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Understanding the European Green Deal: a trademark of European supranationalism or a reaffirmation of the power of member states?

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Understanding the European Green Deal: a trademark of European supranationalism or a reaffirmation of the power of member states?

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“The European Green Deal is on the one hand our vision for a climate neutral continent in 2050 and it is on the other hand a very dedicated roadmap to this goal. (...) Today is the start of a journey. This is Europe's ‘man on the moon’ moment.”

- Ursula von der Leyen (2019)

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Abstract

The European Union (EU) has been in perpetual crisis for more than a decade. By the end of the previous decade, the EU recognized the need to strengthen its climate policy to address the climate crisis. At the end of 2019, Ursula von der Leyen, President of the European Commission (EC), declared the European Green Deal (EGD) as the new top priority. The EGD aims to achieve zero net greenhouse gas emissions by 2050, decouple economic growth from resource use, and ensure that no one and no place is left behind. This thesis explores how the grand EU integration theories, neofunctionalism and liberal intergovernmentalism, can be used to explain the content of the EGD by conducting a theory-testing qualitative analysis case study. Does the EGD reinforce the power of member states or is it a symbol of European supranationalism?

Keywords: *European Union, Integration Theory, Neofunctionalism, Liberal intergovernmentalism, European Green Deal*

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List of Abbreviations

CBAM Carbon Border Adjustment Mechanism

COP Conference of Parties

EC European Commission

ECSC European Coal and Steel Community

EEC European Economic Community

ECL European Climate Law

EGD European Green Deal

ETS Emissions Trading System

EU European Union

GHG Greenhouse Gas

LI Liberal Intergovernmentalism

NECP National Energy and Climate Plan

RED Renewable Energy Directive

RET Renewable Energy Targets

RRF Recovery and Resilience Facility

RRP Recovery and Resilience Plan

1. Introduction

1.1 Background

The European Union (EU) has been in perpetual crisis for more than a decade (Brack and Gürkan, 2021; Rietig and Dupont, 2023; Schimmelfennig, 2023; Tocci, 2022). By the end of the previous decade, the EU recognized the need to enhance its climate policy to address the climate crisis (Tocci, 2022). The green direction has gained momentum due to various factors, including the Friday for Future movement led by Greta Thunberg, the increased strength of green parties in the 2019 European Parliament elections, and growing evidence and media coverage of the climate crisis, such as catastrophic forest fires and melting polar ice (Dupont et al., 2020; Eckert, 2021; Siddi, 2021; Tocci, 2022). At the end of 2019, Ursula von der Leyen, the then newly appointed President of the European Commission (EC), announced the policy agenda for the upcoming years. She declared the European Green Deal (EGD) as the new top priority. Von der Leyen referred to the EGD as Europe's 'man on the moon moment' (Von der Leyen, 2019).

The EGD is considered a groundbreaking policy that represents a departure from previous incremental climate policies by significantly raising the level of ambition (Rosamond, 2023). It is viewed as a transformative policy initiative with a deadline, aiming to bring about a major overhaul of the European socio-economic structure (Tagliapietra and Veugelers, 2021). The EGD is a radical project that addresses climate change through a wide-ranging package of legislation (EC, 2019). It aims to achieve zero net greenhouse gas (GHG) emissions by 2050, decouple economic growth from resource use, and ensure that no one and no place is left behind and has been referred to as the new trademark of the EU (EC, 2019; Tocci, 2022).

1.1.1 EU integration

As the EGD has been received as a revolutionary deal in Europe (Rosamond, 2023; Schunz, 2022), it is interesting to research what the deal entails in regards to potential shifts in power or steps forward in deepening or widening integration. Does the EGD reinforce the power of member states or is it a symbol of European supranationalism?

The EGD represents a significant step towards placing the EU's sustainability transformation at the forefront; while building on previous policy developments, it goes beyond them (Dupont et al., 2020; Schunz, 2022). The EGD underscores the urgent need to act upon the scientific knowledge about environmental degradation processes (Schunz, 2022). It differs from previous EU climate policy by pursuing a 'just transition' in which all members of society can benefit from the move towards carbon neutrality (Rosamond, 2023). Analyzing it through integration theories can provide an understanding of how the EU balances and navigates supranational and national interests in pursuing environmental objectives.

Integration theories have been studying the development of European integration for decades (Wiener et al., 2019). Two major integration theories are neofunctionalism and liberal intergovernmentalism (LI). Interestingly, these two theories would expect different results regarding the impact of the EGD on the state of European integration. Neofunctionalism emphasizes the power of European supranational institutions, such as the EC, and would expect these institutions to drive integration and gain more power (Brack et al., 2021; Niemann et al., 2019). Neofunctionalism would expect the outcome of the EGD to be deeper integration, with supranational integration and policy harmonization. LI emphasizes the power of nation states and argues that EU integration will only proceed if it is in the interest of member states: member states are the masters of the treaties (Brack et al., 2021; Moravcsik and Schimmelfennig, 2019). LI would expect the outcome of the EGD to be intergovernmental cooperation, with no significant transfer of sovereignty from member states to supranational institutions, and the policy outcome to be differentiated integration with flexibility in implementation, adaptable to the national preferences of each state.

Neofunctionalism is expected to provide a better explanation of the outcome of the EGD as it represents a grand supranational framework. However, combining both theories is anticipated to result in a more complete understanding of the EGD. The two theories have different areas of focus and varying strengths and weaknesses in explaining the process and outcome of integration, as will be discussed in the literature review.

This thesis will evaluate the content of the EGD in through the lenses of the integration theories neofunctionalism and LI. The objective is to determine which of these theories can most convincingly explain the content of the EGD and what this means for the state of EU integration.

1.2 Research question

The above leads to the following research question:

How can we explain the content of the European Green Deal using grand EU integration theories neofunctionalism and liberal intergovernmentalism?

1.3 Research Relevance

1.3.1 Societal relevance

The societal relevance of the EGD lies in its potential to combat climate change (Tocci, 2022). The transition to a green economy is one of the largest socio-economic shifts in history (Tocci, 2022). An increasing number of scholars have written about the consequences of climate change, the challenges of socio-ecological transformation, and the fundamental green transition (Crnčec and Lovec, 2023; Pianta and Lucchese, 2020; Pisani-Ferry et al., 2023; Rosamond, 2023; Skjærseth, 2021; Tagliapietra,

2021; Tocci, 2022). There is a growing global public awareness to combat climate change, and action is being taken worldwide (Tocci, 2022; Vela Almeida et al., 2023). However, the EGD has made Europe the first in the world to publicly commit to reducing GHG emissions by at least 55% by 2030 (Vela Almeida et al., 2023).

In addition to the complexity of this transformation, there is significant time pressure (Tocci, 2022). The transition to achieve net-zero emissions must occur within the next three decades, as supported by scientific evidence (Eckert, 2021; Tocci, 2022; Schunz, 2022). Climate change, once considered one of many international issues, is now widely regarded as “the most pressing issue facing humankind” (Boasson and Tatham 2023, 402). Climate change presents an existential crisis that can only be addressed through “a political and policy-driven energy transition” (Tocci 2022, 6). An integrated policy incorporating climate objectives coherently across multiple policy areas, including energy, transport, industry, and agriculture, is required, as proposed by the EGD (Rietig and Dupont, 2021).

The EGD has significant implications and is a crucial policy framework for addressing climate change (Tocci, 2022). Never before have climate and environmental policies been so central to such a broad, comprehensive plan for the EC’s industrial, societal, and innovation ambitions (Skjærseth, 2021). It involves extensive changes in infrastructure, economy, institutions, culture, employment, and behavior (Tocci, 2022). The EGD is considered a revolutionary deal that raises climate ambition to new heights, departing from previous incremental developments (Rosamond 2023; Schunz 2022). The EGD represents a significant step towards placing the EU’s sustainability transformation at the forefront; while building on previous policy developments, it goes beyond them (Dupont et al., 2020; Schunz, 2022). The EGD underscores the urgent need to act upon the scientific knowledge about environmental degradation processes (Schunz, 2022). It differs from previous EU climate policy by pursuing a ‘just transition’ in which all members of society can benefit from the move towards carbon neutrality (Rosamond, 2023). Analyzing it through integration theories can provide an understanding of how the EU balances and navigates supranational and national interests in pursuing environmental objectives.

The importance of climate change has shifted from being solely a technical policy issue to becoming a significant part of high politics (Dupont et al., 2020). Climate and energy policies are increasingly urgent on the domestic political agenda throughout Europe (Tocci, 2022). The EGD’s political significance has been further amplified by the war in Ukraine, which highlighted the risks of relying on Russian fossil fuels (Tocci, 2022). The importance of a strategic plan for energy security and decarbonization, as presented in the EGD, has increased (Tocci, 2022). Moving Europe towards a more sustainable path is deemed necessary, and the EGD could be a significant step in that direction (Pianta and Lucchese, 2020).

1.3.2 Academic relevance

The academic relevance of this study lies in the application of integration theories neofunctionalism and LI to the EGD which has not been explored previously in academic literature. The EGD is an interesting novel case to test the theories; it is EU's response to the climate crisis and arguably represents a significant, revolutionary development in the field of EU integration (Rosamond 2023; Schunz 2022).

Studying integration theory can aid in explaining the process or outcomes of integration (Wiener et al., 2019). In this case integration theories neofunctionalism and LI will be employed to elucidate the content of the EGD. This novel work can contribute to the development of integration theory and its ability to explain recent developments in the EU. The final section of the literature review (2.4) discusses the academic significance of this study in more detail and elaborates on the gap in the existing literature that it aims to address.

1.4 Method and Structure

The literature review will analyze EU integration theory as a field and will review literature on two major theories of European integration: neofunctionalism and LI. Based on these findings, this thesis will derive hypotheses in the theoretical framework in Chapter 3 to test in the analysis. This thesis will conduct a theory testing qualitative case-based analysis will be conducted using primary and secondary sources, as will be elaborated in the research design Chapter 4.

From the extensive EGD, this thesis will focus on four core elements: climate policy, energy policy, industrial policy and financing. From each element one key example will be analyzed. The thesis acknowledges that the labels chosen for these elements represent other important policies as well. A limitation of this research is that the sheer size and number of policies makes it impossible to cover every aspect of the EGD due to space constraints. The decision to analyze these policies is based on data such as the EGD document, EU press releases, news stories, consulting reports, and reports from law firms, think tanks and political news organizations. These policies are considered to be the most important and influential in the deal.

The analysis of these elements is divided into four chapters, each of which presents some brief relevant background information, followed by an analysis of a policy example. The findings are briefly summarized, and the final chapter draws conclusions from the analyses to answer the research question. The limitations of this research will be discussed and the thesis will conclude with recommendations for future research.

