens employed around 22,000 people, had a turnover of 4.9 billion euros and produced 6.7 million tonnes of crude steel. The trend towards rationalisation in the European steel industry led to merger negotiations with British Steel. On 6 October 1999, the two companies merged into Corus (Tata Steel Europe, n.d.). The company was later acquired by Tata Steel, part of the Indian conglomerate Tata Group, and Corus became Tata Steel Europe. From 2021, the Hoogovens are called Tata Steel Nederland, after Tata Steel Europe was split into a separate Dutch and British subsidiary of Tata Steel.

Given this long history of steelmaking in the Netherlands, one might wonder when the environmental and health concerns of steelmaking became part of the public debate. Over the years, TSN's image has changed from one of industrial pride to the largest polluting company in the Netherlands. Several generations of families have worked at TSN – or Hoogovens, as it is still known – taking pride in their work and the products they make. In the 1980s, the company was seen as a cornerstone of society and the issue of climate change was not as present as it is today (Van Bokkum, 2021a). With the growing attention to climate change and the reduction of polluting emissions, this image began to change. Especially since the so-

called 'graphite rains' came from the factory in 2018. Residents of Wijk aan Zee began to notice layers of black dust on window frames, cars and playgrounds, and sometimes even inside houses. This was caused by 'graphite rains', black clouds of glistening dust particles that from time to time descended on Beverwijk, Velsen and Wijk aan Zee from the TSN plant (Houtekamer & Kooiman, 2018). Although the rain stopped, one could imagine its influence on public opinion about TSN. It is noteworthy that at the time, the municipal health service, GGD, told residents that the situation was not an imminent danger, although a general practitioner spoke of the skin irritations, cardiovascular and pulmonary problems that he and other doctors often saw in patients. In 2020, the public prosecutor prosecuted TSN for these rains on the grounds of violation of environmental permits (Kos, 2020). Later in this thesis, the health situation of the local area will be further discussed as part of the empirical findings.

This was not the first time that health concerns had been raised publicly. In 2008, a TV documentary about Zembla showed that children in Beverwijk and Wijk aan Zee had five to 14 times the normal level of chromium in their bodies, which could cause lung cancer (NRC, 2008a). This was disputed by the researchers, who said that Zembla had compared the area around the plant with areas in Korea and Sweden, while the actual research was based on a comparison with a 'clean' area in the Netherlands. This showed almost no increase compared to the TSN area (NRC, 2008b). In addition, research by the GGD in 2007 found that the region around TSN had a higher incidence of lung and skin cancer than the rest of the Netherlands (NRC, 2008a). The Dutch Institute for Public Health and the Environment (RIVM) conducted a study after the release of the documentary. Despite the fact that lung cancer is 22 per cent more common in Wijk aan Zee and Beverwijk, the RIVM was unable to establish a direct link between these cases and TSN emissions, stating that the above-average rates could be the result of smoking or other sources of air pollution in the region (NRC, 2009). Nevertheless, evidence of climate and health concerns has been in the public domain for years.

5.2 European context

The context of the European steel industry is relevant when comparing approaches to the sustainability challenges facing steel plants. This European context also shows how the Dutch case differs from other countries, especially in terms of conditionality. Currently, ten other European steel companies have the ambition to produce its steel more sustainable (Berenschot, 2022). These companies are located in Germany, France, Belgium, Sweden,

Italy and Spain. Almost all of these companies have plans to convert their production to a Direct Reduced Iron (DRI) process. DRI is a technology that can use hydrogen produced from green electricity – green hydrogen – to make steel. DRI uses an electric smelter that runs on natural gas and will eventually switch to using renewable hydrogen in steel production (Berenschot, 2022). The total investments for these plans range from €110 million to €4.7 billion. The timeframe in which these companies intend to build the DRIs also varies, ranging from 2025 to 2033. The main objective of the investment plans of the different steel plants is to reduce CO_2 emissions, with the exception of the Acciaierie d'Italia (formerly ILVA) plant in Italy. This company is also specifically trying to tackle other types of air pollution and to improve the environmental and health situation around the plant (Berenschot, 2022).
The question is how these investments will be financed and by whom. In these countries, general support packages for CO_2 emission reductions are available for several sectors. However, the large investments by steel companies mostly exceed the maximum amounts of subsidies available for individual projects (Berenschot, 2022). Countries are therefore exploring individual state aid options, which must be approved by the European Commission. The Guidelines on State aid for climate, environmental protection and energy 2022 (CEEAG) is the main framework for assessing state aid (European Commission, n.d.). Although the CEEAG provides rules for Member States to support, for example, the protection and restoration of biodiversity or the improvement of air quality, the primary focus is on emission reduction and not on other environmental conditions (Berenschot, 2022).

The European Commission has already approved state aid for some of the ten companies. In October 2022, the Commission approved €1 billion of German state aid to help Salzgitter decarbonise its production by using hydrogen (European Commission, 2022). The objective and therefore the only condition – apart from the general conditions of the CEAAG – seems to be the emissions reduction. In addition to the investment by the German government, Salzgitter itself will invest 723 million euros (Berenschot, 2022). Another already approved state aid measure in Germany is a €55 million grant to support ArcelorMittal's green steel demonstration plant, approved in February 2023 (European Commission, 2023a). In addition, Germany's ThyssenKrupp has already received a grant of €37 million, but expects to need a further €2 billion to build its DRI-SAF (Berenschot, 2022). ArcelorMittal's plant in Spain is also receiving a €460 million subsidy from the Spanish government to decarbonise its steel production (European Commission, 2023b).

Of the ten companies, Acciaierie d'Italia in Taranto, Italy, is an atypical example that also shares some similarities with the TSN case. The plant has a history of severe local

pollution and violations of environmental standards (Carter & Zimmermann, 2022). The company used to be called ILVA and was at one time the largest steel producer in Europe. This image has changed as local neighbourhoods have been covered in red iron ore dust and local waters have been polluted. Experts also cite the plant as a key factor in explaining the higher-than-average cancer rates among the locals. Local doctors link the lower-than-average local life expectancy and the high prevalence of cancer among factory workers and residents to the plant (Carter & Zimmermann, 2022). In 2008, an ILVA worker lost his 5-year-old daughter to cancer, and in 2014 a boy of the same age died of a brain tumour. The autopsy found iron, zinc, silicon and aluminium in his brain. Other similar cases have been reported (Carter & Zimmermann, 2022). Italian prosecutors found that the toxins from the factory had killed the boy, and nine former plant managers and company officials were charged with manslaughter. The European Court of Human Rights in Strasbourg condemned Italy for failing to protect its citizens from the plant's pollution. In May 2022, the court issued four judgments against Italy, following complaints from workers and complaints from over 200 local residents (Carter & Zimmermann, 2022).

After years of various ownership discussions, the steel plant is now 38% owned by the Italian state and the other 62% by ArcelorMittal (Berenschot, 2022). The expected investment production is estimated at 4.7 billion euros, but it is not yet known how much the state will contribute. In addition to reducing CO_2 emissions, the plans will address other health and environmental concerns, such as reducing particulate matter (Berenschot, 2022). Overall, the other European cases have shown that governments and companies are making costly plans to decarbonise the steel industry. Some governments have already granted varying amounts of state aid to steel plants, and companies have made or are planning additional investments. Looking at the conditionality involved, it can be concluded that, apart from the European state aid rules, the main condition is the reduction of CO_2 emissions. Other additional environmental and health standards or norms do not seem to be imposed. Given the current climate and environmental situation, these cases could be considered as of weak conditionality.

6. Empirical findings

This chapter illustrates the empirical findings of the research. First, the chapter demonstrates how various developments have led to a policy framework in which the Dutch government has been able to impose strong conditions on the state-business relationship with TSN. Second, the research provides a more complete analysis of the different types of conditions that may be attached to state aid to TSN.

6.1 Phase I: Preliminary phase (June 2020-March 2021)

The first phase includes the developments that form the basis for the following discussion of conditionality in Dutch industrial policy and specifically the case of TSN. The findings show the empirical developments that would lead to the creation of tailor-made approaches, of which TSN was the first case. This policy of *maatwerkafspraken* was introduced in the coalition agreement of the new cabinet in 2021 (Rijksoverheid, 2021c). Prior to the introduction of the policy, the research shows that most of the parliamentary letters and government policy briefs leading to this policy are based on and refer to a specific motion. Therefore, the findings begin with an introduction to this specific motion by member of parliament (MP) Moorlag (PvdA). The motion itself was tabled on 4 June 2020 in the context of the reorganisation plans of the parent company in India. Initially, Tata Steel wanted to cut 3000 jobs in its European division for economic reasons. Although this was reduced to 1250, Tata Steel Nederland would still lose 975 jobs. In the end, the reorganisation was postponed until after 1 July 2020 due to the pandemic (Segenhout & Stooker, 2020). Nevertheless, the relationship between TSN on the one hand and the Indian shareholders and management of Tata Steel Europe on the other, was fragile. In addition to the reorganisation plans, this was partly due to the unexpected departure of TSN CEO Theo Henrar in May 2020, which was seen by the Dutch employees as a forced resignation from the Indian parent company, leaving the company fragmented (Stooker, 2020). As a result of these developments, MP Moorlag filed a motion in June 2020. Herein, Moorlag argues that the Dutch steel industry is severely restricted in its ability to independently decide on necessary investments in innovation, sustainability and employment due to the current ownership and control relations, and ‘calls on the government to do its utmost to encourage the Dutch steel industry to continue to innovate and become more sustainable and, if necessary, to use unconventional means to this end’ (Moorlag, 2020).

