

Diversification of an Organisational Field

How Europe Promotes and Hampers Domestic Change

a CANES Working Paper

Elin Lerum Boasson



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Abstract

Better understanding of Europeanisation requires research on national, societal change. This paper presents a theoretical framework that enables assessment of Europeanised change processes within national industries. Empirically it explores how European Union (EU) state aid regulations and European renewable energy trends in conjunction led to diversification among Norwegian stationary energy producers. Key theoretical implications are as follows: (1) The pattern of interaction between change impulses from the European environment, governmental hierarchical steering and institutional logics within the national organisational field was crucial to the output of the change process. (2) Misfit between institutional logics at the European level and the organisational field hampers change, rather than promoting it. (3) The carriers – the actors that bring the European impulses into the organisational field – matter because they translate change impulses in line with their institutional logic. (4) National politicians are unable to control the process of translating these impulses, and that reduces their political clout. (5) Europeanisation brings greater challenges to national democratic governance of liberalised industries.

Key Words

Europeanisation, goodness of fit, new institutionalism, organisational fields, renewable energy, state aid

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Contents

1	Introduction	1
2	Theory Framework and Assumptions	2
3	Organisational Diversification	4
4	Explaining Diversification	6
	4.1 European Environments: Normative Support, Conflicting Logics	6
	4.2 Institutionalised Field: Prevailing Business Economic Logic	8
	4.3 Hierarchical Political Steering: Reliance on Heating, Windpower in Flux	9
	4.4 Mechanisms at Work: Crucial, but Uncoordinated Carriers	11
5	Discussion: Added Value from the Organisational Field Perspective	14
	Interviews	19
	Correspondance between Norway and the Commission/ESA	21
	Sources	23
	Annual reports	26

Tables

1	Organisational changes among traditional power producers 2000–2008	5
2	Diversification of Norwegian energy producers 2000–2008	6
3	Three institutional logics relating to promotion of renewable energy	15

1 Introduction¹

Industries across Europe are increasingly affected by Europeanisation (Fligstein 2008; Harcourt 2002; Schmidt 2002). Yet, the actual mechanisms that enable or hinder European environments in penetrating domestic industries are insufficiently understood (Featherstone and Radaelli 2003; Kallestrup 2005; Olsen 2002). Most studies of Europeanisation have primarily focused on domestic formal compliance with EU regulations, not actual societal effects (Mastenbroek 2005). This article goes further by exploring and theorising as to how Europe affects national industries. Theoretical arguments are drawn from a case study on how EU state aid regulations and European renewable energy trends have affected a post-liberalisation reform industry, namely the Norwegian energy production sector. True, Norway does not belong to the EU, but as a member of the European Economic Area (EEA) agreement it is bound to adopt most EU policies.

Political and institutional change processes tend to occur at the European and national levels at the same time (Mörth 2003). This also goes for the process of diversifying energy production, thereby providing a good case for theorising how Europe affects domestic change. Moreover, liberalisation reforms tend to lessen the political clout of national governments (Christensen and Læg Reid 2007). Thus examination of a post-liberalisation reform industry, like stationary energy production, may improve our understanding of whether and how Europeanisation affects the conditions for governmental steering.

Europeanisation research has been dominated by new institutional theory. In its early days, this school of thought focused on explaining stability, but lately it has been redirected towards understanding change (Greenwood et al. 2008). Europeanisation research is, however, still overly static (Mastenbroek 2005:1110). This article aims to contribute to remedying this weakness, while also theorising as to how several European policy streams in conjunction work to shape national-level change.

Europeanisation research has been overly focused on how national politicians and governmental organisations respond to impulses from the EU. This paper conceptualises the national *organisational field* as a unit that interacts with the larger European environment. The term ‘organisational field’ builds on the conventional concept of industry, while including commercial actors, public organisations, and various associations and non-governmental organisations (DiMaggio and Powell [1983] 1991; Hoffmann 1997; Scott [1995] 2001:83). The organisational field is the key locus for institutionalisation processes. Accepted notions of appropriate practices are developed through ongoing social processes, and are in turn manifested in prevailing organisational structures and practices. By focusing on changes in industry internal organisational structures, this paper takes Europeanisation studies a step forward from explaining EU policy compliance. Moreover, the organisational field perspective is an explanatory approach that brings to the fore the institutional structures that channel domestic adaptation processes.

Organisational fields may be dominated by one *institutional logic* or several conflicting ones (Greenwood et al. 2008; Thornton and Ocasio 2008). An institutional logic is a socially constructed, historical pattern of practices, assumptions, values, beliefs and rules (Thornton and Ocasio 1999:804). Institutional logics define how actors understand their role and the situations in which they are placed (March and Olsen 1989). The logic provides a basically coherent recipe for how to respond to various internal and external impulses. Actors, at the European level as well as within the domestic organisational field, will be guided by specific institutional logics. In most instances it will be possible to trace which actors brought European impulses into the domestic organisational fields. These may be termed *carriers* (Scott [1995] 2001:83). Carriers of impulses may act as neutral transmitters, or they may contribute actively to altering the original impulse (Mörth 2003; Sahlin-Anderson and Engwall 2002). This paper argues that the carrier is likely to become an active translator if it is embedded in another institutional logic than the impulse. In fields characterised by conflicting logics, actors will follow different logics: thus, the consequences of European impulses will depend on which actors act as carriers.

The case study is based on thirty qualitative interviews, archival materials and company reports. Interviewees were drawn from industry, the civil service and NGOs, and politicians. Interviewees were situated in Norway and Brussels. The case study probes into three main questions:

- To what extent have Norway's stationary energy producers experienced organisational changes relating to windpower and renewable district heating from 2002 to 2008?
- Did the change impulses stem from the European environment, from Norwegian governmental hierarchical steering, or the organisational field?
- To what extent and how did field-level carriers contribute to modify the original change impulses?