2. Literature Review

This literature review first discusses integration theory in general and then elaborates on neofunctionalism and LI. Section 2.1 reviews the development of the field of EU integration theories, how integration is defined in the literature, and how crises have challenged the field. Section 2.2 discusses neofunctionalism, examining its origins, core theoretical elements, critiques, and developments. This is followed by a similarly structured assessment of LI in section 2.3. The final section of the chapter, 2.4, elaborates on the research gap that this dissertation fills.

2.1 Integration Theory

Grand integration theories are dominant theories that aim to explain the process and outcome of European integration (Wiener et al., 2019). The EU is a unique organization with a distinctive mix of governance modes and structures and is widely considered the most institutionalized international organization globally (Pollack, 2019). The EU is composed of intergovernmental and supranational institutions and has a rapidly expanding body of legislation known as the *acquis communautaire* (Pollack, 2019). Scholars have developed an entire field of research around the unique process of European integration (Cătuți, 2022). Numerous theories have emerged to explain the functioning and development of the EU; each theory offers a unique perspective and presents different challenges when explaining the progress of European integration (Hooghe and Marks, 2019). The theories aim to answer the question of why states choose to cooperate through regional integration (Brack et al., 2021) and how institution-building above the state can be explained (Wiener et al., 2019).

Defining the term integration is meaningful as it is a contested term (Wiener et al., 2019). Ernst Haas, an influential neofunctionalist integration theorist, once defined integration as the process “whereby political actors in several, distinct national settings are persuaded to shift their loyalties, expectations and political activities toward a new center, whose institutions possess or demand jurisdiction over the pre-existing nation states” (Haas 1958, 16). This broad definition encompasses the social and political processes of integration. However, not all theorists include both aspects in their definition of integration and may have different approaches. Intergovernmentalists, for example, focus specifically on the formation of political institutions that member states endorse (Wiener et al., 2019). This thesis will focus on the approaches that deal with the political integration process of the grand theories of EU integration.

The EU and its integration process have encountered numerous crises and challenges since their inception. Currently, the EU is facing several major challenges, including dealing with the aftermath of the 2008 financial crisis, the migration crisis, Brexit, the rise of populism in several member states, the threat to liberal democracies, and the climate crisis (Brack and Gürkan, 2021; Rietig and Dupont, 2023). The existing policy objectives of energy and climate remained somewhat stable

but the ambition to step up EU climate policy decreased and pushed to the background by the crises (Rietig and Dupont, 2023; Slominski, 2016). The EU's resilience has been tested by these major crises, or polycrisis. They may have caused harm, but arguably also led to reforms that strengthened the EU's authority (Jones et al., 2021).

The polycrisis presented a challenge to European integration theory. Debates between grand integration theories had largely settled down before the polycrisis (Schimmelfennig, 2023). It was previously assumed that the EU had achieved a stable institutional setting, leading integration theories to focus primarily on steady-state EU politics rather than polity change (Schimmelfennig, 2023). However, the polycrisis has renewed interest and controversy among these integration theories (Schimmelfennig, 2023).

The current times of crisis have incentivized scholars studying the EU and these crises to re-engage with grand integration theories to understand how the political system as a whole has been transformed as a result of the crises (Brack and Gürkan, 2021; Hodson and Puetter, 2019; Jones et al., 2021). The two dominant approaches to theorizing European integration have been neofunctionalism and LI (Abels and MacRae, 2016).

2.2 Neofunctionalism

Neofunctionalism is a theory of European integration that was formulated in the late 1950s and 1960s and during this time it gained popularity (Niemann et al., 2019). Neofunctionalism is a prominent theory of European integration due to its sophistication and the criticism it has received (Niemann et al., 2019). Ernst Haas, considered the most prominent neofunctionalist writer, formulated this theory in response to the founding of the European Coal and Steel Community (ECSC) and later the European Economic Community (EEC) (Niemann et al., 2019). The theory aims to answer the following question: Under which conditions could sovereignty-sharing and transnational community building take place? (Haas, 1958).

The theory poses question of how cooperation in one economic policy sector can lead to greater economic integration, followed by wider political integration in Europe (Niemann et al., 2019). Neofunctionalists explain this phenomenon using the concept of spillover. The concept of spillover will be discussed later in this chapter, but in short, the concept of spillover can be defined as “the tendency for regional policy-making to extend from one arena to another” (Niemann et al. 2019, 45).

Haas published his book 'The Uniting of Europe' in 1958, just before the ECSC ‘spilled over’ into the EEC (Niemann et al., 2019). In the mid-1960s, the theory was prominent in the field because the evolution of European integration seemed to align with the expectations and assumptions of neofunctionalism (Niemann et al., 2019). Neofunctionalist theory analyzed the spillover effect that led to deeper integration in Europe, in other words “how the deliberate merger of economic activity in

particular economic sectors across borders could generate wider economic integration” (Rosamond 2000, 2). The expectation was that the integration process that started in the 'low politics' domain would, in due course, lead to a spillover into the realms of 'high politics' (Rosamond 2000, 51).

Neofunctionalism is influenced by pluralism and functionalism (Hooghe and Marks, 2019). Neofunctionalists believe that the government can be broken down into certain group actors and conceptualize the state as an arena where societal actors act to realize their own interests (Hooghe and Marks, 2019). The theory moves away from the assumption of international relations as a game between states solely driven by the goal of surviving as state or economic gain. Instead, international politics should be understood as the interaction of societal actors (Hooghe and Marks, 2019).

Neofunctionalists define integration as both a political and social process. It involves the creation of regional institutions whose roles expand gradually, as well as the transformation of the expectations and activities of participating actors (Wiener et al., 2019).

Haas' neofunctionalism theory suggests that there is a transnational movement towards supranational governance and predicted that actors at the national level, interest groups and political parties, would prefer to support supranational action over national governments' action (Brack et al., 2021). First political and economic elites, and later the wider citizenry, would develop loyalties to this level and supranationalism would emerge as a new ideology and community sentiment (Brack et al., 2021; Brooks et al., 2022).

Haas (1958) explains this phenomenon as the result of groups within or among states believing that supranational institutions are more likely to achieve their interests than national institutions. The theory adopts the functionalist notion that “international cooperation is a response to scale economies in the provision of public goods” (Hooghe and Marks 2019, 1114). According to neofunctionalism, the two mechanisms of spillover and transfer of loyalty lead to dynamic long-term integration (Brooks et al., 2022).

2.2.1 Spillovers

Neofunctionalists try to explain how societies and markets operate, as well as the policy-making outcomes and how supranational institutions have gained power within policy areas (Niemann and Ioannou, 2015; Niemann et al., 2019). The theory posits that this can be attributed to the functional interconnectedness between policy areas. The potential for spillover from one area to another emerges due to shared policy initiatives in certain 'low politics' areas (Brooks et al., 2022). Functional spillovers were initially associated with market policy, but soon extended beyond (Niemann et al., 2019). Neofunctionalists argued that miscalculations in integration were inevitable and would result in unintended consequences and problems that needed to be addressed collectively (Niemann et al., 2019). These periodic crises management would then initiate the reinforcing process of 'spilling over'

(Hooghe and Marks, 2019). The central focus of neofunctionalism is the concept of functional spillover that explains how integration in one specific policy area will push for integration in other related areas and to a higher level of supranational authority (Niemann et al., 2019). This can be exemplified in Europe by the spillover from the coal and steel industry to currency exchange rates.

Spillovers can result in increased reliance on non-state actors to implement policies and greater citizen regard for supranational institutions, resulting in more interdependence and greater utilization of trade benefits (Hooghe and Marks, 2019). Hooghe and Marks (2019, 1114-1115) summarize central neofunctionalist thought as that "regional integration in one policy induces integration in other policies, either by opening up new possibilities for cooperation, or more likely, by generating unanticipated problems that trigger further integration." The theory of neofunctionalism has undergone reformulation, revision, and extension from its original approach during the process of European integration (Wiener et al., 2019).

Scholars have elaborated on the idea of different types of spillovers, resulting in the identification of three types: functional, political, and cultivated (Brooks et al., 2022; Hooghe and Marks, 2019; Niemann and Ioannou, 2015). Functional spillover is driven by economic and market interdependence, political by the perception of positive benefits by state and non-state actors, and cultivated by supranational institutions (Niemann, 2021).

2.2.2 Critique and refinements

Although the theoretical foundation of neofunctionalism has remained mostly unchanged, some refinements have occurred (Schimmelfennig, 2018a). In the 1970s, when EU integration was at a standstill, adjustments were made to the spillover mechanism (Brack et al., 2021). According to neofunctionalists, crises were an unintended consequence of the integration process. The concept suggests that crises arise from within the integration process, and are therefore endogenous. The crises are believed to contribute to the advancement of European integration due to path-dependence and institutionalization (Lefkofridi and Schmitter, 2015; Schimmelfennig, 2018a). Scholars have proposed that the level of transnational interdependence and supranational capacity are crucial factors in shaping government responses to crises and determining whether such crises lead to path-dependence or positive feedback (Schimmelfennig, 2018a, 2018b).

Schmitter's revised neofunctional framework from 1970 combines the concept of a long-term dynamic integration process with a model of short-term cycles resulting from crises (Brooks et al., 2022). Crises can have different effects, including spillover and spillback, in addition to spillovers as an outcome (Brooks et al., 2022; Schmitter 1970). They have become an integral part of the integration dynamic (Schimmelfennig, 2018a).

The concept of automatic spillover in integration has been contested. Therefore, neofunctionalist scholars have introduced the concept of spillback in recent years to explain how the spillover effect can be constrained (Brack et al., 2021). Reformers of neofunctionalism argue that integration can create integration overstretch and national resistance if it enters sensitive political fields too soon (Brack et al., 2021). Further, the spillover effect can be limited by Euroscepticism and the consciousness of sovereignty (Brack et al., 2021).

Neofunctionalism was the first grand theory of European integration, but lost popularity due to developments in the 1960s and 1970s. For instance, the Empty Chair Crisis in 1965 and the establishment of the European Council in 1974 gave member states a more dominant and significant role in driving the EU (Pollack, 2010). As a result, the demand for alternative explanations for European integration led to the formation of intergovernmentalism (Cătuți, 2022).

2.3 Liberal Intergovernmentalism

LI is a theory of regional integration that originated from intergovernmental theory (Moravcsik and Schimmelfennig, 2019). It was formulated by Andrew Moravcsik in his book 'The Choice for Europe' in 1998 (Cătuți, 2022). LI is a revised version of intergovernmentalism (Moravcsik and Schimmelfennig, 2019). LI is considered as one of the greatest influential and fundamental theories of European integration and continues to shape scholarly debate and literature in the field of integration theory (Moravcsik and Schimmelfennig, 2019).

The main focus of liberal intergovernmentalists is to answer the question why sovereign governments in Europe have over and over again chosen to integrate core economic policies and surrender sovereign prerogatives (Moravcsik, 1998).