This was followed by a period of strikes by TSN employees, and several units of TSN stopped work as a result of dissatisfaction with the dismissal of their CEO and the planned reorganisation by the Indian shareholders. It was during this period that the Dutch trade union FNV became involved, representing the workers in negotiations with the TSN board (FD, 2020). A few months later, in February 2021, TSN again became the subject of discussion about its environmental and health impacts, when well-known Dutch criminal lawyer Bénédicte Ficq announced that she was filing a criminal complaint against TSN for deliberately polluting humans and animals, on behalf of dozens of local residents and an environmental group (FD, 2021). The number of residents joining the lawsuit eventually rose to 1100 (Stooker, 2021). In the same month, on 25 February 2021, MP Moorlag, together with MP Van Dijk (PvdA), submitted another motion concerning the future of TSN. This time, the motion focused on different aspects, namely the harmful effects of the steel industry on the living environment in IJmuiden, together with the thousands of direct and indirect jobs that TSN creates (Moorlag & Van Dijk, 2021). In addition, they emphasise that TSN has the potential to green steel production, significantly reduce pollutant and CO_2 emissions and become a showcase for green steel production. Therefore, in their motion, the MPs urge the government to 'do everything reasonable and possible to enable TSN to green steel production, to significantly reduce emissions of pollutants, in order to preserve this industry with its high-quality jobs for the Netherlands' (Moorlag & Van Dijk, 2021).

On 30 March 2021, it became clear that the latest developments and the motion of MP Moorlag of 4 June 2020 had prompted the Dutch government to take action. An Expression of Principles (EoP) was signed by the Dutch Minister of Economic Affairs and Climate Policy and TSN. The agreement expresses the cooperation between the parties in the reduction of CO_2 as well as in environmental and innovation projects (Rijksoverheid, 2021a). The agreement was announced by Minister Bas van 't Wout in a letter to Parliament (Van 't Wout, 2021). In his letter, the minister explains the motives and reasons for entering into this agreement, as well as the terms of the agreement. With regard to TSN's transition to sustainability, the minister begins by stating that the government will support TSN in this transition, if necessary and where possible. The government recognises the importance of sustainable and low-carbon steel production in IJmuiden. More generally, he emphasises the government's aim that this sustainability transition should take place in the Netherlands and not elsewhere, as also called for in the motion by MP Moorlag (Van 't Wout, 2021). In his letter, the minister refers to this motion several times and writes about how the minister is implementing this motion. The fact that Parliament supported the motion of 4 June 2020 was

one of the reasons for the government to enter into negotiations with Tata Steel. The finalised EoP is, according to the minister, a next step in the continuous implementation of the motion (Van 't Wout, 2021). The motion was thus an important factor in the conclusion of this agreement, and the government recognises the importance of industrial companies such as TSN and their transformation in the Netherlands.

The content of the EoP concerns conditionality in several respects. Undoubtedly, the most important condition in the green transition is CO_2 reduction, which is also recognised in the agreement. By 2030, TSN has the ambition to reduce its CO_2 emissions by 5 Mton, which is more than 1 Mton more than its proportional share of the industry reduction targets resulting from the Dutch Climate Agreement of 2019. According to the minister, this ambition has been strengthened by TSN following discussions with the ministry (Van 't Wout, 2021). TSN expects carbon capture and storage (CCS) to be the most cost-effective way to achieve the desired level of emission reductions (Rijksoverheid, 2021a). In addition to emission reductions, the agreement addresses health and environmental concerns and other local nuisances such as odours and nitrogen dioxide (NO_x). This includes a commitment by TSN to invest €300 million in reducing these environmental impacts (Rijksoverheid, 2021a).

Since the parties speak of a mutually beneficial cooperation, the EoP sets out the expectations of both sides. In his letter to parliament, the minister points out that the reduction plans cannot be implemented unless important conditions are met, and that the government is expected to meet these conditions. For example, the minister commits the government to removing infrastructure and licensing barriers (Van 't Wout, 2021) and recognises that TSN will need to make significant investments. The ministry will therefore cooperate, where appropriate and possible, on access to financial support, which could be national financial instruments as well as access to European funds (Van 't Wout, 2021).

Thus, from the first negotiations with TSN, which seem to have started after the motion of MP Moorlag, the Dutch government includes conditionality from the beginning. However, compared to the second and amended EoP, the conditions could be considered less stringent. Nevertheless, and although the agreement is not described at the time as a tailor-made agreement, the Dutch government had no record of concluding such agreements prior to the EoP. Given the conditionality involved, the principle of reciprocity is introduced into the relationship, in line with Amsden (2001). This is demonstrated by the way in which conditions on emissions and environmental concerns targeted at the TSN are exchanged for infrastructure and licensing commitments by the government. The idea of a state creating

conditions to facilitate and stimulate innovation and economic development is consistent with the argument of Mazzucato (2013). Compared to Amsden, the conditions seem to be less economically driven. While the examples of conditionality in Amsden's work were mainly about performance standards and targets, the conditionality involved in this case is aimed at environmental standards.

6.2 Phase II: Public unrest and political discussions (March 2021-December 2021)

The second phase begins after the announcement of the EoP, which was published at the end of March 2021. In May, the trade union FNV published a plan called 'Groen Staal' (Green Steel) (FNV, 2021). As the recently published EoP outlined TSN's plan to use CCS to reduce its emissions, this plan sets out another route for TSN's efforts to become more sustainable. FNV is proposing a production process based on Direct Reduced Iron (DRI). DRI is a technology that can use hydrogen produced from green electricity – green hydrogen – to produce steel. It is expected that enough hydrogen will be available by 2030 to fuel DRI with hydrogen. Until then, DRI can be fuelled with natural gas, which already reduces CO_2 emissions and environmental pollution compared to the current use of coal (FNV, 2021). In its plan, the FNV points out that TSN is 'under public fire' because local residents are increasingly affected by the production process in the form of pollutants and odour emissions. The proposed emissions sustainability path in the EoP through CCS reduces CO_2, but does not provide a solution to the acute environmental problems. FNV therefore proposes a production process for green steel, as this also offers the prospect of maintaining jobs at TSN. Finally, FNV calls for an independent feasibility study of its plans to switch to DRI (FNV, 2021).

In response to the then recently closed EoP, the minister responded to a written consultation – in which Members of Parliament can submit written questions – on 8 June 2021 (Rijksoverheid, 2021b). Stef Blok was recently appointed minister after Minister Van 't Wout resigned for health reasons. The questions submitted by the political parties reflect their views on the EoP and thus their preferences for the government's approach to TSN. Seven parties submitted questions, including the VVD, D66, CDA, SP, PvdA, Partij voor de Dieren and ChristenUnie. Of these parties, Partij voor de Dieren is the only one that did not submit a question specifically asking the minister to respond to the FNV plan, which shows the attention that most parties pay to the green steel plan (Rijksoverheid, 2021b). The questions mostly concern the minister's opinion on the plan. Several parties, such as D66, SP and

ChristenUnie, question how health concerns have been taken into account in the EoP and emphasise that the proposed green steel plan also reduces the emission of polluting substances (Rijksoverheid, 2021b). Health and environmental concerns, as well as the jobs offered by TSN, are broadly addressed in the questions. In addition, political preferences regarding CCS are perhaps even more evident. The general tendency of the parties seems to be against CCS. Centrist and left-wing parties such as the SP, PvdA, PvdD and ChristenUnie do not consider CCS to be a sustainable solution in the long term. PvdA has even asked the minister for a commitment that no subsidies will be granted for CCS until the feasibility study has been completed (Rijksoverheid, 2021b). CCS is a method by which the CO_2 emitted during a production process is captured and stored, for example in empty gas fields in the North Sea. PvdD, for example, points out that CO_2 is still emitted and argues that this method does not really lead to a reduction in emissions. The SP is also unconvinced by this method, which involves large subsidies for which, according to the SP, there is no proven need (Rijksoverheid, 2021b). In addition, ChristenUnie asks whether the minister agrees that CCS is a necessary solution for the time being, but not a sustainable one, and that in the long term another production route for TSN must be found (Rijksoverheid, 2021b).

In his reply to the questions, the minister welcomes the FNV plan and its feasibility study, but also emphasises that he will wait for the study before giving his opinion on the plan (Rijksoverheid, 2021b). In the letter accompanying the written consultation, the minister also writes that he urges the parties concerned to complete the study before the summer (Blok, 2021a). Regarding CCS, the minister writes that there are several ways to achieve carbon-neutral steel production in 2050. CCS could be part of such strategies and serve as an interim solution. In response to a question from the PvdA, the minister writes that it is neither possible nor desirable to exclude companies from general subsidy schemes (Rijksoverheid, 2021b). In the concluding remarks of his letter, the minister emphasises that 'the government is responsible for the instruments in the form of legislation and subsidies, within which it is ultimately up to the companies themselves to make their own considerations on how to achieve CO_2 reductions' (Blok, 2021). In summary, the political parties' questions address the health and environmental concerns of TSN's steel production, but above all the technological strategy for reducing emissions. CCS is chosen in the EoP, but due to the publication of the FNV's green steel plan, the parties' preferences have shifted towards this DRI process using hydrogen instead of capturing emissions with CCS. At the same time, the minister confirms the principle of reciprocity by emphasising the division of roles in this agreement.