2.3.1 Role of the nation-state

LI argues that the role of the nation state in the integration process is crucial and that this role has not diminished, nor will it, due to European integration (Brack et al., 2021). On the contrary, it assumes that states are the key actors in a world of international anarchy (Moravcsik and Schimmelfennig, 2019). This means that states attempt to reach their objectives mainly through intergovernmental bargaining and negotiations, instead of relying on a higher centralized authority to determine rules and make decisions (Moravcsik and Schimmelfennig, 2019). LI argues that nation states are the primary actors in the process of EU integration and that integration only occurs when it is in the interest of member states; member states hold decision-making power and political legitimacy as 'masters of the treaty' (Moravcsik and Schimmelfennig, 2019).

The theory treats the state as a unitary actor in negotiations, while acknowledging the variation of domestic actors with different preferences (Moravcsik and Schimmelfennig, 2019). The

idea of LI is that varied thoughts on state interests internally and diverse external state representatives combined form relatively consistent strategic calculations and preference functions (Moravcsik and Schimmelfennig, 2019). Economic and issue-specific interests are the primary drivers behind decisions on European integration (Moravcsik, 1998).

A second basic assumption about international politics is that states are boundedly rational and purposive (Moravcsik and Schimmelfennig, 2019). Therefore, the decision to move forward in integration is based on cost-benefit analyses from national executives (Cătuți, 2022).

LI presents a three-stage framework to explain the outcome to international cooperation (Moravcsik and Schimmelfennig, 2019). In the first stage, states define their preferences. In the second stage, they negotiate substantive agreements, followed by the creation of institutions committed to those outcomes and their security (Moravcsik and Schimmelfennig, 2019). As the three-stage framework is central to the theory of decision-making, it is relevant and useful to elaborate on each stage individually.

2.3.2 Three-stage framework

The first stage involves the domestic formulation of a state's national preferences (Hooghe and Marks, 2019; Moravcsik and Schimmelfennig, 2019). According to LI, member states' interests are based on concrete economic interests (Hooghe and Marks, 2019; Moravcsik and Schimmelfennig, 2019). These government preferences are formed by “powerful domestic groups, chiefly firms, and interest aggregation is funnelled through national channels” (Hooghe and Marks 2019, 1116).

The second stage in the decision-making process is intergovernmental bargaining, which is shaped by asymmetrical interdependence among the different states (Hooghe and Marks, 2019; Schimmelfennig, 2018a). This asymmetry arises because certain states require certain agreements less, giving them a stronger negotiating position (Schimmelfennig, 2018a). This is particularly true when unanimity is required for decision-making (Hooghe and Marks, 2019). Some powerful countries have greater influence on outcomes than others (Cătuți, 2022). Moreover, crises have distributional implications related to asymmetric interdependence: the burdens of the outcome are expected to be distributed unevenly (Moravcsik, 1993; Schimmelfennig, 2018a). The goal of international bargaining is to achieve the level of integration outcome that maximises a state's national interests (Schimmelfennig, 2018a).

The third stage involves establishing European institutions to ensure the implementation of the agreements. According to LI, institutional outcomes are considered “functional responses to cooperation problems” (Hooghe and Marks 2019, 1116). The typical outcome is a lowest common denominator, with varying levels of integration depending on the cooperation problem (Hooghe and Marks, 2019). Governments decide whether to delegate or pool sovereignty to international

institutions, solely to maximize their own benefits (Moravcsik, 1998; Schimmelfennig, 2018a). Moravcsik defines sovereignty as 'pooled' when "governments agree to decide future matters by voting procedures other than unanimity" (Moravcsik 1998, 67). Sovereignty is considered 'delegated' when "supranational actors are permitted to take certain autonomous decisions, without an intervening interstate vote or unilateral veto" (Moravcsik 1998, 67). Hoffman and Keohane (1991, 7) define the process of 'pooling sovereignty' as "sharing the capability to make decisions among governments through a process of qualified majority rule. For issues in which sovereignty is pooled, authority to make decisions is removed from individual states."

This integration process is considered sovereign because the member states themselves chose to establish these supranational institutions and cooperate with each other to secure their own national preferences; their rational choice of economic integration responding to incentives in the global economy (Brack et al., 2021). LI argues that the nation-state has survived, transformed, and even been empowered as a result (Brack et al., 2021). Member states remain the key actors, masters of the treaties and the driving force behind European integration (Brack et al., 2021). Liberal intergovernmentalists argue that European institutions are designed to support the process of cooperation between member states and to reduce the transaction costs of international negotiations (Cătuți, 2022). Therefore, supranational institutions have a minimal role, serving only to provide a platform for member states to negotiate (Brack et al., 2021).

2.3.3 Critique

LI has been argued to be indispensable due to its explanatory power of intergovernmental negotiations, which remain the core process of European integration; this fills an explanatory gap left by neofunctionalism (Nicoli 2020; Schimmelfennig 2018b). Neofunctionalism arguably does not "sufficiently theorize the intergovernmental bargaining" (Schimmelfennig, 2018b). However, a critique of LI is its static nature, which fails to consider the endogenous preferences of earlier integration decisions (Nicoli 2020; Schimmelfennig, 2018b). The analysis lacks a dynamic extension that explains how integration outcomes feed back into intergovernmental bargaining (Schimmelfennig, 2018a, 2018b).

A critical evaluation of the academic literature on EU integration theories is that most scholars have focused on how the two theories contradict each other, whilst exploring how they complement each other in explaining various aspects of integration might be more interesting to explain real-world instances. Syntheses of LI and neofunctionalism can be useful in explaining complex cases of EU integration that are not fully captured by single theories (Schimmelfennig, 2018b).

The following Table 1 presents an overview of the core elements of both theories.

Table 1

Core elements theories

Theory	Main locus of power	Underlying principle	Dynamics of process	Effects on member states
Neofunctionalism	European supranational institutions	Supranationalism	Functional spillover/spillback	Marginal
LI	Nation-states	Pooling or delegation of sovereignty	Preference formation; interstate bargaining; design of common institutions	Central

2.4 Academic relevance

This study aims to fill the gap of applying EU integration theories neofunctionalism and LI to the EGD. The EGD presents an interesting novel case to test these theories because it marks a significant, revolutionary point in EU integration as the EU's response to the climate crisis (Rosamond 2023; Schunz 2022). Other recent major moments of integration have been extensively covered in academic literature, including the Eurozone crisis, Schengen crisis, Brexit, and the COVID-19 pandemic (e.g. by Börzel and Risse, 2018; Dimitrakopoulos, 2022; Genschel and Jachtenfuchs, 2018; Schimmelfennig, 2018; Nieman and Ioannou, 2015; Nicoli, 2020). These have been studied using neofunctionalism and LI to understand their effects on the European integration process and outcomes. Environmental policy has become an integral part of supranational policy regimes, and as a result, it plays a crucial role in EU politics, making this case interesting to study (Slominski, 2016).

Extensive research has been conducted on the development of climate and energy policy, particularly in relation to the impact of crises in the EU (Burns et al., 2020; Dupont et al., 2020; Gravey and Moore, 2018). The origins and approval of the EGD have been studied (e.g. by Oberthür and von Homeyer, 2023; Skjærseth, 2021), including the discursive paradigm shift it caused in the EU (Schunz, 2022). However, no previous studies have applied integration theories such as neofunctionalism and LI to explain the implications of the EGD's outcome for the state of European integration.

Studying integration theory can enhance our comprehension of the current state of EU institutions and enable us to formulate more accurate expectations about their future developments

and behavior (Wiener et al., 2019). Integration theory has enriched the study of the EU as well as academic debates in international relations and politics (Hodson and Puetter, 2019). The EGD was presented at a time when European integration could arguably benefit from a resurgence because of the polycrisis it was facing (Bongardt and Torres, 2022). The sovereign debt crisis created divisions between member states and resulted in economic and political fallout (Bongardt and Torres, 2022). This was followed by disintegration, with Brexit being the first member state to exit the EU (Bongardt and Torres, 2022). Integration theory can help us understand and conceptualize both integration and disintegration in the EU.

The practical application of the two theories to the EGD provides an opportunity to test the explanatory power of these theories in the context of contemporary and transformative EU policies, contributing to the ongoing development and refinement of integration theories. Testing theories neofunctionalism and LI in explaining the EGD can deepen the understanding of their strengths, limitations, and applicability in explaining complex, multi-dimensional policy initiatives. The objective is to provide a nuanced analysis that could be applied to other policy areas or provide a broader understanding of EU governance in general.

2.5 Conclusion

From this literature review it can be concluded that there are significant differences between the explanations of European integration between neofunctionalism and LI. Interestingly, these theories will therefore have different hypotheses regarding the outcome of the EGD. The results of this literature review will form the basis of the following theoretical framework.

3. Theoretical Framework

3.1 Introduction

This chapter presents a theoretical framework to answer the research question and presents hypotheses on four core elements of EGD based on the aforementioned theories. The hypotheses are derived from the theories, with each hypothesis representing the overarching dynamic between supranational and intergovernmental explanations on three aspects: the mechanism of integration, the nature of cooperation, and the type of policy outcome. These are found in the literature review as defining aspects in the theories of EU integration. Within each aspect, two hypotheses are presented, followed by a brief explanation of how the hypotheses were arrived at. At the end of the chapter, a brief summary will be presented, accompanied by a table to visualize the different hypotheses.

3.2 Mechanism of integration: spillover versus intergovernmental bargaining

The first set of hypotheses regard the expectations of the theories on how integration advances, so who are the drivers of integration. This thesis focuses on policy outcomes, but it is important to note that the different ideas on the origins and nature of integration can directly affect the outcomes.

Hypothesis 1.1 Neofunctionalism: the mechanism of integration is (automatic) spillovers leading to deeper and wider integration into new areas driven by supranational authorities

Neofunctionalism expects that crises can lead to positive feedback or path-dependence when there is transnational interdependence and supranational capacity, resulting in additional integration (Schimmelfennig, 2018a). The climate crisis is now more than ever perceived as a crisis and has arguably moved from low politics to high politics. The EGD is hypothesized as an outcome of functional spillover from economic integration to further integration. This is based on the idea that integration in one area will lead to integration in other areas due to functional necessity. The process is seen as automatic and driven by the logic of integration.

Neofunctionalists would argue that the EGD represents a spillover of the EU's intervention from economic policy to environmental policy. The EGD exemplifies the intertwining of economic interests and competitiveness with environmental concerns, building on earlier steps in this integration. The EGD is expected to produce spillover effects from existing areas of cooperation to areas where there is little or no EU-level cooperation, such as energy policies. It is expected that member states will recognize the interconnected nature of these domains and the efficiency of cooperation and coordination in climate and energy policy measures.

Neofunctionalists would predict that supranational institutions, the EC, is in the driver seat of integration and not the member states. Neofunctionalism expects supranational institutions to drive deeper and wider integration into new areas.