So far, the parliamentary and government documents reviewed show two developments. First, there is widespread concern about the impact of TSN's emissions of CO_2 and other pollutants and noxious substances on the environment and the health of local residents. These concerns are being addressed both in the parliamentary debate and in the wider public debate in the media. Secondly, there is a perception in the documents of the importance of the sustainability transition of the industry in the Netherlands, in which the government has a role to play in steering this transition. These two developments were also described by the policy officer of the Ministry of Economic Affairs and Climate Policy (Policy Officer, personal communication, 25 April 2023). From this point on, the two developments gain momentum. This starts with a significant step towards tailor-made agreements on 7 July 2021. In a parliamentary debate on climate and energy policy, MPs Bontenbal (CDA) and Grinwis (ChristenUnie) tabled a motion introducing the concept of maatwerkafspraken – binding, tailor-made agreements between the state and business. In their considerations, the MPs point out that these agreements could be an important instrument in the industry's transition to sustainability, as such an agreement has already been reached with TSN. Consequently, they urge ‘the government to make ambitious tailor-made agreements with the twelve largest emitting companies’ (Bontenbal & Grinwis, 2021). Up to this moment, this term has not been mentioned in the context of the green transition in industry. Cabinet will refer to this motion in parliamentary letters and other policy documents following this motion. In this way, the impact of the motion shows similarities to Moorlag's motion of 4 June 2020, as will be shown in this chapter.

On 2 September 2021, the RIVM published a report on the health conditions in the local area of TSN. The report concludes that PAHs and metals such as chromium in indoor and outdoor dust in the IJmond area are twenty to one hundred times higher than in areas outside the local area. Children playing outside in particular are therefore exposed to serious health risks (RIVM, 2021). The Dutch newspaper FD writes in response to the report that this is one of the most difficult times in the steelworks' existence. As a result, the pressure on TSN and politicians to protect the health of local residents has increased (Segenhout & Knoop, 2021). In the same article, the representative of the province of Noord-Holland, Olthof (PvdA), openly questions the future of the steel plant. Contrasting opinions come from national politicians. Erkens (VVD) says that deindustrialising the Netherlands would not help solve the problem. Thijssen (PvdA) states that 'the easiest answer is to get rid of the plant', but 'the consequence is that thousands of jobs will disappear, the Netherlands will become dependent on countries like China and India for steel and the climate will not benefit in the

end' (Segenhout & Knoop, 2021). This report is similar to previous reports in 2007 and 2008 in that it addresses the health effects of living near the TSN factory. The report is received with high media attention. NRC covers the issue questioning the existence of the factory with the headline: 'New RIVM report puts right to exist of Tata Steel on political agenda' (Van Bokkum, 2021b). The most-read newspaper De Telegraaf comes with a likewise header: "RIVM report hits like a bomb: 'The limits have been reached'" (Vuijk, 2021). Although in less strong wording, De Volkskrant and AD also cover the issue in-depth (Kreling, 2021; Schildkamp, 2021). The public pressure the report produces may indeed be the highest in its history as the FD wrote after the publication of the report, which the upcoming parliamentary debate about TSN's future might confirm.

Two days later, consultancy Roland Berger publishes an interim report on the feasibility study it is conducting on FNV's green steel plan. The preliminary conclusions are that both the CCS route and the direct phase-out of blast furnaces and switch to DRI appear to be technically feasible (Tata Steel Europe, 2021). The DRI production process achieves a reduction of 3.9 Mton CO_2, and together with additional measures a reduction of more than 5 Mton is feasible. This would be more than the CCS route. In addition, the consultancy concludes that the DRI route is more future-proof, given the use of hydrogen, and is expected to have greater public acceptance (Tata Steel Europe, 2021).

One week after the publication of the RIVM report, on 9 September 2021, a parliamentary debate on the 'Future of Tata Steel' is scheduled. As a result of the RIVM report, around two hundred TSN employees took part in a rally in The Hague at the same time as the debate (NOS, 2021). This is another indication of the growing importance of the issue. Another reason for the protest is the completion of the feasibility study for the hydrogen line, which will also be discussed during the debate. In addition to the Minister and the Secretary of State for Economic Affairs and Climate Policy, the State Secretary for Infrastructure and Water Management is also present during the debate. The main conclusion of the debate is that, in the light of the recent RIVM report and the other developments of the past year, parliament has called for state intervention during this debate (Tweede Kamer, 2021). The report prompted the left-wing parties PvdA, SP, GroenLinks, Partij van de Dieren and Volt to call on the government to close Koosfabriek 2 – the most polluting unit of the plant. Several parties also called for stricter environmental and health standards (Tweede Kamer, 2021). In addition, SP, D66, GroenLinks and Volt explicitly opposed the use of CCS for emission reduction plans, while the FNV's green steel plan was mentioned by several parties as a more appropriate solution. The PvdA repeated its wish not to subsidise CCS. In addition, parties on

both the right and left – VVD, CDA, ChristenUnie, D66, Volt, PvdA and SGP – reiterated their enthusiasm for steel production using green hydrogen (Tweede Kamer, 2021). Another call from parliament underlined the idea of state intervention, with VVD, CDA, PvdA and SP favouring the idea of the state taking a stake in TSN, or even nationalising the company altogether. During the debate, MP Erkens (VVD) stated that 'in view of this unique situation, the government should consider all options to safeguard the national interest' (Tweede Kamer, 2021). He stressed the 'urgency and momentum' to green the innovative and sustainable steel industry in the Netherlands, and similarly, MP Leijten (SP) also called this a 'momentum' in which a decision has to be taken to solve the problems around TSN (Tweede Kamer, 2021). Finally, MP Bontenbal (CDA) repeated his argument for a tailor-made approach, as he had asked the government to do in his motion two months earlier. This time, SGP and Volt also mentioned the tailor-made approach in their appeal to the cabinet (Tweede Kamer, 2021).

This debate in parliament evidently shows the existing political will to intervene and tighten conditions on TSN. These include environmental and health requirements, but also the route to green the production process by green hydrogen. In the response of the Minister of Economic Affairs during the debate, he elaborates on the demands to close Kooksfabriek 2. This would require a legal ground, the minister explained, except there is none since TSN does not violate emission standards. The closure would therefore not hold up in court (Tweede Kamer, 2021). That is why parliament and the province of Noord-Holland have proposed tightening these standards. In the reply of state secretary of Infrastructure and Water Management, he clarified that to amend these standards, rules on EU level have to be changed. He adds that within the EU there are countries with a different view on steel production (Tweede Kamer, 2021). Considering the nationalisation of TSN, the minister openly questions what problem this would solve, since the local health situation would not change directly in that case and regardless of the shareholder, the government must enforce environmental standards (Tweede Kamer, 2021). Although the minister opposed to the idea, national ownership is thus named in the debate, a condition that is also named by Amsden (2001).

In conclusion, this parliamentary debate shows the political will and the preferences of the parties. This preference is to use the DRI production process over CCS. But perhaps more dominant was the call for state intervention following the publication of the RIVM report. It could be argued that the publication of this report, as well as the union's green steel plan, has increased the political salience of the TSN issue. This can be assumed because both issues have been at the centre of the parliamentary debate on the future of TSN, which the FD

describes as one of the most difficult periods in the history of the company, and because other major Dutch newspapers such as NRC, De Telegraaf, De Volkskrant and AD have devoted considerable attention to the issue (Tweede Kamer, 2021; Segenhout & Knoop, 2021; NOS, 2021; Van Bokkum 2021b; Vuijk, 2021; Kreling, 2021; Schildkamp, 2021). In particular, the fact that a parliamentary debate is being held on the future of a single company, with two specific issues dominating the discussion, should be seen as an important indication of increased salience. Moreover, the most widely read Dutch newspaper, De Telegraaf, wrote four articles on the day of this debate alone (De Telegraaf, 2021). In this debate, MPs Erkens and Leijten speak of a momentum to address the issues around TSN, which also indicates that the issue has gained high salience. These developments have increased the salience of the issues around TSN. Culpepper (2010) argues that as political salience increases, corporate power decreases. So far, there is no significant evidence that TSN's political power is declining. However, salience has just started to rise, so the possible implications of Culpepper's argument should start to emerge from now on.

Six days after the debate in parliament about its future, TSN comes with a public announcement. On September 15, 2021, TSN announced that it has received support from the supervisory board and the parent company in India in their decision to fully pursue green steel production via the hydrogen route. Together with FNV, TSN has investigated different scenarios to reduce emissions. The company names not only CO_2 reduction but also climate reasons and the benefits for the local area and environment that have influenced their decision-making (Tata Steel Europe, 2021b). At the same time, the FD covers TSN's decision by discussing the pressure TSN puts on the Dutch government to seriously invest in hydrogen. Consequently, TSN CEO Hans van den Berg called government subsidy 'indispensable' (Stooker & Knoop, 2021b).

In response to TSN's change of plans, a large majority of the Dutch parliament wants the government to start working on support options for an earlier transition to hydrogen steel production. During a debate the day after the announcement, TSN's decision was met with support, although MP Van der Lee (GroenLinks) still expressed that possible government support should not involve a 'blank cheque' (Stooker & Knoop, 2021c). Parliament tabled 21 motions on the day regarding subsidy options as well as environmental and health concerns (Tweeminutendebat Toekomst Tata Steel (CD d.d. 09/09), n.d.). Perhaps the most important motion was tabled by MP Erkens (VVD) and co-signed by MPs from D66, CDA, GroenLinks, PvdA, SP, ChristenUnie and Volt, expressing the broad support of the coalition

in parliament. Considering ‘green industrial policy, the living environment, the climate and the Dutch economy’, the motion calls upon the government ‘to immediately start working out support options, in consultation with Brussels and Tata Steel, […] to explore in the study all possible options to pursue the state interest, from legally binding agreements to taking a government interest, and to inform the Kamer about this by the end of 2021 at the latest’ (Erkens et al., 2021).