Hypothesis 1.2 LI: the mechanism of integration is intergovernmental bargaining driven by member states aiming for maximizing national interest

LI does not view integration as an automatic process driven by the logic of integration. Instead, it would emphasize the importance of maximizing the national interests of states. Integration only occurs when national governments, as the primary drivers of the EU integration process, perceive deeper or further integration as aligned with the pursuit of their national interests. member states may collaborate to address transnational challenges if it serves their interests.

LI would understand the EGD as a product of cooperative intergovernmental bargaining, where states pursue their national interests while acknowledging the necessity for collective action on environmental challenges. These states have distinct national preferences and circumstances. Regarding the EGD, countries have varying energy dependencies, environmental priorities, and economic structures, which create different national interests in achieving the EGD's goals. This would lead to intergovernmental bargaining among member states, resulting in compromises and agreements. The outcomes of the EGD are expected to reflect a balanced outcome between the national preferences of the member states. It is important to note, however, that there is asymmetrical interdependence among the different states. More powerful states are thus expected to better in maximizing their national interests due to their stronger bargaining position.

While states recognize the need to tackle the challenge of climate change at the EU level, they must also consider their own resources and capacities when making the required efforts (Domorenok and Graziano, 2023). It is important to ensure that commitments are relative to national capacities, resources, and interest (Domorenok and Graziano, 2023). LI would argue that recognition of the need for collective action on climate change does not necessarily require broader integration. States can also engage in specific shared interests through more issue-specific cooperation. LI sees integration as a pragmatic and often transactional process and not as automatic deepening of integration across different policy areas.

3.3 Nature of cooperation: supranational integration versus intergovernmental cooperation

The second set of hypotheses regards expectations on the nature of cooperation. The hypotheses represent the different expectations on power relations between supranational institutions and member states on decision-making autonomy and sovereignty.

Hypothesis 2.1 Neofunctionalism: The nature of cooperation is supranational integration where supranational institutions will gain authority in decision-making power and supranational coordination will constrain member states.

European institutions are at the center of neofunctionalist analysis (Abels and MacRae, 2016). Neofunctionalists expect regional or supranational institutions to gain authority or expand, in this case most notably the EC. The idea is that there is a transnational movement towards supranational governance; that supranational action is preferred to national government action because groups believe that supranational institutions are more likely to achieve their interests. In the case of the climate crisis, this is generally very logical because it is a transnational problem. The strengthening of EU institutions responsible for environmental and sustainability policy reflects the need for effective coordination and implementation at the supranational level. Successful integration in specific policy areas requires the development of institutions to manage and regulate the joint efforts.

Neofunctionalism expects the strengthening of soft powers or the acquisition of hard powers by supranational institutions, in this case the EC proposing the EGD. The development of supranational institutions is perceived as a natural consequence of integration, serving as mechanisms to manage and facilitate cooperation. The expansion of this power, in the form of harder monitoring powers for the EC for example, will in effect constrain member states.

Hypothesis 2.2 LI: The nature of cooperation is intergovernmental cooperation where member states remain masters of the treaties and maintain national sovereignty without transferring significant power to supranational institutions.

Power is only transferred when national interests are at stake. In the case of the EGD, LI would predict that the role of the EU in enforcing and monitoring environmental policy would be relatively limited, with member states retaining control over key aspects of implementation. European institutions only have by member states agreed on functional purposes, such as serving as a convenient platform to facilitate negotiations. Cooperation between member states is expected to be based on mutual interests rather than the aim for deepening of political integration. The outcome of the EGD is thus expected to address common environmental concerns without leading to a significant increase in the transfer of power or authority to supranational authorities or institutions. Intergovernmental cooperation serves specific, agreed purposes.

3.4 Policy outcome: harmonization versus diversity

The third set of hypotheses presents expectations regarding the type of policy outcomes of the EGD.

Hypothesis 3.1 Neofunctionalism: the policy outcome is policy harmonization

The challenge of climate change must be tackled by the EU to facilitate a sustainable future for European citizens (Domorenok and Graziano, 2023). According to Domorenok and Graziano (2023), meeting the economic, social, and environmental challenges of climate change requires higher

common political ambition and major joint efforts. Neofunctionalism predicts the implementation of new ambitious regulations at the EU-level (Domorenok and Graziano, 2023).

Neofunctionalism recognizes that barriers to integration, such as divergent national policies, can impede progress. Harmonization is seen as a solution to overcome these obstacles by aligning policies, thereby facilitating a more seamless and integrated EU. As integration deepens in a particular sector, harmonization in related policy areas may be necessary to overcome barriers and ensure effectiveness of integrated policies. As integration progresses, neofunctionalism suggests that the creation of common institutions becomes necessary to manage common policies effectively. Harmonization is a natural outcome of this process, as common rules and regulations are essential to the functioning of these institutions. Neofunctionalism would suggest that policies harmonize as integration progresses, leading to converging approaches as outcome of the EGD.

Hypothesis 3.2 LI: the policy outcome is differentiated integration

According to LI, commitments should be commensurate with national capacities, resources and interests. Therefore, it is expected that differentiated commitments are made on a case-by-case basis (Domorenok and Graziano, 2023).

LI predicts policy diversity and flexibility as member states retain control over policy implementation of the EGD, allowing them to tailor approaches to their national circumstances. States, in pursuit of their national interests, are expected to opt for different policy paths or exemptions for certain policies within the EGD based on their national circumstances of specific economic structures, social contexts, and political circumstances or dependencies on certain industries. LI recognizes that these differences can lead to different policy preferences and implementation strategies, making it difficult to achieve uniform policies across the EU. Differentiated integration in the form of flexibility to tailor policies in different approaches to specific national circumstances and priorities is expected.

Linked to the previous hypotheses on intergovernmental bargaining and cooperation: member states are often reluctant to cede too much authority to supranational institutions, and they may resist harmonization efforts that they perceive as encroaching on their sovereignty. This resistance contributes to the preservation of political diversity. In the bargaining process, states prioritize their own interests, leading to compromises that allow for flexibility and policy diversity rather than uniformity. LI predicts that there will be no extremely ambitious regulations, but rather incremental legislative changes at the EU level (Domorenok and Graziano, 2023).

3.5 Conclusion

In summary, neofunctionalism and LI differ in their expectations of the policy outcomes of the EGD in terms of the mechanism of integration, institutional developments and the nature of policy

outcomes. Neofunctionalism suggests spillover effects leading to deeper integration in new policy areas, increased supranational authority and policy convergence. LI relies on intergovernmental bargaining leading to policies in line with the preferences of (large and powerful) member states, intergovernmental cooperation, and differentiated integration. The hypotheses are summarized in Table 2 below.

Table 2

Summary hypotheses

Theory	1. Mechanism of integration	2. Nature of cooperation	3. Policy outcome
Neofunctionalism	Hypothesis 1.1: Spillover	H 2.1: Supranational integration	H 3.1: Harmonization
LI	H 1.2: Intergovernmental bargaining	H 2.2: Intergovernmental cooperation	H 3.2: Differentiated integration

4. Research Design

4.1 Introduction

This chapter outlines the research design of this thesis. First, the research design is presented and the choices made are justified. Then, the theory-testing approach that this research uses will be illustrated. This is followed by a discussion of how this thesis has collected data. Finally, the limitations of this research will be examined.

4.2 Research strategy

The overarching research strategy is a qualitative case study approach, using theory testing of neofunctionalism and LI. The choice to adopt a positive research question is consistent with the goal of describing, understanding, and explaining the reality of the EGD (Toshkov, 2016). A conscious effort is made to leave out normative elements in order to ensure a focus on empirical phenomena and the connections between them.

Thus, the chosen mode of research is empirically informed, characterized by reference to real phenomena and empirical facts (Toshkov, 2016). The research objective is explanatory, which means that it aims to reveal the causal processes, mechanisms and general effects of a case (Toshkov, 2016). In this study, these effects behind the EGD will be explored. Causal explanations provide deep understanding and offer potential tools for social change (Toshkov, 2016).

The EGD is chosen as a case study to test the predictions and expectations of the theories neofunctionalism and LI. The definition of what a case study is by Gerring (2017), a prominent author in the field of research design, is as follows: "A case study is an intensive study of a single case or a small number of cases that is based on observational data and promises to shed light on a larger population of cases" (Gerring, 2017, 28). In a case study, the author aims to explain the case under study while also attempting to determine whether the findings of a particular case can be applied to other cases (Gerring 2017).

In single-case designs the researcher makes many observations on a single case instead of measuring only a few variables for many cases (Toshkov, 2016). As a result, case studies are used primarily to explain the specific and deeper results of an individual case (Toshkov, 2016). The case study approach allows for an in-depth exploration of content and is suitable to explore differing expectations of competing theories. (Toshkov, 2016). This thesis uses a within-case explanatory analysis, examining multiple pieces of evidence about the content of the EGD.

Case studies can derive their relevance from intrinsic importance (Gerring, 2017). As in this case, case selection is influenced by perceived societal and academic importance (Gerring, 2017). The EGD is valued as a justified case for a study because of its perceived and substantive relevance in EU policy changes and its wide influence in Europe, but even worldwide in the fight against climate change

(Dupont et al., 2020; Pianta and Lucchese, 2020; Rosamond, 2023; Schunz, 2023; Tocci, 2022). Case studies are considered useful to test well-established theories (Toshkov, 2016). This thesis uses the EGD as arguably a new decisive step in EU integration to test and refine the claims of well-established theories neofunctionalism and LI.

4.3 Theory-testing approach

This thesis uses the theory-testing method: this approach aims to test the validity of a theory and whether the effects are consistent with the hypothesized causal mechanisms (Toshkov, 2016). This case study tests the validity of neofunctionalism and LI. Case studies are considered useful when there are very few theoretical concepts about a research topic, or when there are very strong and well-established theories (Toshkov, 2016). This thesis uses the EGD as arguably a new decisive step in EU integration to test and refine the two well-established theories.

The aim of testing a theory is not to confirm a theory per se. It could also lead to refuting a theory, which may be even more revealing (Toshkov, 2016). The importance and logic of theory testing is based on scientific philosophies falsificationism and logical positivism, with the work of Karl Popper especially being of great importance in the construction of this scientific philosophy (Toshkov, 2016). Theory testing can be done through various methods, one of which is the single case study, which is useful for in-depth description of policy change (Toshkov, 2016). In this paper, the neofunctionalist and liberal intergovernmentalist hypotheses are compared and contrasted with the content of the EGD.

The two theories are tested using three variables: mechanism of integration, nature of cooperation, and policy outcome. The data are used to explain the content of the EGD according to the three variables in four different domains of the EGD: climate policy (ECL), energy policy (RED), industrial policy (CBAM), and funding (RRF). These are selected as they were presented as key pillars of the EGD in EU legislation, press releases, news items, consultancy reports and reports from law firms and political news organizations.

4.4 Data collection

The data collection consists of qualitative data from both primary and secondary sources. The types of primary sources include the official EGD policy document, Council and Commission press releases, and Commission background information texts. These are collected from various sources. An important source for the data is the EUR-Lex database, which contains the official EGD document as well as other communications from the EC. The other important sources for the collection of these data are the websites of the main EU institutions, including the official website of the EU Consilium Europa (European Council and Council of the EU).

Secondary sources include academic literature, press releases and background information from EU institutions, reports and news items. Scholars' analyses of the EGD, previous cases of EU integration, neofunctionalism, LI, and developments in EU climate, energy and industrial policy have been of great use in the literature review, in building the theoretical framework, and in providing information to formulate and test the hypotheses of this thesis. This knowledge was gained from a combination of classic literature as well as recent articles. 11 official EU documents were used in the form of press releases, communications of (accepted) proposals, and background information pieces. Many different types of organizations have written reports on the content or implications of the EGD. The reports used in this thesis are from the think tank Breugel, political news organization Politico, and news reports from NOS, Reuters, PBS and the Financial Times.

4.5 Limitations

The extent to which a case is representative of other cases remains uncertain, particularly in case study research (Gerring, 2017; Toshkov, 2016). These types of case designs are not based on cross-case comparisons, but instead analyze rich data about a single case (Gerring, 2017; Toshkov, 2016). Their strength lies in the more extensive within-case analysis; therefore, internal validity is considered strong (Toshkov, 2016). The possibility of generalization beyond this case is doubtful, as only a single case is analyzed. It is further likely that a case was chosen for its substantive importance and not for its methodological importance. As a result, external validity is not ensured in this type of research, unless one "assumes absolute homogeneity of the population of cases and deterministic causal relations" (Toshkov, 2016, 204). However, this is very unlikely to be the case and therefore not many scholars would be willing to make these assumptions (Toshkov, 2016). The fact that external validity is limited by the nature of single-case designs need not be a deal-breaker, as generalization may not be essential or the goal of a study (Toshkov, 2016).

Another limitation of an explanatory case study design is its reliance on existing theory for the components of individual explanations (Toshkov, 2016). In the absence of this, and in the absence of knowledge that suggests strong causal links between them, it is very difficult to link the various pieces of material into convincing explanations (Toshkov, 2016). The problem is that in order to sort out causal lines, case studies require a great deal of prior knowledge (Toshkov, 2016).

Lastly, a limitation is the limited access to resources and tools available for research. As Toshkov (2016, p. 306) describes, especially in contemporary work, "many potentially crucial data about actors' motivations, available information, and actions - exactly the evidence that case studies target - would still be classified." This incompleteness of data also applies to this study, as the EGD is case that is still in development. In particular, the goal of testing the liberal intergovernmentalist hypothesis about intergovernmental bargaining is difficult to test because of classified and unavailable

data. It would be interesting to triangulate with interview, which was not possible for this thesis due to time constraints. This thesis acknowledges that this limitation negatively affects the reliability of this research.

4.6 Conclusion

This chapter has outlined the methodological choices of this research. This research strategy will be applied in the following chapters. First, a more detailed summary of the EGD will follow in order to better contextualize the different elements that will be analyzed thereafter.

5. Extended background EGD

5.1 European Green Deal

Frans Timmermans, former commissioner, was appointed as executive vice-president in charge of overseeing the implementation of the EGD (Dupont et al., 2020; Tocci, 2022). A team led by Timmermans designed the EGD proposal, which was presented as the EU's strategy to prevent our planet from being polluted and destroyed (EC, 2019; Vela Almeida et al., 2023). The EGD was adopted as a joint resolution on January 15, 2020 (Dupont et al., 2020; Vela Almeida et al., 2023).

The EGD, as a new central tenet of the Commission, sets out an overarching set of its new priorities, as well as a legislative and administrative agenda consisting of 47 key actions (Dobbs et al., 2021). The eight themes covered are: raising the ambition on climate change; providing clean, affordable and secure energy; an industrial strategy for a clean and circular economy; building and renovating in an energy and resource efficient way; a zero-pollution ambition; preserving and restoring ecosystems and biodiversity; a fair, healthy and green food system; and accelerating the transition to sustainable and smart mobility (EC, 2019).

The EGD represents a paradigm shift with its recognition of climate change as the most pressing issue facing the EU (Bongardt and Torres, 2022). The goals within the EGD follow on from previous agendas, but what is new is that the sustainability lens is applied to all policies and to the economy and society (Bongardt and Torres, 2022).

The EGD is an ambitious strategy, far more ambitious than previous EU attempts (Dobbs et al., 2021). The measures of specific strategies, action plans and laws in the deal consist of a combination of EU and national actions (Vela Almeida et al., 2023). Furthermore, these measures are strongly linked to market mechanisms (Vela Almeida et al., 2023). Changes to various EU laws and policies, such as state aid, will be required to achieve the envisaged deep environmental transformation (Verschuur and Sbrolli, 2020).

5.1.1 Fit for 55 Package

The EC announced the Fit for 55 "super package" proposal in June 2021 (EC, 2021). The Fit for 55 package aims to translate the climate ambitions of the EGD into legislation. The package is a set of proposals to revise climate-, energy- and transport-related legislation and to introduce new legislative initiatives to align EU legislation with the EU's climate goals. (European Council, 2019*) This made Europe the first in the world to translate the net zero emissions target into policy (Tagliapietra, 2021).

The Fit for 55 package consists of legislative packages in a wide range of sectors. These sectors include sustainable transport, clean energy, carbon pricing, industrial policy, renewable investments, agriculture and biodiversity (EC, 2021). It consists of thirteen main proposals contains hundreds of pages of legislative proposals (Tagliapietra, 2021). These partly strengthen and expand existing

legislation, targets and measures, such as the EU ETS and renewables, and introduce new measures as well, such as the carbon border adjustment mechanism (CBAM) (EC 2021; Oberthür and Von Homeyer, 2023; Skjærseth and Eikeland, 2023; Tocci, 2022).

It is interesting to note that the improvement of existing instruments is expected to deliver most of the GHG emission reductions by 2030 (Tagliapietra, 2021). An example of the tightening of renewable energy and energy efficiency targets (Tagliapietra 2021). One of the major new components of the package is emissions trading for buildings and transport (Tagliapietra 2021).

A further more in-depth examination and analysis per section of the selected key aspects climate, energy, industry and funding of the EGD will now follow to provide insights into how these fit with the hypotheses of two theories of EU integration outlined in the theoretical framework.

5.2 Conclusion

As explained above, the EGD consists of too many different policies and elements to be included in the analyses of this thesis. In the following chapters, the main developments in the selected areas (climate, energy, industry and finance) are discussed and analyzed using one or more prominent examples. This thesis provides a brief background on the policy area in order to contextualize the new policies and draw cogent conclusions. This is followed by an analysis that reflects on the hypotheses presented in the theoretical framework. Each chapter ends with a concluding section that summarizes the findings. This structure has been chosen to help the reader navigate between the different technical aspects of the different policies.

6. Analysis ECL

6.1 EU climate policy

EU climate and energy policy encompass a variety of intergovernmental and supranational forms of decision-making, making it interesting to analyse these in the light of EU integration status (Slominski, 2016). EU climate and energy policies have followed different trajectories (Tocci, 2022). Although these types of policies are highly interdependent, the level of governance at the EU level is different (Pisani-Ferry et al., 2023). Climate policy is a common policy of the EU whilst energy policy remains member state sovereignty (Pisani-Ferry et al., 2023).

The EU started to present itself as a leader in global climate policy in the 1990s (Tocci, 2022). All member states agreed that the EU needed to act on climate change with common EU policies, notably before the Central and Eastern European enlargement (Tocci, 2022). It was unusual for climate change to be high on the national political agendas of member states at the time (Tocci, 2022). The EC was able to become a key player in international climate policy because of high political consensus and low political salience at the time (Tocci, 2022).

Over the years, however, divergences between member states have emerged, affecting the EU's ability to act as a global climate leader (Tocci, 2022). As the EU expanded from fifteen to twenty-five and later to twenty-eight member states, differences in climate action and ambition became particularly apparent (Tocci, 2022). Some of the new central and eastern European member states did not have the same ideas about climate policy as the northern, western, and southern members (Tocci, 2022). Central and eastern European countries have been, and still are, the main opponents of climate action within the EU (Eckert, 2021; Rosamond, 2023). Especially countries in this region that have far-right leaders in power (Rosamond, 2023).

The Financial Crisis arguably further revealed this east-west divide. Central and eastern European countries expressed their opposition to the economic burden that decarbonization brought with it in the European Council and the Council (Rosamond, 2023). Rosamond and Dupont (2021) argue that because of the divisiveness in Europe the climate governance in the EU the climate governance, previously to the EDG, moved in small steps forward (Rosamond and Dupont, 2021). They argue that "in many ways, the EGD may represent a break from previous incremental steps" (Rosamond and Dupont, 2021, 351).

The position of climate change moved from a technical issue to one of the most salient issues for the highest levels of governance and became part of high politics (Dupont et al., 2020). The EU has been significant in raising the level of international climate ambition by setting the global climate agenda and leading by policy example (Tocci, 2022).

The EU has one of the most comprehensive and ambitious environmental regulatory frameworks in the world, developed over the last forty years, with policies adopted in the form of

various binding EU laws (regulations, directives, decisions) (Gravey and Moore, 2018; Oberthür and von Homeyer, 2023). The general EU law enforcement system, such as infringement procedures, has been complemented by specific mechanisms, such as financial penalties in the ETS Directive or other response measures for non-compliance in reaching targets (Oberthür and Von Homeyer, 2023). Economic, regulatory, procedural and informational instruments have been layered, and the complexity of the nature of the problem is reflected in the complexity of EU climate governance (Boasson and Tatham, 2023).

Many scholars writing on the evolution of EU climate policy development or European integration have argued that the leadership role of the EC has largely influenced the evolution of climate policy ambition in the EU (Dupont et al., 2020; Eckert, 2021; Rosamond, 2023; Skjærseth, 2021).

6.2 Climate policy in EGD: ECL

A key innovative part of the EGD is the European Climate Law (ECL) that is described as a landmark piece of legislation (Domorenok and Graziano, 2023; Rosamond, 2023; Siddi, 2021). The ECL enshrines in law the target of a 55 percent reduction in GHG emissions by 2030 from 1990 levels, the political commitment to achieve net zero GHG emissions by 2050, and have to respect the "do no harm" principle, meaning that all EU policies have to contribute to reaching the EGD's objectives (EC, 2019). The ECL further gives guidelines on setting emission reduction targets and hand over the task of liaising with sectors of the EU economy to prepare the implementation to the EC (EC, 2019). The ECL gives the EC the mandate to monitor the progress of member states in achieving climate goals every five years (Rosamond, 2023). This includes the EC ensuring that the measures defined in the member states' National Energy and Climate Plans (NECPs) are actually implemented (Rosamond, 2023). The ECL represents the EU's commitment to take the emission reduction/climate goals to the next level by enshrining them in binding legislation (Eckert, 2021).