Thus, TSN's decision to change its sustainability plans in favour of green hydrogen led to broad coalition support for state aid to help TSN with its transition plans. This coalition consists of the trade union FNV, environmental groups and a large majority of political parties. At the same time, health concerns remain a key factor in the debate. Among others, MPs Leijten (SP) and Van Raan (Partij voor de Dieren) stated in their motion that no new subsidies should be granted without firm agreements on the health gains to be achieved in this area (Leijten & Van Raan, 2021). The subsidy debate is also covered in the media. For example, another FD article elaborates on this discussion by stating that TSN is angling for government subsidies (Stooker & Knoop, 2021a). With TSN pursuing the green hydrogen route, the pressure is on the (local) government to create the preconditions – which the former minister had already emphasised in earlier parliamentary letters in Phase I (Van 't Wout, 2021). These preconditions would include investment in infrastructure to support hydrogen transport and licensing. In addition, the authors emphasise that this decision 'seems to have gained momentum after weeks of public unrest', referring to the RIVM report of a few weeks earlier as a 'tipping point' (Stooker & Knoop, 2021a). Alongside the health concerns raised by the report, the FNV's green steel plan appears to have been part of the unrest that ultimately shaped political preferences. The article discusses this development, as the FNV union, environmental groups and left-wing political parties did not see the use of CSS as a solution to the problem (Stooker & Knoop, 2021a).

The conclusion drawn from this media coverage summarises the developments in public opinion that have led to an increased salience of the issues surrounding TSN. Both the environmental concerns and the feasibility of the Green Steel Plan were identified as factors leading to public concern about TSN. This is confirmed by the parliamentary debates on 9 and 16 September, where these issues were the main points raised by MPs during the debate. There are also the first signs of the emergence of a social coalition that strongly advocates state intervention or the imposition of stricter conditions on TSN. FD describes this emerging social coalition as consisting of the trade union, environmental groups and political parties. This shows similarities with Maggor's (2021) argument of political coalition building that has

played a role in Israel's industrial development. Considering the report's declaration of a 'tipping point' and previous statements that TSN is going through one of the most difficult times in its history, as given by FD, it can be concluded that the issue has reached a level of high salience, in line with Culpepper (2010). As a result, Parliament calls on the government to support TSN, while stressing the need for strong conditionality. This parliamentary attention to TSN should be seen as a confirmation of the increased political salience. These conditions mainly concern environmental standards, health requirements and the reduction of local nuisance. In addition, the political parties emphasise the technical production process as a condition, while also arguing that state ownership should be explored as a condition.

6.3 Phase III: From a coalition agreement to a revised Expression of Principles (December 2021- present)

The motion of MP Erkens (VVD) of 16 September 2021 urged the government to work out support options and to inform parliament about them by the end of 2021 at the latest. This deadline came closer when a policy letter from the Minister of Economic Affairs and Climate Policy was published on 1 December 2021. The letter is the minister's response to the parliamentary debate on 9 September, the TSN's decision on the green hydrogen plans on 15 September and the motions tabled on 16 September, in which parliament urged the government to develop support options. In his letter, the minister sets out a framework on three issues (Blok, 2021b). Firstly, he provides a general framework for the sustainability of the industry. Second, he elaborates on the company-specific political commitment to make TSN more sustainable. And third, it outlines the principles of cooperation between TSN and the government. This letter will lay down the further foundations with regard to the conditionality of possible state aid to TSN.

On the first point, the minister refers to the policy letter 'Vision to make basic industry sustainable by 2050: the choice is ours', dated 15 May 2020 – just a month before the Moorlag motion (Wiebes, 2020). In line with the vision in that letter, the government reiterates here that it wants to be a location for sustainable industry and that being at the forefront of this transition will contribute to the Dutch economy and to the challenge of climate change (Blok, 2021b). Furthermore, the government wants industrial companies to make these investments in the Netherlands, which should be accompanied by the removal of constraints that the market cannot solve, such as infrastructure and licensing. The letter also referred to the motion by MPs Bontenbal and Grinwis, which urged the government to

conclude tailor-made agreements with the largest industrial companies. Given that the letter was written by an outgoing minister and cabinet, the minister suggests that the next government should decide how to proceed with this approach (Blok, 2021b).

The second issue was the policy approach to TSN, with several references to the Moorlag motion. In response to this motion, the government closed the EoP with TSN in March 2021. The minister writes that parliament has called on the government to act through several motions – after the debate on 9 and 16 September 2021 (Blok, 2021b). The government's further approach is to continue discussions with TSN in order to expand the commitments on emissions reduction, reduction of environmental and health impacts and local nuisances on the one hand, and on licensing, infrastructure development and wind power expansion on the other. In terms of financial support, the Department is exploring what financial instruments are appropriate and possible, as has been stated in previous policy letters.

The third section deals with the principles of cooperation between TSN and the Dutch government. In this section, the minister specifies in detail the conditionality involved in this case. This is in addition to the more general commitments that the minister sets out in the previous section. The minister emphasises TSN's own responsibility to meet its sustainability commitments in time. According to the minister, this means that the dialogue with the government on enabling its facilitating role, including financially, can only be conducted if TSN can meet criteria regarding the application of its DRI production process (Blok, 2021b). The general criteria for government support are:

- the technical and economic feasibility of the DRI production process in the (medium-)long term and the firm commitment to make necessary investments in a timely manner;
- the ability to meet environmental standards and climate targets for 2030 and 2050, and;
- the legitimate and efficient use of any public resources, taking into account uncertainties that technological development entails (Blok, 2021b, p. 5).

Moreover, it is up to TSN to communicate its specific needs for support for the new production process, on the basis of which the government can decide whether it can play a facilitating role. This includes direct or indirect financial support, which will be 'conditional on TSN fulfilling the agreements' (Blok, 2021b). In this way, the letter shows that options for possible government support will only be explored if conditions are first met by TSN. The minister provides a clear government position on the balance between conditionality and state aid. In the policy letter, the minister also responds to the motion of Erkens (VVD) of 16

September. In this context, the minister states that three possible support options have been identified, namely support through existing general instruments, support through future general instruments and a tailor-made approach, in which state participation is (also) one of the possibilities (Blok, 2021b). In addition, the minister adds that it should be noted that no financial resources are currently available or reserved for any kind of tailored approach or the creation of a new instrument. This is a decision for the next cabinet (Blok, 2021b).

The minister's letter sets out a framework of conditions. Most importantly, the minister sets out three criteria that TSN must meet before the government will consider or enable support options. The fact that general conditions for support are imposed in advance should be seen as an example of strong conditionality. Even more so when one considers the environmental and health standards that will be added to these general criteria in a possible support agreement. In addition, the minister confirms how the government has acted following the motion by MP Moorlag (from June 2020) and how the political debates in September 2021 have played a role in the government's further approach. In view of the content of the discussions, the importance of the issue is hereby confirmed, although the influence of political preferences on the formulation of this policy is also acknowledged.

The policy letter is also an indication of the state capacity of the Dutch government. Meckling and Nahm (2018b) have engaged with this concept in the policy formulation phase, arguing that the division of labour between government bureaucracies and the legislature in policy formulation conditions state capacity. In a bureaucratic policy design, labour is divided by the legislature, which sets policy objectives while delegating policy formulation to bureaucracies. This design is less susceptible to regulatory capture because bureaucracies are more insulated from pressure from interest groups. In contrast, in a legislative policy design, the executive sets policy goals and delegates the policy design of individual measures to the legislature. This makes policy design more susceptible to regulatory capture, as legislators are more vulnerable to lobby groups than bureaucracies (Meckling & Nahm, 2018b). Climate policy in particular has faced significant opposition from industries invested in CO_2-intensive processes. The authors compare the policy designs of California and Germany. The policy design in Germany prevented an effective climate policy in the transport sector, due to opposition and lobbying from car manufacturers. In contrast, California's policy design tasked executive bureaucrats with designing economy-wide emissions reductions, driven by scientific expertise in a largely technocratic manner. This led to successful cross-industry progress towards reduction targets (Meckling & Nahm, 2018b).

This letter has similarities to the design described in California. In the Netherlands, it is the legislator who sets the policy targets, but further policy formulation is left to ministry. The minister explains how the ministry and experts within the ministry will explore possible (financial) support options. In addition, the Ministry of Infrastructure and Water Management, together with the province of Noord-Holland, has announced that it will commission an independent study on the environmental and health impacts of this sustainability route. This is in line with the Californian example, where the policy has been designed using a technocratic approach. One might therefore conclude that policy design in the Netherlands is based on the bureaucratic model. In such a model, the autonomy of a bureaucracy can be used to design complex policies that meet the standards set by the legislature. The ministry's policy outline in this letter can be seen as an example of this, as it provides both a general sustainability framework for the industry and a specific approach for TSN. The findings of Meckling and Nahm (2018b) suggest that delegation in this model can be a source of state capacity, and can enhance it. Therefore, the Netherlands can be expected to have significant state capacity, or at least its policy design model enhances this capacity to overcome opposition in the pursuit of policy goals.

Two weeks after the policy letter, a new cabinet was formed between the VVD, D66, CDA and ChristenUnie. The coalition agreement was presented on 15 December 2021 and sets out the plans for the next period of government. In the section on industry and business, 'binding tailor-made agreements' are introduced as part of the next cabinet's policy plans for 2021-2025 (Rijksoverheid, 2021c). The government intends to enter into binding tailor-made agreements with the ten to twenty largest emitting companies in the Netherlands. The agreements are based on the principle of reciprocity, which is in line with previous statements in policy letters. On the one hand, the government facilitates new energy infrastructure; on the other hand, the agreements include long-term investments by these companies in the Netherlands, co-investments in training and good employment practices, and the quality of the living environment (Rijksoverheid, 2021c). Nevertheless, this is the first time that binding, tailor-made agreements have become official Dutch government policy.