6.3 Analysis ECL

6.3.1 Mechanism of integration

In the legislative process of the ECL, scholars argue that the EC played an important role as a policy entrepreneur (Rosamond, 2023; Skjærseth, 2021). The EC formulated more ambitious climate proposals while trying to satisfy each member state in order to avoid rejection (Rosamond, 2023). The EC facilitated the political environment needed for the development of the EGD and the adoption of the ECL (Rosamond, 2023). The EC used its right to propose legislation as well as its budgetary powers, its policy monitoring mandate, and the leadership of the Commission President (Rosamond, 2023).

Integration of this new climate policy does not seem to be a direct consequence of integration in other areas, so no direct functional spillover can be confirmed. Therefore, hypothesis 1.1 cannot be confirmed. However, this step of the ECL was driven by the supranational authority of the EC, in line with neofunctionalist reasoning. Thus, the second aspect of the hypothesis was arguably present and led to deeper integration in EU climate policy. The ECL signals a commitment to further integration in the area of environmental and climate policy, with potential implications for coordination in related areas.

It is difficult to study intergovernmental bargaining with the available data. Therefore, this paper cannot fully refute hypothesis 1.2. However, based on the available data and readings, the member states were not the main drivers of the ECL, but the EC. According to LI, national governments would have played a greater role in shaping climate policy in line with their interests. This makes hypothesis 1.1 more convincing than 1.2. The integration mechanism behind the ECL is better explained by neofunctionalism.

6.3.2 Nature of cooperation

The ECL has arguably strengthened the underlying supranational governance architecture (Domorenok and Graziano, 2023). The EC has been tasked with assessing collective progress towards climate neutrality and taking corrective action if it finds that EU measures are inconsistent with the climate neutrality objective or inadequate with respect to adaptation, or if collective progress is insufficient (Domorenok and Graziano, 2023). It also has important oversight powers, being responsible for assessing any draft measure or legislative proposal in light of the climate neutrality objective and for including this analysis in all impact assessments (Domorenok and Graziano, 2023). Institutional developments are thus better explained by neofunctionalist supranational integration than by liberal intergovernmentalist expectations of intergovernmental cooperation. LI would not have expected a transfer of power to the level of a legally binding law for each member state.

The ECL established a governance framework for supranational oversight by the EC to ensure effective implementation and enforcement of climate targets. This has entailed a hardening of the EC's soft power, with the EC periodically reviewing member states' progress and taking corrective action when deemed necessary. This is in line with neofunctionalist expectations of institutional development, where the supranational level, through the EC and other EU institutions, is increasingly involved in monitoring and guiding the overall process as a result of the outcome of the ECL. The ECL has given the EC more power to manage the climate policy integration process, arguably constraining member states. The ECL has created a system for monitoring the process by the EC, which can take further action if necessary (EC, 2019). Based on this information, hypothesis 2.1 can be confirmed more convincingly than hypothesis 2.2.

6.3.3 Type of policy outcome

The binding nature of the ECL means that member states are committing themselves to a common goal, which involves a transfer of sovereignty to the supranational level. It can therefore be argued that this is a case of harmonization, with the law being legally binding on all EU member states.

Member states are required to develop and implement National Energy and Climate Plans (NECPs) to contribute to the targets set. The ECL allows for a degree of flexibility by leaving it up to Member States to determine how to achieve the climate targets in recognition of different national circumstances. A degree of flexibility is thus evident in the autonomy that Member States retain to develop their NECPs and tailor their approaches within the overarching framework. The recognition of different national circumstances is in line with liberal intergovernmental expectations. Member states' room for manoeuvre in designing their national strategies reflects the persistence of intergovernmental dynamics aimed at preserving national interests and limiting economic and regulatory costs (Domorenok and Graziano, 2023).

However, while member states have a role to play in developing their national plans, the overall coordination and alignment with EU-wide objectives and EC monitoring powers has a supranational dimension. The overall policy outcome of the obligation to commit to the EU-wide target set in the legislation is harmonization rather than differentiated integration.

In the case of climate policy, the EU arguably constrains the member states more than it leaves them free to decide what to do. Hypothesis 3.1 can thus be confirmed, while hypothesis 3.2 can be refuted.

6.4 Preliminary conclusion

In sum, the ECL embodies elements of both neofunctionalism and LI, reflecting a complex interplay of supranational and intergovernmental dynamics within the EU. The law involves a transfer of sovereignty to the supranational level, particularly in setting binding emission reduction targets, coordinating national efforts, and establishing a governance framework for monitoring. It integrates climate targets into EU law, signalling a deepening of integration driven by the supranational institution of the EC. Overall, the neofunctionalist hypotheses are more convincing in the case of the ECL.

7. Analysis RED

7.1 EU energy policy

Traditionally, energy has been at the core of EU integration, yet member states have long resisted the development of a common energy policy (Crnčec and Lovec, 2023). EU energy cooperation began with a central role in the European integration project. The creation of the ECSC in 1951 integrated the coal and steel industries into a common market (Pisani-Ferry et al., 2023). Coal was the main energy resource at the time (Pisani-Ferry et al., 2023). However, member states were unable to reach agreement on a common energy chapter in the Maastricht Treaty of 1992 (Pisani-Ferry et al., 2023). Member states were too eager to preserve their own national sovereignty over energy policy decisions (Pisani-Ferry et al., 2023).

The development of energy policy followed a different path than climate policy and developed through different institutions (Pisani-Ferry et al., 2023; Tocci, 2022). Traditionally, EU member states have had different energy goals, interests and perspectives having everything to do with the different geographies, histories, economic and industrial interests and comparative advantages of the member states (Tocci, 2022). For example, Poland is a country that relies heavily on coal, while other countries, such as France, rely on other energy sources, such as nuclear energy (Tocci, 2022).

The EU started to approach energy policy through competition policy, as the EC is the main EU authority in this field (Pisani-Ferry et al., 2023). Requirements arising from the functioning of the EU's internal market have largely justified the EU's involvement in energy policy (Pisani-Ferry et al., 2023).

According to Article 194 of the Treaty of the Functioning of the EU, member states still have, to a large extent, exclusive competence in determining their energy mixes and external supplies (Schoenefeld et al., 2021; Tocci, 2022). Energy policy choices are a national prerogative (Pisani-Ferry et al., 2023).

Oberthür and von Homeyer (2023) point out that there are important gaps and shortcomings the EU's energy governance. The EU's ability to force recalcitrant member states to support and implement ambitious European targets remains limited in the field of energy policy (Knodt et al., 2020). Lacking a clear mandate on energy policy, the EU adopted soft energy policy instruments (Pisani-Ferry et al., 2023). These included, for example, setting targets for renewable energy and energy efficiency (Pisani-Ferry et al., 2023).

About 80% of EU GHG emissions are a result of EU energy policy (Crnčec and Lovec, 2023). Therefore, it has become clear that in order to achieve the goals of a sustainable energy transition, this policy has to be combined with climate policy (Crnčec and Lovec, 2023).

7.2 Energy policy in EGD: RED

The EGD still explicitly mentions that "EU leaders acknowledged the need to ensure energy security and to respect the right of member states to decide on their energy mix and to choose the most appropriate technologies. Some countries have indicated that they use nuclear energy as part of their national energy mix" (European Council, 2019). The national energy mix is therefore something where member states continue to have exclusive competence.

Skjærseth (2021) argues the importance of the EC's use of policy mixes to pursue its goals. He argues that this has helped to advance EU climate and energy policy, ultimately leading to the EGD, despite opposition from member states (Skjærseth, 2021). Policy mixes are "processes that move policy development from narrow initiatives to coordinated policy packages." (Skjærseth, 2021, 26). He argues that the EC has been able to maintain member state support while increasing ambition by developing climate policies that combine "push" and "pull" factors. Examples of where the EC has used policy mixes in proposing major climate legislation that has been successfully adopted include the Renewable Energy Directive (RED) (Skjærseth, 2021).

The revision of the RED to increase the Renewable Energy Target (RET) is a notable proposal in the Fit for 55 package (Rosamond, 2023). The 32 percent RET has been increased to 40 percent (European Commission, 2022). According to the EC, increasing renewable energy is "crucial for Europe to become the world's first climate neutral continent by 2050 and for the EGD to become a reality" (EC, 2023). Several countries, particularly in Central and Eastern Europe, have been reluctant to transition away from non-renewable resources (Pianta et al. 2020).

7.3 Analysis RED

7.3.1 Mechanism of integration

The EC's framing of the transition to renewables as a matter of energy security and its linking of economic recovery to energy (and climate) transitions, while at the same time funding these initiatives through economic recovery programs, seems to have helped to advance energy policy integration somewhat, narrowing the East-West gap in ambition somewhat (Rosamond 2023). The revised RED for the first time includes industry "as a key energy consuming sector" (EC, 2023). This is in line with the neofunctionalist hypothesis 1.1 of supranational authorities driving integration into new areas. However, the EGD did not bring about any significant changes in the field of energy policy. There was no significant deepening or broadening of integration, as neofunctionalism would have expected.

The mechanism of integration in this case seems to be more convincingly explained by intergovernmental bargaining in the LI, although it remains difficult to prove. Member states' challenges to the EU's supranational authority in the renewable energy sector have been important in

advancing integration. The sensitivities of member states to instruments that are seen as encroaching on their sovereign right to decide on their own energy mix have proven to be crucial in shaping energy governance (Knodt, 2023). According to news reports, France, as a powerful member state, and Eastern European countries, seeking to maximize their national interests, have largely influenced the progress of integration in this case, confirming hypothesis 1.2 (Abnett, 2023; Hanock, 2023; PBS, 2023). They adhered to their national interests in the integration process and did not hold back, in line with hypothesis 1.2.

7.3.2 Nature of cooperation

The renewable energy targets set by the EU involve a certain degree of coordination and commitment at the supranational level, as expected by neofunctionalism in H2.1, but the transfer of sovereignty is not as extensive as in some other policy areas.

Negotiations among EU governments only secured the support of France and Eastern European countries after carve-outs for nuclear energy (which is low-carbon but not renewable and produces radioactive waste) (Abnett 2023). Concessions had to be made after strong pressure from France (Hanock, 2023; PBS 2023). The French holdouts represent a broader trend of member states seeking exemptions from climate laws that affect their individual energy mixes (Hanock, 2023).

As a result of member states' sensitivities, the EC had to select relatively soft forms of governance in energy policy (Knodt, 2023). The revised RED does not harden the governance of renewables, although this was argued to be urgently necessary (Knodt, 2023). As a result, there is a risk that the intended emission reduction targets will not be met (Knodt, 2023; Pisani-Ferry et al., 2023). The EU's ability to force recalcitrant member states to support and implement ambitious European targets remains limited in the area of energy policy (Knodt et al., 2020). Decisions on renewable energy may still have some limitations despite exclusive competences (Schoenefeld et al., 2021). However, LI's hypothesis 2.2 on the nature of cooperation seems even more convincing in this case.

7.3.3 Policy outcome

New common RETs have been set at the EU level for member states to achieve. These targets are intended to ensure a collective effort to increase the share of renewable energy in the overall energy mix. This seems to confirm the neofunctionalist hypothesis 3.1 that the policy outcome is harmonization. However, it is important to note that member states have a great deal of flexibility in determining their specific contributions to the targets, even though the common targets do not really seem to represent differentiated integration. Arguably, in the case of the RED, member states have already ensured in the negotiations that their preferred energy sources (including nuclear energy) can

be used in the mix. It could be argued that the policy is consistent with the common outcomes, but the wishes of member states have been accommodated in order to implement the raised common targets. The policy outcome therefore probably gives a slightly distorted picture, where the neofunctionalist hypothesis seems to be confirmed, while intergovernmental bargaining was arguably also successful.

7.4 Preliminary conclusion

It is not in line with the expectations of neoliberalism that member states still have mainly sovereign power in energy policy. The mechanism of integration and the nature of cooperation were more convincingly in line with the LI hypotheses of member states' national interests dominating without much supranational constraint. The policy outcome seems to combine harmonization with flexibility in implementation, but national interests were arguably already accommodated and therefore present in the common objectives.

8. Analysis CBAM

8.1 EU industrial policy

Industrial policy has become more relevant in recent years after decades of laissez-faire policies and deindustrialization (Bulfone, 2023; Moraitis, 2020). EU institutions have increasingly engaged in behaviours typical of industrial policy (Pianta et al., 2020). It is argued that climate change poses a direct challenge to the structures of national economies and highlights the importance of industrial policy on government agendas (Pianta and Lucchese, 2020).

According to Prontera and Quitzow (2022), the EGD proposes an more interventionist role for the EU. It aims to strengthen its transformative capacity and at the same time promote European industry in green and climate-related sectors (Prontera and Quitzow, 2022). The EGD combines traditional market-based and regulatory instruments, emphasizing investment support and public-private cooperation to promote new infrastructure and technologies (Prontera and Quitzow, 2022).

8.2 Industrial policy in EGD: CBAM

The CBAM is a significant element of the Fit for 55 package and a central part of the EGD (Rosamond, 2023). The EU has developed the CBAM to prevent carbon leakage (CBAM, n.d.). The stricter climate policies in the EU could cause companies based in the EU to move to non-EU countries for cheaper carbon-intensive production (CBAM, n.d.). In addition to more carbon emissions, more carbon-intensive imports could replace EU products (CBAM, n.d.). This could harm the decarbonization process of EU industry (CBAM, n.d.). The CBAM is designed to ensure a fair price for the carbon emissions generated during the production of carbon-intensive goods entering the EU (CBAM, n.d.). The CBAM also aims to encourage non-EU countries to move towards cleaner industrial production by setting an example (CBAM, n.d.; EC, 2021).

The CBAM was adopted on May 17, 2023, and its transition period began on October 1, 2023. Importers of CBAM goods must comply with a quarterly reporting requirement for these goods and the embedded GHG emissions. Initially, the CBAM applies to carbon-intensive production with the highest risk of carbon leakage. These are: "cement, iron and steel, aluminum, fertilizers, electricity and hydrogen" (CBAM, n.d.). The main objective is to equalize the carbon price between domestic products and imports in selected sectors to reduce the risk of carbon leakage.

8.3 Analysis CBAM

8.3.1 Mechanism of integration

An important aspect of the CBAM EGD is the protection of the European (green) industry. In the document in which the EC presents the CBAM, it writes the following about the rationale for the

proposal "In order to ensure a well-functioning internal market as the EU increases its climate ambition, it is essential that a level playing field is created for the relevant sectors in the internal market. The only effective way to do this is to take action at EU level. (...) Moreover, the need to minimize administrative costs is best achieved by establishing consistent rules across the internal market, which further underlines the added value of action at EU level" (EC, 2021a). The argument is that action at the EU level is the most appropriate way to set targets. Stakeholders agree that "an EU CBAM is needed due to the existing differences in ambition between the EU and the rest of the world and to support global climate efforts" (EC, 2021a). They say that EU action is therefore necessary.

The CBAM can be seen as a spillover; trade integration has created transboundary environmental problems and thus the need to integrate environmental policies. This policy can be seen as a consequence of integration in other areas. The EGD links climate change to the internal market. The CBAM is designed to address the issue of carbon leakage by ensuring that imported goods are subject to a carbon price similar to that faced by EU industry. This can be seen as a step towards the integration of environmental considerations into trade and industrial policy, in line with hypothesis 1.1. The CBAM contributes to deepening integration by aligning economic (trade) policies with environmental objectives.

The importance of more Greens in the European Parliament and the role of von der Leyen in the implementation of the CBAM process has been demonstrated (Wettstad, 2023). This is in line with the neofunctionalist expectation in hypothesis 1.1 that integration will be driven by supranational authorities. The CBAM reflects a functional approach by addressing the environmental impacts of imported goods. The CBAM highlights the ability of trade policy to sanction non-complying actors with financial penalties (EC, 2021).

The above leads to the acceptance of H1.1 and the refutation of H1.2.

8.3.2 Nature of cooperation

The EC was responsible for the design and implementation of the CBAM. This means that decisions on the specifics of the mechanism, such as the sectors covered, the method of calculating carbon costs, and the administration of the system, have been made at the EU level. Key climate and social tenants are now included in the EU's trade strategy, and there is a more centralized governance structure for the CBAM. Responsibility for monitoring and enforcement will be centralized at the EU level, reducing the role of individual member states in these specific aspects can be seen as a transfer of sovereignty in an important area. A strengthening of the EC vis-à-vis the European Council (i.e. the member states) has emerged with the CBAM (CSIS, 2023). This leads to the confirmation of hypothesis 2.1 instead of 2.2.

8.3.3 Policy outcome

The policy outcome is also more in line with the neofunctionalist hypothesis of policy harmonization at the EU level, hypothesis 3.1. The CBAM aims to ensure policy coherence by aligning trade policy with climate and environmental objectives. There is no flexibility in implementation, member states have to follow the rules. There are sanctions and enforcement mechanisms to be implemented by the EC in case of non-compliance (EC, 2021). There is no recognition of different economic structures or emission profiles, or possibilities for adaptation based on national interests, and no special arrangements for certain industries or countries based on negotiated agreements. Thus, LI's hypothesis 3.2 must be rejected.

8.4 Preliminary conclusion

The mechanism of integration reflects a functional spillover from trade and industry to environmental policy, in line with neofunctionalist expectations. Supranational integration also dominates the nature of cooperation and the policy outcome, harmonization. Overall, the CBAM is most convincingly in line with neofunctionalist hypotheses.

9. Analysis RRF

9.1 EU funding

EU budgets, i.e. spending at the supranational level, have become more substantial and important (Landesmann and Stollinger, 2020). This is particularly the case for Central and Eastern European member states, where, for example, the funding of industrial policy through EU programs is essential and even much larger than the national spending of these countries (Landesmann and Stollinger, 2020). Much of the money is spent through the EU's regional and structural funds; the industrial policy budgets for these member states are substantial (Landesmann and Stollinger, 2020). Funding has proven to be important in convincing opponents of the ambitious green transition, such as Poland and Hungary, to support and back the EGD (Eckert, 2021).

9.2 Funding in EGD: RRF

The green transition will be expensive; costs are a challenge to achieving the agreement (Skjærseth, 2021). Von der Leyen's EC recognized the need to scale up EU funding for the green transition (EC, 2019). Not only to achieve emissions targets, but in addition to address the social and distributional impacts of decarbonization by making sure that the transition is socially just and sustainable (Pisani-Ferry et al., 2023; Skjærseth, 2021). In the EU Commission's plans presented in July 2019, the EC President envisaged a reform of the European Investment Bank into a climate bank (Pianta et al., 2020). This bank should then mobilize investments of 1 trillion euros in the following 10 years, to be spent on various initiatives of the EGD (EC, 2019). An important fund in the EGD is the Just Transition Fund, which specifically aims to support sectors and regions that are more dependent on carbon-intensive processes (Pianta and Lucchese, 2020). Due to space limitations, this paper cannot discuss all types of funds in the EGD. It has chosen to focus on the RRF because of its unprecedented size, which significantly expands the EU's spending capacity (Bocquillon et al., 2023).

One third of the EU's seven-year budget of €1.8 trillion has been earmarked for the green transition (EC, 2019; Tocci, 2022). The EU's (economic) response to the pandemic has been important in pushing through and implementing the EGD (Crnčec and Lovec, 2023; Tocci, 2022). The RRF is an important part of this response, with the climate pillar of the RRF playing a central role in the EGD (EC, 2019). Member states must spend at least 37 percent of the climate-related expenditure in the RRF on supporting the green transition, while respecting the "do no harm" principle (Eckert, 2021; Vanhercke and Verdun, 2022).

The RRF provides financial support to member states for the green transition through grants and loans (Bongardt and Torres, 2022; EC, 2019; Vanhercke and Verdun, 2022). The RRF represent a big integrationist step in EU economic governance (Bokhorst and Corti, 2023). Not only due to the size

but also in the new governance where member states have to prepare detailed national recovery and resilience plans (NRRPs) and need to fulfill arranged milestones and targets to be able to access the EU funding (Bokhorst and Corti, 2023). Bongardt and Torres (2022) argue that this addresses the need for member states to take ownership of reforms, albeit balanced by the need to meet binding climate and digital targets. An effective contribution to the green transition is a prerequisite for a positive assessment (EP & Council of the EU, 2021). The financial dimension of the EGD is of utmost importance to reach the ambitious objectives (Sikora, 2021)

9.3 Analysis RRF

9.3.1 Mechanism of integration

In line with the neofunctionalist hypothesis on the mechanism of integration, the RRF arguably represents a deeper and wider EU integration driven by supranational authorities, in line with hypothesis 1.1. Through its financial power, the EC forced some recalcitrant countries to follow. The EC was able to do this because of existing and new EU budgetary powers.

With the RRF, there is now increased EU financial support for a common green transition agenda where the distribution of costs and benefits is based on the criteria of solidarity and equity (Domorenok and Graziano, 2023). This goes against the LI, which would hypothesize the preservation of national interests and the limitation of economic and regulatory costs (Domorenok and Graziano, 2023).

The process of intergovernmental bargaining has not been proven, but this proposition does not refute H1.2 due to the limitations of the available data.