On the same day, an interview with TSN's Sustainability Director was published in FD, in which she reflects on the decision to use the hydrogen-based DRI process. The interview illustrates the role of public opinion at TSN. According to the director, it was not just one factor but several that influenced TSN's decision (Stooker, 2021). She explains that public opinion changes and technology evolves. Also, some of TSN's customers want to buy

the more expensive green steel, which was not the case two years ago (Stooker, 2021). A quote from the director sums up the developments:

> The RIVM report really affected us. We were complying with the licences, but this is no longer good enough. We really felt then that things have to change. There is no steel production without social support. An interim report of Roland Berger's feasibility study showed that hydrogen steel was feasible. People in The Hague reacted positively to that plan. At some point, then, everything comes together (Stooker, 2021, under 'Milieu en klimaat').

The serious health concerns raised in the RIVM report have thus affected the social support for steel production in the Netherlands. At the same time, the FNV green steel plan created political will and changed political preferences in The Hague. These two developments have influenced TSN's decision-making, according to its sustainability director. This is in line with Culpepper's argument about political salience. Namely, the more the public cares about an issue, the less business organisations are able to influence the rules governing that issue (Culpepper, 2010). Particularly in light of his findings that in the Netherlands business managers can exercise political power in times of low political salience of an issue, this issue exemplifies the opposite. The salience of the TSN issue changed to a high political salience status after the RIVM report, as the report affected the company's support. In addition, the salience surrounding the FNV plan and the feasibility study created a social coalition that put pressure on TSN to take the decision. This can be concluded from the evidence. There was a high level of political attention, given the debate on the future of TSN and the 21 motion that followed, which urged the ministry to develop a TSN-specific policy. As described, these events were widely reported in the various newspapers. The coalition agreement of the new cabinet introduced the tailor-made approach demanded by MPs Bontenbal and Grinwis. Finally, in an interview with FD, TSN's sustainability director summarised the events, how they came together and how this influenced TSN's decision-making (Stooker, 2021).

On 5 April 2022, after a few months of relative silence around the TSN, the newly appointed Minister of Economic Affairs and Climate Policy, Micky Adriaansens, elaborates on the Dutch industrial policy in a policy letter. Although this could be seen as a repetition of moves that have been made in previous policy letters, the minister clarifies some other aspects. She explains that the EU Green Deal targets and the Paris Agreement have increased the government's climate ambition. In addition, the pandemic and the war in Ukraine have

demonstrated the need for strategic energy independence and the importance of sustainability ambitions (Adriaansens, 2022a). With this letter, the minister is writing in response to the Bontenbal-Grinwis motion, which urged the government to enter into binding, tailor-made agreements. The letter refers to the importance of a sustainable industry in the Netherlands as a reason to increase the Dutch climate ambitions by concluding these agreements with industry (Adriaansens, 2022a). One section of the letter concerns green industrial policy, reiterating that the government will create the conditions for companies to make the transition. At the same time, the minister writes that this does not necessarily mean that all companies will make the transition. She underlines that 'companies unwilling or unable to make this transition will eventually disappear' (Adriaansens, 2022a, p. 2-3).

Furthermore, the tailor-made approach is explained in the policy letter. This is not a letter on the specific TSN approach, but on the industry-wide tailored policy-approach. The agreements are intended to accelerate the industry's CO_2 reduction potential and minimise its impact on the living environment. This is why the minister wants binding agreements. She discusses the various conditions of the agreement, which include achieving additional emission reductions, reducing the company's impact on the environment and living conditions, for example by improving water quality and reducing substances of very high concern, air quality and noise (Adriaansens, 2022a). Again, the principle of reciprocity is mentioned, focusing on all environmental standards as well as co-investment in training and good employment practices on the one hand, and support for financing, infrastructure expansion, licensing and removal of regulatory barriers on the other (Adriaansens, 2022a). The timeframe of the tailor-made approach is also laid down. In order to reach binding agreements, the ministry will conduct exploratory talks with industrial companies, which should lead to Joint Letters of Intent (JLOI). The aim is to have concluded the majority of JLOIs with participating companies by the end of 2023. Eventually, these should be converted into binding agreements (Adriaansens, 2022a).

The results show how the motion by MPs Bontenbal and Grinwis in July 2021 was translated into the new coalition agreement of the new cabinet in December. The subsequent policy letter describes the ministry's further policy formulation, repeatedly highlighting Dutch bureaucratic policy design. More importantly, both documents illustrate how the preferences of the political parties have led to government action. These preferences were made clear both in the motions submitted and in the parliamentary debates and media coverage in 2020 and 2021. In the letter, the minister sees the motion as one of the reasons for this approach. Furthermore, the minister addresses conditionality in general terms. Reciprocity is still

described as a key principle, in line with Amsden's (2001) theory. However, conditionality also seems to have been broadened to include, for example, the improvement of water quality and the reduction of substances of very high concern, air emissions and noise. Compared to the EoP with the TSN of March 2021, these conditions are further specified here, as the EoP was somewhat ambiguous with regard to 'reduction of obstacles and nuisances'. It also reaffirms the standard of additional CO_2 reduction, although this was already the case in the first EoP. As this emission reduction condition is a target for more reduction than its proportionate share under the general reduction targets, this should be considered as strong conditionality.

Three months later, on 8 July 2022, the minister presents a policy brief specifically on the tailored approach. The introduction focuses on the basics of the tailored approach. It emphasises the idea of a sustainable industry in the Netherlands, with CO_2-neutral production in 2050, without polluting the air, water or soil, and without disturbing local residents. The minister emphasises the principle of reciprocity and the role of the government in creating the conditions, which are dealt with separately, while at the same time emphasising the forthcoming decision-making process to explore the conditions under which companies are eligible for financial support (Adriaansens, 2022b). In addition, the various environmental conditions are also specified as an additional step before the conclusion of JLOIs, namely an expression of principles, which was already the case for TSN.

Of the thirteen pages of the letter, two and a half are devoted to the current situation of TSN. Two years after MP Moorlag's motion (of 4 June 2020), the minister still refers to this motion, stating that it was the basis for TSN's specific approach (Adriaansens, 2022b). In it, the parliament called on the government to take a proactive role in the realisation of a sustainable steel plant in IJmuiden and, if necessary, to use unconventional means to achieve this (Moorlag, 2020). The minister explains that the government took up this call because of the social relevance of the company in terms of the environment, the impact of innovation on the climate and employment (Adriaansens, 2022b). This encouraged the government to implement a first EoP in March 2021. This section of the letter therefore illustrates the two developments that can be seen in both the documents and the media coverage. These include the widespread attention to TSN's environmental impact and the notion of the importance of a sustainable and future-proof industry in the Netherlands. At the same time, it shows the role that political parties and other social actors have played in establishing the tailor-made

approach in Dutch industrial policy, which is illustrated by the fact that the minister still refers to an application from two years ago.

The minister then goes on to explain the latest developments. The minister has held intensive consultations with the boards of TSN and Tata Steel Limited (TSL, the Indian parent company), as well as with the Dutch Minister for Climate and Energy. The ministers have stressed that for a possible tailor-made agreement it is important that TSN and TSL both commit to an investment decision, as TSN and TSL remain responsible for the implementation of the sustainability plans (Adriaansens, 2022b). If support is needed, this should be substantiated by a concrete request to the government. After the TSN has submitted this specific request for government support, it will be decided whether, to what extent and which financial instruments can be facilitated by the government. Finally, in order to enter into a binding tailor-made agreement, TSN must demonstrate to the ministry that it complies with the policy framework (2022b). This letter emphasises the strong conditionality in the TSN case, as the minister explicitly writes that financial support options will be explored – not necessarily granted – once the conditions have been met.

An amended EoP with TSN is then presented by the minister on 15 July 2022 (Rijksoverheid, 2022). A first observation is that this revised agreement is signed not only by the Minister of Economic Affairs and Climate Policy, but also by the State Secretary for Infrastructure and Water Management and the provincial executive of the province of Noord-Holland. A second important observation is that the second EoP describes that TSN has decided to abandon the CCS route and pursue a direct decarbonisation route towards hydrogen (Rijksoverheid, 2022), based, among other things, on the FNV's Green Steel Plan. In the policy letter on the EoP, the minister explains that these two parties were closely involved in the agreement because of the commitments to improve the (living) environment and because of their role in facilitating TSN's transition (Adriaansens, 2022c). The conditions have also been tightened compared to the first EoP. Although this commitment was present in the first EoP, the targeted reduction of 5 Mton by 2030 is more than TSN's proportional share under the 2019 Climate Agreement. Considering the transition to a DRI production process, TSN has committed to replace a second blast furnace with a DRI plant after 2030. TSN has also increased its ambition to become carbon neutral by 2045 instead of 2050 as agreed in the first EoP (Rijksoverheid, 2022). Further ambitions have been added to reduce the impact on the living environment. TSN commits to carrying out research to further improve the environmental and health situation in advance of the transition in 2030, for example by closing business units such as Kooksfabriek 2 earlier (Adriaansens, 2022c). This condition is

in line with another motion, this time by MP Hagen (D66), who has urged the government, the province and TSN to investigate this (Hagen et al., 2022). Finally, the minister states that the EoP stipulates that the times and conditions for the phasing out of existing installations included in the final tailor-made approach are to be included in a schedule (Adriaansens, 2022c). Thus, the conditionality in this EoP has been tightened compared to the first EoP. Another striking feature is the environmental and health conditions imposed in addition to CO_2 emissions reductions. Although these were present in the first EoP, they have also been strengthened by specifically addressing the pollutants to be reduced. A table in the Annex compares the main conditions in the first and second EoPs. Although the EoPs include certain conditions for the government, such as facilitating infrastructure, the table only lists conditionality elements for TSNs to illustrate how conditionality is becoming more comprehensive and stringent.

Following the publication of the EoP, parliamentary questions were submitted, which were answered by the Minister on 29 August 2022 (Adriaansens, 2022d). The questions were submitted by MPs Hagen and Boucke (both D66). The Minister's answers provide insight into the establishment of the revised EoP and its conditionality. The MPs ask how the EoP relates to the conclusion of binding agreements with TSN, how the commitments will be monitored and how the EoP relates to the FNV's green steel plan (Adriaansens, 2022d). It also confirms the Dutch government's position on state aid or other financial support. It is the responsibility of TSN to concretise its sustainability plans and to submit a request for support to the government. The government will then examine the possibilities for financial support and its role in facilitating infrastructure and licensing (Adriaansens, 2022d). In her response, the minister emphasises that the renewed EoP reaffirms and updates the commitments of both parties. The document is a step towards tailor-made binding agreements. The minister also emphasised that additional measures had been added, such as the target of climate neutrality by 2045 instead of 2050. At this stage, monitoring of the interim targets is not part of the agreement. However, the monitorable interim targets are to be specified during the negotiations on a binding agreement (Adriaansens, 2022d). This is the first time that the Minister has elaborated on a monitoring process. Monitorable performance standards are the dominant condition presented in the literature by Amsden (2001) and Amsden and Hikino (2000). They have identified performance standards attached to subsidies as a government control mechanism that disciplined corporate recipients and thereby minimised government failure. According to Amsden and Hikino (2000), performance standards have been the

success of industrial development in late industrialisers such as China and Korea. The MPs' call for the inclusion of monitorable targets in the binding agreement, and the minister's concession that these will be included in the negotiations for a Binding Agreement, is therefore closely linked to the theory. Another important conclusion regarding conditionality is that possible support will be considered after some conditions have been met, which was already set out in the policy letter of 1 December 2021. In other words, not only are stricter conditions imposed in the Netherlands than in other EU countries, but financial support will also be explored after conditions have been met and if it is in line with the long-term industrial policy objectives of the Netherlands.

In addition, the FNV's green steel plan seems to have been crucial in changing TSN's sustainability plans. Following the publication of this plan, most MPs opposed CCS and/or promoted a green route via the hydrogen-based DRI process, which was expressed and demonstrated in debates and media coverage. In the Minister's replies, she states that this plan was one of the reasons that led TSN to replace the CCS plan set out in the first EoP (Adriaansens, 2022d). This statement by the minister again confirms the impact of the union's plan on public opinion and political preferences, both in terms of Culpepper's (2010) political salience argument and Maggor's (2021) social coalition-building. The convergence of these developments was already noted in the December 2015 interview with TSN's sustainability director (Stooker, 2021). Now the Minister confirms this analysis. In fact, the plan initiated by the FNV has led to public support from political parties and environmental groups, which has resulted in the trade union, left-wing political parties and environmental groups forming an informal alliance (Stooker & Knoop, 2021a). Moreover, not only did left-wing political parties express their preference for the Green Steel Plan, but it also received broad support in parliament (Tweede Kamer, 2021). A social coalition has thus emerged. Accordingly, and in line with the words of Culpepper: '[…] business power goes down as political salience goes up' (Culpepper, 2010, p.177). The findings have showed how public opinion is formed against TSN. And the more the public cares about an issue, the less influence business have on regulation (Culpepper, 2010). In line with Culpepper's argumentation, the increased salience and the broad coalition that has been formed seems to have diminished TSN's political power, since the minister confirms that the trade union's plan and its impact were part of the reason for TSN into choosing the DRI production route over TSN's preference for CCS.

At the same time, this conclusion illustrates the interdependence between the political salience of an issue and state capacity. Previous findings, based on research by Meckling and

Nahm (2018b), have shown how bureaucratic policy design in the Netherlands is indicative of a state with state capacity. Other work by the authors illustrates the political dimension of state intervention in promoting industrial and technological change, suggesting that the state can effectively engage in sectoral innervation to stimulate these changes. Thus, in addition to the bureaucratic account, the authors argue that sectoral patterns of interest intermediation shape state capacity (Meckling & Nahm, 2018a). In their work, they identify a pattern of political competition involving interest-group competition that allows the state to mobilise coalition parties that support technological change against the current interests of sunset industries. In contrast, political coordination leads industry and government to pursue long-term technological visions that are compatible with incumbent interests, limiting the state's ability to support new technologies as a result of regulatory capture (Meckling & Nahm, 2018a). The conventional literature argues that in pluralist societies, the state has little capacity to resist external interests because of the relative ease with which external groups can enter the political arena. Instead, the authors show how 'the exploitation of political competition among outside interests allows governments to outmanoeuvre incumbent interests in pluralist settings' (Meckling & Nahm, 2018a, p. 510). In their example of the US auto industry, the authors show how government actors in favour of technological change were able to implement policies by organising coalitions of industrial, environmental and safety interests.

In this case, the results show how there was competition between TSN's sustainability path with CCS on the one hand and the union's hydrogen-based steel production on the other. The Dutch pluralist society, where interests are organised in multiple, voluntary and non-hierarchical groups and compete for political influence, is also comparable to the US case in the article (Meckling & Nahm, 2018a). In line with Meckling and Nahm's conclusions, political and governmental actors in the Netherlands took advantage of this political competition of technological and environmental interests between TSN, the trade union FNV and environmental groups. The FNV published its green steel plan, which supported technological change, namely a new steel production process - DRI. Environmental groups and, more importantly, members of parliament were mobilised. The major political parties supported this change against the interests of the incumbent TSN and some parties strongly opposed to the use of carbon capture and storage in their current production process. This support grew in the public debate following the publication of the green steel plan and was expressed in written questions and during the debate on the future of TSN (Blok, 2021a; Tweede Kamer, 2021). TSN remained alone in its opposition to protect the interests of the

incumbents and failed to unite the industry lobby. The competition between the FNV and TSN could be used to strategically build a social coalition in favour of technological change in steel production. As a result, this political competition adds to the bureaucratic accounts of state capacity, as it is not only the design of the bureaucracy that shapes state capacity. Therefore, the state successfully intervened in the technological change of the steel industry, in line with Meckling and Nahm (2018a).

On 27 February 2023, the minister informs parliament about the progress of the tailor-made agreements (Adriaansens, 2023a). The introduction reiterates the rationale for a green industrial policy and sustainable industry in the Netherlands. The minister then goes on to explain the step-by-step approach from EoP to binding agreements. In anticipation of the binding agreements, an advisory committee has been set up to provide independent advice. In addition, the minister has concluded EoPs with three more companies, namely Dow Benelux, Nobian and OCI (Adriaansens, 2023a). There are few changes with regard to the situation of TSN. It is mentioned that it is up to TSN to specify its needs for possible government support, although the Ministry of Finance has been involved in the discussions in addition to the Ministry of I&WM and the Province of Noord-Holland. The minister also refers to a study by the consultancy Berenschot, which examined state aid in other EU countries. On this basis, the government and TSN are analysing the implementation of the plans. In view of the possible state aid, the minister announces that a dialogue with the European Commission will be initiated (Adriaansens, 2023a).

Shortly before this letter was written in January, TSN CEO Hans van den Berg was interviewed by FD. He is concerned about the image of TSN in the Netherlands, which is also known to the board in India (Van Dijk & Wagenaar, 2023). He is also concerned about the path of the transition, especially in view of the extensive licence application procedures. He also comments on the costs, which are likely to be in the billions of euros (Van Dijk & Wagenaar, 2023). According to the CEO, the government will contribute half of this amount, in line with state aid in other EU countries. He also mentioned that TSN has made an investment of 300 million euros to prevent the spread of pollutants into the local area by building a windscreen (Van Dijk & Wagenaar, 2023). However, this commitment was made at the time of the first EoP two years ago.

The latest policy letter on tailor-made agreements used in this thesis is dated 20 April 2023 (Adriaansens, 2023b). The minister reports that another EoP has been agreed, this time with Shell. However, the main subject of the letter is the evaluation framework of the

agreements, which starts with an additional CO_2 reduction compared to what a company should do under the Climate Agreement. Furthermore, the minister explains that a sum of 3 billion euros has been set aside for the tailor-made agreements until 2030, while stressing that this approach does not necessarily include financial support (Adriaansens, 2023b). This financial assessment sets out a number of principles, including that support options within existing generic instruments should be considered before tailored funding. In addition, the criteria for tailored funding are in principle no more favourable than those for generic instruments, and the government only makes a financial contribution where necessary (Adriaansens, 2023b). Another notable formulation concerns the types of conditions involved. In principle, a possible tailor-made subsidy works with a so-called claw-back construction, so that overcompensation can be avoided (Adriaansens, 2023b). A claw-back scheme is a way to recover or cancel funds. This is the first time that a claw-back mechanism has been mentioned in a policy letter. It is a further step in specifically addressing the different conditions involved. In addition to emissions, health, environmental and technology standards, financial conditions are now part of the tailor-made approach. Such conditions are in line with Amsden's (2001) theory, which includes not only performance standards but also financial conditions that act as a control mechanism for the state. Maggor (2021) also describes such a claw-back mechanism in the Israeli case. A special office within the ministry could withhold or demand full repayment if projects did not progress as planned. Now, the Dutch ministry is introducing a condition similar to the one in Maggor's article.

In conclusion, this chapter has shown how various developments have led to a policy in which the Dutch government has been able to impose strong conditions on its relationship with TSN. It has also provided an overview of the different types of conditions attached to this relationship and to possible state aid to TSN. This empirical evidence will be further analysed in the next chapter, including the implications and conclusions.