9.3.2 Nature of cooperation

The nature of the cooperation signals fits neofunctionalist hypothesis 2.1. The RRF added a fiscal layer and represents a further step in the expansion of the EU's investment capacity (Eckert, 2021; Prontera and Quitzow, 2022). New powers for the EC have emerged; starting with very limited financial space, new financial instruments have now been established in EU governance (Prontera and Quitzow, 2022). The conditionality aspect of the RRF has been argued to be a hardening of soft governance, giving more power to the EC (Bongardt and Torres, 2022; Knodt et al., 2020; Vanhercke and Verdun, 2022). The RRFs represent a major integrationist step in EU economic governance, not only because of their size, but also because of the new governance in which member states have to prepare reform plans and meet agreed milestones and targets in order to access EU funds (Bokhorst and Corti, 2023). Member states have to follow certain criteria in terms of how they use their resources; the EU is trying to promote a certain greener form of capitalism in different member states. With their impact on RRFs, the role of EU-level instruments has increased substantially (Quitzow et al., 2022).

The RRF transfers significant powers to the EU, strengthening the EC relative to the European Council in the governance of fiscal rules and EU funds, albeit temporarily (Bocquillon et al., 2023; Quitzow et al., 2022).

However, Bocquillon et al. (2023) question the extent to which the EC will be able to apply strict conditionality due to its limited capacity. Liberal intergovernmentalists would point to this as an argument that the amount of national sovereignty transferred is not as great. Nevertheless, the above more convincingly confirms hypothesis 2.1 and thus refutes hypothesis 2.2.

9.3.3 Type of policy outcome

The RRF requires member states to develop and submit their national recovery plans, reinforcing the idea that these plans are tailored to national circumstances and priorities, which is in line with hypothesis 3.2, although they must adhere to targets as the funding is conditional. Nevertheless, much of the actual spending in support of the EGD depends on the implementation of member States' RRFs (Skjærseth and Eikeland, 2023). Member states are responsible for this implementation, which is very important to achieve the actual climate impact that the EGD aims for (Bokhorst and Corti, 2023; Quitzow et al., 2022).

The policy outcome in this case is very nuanced. Nevertheless, in contrast to the first elements, LI's arguments are very convincing. The strictness of EC monitoring remains to be seen, but the degree of freedom seems to be such that there is more a case of differentiated outcome, in line with hypothesis 3.2, than of policy harmonization.

9.4 Preliminary conclusion

In summary, the EGD involves significant financial commitments at the EU level. The RRF underscores the complex nature of funding and financial instruments within the context of European integration. The EC is strengthened with monitoring power and coordinates and oversees the RRF funding mechanism at the supranational level, signalling a neofunctionalist approach. Member states do maintain a degree of national ownership and decision-making authority in shaping their recovery plans.

10. Conclusion

The aim of this thesis was to answer the research question: How can we explain the content of the EGD using EU integration theories of neofunctionalism and LI? The integration theories neofunctionalism and LI were applied to the EGD to test their explanation of the policy and institutional outcomes.

10.1 Discussion of the findings

The answer to the question of whether the EGD is a hallmark of European supranationalism or an affirmation of member state power is nuanced. In climate policy, industrial policy and financing, neofunctionalist explanations seem more convincing, while in energy policy the hypotheses of LI seem more convincing. The financing aspect is particularly nuanced.

Neofunctionalist hypotheses have been confirmed more often than LI hypotheses. The LI hypotheses on intergovernmental bargaining have proven difficult to refute on the basis of the available data. On the nature of cooperation and policy outcomes, they have not held up to neofunctionalist hypotheses and have been mostly refuted. The results thus suggest that the EGD is more consistent with neofunctionalism. It is a sign of supranationalism rather than an affirmation of member state power in most policy areas. However, LI proved useful in explaining some elements of the EGD.

A dynamic interplay between supranational and intergovernmental dynamics is evident in the EGD. This made it interesting to study and highlights the importance of nuance in the policies.

10.2 Conclusion

To answer the research question; the EGD can be explained as a sign of supranationalism rather than an affirmation of member state power in most policy areas. Nevertheless, LI proved to be useful in explaining some elements of the EGD. In the energy policy domain especially, this research found that the member states have remained the dominant power. So, a combination of both theories is necessary to explain the overall outcome of the EGD. Both theories have limitations, but combining these different approaches arguably can overcome (some of) these (Börzel and Risse, 2018, 2019). Neofunctionalism and LI have often been presented as diametrically opposed (Abels and MacRae, 2016): this thesis would disagree and instead argue that they can complement each other. The explanatory power of LI lies mostly in explaining the intergovernmental dimension, while neofunctionalism includes the dynamic process of integration and the importance of the existing level of autonomy through supranational organization, the effects of political interdependence, and the ongoing effects of crises.

Overall, it can be concluded that the EGD has led to increased interventionism by the EU, with the EC gaining harder elements of soft governance powers in climate and industrial policy and funding. In particular, the monitoring power has developed significantly. This research has shown that integration is more advanced in some areas than in others. It is interesting to find answers to why neofunctionalism or LI is more prevalent in one policy area or another.

This research found that the extent to which an area is seen as central to national sovereignty and sensitive is very important in this regard. Energy is an area that is considered very sensitive. This level of sensitivity seems to be the main reason why integration in this area has progressed less. While climate has arguably moved into the high politics domain, it is generally more accepted that the EU has gained responsibilities because climate policy is less controversial than energy policy. This is in line with path dependency theory (derived from neofunctionalism) when examining the historical paths of these two policy areas.

In this context, the importance of the influence of crises on (EU) policy has been demonstrated. For example, the window of opportunity for more EU power in fiscal policy was created by the pandemic, and even before that by the financial crisis. Without these crises, it is questionable whether the EU would have acquired the fiscal powers it now has. This shows the importance of crises for EU policies in particular and EU integration in general. Not only has the EU been able to do more in the area of climate policy because the climate crisis is perceived more than ever as a reality and a major challenge for humanity, but its financial powers and opportunities have also increased because of the problems the pandemic and the financial crisis, amongst others, have created in the EU. In terms of the EGD, these crises can thus be seen as facilitators of deeper integration, as they have created momentum and acceptance among more EU powers for the greater cause. However, neofunctionalist scholars who have updated the theory of spillovers have shown that not every crisis can be used to promote further integration; a future crisis could have the opposite effect. While the goal of the EGD is to create a sustainable future, it remains to be seen what humanity will do with the EGD.

The economic impact of policies has also been very important in determining the level of progress. Countries that were not so keen on the EU's ambitious climate plans (e.g. Poland) have been persuaded by financial support and the promise of economic improvements. EU member states, some more than others, have become dependent on EU funds. The direct and stronger intertwining of the EU's budgetary powers and trade mandate with environmental policy has arguably left countries that are not per se ideologically in favor of a green transition with little choice because of the leverage of the EU budget. With the EGD, this dependence on EU funding has become even more pronounced, with the recovery funds and the larger amount of money involved and the importance conditionality with funding.

10.3 Limitations and future research recommendations

10.3.1 Limitations

A limitation of this research is that the sheer size and number of policies makes it impossible to cover every aspect of the EGD and that it may be difficult to extend the findings beyond the EGD.

Furthermore, it remains difficult to accurately compare different theories of neofunctionalism and LI due to different assumptions (Niemann et al., 2019, 46).

Another limitation is that the EGD is still an ongoing process, where changes can still be made and it is not yet clear how the implementation actually works. However, this paper does not attempt to predict the future, but rather to present the current status quo of European integration on climate and energy policy after the adoption of the EGD.

Another limitation is the limited access to resources and tools available for research. In particular, to test liberal intergovernmental bargaining one should have access to either interview materials or other forms of data to prove this convincingly. As a result it was difficult to be able to confirm or refute hypothesis 1.2.

10.3.2 Future research

In relation to the aforementioned limitation, this thesis recommends the integration of other methodological approaches in the form of fieldwork to refine the findings. It would be interesting to triangulate with interviews for example, which was not possible for this thesis due to time constraints.

The conclusion of this thesis, that neofunctionalism and LI can complement each other to combine their explanatory power to make sense of the outcome of the different elements of EGD, can be linked to another contribution in a new wave of integration theory. During the research, the failing forward mechanism of Jones et al. (2016) caught my attention.

They argue that European integration has in some cases proceeded through a pattern of failures, and combine LI and neofunctionalism to explain this (Jones et al., 2016). In the first stage, "lowest common denominator intergovernmental bargaining led to the creation of incomplete institutions" (Jones et al. 2016, 1519). Because of these incomplete institutions, future crises may be the result (Jones et al., 2016). These crises will lead to deeper integration through "reformed but still incomplete institutions-thereby setting the stage for the process of advancing integration" (Jones et al. 2016, 1520). This pattern of failing forward integrates LI and neofunctionalism, where in previous literature there is mostly a tension between the two theories of European integration (Jones et al., 2016). However, Jones et al. (2021) argue that they can work as a team to unfold different moments at different paces in the integration process.

The failing forward mechanism was not applied in this research because this thesis uses the integration theories to explain the outcome of the EGD, and the failing forward mechanism describes

more the process of how policies are adopted. This thesis would recommend to use this mechanism in the future to research the developments of the EGD, through process tracing about the implementation of the policies.

In this context, it is further interesting for future research to take a closer look at the challenges of implementing the EGD, in line with the conclusion on the importance of momentum. The EGD has led to political backlash (Pisani-Ferry et al., 2023). The EGD is generally supported by the European Parliament, but there are different preferences between different member states and the support is not unconditional (Skjærseth, 2021). Recently, a legislative proposal was voted against by the majority of the Parliament (Brands, 2023). A challenge for the implementation of the EGD is to maintain the support of the member states and the European Parliament. This is necessary in order to implement all the "hard" measures that require changes to existing legislation (Skjærseth, 2021).

There are a growing number of voices calling for a slowdown of the EGD (Pisani-Ferry et al., 2023). At the time of writing, the 2024 European elections are approaching. While the previous result increased the momentum for the EGD with the victories of the Greens, recent national elections in EU member states Sweden, Italy, Finland, and the Netherlands were marked by much political resistance and scepticism towards the EGD (Barber, 2023; Hirschenberg and Hallgren, 2023; Pisani-Ferry et al., 2023). This could be a sign that the upcoming EU elections will have very different results with different implications (Pisani-Ferry et al., 2023; Wettengel, 2024). The continuation of the contemporary consensus on climate neutrality, as well as the guarantee of the implementation of the EGD, is not assured and seems uncertain (Pisani-Ferry et al., 2023; Wettengel, 2024).

In conclusion, the EGD is a revolutionary deal and a hallmark of European supranationalism that has achieved deeper integration with predominantly increased supranational powers. However, it is uncertain whether its effects will prevail amidst the turbulent political developments in the EU.

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