7. Analysis and implications

This chapter summarises the findings and analysis of the previous chapter. The aim of this thesis is to examine the factors that led to the strong conditionality of the possible state aid to TSN in the light of the broader state-business relationship. Based on the empirical findings, two conclusions can be drawn, resulting in two contributions to the existing literature. First, the thesis has demonstrated a more predominant focus on the political circumstances that influence strong conditionality in a way that it increases and enables a state to use its state capacity. In this way, the empirical findings highlight the importance of political factors in explaining the Dutch government's willingness to impose strong conditionality. This relates to the fact that advanced economies like the Netherlands have the capacity to design conditionality. The problem seems to be that they often lack the will to activate this government capacity. Secondly, the results provide a more complete analysis of the specific conditions in an advanced economy compared to developing countries. These conclusions will now be explained in more detail.

7.1 Focus on political circumstances

The first and most important conclusion is that political circumstances have played a key role as a factor encouraging or hindering the imposition of strong conditionality in the relationship between the Dutch government and TSN and a possible transfer of state aid. Maggor (2021) has focused on the emergence of a political coalition in such a way that it influenced conditionality and state discipline. In addition to the literature, this thesis has incorporated Culpepper's (2010) theory of the high political salience of an issue that influences a state-business relationship. In addition, factors such as political will and party preferences are involved. These circumstances add to the required state capacity to impose conditionality (Meckling & Nahm, 2018a; 2018b; 2019; 2021).

One aspect that has not yet been included in the conditionality literature is the issue of political salience as defined by Culpepper (2010). For this reason, this thesis has investigated this possible causal relationship, showing how political salience around TSN reached a high level. The findings have shown how this argument holds up in this particular case. Considering this, the political power of TSN shrank in favour of the government. Once this happened, the government could continue to impose further conditionality, for example in the second EoP, and make strong conditionality part of government policy. The findings of this

thesis are thus consistent with the literature of Culpepper (2010). In addition, the developments illustrate the social coalition that has emerged. The political coalition formed in Maggor's findings in Israel consisted of the country's leading development agency, key members of the industrial, financial, labour and former military elites, as well as leading entrepreneurial scientists and engineers (Maggor, 2021). In his work, Maggor argues that the finding that powerful industrial unions were instrumental in the transition to an advanced economy is not unique to Israel, as organised labour played a central role in the development of high-tech economies in Scandinavia (Maggor, 2021).

The coalition in this case consisted of political parties, the trade union and environmental groups. As a result, this case has similarities and differences with the Maggor coalition. In the Netherlands, the trade union played a key role in changing political preferences. Almost every party supported its green steel plan, and therefore some parties were strongly opposed to the sustainability path taken by TSN. As a result, the conditions imposed in the second EoP were much stricter than in the previous one. Thus, in line with Maggor's findings, the role of the union was also key in this case. This is also consistent with his conclusion that the union has played a key role in other advanced economies. However, compared to Maggor, this case showed a more dominant role for political parties in pushing the government in a particular direction and the presence of environmental groups. The current environmental situation and the political and social debate on how to face the challenges of climate change seem to be the most logical and obvious explanation for this. Another difference is that the Netherlands is already an advanced economy, while Maggor described Israel's transition to an advanced economy, which could explain the greater presence of the development agency and the industry itself. In sum, Maggor's conclusion, stressing the need for a social coalition in imposing conditionality, is consistent with the empirical findings of this thesis.

The existing literature has emphasised state capacity as a determinant of policy design (Skocpol, 1985). According to Meckling and Nahm (2018b), a state's policy design can influence its state capacity. Our findings show that the Ministry of Economic Affairs and Climate Policy has significant power to design policies to reduce industrial emissions and other pollution. Compared to the literature, this case shows similarities with policy design and policy formulation and implementation in California. The empirical evidence suggests that the ministry and experts within the ministry will explore possible support options for TSN, similar to the technocratic agencies in California. The delegation of power in this bureaucratic

policy design strengthens the Dutch government. In contrast, the sectoral lobby in Germany has been successful in blocking climate policy because of its legislative policy design, in which legislators are more susceptible to regulatory capture. Thus, the bureaucratic aspect of state capacity is consistent with Meckling and Nahm (2018b).

The authors also conclude that the state can effectively engage in sectoral innervation to stimulate industrial and technological change. Political competition between interest groups supporting technological change and the current interests of sunset industries, in which these groups can be mobilised by the state, is a sign of state capacity (Meckling & Nahm, 2018a). This competition was clearly present in this case. A coalition supported hydrogen-based steel production over TSN's use of CCS. In addition, other political factors, such as a pluralistic society, are factors that reinforce this competition, in line with findings in the US (Meckling & Nahm, 2018a). While support for the green steel plan increased, TSN failed to protect its interests. The competition gave the Dutch government the power to impose a specific technological condition, namely this hydrogen-based green steel route. This could be seen as another indication of the Dutch government's state capacity.

What does the conclusion that the Dutch government has state capacity mean? An advanced economy such as the Netherlands and its government have the capacity to design a conditionality framework. An implied obstacle could be the lack of willingness of a state to activate its state capacity. In line with Meckling and Nahm's literature, the results illustrate how the Dutch government possessed this capacity. However, the government activated its capacity after the increased salience, which shaped political preferences and reduced the political power of TSN as a company. As a result, the government activated its state capacity. In this way, and in line with the other findings of this study, it can be concluded that political circumstances – especially the political salience of an issue – trigger a state to activate its state capacity.

To conclude, the findings and analysis described how different political circumstances interacted. Social developments created political will, political salience and a social coalition. Their presence in this case enabled the state capacity of the Dutch government. As a result, the Dutch government was able to impose strong conditionality in the TSN case. In this way, this thesis contributes to the existing literature by demonstrating the role of – and thus shifting the focus to – political circumstances that influence why and how a state is able to activate its state capacity and impose strong conditions in a state-business relationship, while other states are not.

7.2 The specific conditions involved

In addition to suggesting research into why some countries are able to implement stronger conditionality than others, Bulfone et al. (2022) suggested a shift towards a more complete analysis of the types of conditions involved. Throughout the empirical evidence, the specific conditions involved have been described and examined. These are now further summarised analytically.

The work of Amsden (2001) provided a foundation for the concept of conditionality. She argued that late industrialisers in Asia and South America successfully upgraded their industries through the use of results-oriented and redistributive performance standards. Extensive subsidies, tax breaks and tariff protection were exchanged for performance standards such as export targets, local content requirements, national ownership, regional location criteria, debt-equity ceilings, investment commitments and, later, product quality specifications and environmental regulations (Amsden, 2001). Most of these conditions appear to be less relevant in this case. These conditions are aimed at industrial upgrading and therefore focus more on economic conditions, whereas the aim of conditionality in this case is to develop sustainable business.

The empirical findings are consistent with the literature in that this case is mainly about the principle of reciprocity and the state creating the conditions in which a transition can take place. However, the specific conditions differ from the more economic and financial oriented conditions in Amsden's work. The table in the appendix shows the main differences in conditionality between the first and second EoPs. It also shows how conditionality in this case differs from that described by Amsden. Conditionality in this case is predominantly environmental. There are also significant health conditions, perhaps equally important given the social and political debate around this issue. The environmental and health conditions are at the forefront and are agreed in the EoP. The second EoP with TSN included more specific conditionality than the first EoP. An important difference with the work of Amsden (2001) is that the conditions involved here are more technological, environmental and health related than in the case of industrial upgrading in Asia. This could be explained and justified in terms of climate change targets and the green transition. It includes the specific technological means to reduce CO_2 emissions. In particular, it addresses conditions for improving water quality and reducing substances of very high concern, reducing NO_x, improving air quality and reducing noise. Amsden's work focuses on monitorable performance standards, which is not yet incorporated here.

In addition, the principle of reciprocity from the first EoP was highlighted. The government emphasised its own role in facilitating the conditions to support the green transition of the TSN. Most of the policy letters focus on the government's role in facilitating and expanding the necessary energy infrastructure, assisting with permitting and removing regulatory barriers. This is in line with Mazzucato's (2013) statements that the state should enable its own role in facilitating innovation. More importantly, the principle of reciprocity is a central aspect in Amsden's literature. Nevertheless, it is important to emphasise that the discussion with the government about enabling this role can only take place if TSN can meet the general criteria and conditions that correspond to the long-term vision of the Dutch government. So the Dutch government emphasises this principle, but TSN should be the first to deliver. Another financial condition of the policy is a claw-back mechanism to avoid overcompensation by the government. So, in addition to environmental standards and health requirements, financial conditionality is involved in this relationship. Thus, financial conditionality does not seem irrelevant, but enforcing environmental standards before financial aid and conditions is key for the Dutch government.

In summary, the empirical findings have highlighted the diversity of conditionality in the case of TSN. In contrast to the work of Amsden (2001), the conditionality involved is mostly related to conditions aimed at promoting the green transition of TSNs. These include more environmental and health standards rather than economic conditions such as export targets. The principle of reciprocity is also emphasised in the TSN case, in line with Amsden. Furthermore, this case has shown how the Dutch government, in contrast to cases in the existing literature, imposes conditions that have to be met before possible financial support can be given. Amsden (2001) has argued how performance standards functioned as control mechanisms that minimised government failure. This case provides a new insight into this by assuming that the Dutch government tries to minimise the failure of the possible (financial) aid transferred to TSN.

8. Conclusion

The central question of this thesis is: *What factors explain the strong conditionality enforced and imposed by the Dutch state in its relationship with Tata Steel Nederland?* This study has attempted to trace the origins of the Dutch government's approach to TSN, which eventually became an industry-wide tailor-made policy. Based on a number of government and parliamentary documents studied, such as policy briefs, letters from ministers to parliament and transcripts of parliamentary debates, the thesis has provided an overview of the policy developments that led to the approach. In addition, newspaper coverage has shown how these developments were represented in the media. The findings based on this evidence provided a thorough causal mechanism and analysis of events.

The answer to the question of why can be divided according to the literature used. Amsden's literature on conditionality was the basis for examining conditionality in industrialised and advanced economies. Meckling and Nahm's (2018a; 2018b; 2021) theory on state capacity is consistent with the findings of the thesis, which is why it could be concluded that the Netherlands has state capacity to enforce and impose conditionality. This case shows how Culpepper's (2010) theory of political salience triggered the Dutch government to activate its state capacity. FNV's green steel plan and the RIVM report on the local health situation, among other things, increased the political salience of the TSN. As a result, social and political debates in parliament intensified, shaping the political will and pushing the government to support TSN to become sustainable, but with strong conditionality. According to the same literature, this reduced TSN's political power which was confirmed by the findings. At the same time, a social coalition of political parties, trade unions and environmental lobbies emerged. In line with Maggor's (2021) findings that conditionality requires the support of a broad social coalition, this case is consistent with his findings, given the emergence of the coalition, and therefore highlights the need for broad social and political support. The enforced conditionality focused on strong environmental and health standards, in contrast to Amsden's literature, which focused on more economically oriented conditions. Thus, the Dutch government was able to enforce strong conditionality in its relationship with TSN because of the existence of state capacity, but with the help of the appropriate political circumstances, consisting of the political salience of the issue and a social coalition, this capacity was activated. In this way, the thesis attempted to enrich the literature by linking the argument of political salience to the activation of state capacity and the enforcement of conditionality.

This thesis has its limitations. The case of TSN should be seen as special and perhaps not representative of other industrial companies. Industry needs to reduce its emissions, but TSN is the largest emitter in the Netherlands, and it is also the largest emitter of other pollutants, as confirmed by the RIVM report. This local environmental and health situation is therefore exceptional in the Netherlands. As a consequence, this could influence how the political salience of the issue played a role in the tailor-made policy and the enforcement of strong conditionality. Here, the salience of the issue seems to have activated the state capacity of the Dutch government. What if the high salience associated with another business is not present in a case? This provides suggestions for further research. In order to test the argument of political salience and its influence on the imposition of conditionality, other scholars should study other qualitative in-depth cases in advanced economies to find possible confirmation of the argument. The ILVA plant in Italy shows similarities in the local environmental and health situation, which could provide grounds for a comparison between the cases, the rationale for state aid and its conditionality. In addition, quantitative studies can look at statistical comparisons in advanced economies in the amount of state aid and the conditionality attached to these transfers. By comparing quantitative data on the amount of financial transfers to firms and the conditions attached, scholars may be able to identify variations in the degree of subordination in the state-firm relationship, as also suggested by Bulfone et al. (2023).

The research shows that an advanced economy such as the Netherlands has the state capacity to impose a policy of strong conditionality on business. In the case of TSN, however, this capacity has been activated by political salience, which has created a social coalition in support of this policy to impose strong conditionality. This means that public opinion in the Netherlands plays a key role in the government's ability to act and enforce conditionality. At a time when the world is facing the challenges of global warming and its consequences, governments can and should take on the role of promoting sustainability, for example by supporting business in this transition but enforcing conditionality in return. This case has illustrated how.

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Appendix

Table on conditionality

Conditionality first Expression of Principles (2021, March 30)	**Conditionality second Expression of Principles (2022, July 15)**
Ambition of emissions reduction of 5 Mton CO_2	Ambition of emissions reduction of 5 Mton CO_2
Ambition of carbon neutrality in 2050	Ambition of carbon neutrality in 2045
Using Carbon Capture and Storage (CCS) to capture CO_2 in its current production process	Phasing out blast furnaces and replacing them by Direct Reduced Iron (DRI)-based steelmaking
Reduction of NO_x emissions	To continuously aim for further NO_x emissions
Aiming to continue to strengthen the level of involvement of Dutch society in the area of technology innovation and sustainability	Aiming to continue to strengthen the level of involvement of Dutch society in the area of technology innovation and sustainability
Aiming to continue to mitigate environmental and hinder issues, maintain acceptance to operate and address public concerns	Aiming to continue to reduce environmental issues, and address public concerns
Seeking to invest 300 million Euro in the reduction of any adverse environmental and hinder impact on local communities	Strive to replace a second blast furnace with a DRI plant as soon as possible after 2030.
	To minimise ZZS (*zeer zorgwekkende stoffen* - substances of very high concern) emissions
	Take into account reasonable possibilities to reduce further impact on nature and environment before 2030
	Investigate the potential possibility of the closure of the Cokes & Gas Plant 2

	The parties aim to set out in the final binding agreement the timeframes and conditions to phase out the applicable existing installations
	Aiming to minimise emissions during the construction and operationalisation of the new facilities

Interview policy officer Directorate Top Sectors, Ministry of Economic Affairs and Climate Policy (The Hague, 25 April 2023)

Could you tell more about the political formation of the tailor-made agreements?

'It starts with the targets from the Climate Agreement, and in the Coalition Agreement these targets were tightened up for industry. It was then said: if we want to achieve that 55%, we will bet on 60% so that we are sure we will achieve it. *Maatwerk* was then introduced as an additional means, whereby it is important to say that tailor-made agreements are seen as an additional means. The customisation agreements are not for the industry to meet their targets, but we do customisation if they can do something extra. That is also the main condition in that.'

Something extra?

'Additional CO_2 reduction. A company has a certain point where it should be in 2030, otherwise it would have to pay according to CO_2 tax. And if a company can do something extra than expected with *maatwerk*, through permits or financial support from the government. There are already a lot of instruments, also for other companies. So customisation is really a complementary tool and a step extra.'

Do you know how more about how the customisation agreements got into the Coalition Agreement?

'Society's image has shifted and there has been more criticism of industry as a big polluter. But also that we actually see that we need industry very much for our products, also in the future. From that point of view, we want to keep industry in the Netherlands. Recent developments such as the war in Ukraine also show that we do not want to be dependent. That strategic autonomy is important and so the products are needed. If we close factories here, these companies will start polluting in other countries where they do not have to meet requirements and then we have to import steel. The starting point then is: rather green here, than grey elsewhere. From that starting point, we thought then we should facilitate more from the government in exchange for that extra step from the companies.'

So did this also have to do with public opinion shifting?

'I think it is mainly the political force field that played a role in this. That the importance of industry came more to the fore again from the political side. Industry is important and we have to support it, but sustainably and with conditions. Public opinion was not a decisive factor in this. It [the tailor-made agreements] was announced in the coalition agreement and that was, of course, a political game of what was and was not included. In that sense, the story of how the customisation agreements came about is also because of the coalition agreement.'

'A team was also recently set up from the ministry to do the customisation agreements, but so this was only after the Coalition Agreement. It has been a journey where you would have an ideal EoP, but you are in talks with different companies and you want to take the first step quickly. So there are no uniform EoPs either, so you see that with the revised EoP with Tata. And that is also seen as the basis from which follow-up talks are also conducted.'

So talks are still ongoing, but the intention is to move towards binding agreements?

'Tata is a complicated dossier and *maatwerk* is really for the long term. So you really want to look at what they can do additionally towards 2030 with CO_2 reduction and environmental impact. But also: what is their vision towards climate neutrality? What you also see at Tata is that there are a lot of short-term problems. So they are working hard on long-term sustainability, but the short-term problems have to be sorted out. So tailoring does look beyond the short term, but it is related to it.'

In that sense, the tailor-made agreements are focused on the sustainability path and how does a company fit into Dutch society in 2030, 2050?

'Not so much does a company fit into that, but what do we agree with a company to get there. And those EoPs are really headline ambitions. The Letters of Intent are intended to state in concrete terms when the company will take what steps to realise the project and what a company then needs from the government, for instance in terms of energy infrastructure. So we do look primarily at the company to come up with sustainability plans and what questions preconditions they set from the government.'

Suppose Tata says they cannot or will not meet the conditions, what then?

'That is a broader discussion than the tailor-made agreements. At the end of March, there was a parliamentary letter announcing the *Nationaal Programma Verduurzaming Industrie*, which is about the government's vision of the industry of the future. In it, we do say: from the government's point of view, we outline the frameworks in which we think companies should become more sustainable. And if a company can take those steps, we see a place for this company in the Netherlands.'

So whether there is a place for such a business or not?

'Yes, it has to be sustainable. But the government does not really choose between industry or companies. We outline the frameworks and a company has to fit into those, but we don't say you do and you don't. Industry is important and we need the products. And if a company is sustainable and does not harm the living environment, then there is a future in the Netherlands. So customisation is specifically aimed at sustainability, within our frameworks and not just giving money and we are confident of a good outcome. Primarily, it is aimed at CO_2 reduction, nitrogen reduction is also included over time and wider environmental aspects what per company is relevant. In debates, for instance, it is increasingly asked whether aspects from other discussions can be included in customisation, for instance the whole discussion around international corporate social responsibility. From MPs but also from other quarters. But the customisation agreements do not lay down everything between company and government. It is primarily about sustainability and CO_2 reduction, and the focus should remain on that.'

And the possible financial support?

'Last Friday, a new Parliament letter went out, which is a bit more about the frameworks of what we do and don't do. And there is also a whole paragraph in it about the financial criteria. It's a whole process from EoPs, to Letters of Intent, and with binding agreements you come to a possible financial question. You then have to meet the conditions, but it's not like we only then start talking about whether funding is possible. *Maatwerk* is also broader than financial demand, but also permit applications, for example. And for the financial question, we first look at the generic instruments, such as the SDE++, which is also the starting point. If that

really doesn't fit, then customised financing can be looked at. Then the whole spectrum of financing is involved, so not per subsidy but it can also be a loan or a guarantee.'