Section two presents the theoretical framework. The third section explores the level and kind of organisational change, while section four discusses the explanatory factors. The fifth and final section offers the main conclusions and discusses theoretical implications.

2 Theory Framework and Assumptions

In 1992 Johan P. Olsen called for Europeanisation studies to examine the interplay between the European environment, strategic purposeful action and domestic institutional factors (Olsen 1992). This paper builds on this theoretical foundation. Three perspectives are applied and juxtaposed: European environment, hierarchical governmental steering, and organisational field.

The European environment perspective assumes that organisational change among Norwegian energy producers will reflect institutional, political and market changes at the European level (Fligstein 2008). Concerning institutional factors, new renewable energy sources may have

gained in value all over Europe, or primarily within certain countries and energy producers. Further, the promotion of renewables may be embedded in one institutional logic, or different logics may be at play in different contexts. Various organisations at the European level may promote certain values and institutional logics, while others may have conflicting agendas (Ahrne and Brunsson 2008:50). The EU will probably be the most prominent proponent as it has the broadest range of means at its disposal, ranging from coercion, to normative naming and shaming, and theorising (Lawrence and Suddaby 2006; Sverdrup 2004). The more efforts and the more specific the policies, the stronger will be the pressure toward diversification. European market developments, like demand, supply and price shifts, may also affect the domestic-level change, but institutional, organisational and political features will affect how such market developments are interpreted. The more united the various European developments are, the more profoundly will this affect energy producers in Norway. *This perspective would lead us to expect the European environment to have provided the drive towards diversification and the institutional logic that guided the process.*

The *organisational field* perspective hypothesises that organisational diversification will reflect salient values and institutional logics within the domestic organisational field (Hoffmann 1997). The origin of the field, its roots, and the ensuing social processes will have shaped its values and logics (Pierson 2004; Selznick 1957). In fields that are heavily institutionalised, all actors share values and institutional logic, whereas fields with competing logics will be less institutionalised and more prone to change (Schneiberg and Lounsbury 2008). Nonetheless, field-level change will be path-dependent and constituted with parts of former institutional features (Schneiberg and Clemens 2006:218). Institutional features at field level may be the sole source of organisational change, or these institutional factors may have mediated the external impulses. *This perspective would lead us to expect institutionalised values at field level to drive the diversification, and the salient field-level logic to guide the process.*

Recently, Europeanisation research has been criticised for focusing on the goodness of fit between EU and national institutions and underplaying the importance of domestic politics (see Mastenbroek 2005:1110). According to the *hierarchical governmental steering* approach, we would in the case of Norway expect the organisational structure of the energy producers to reflect aims and strategic calculations of Norwegian politicians (Dahl and Lindblom 1953, Olsen 1992:248). The government is perceived as independent from the private sector and with the capacity to control and redirect commercial organisations (Pierre and Peters 2000:3). Political executives will be bounded rational actors who act as a unified actor fully in control of the governmental organisations in question (Hammond 1990; Simon 1947). Thus they will determine which energy sources are to be developed and which institutional logic will guide the process of change. Moreover, the government will translate European values and logics to ensure that these fit with its own preferences. *This perspective would lead us to expect the Norwegian government to drive the diversification and to have designed the institutional logic that guides the process.*

The three perspectives highlight different organisations as key impulse-carriers. The *European environment* perspective presumes that EU-level organisations affiliated with the Norwegian organisational field will serve as carriers. Governmental organisations may be closely related to EU organisations and thus actively execute EU policy, but also corporations with European affiliations may introduce European elements (Ahrne and Brunsson 2008; Curtin and Egeberg 2008). In contrast, most Europeanisation studies, directly or indirectly, portray domestic governments as the key actors in the Europeanisation processes. That is in line with the *hierarchical governmental steering* perspective that assumes that the government will instruct the public organisations to execute their political priorities. However, it is the politicians who will act as translators. According to the *organisational field* perspective, both private and public organisations will enhance prevailing institutional values and logics, but the largest private organisations will affect the institutional processes the most (Fligstein 1990).

3 Organisational Diversification

Norway has 200 stationary hydropower producers. Changes among and within these, and the entrance of new actors, will be explored here. The ten majors control 70% of Norway's hydropower production, of which the fully state-owned limited company Statkraft produces some 30% (NVE 2008)². Companies are predominantly publicly owned (by the state and/or by municipalities) and related to each other through complex ownership structures (MPE 2006). Organisational changes among the power producers may take the form of alternations in the organisational structures within the energy producers (changes in corporate objectives and creation of new units at corporate level), or changes in kind and number of organisations participating in the field. New actors may be created by the hydropower producers or originate from outside. Table 1 shows the organisational diversification among the country's ten largest power producers from 2000 to 2008.

It is not the differences between the companies but rather the main trend that is in focus here. Regarding district heating, six of the ten companies aligned to this energy source during the period. Five of these six altered corporate structure and created new companies. The three companies that owned district heating companies at the outset or created such during the first two years were instructed to do so by local municipality owners³. For this reason Hafslund bought shares in Norway's largest district heating company in 2001. In 2006 it acquired the whole company and decided to give priority to developing it further. The four companies that included district heating in their business units at the corporate level all did so after 2005. Moreover, three companies radically expanded their ownership in district heating companies during the last years of the period by acquiring existing companies and creating new ventures.

Table 1. Organisational changes among traditional power producers 2000–2008

	Kind of change in org. structure	District heating	Windpower
Statkraft	Corporate level	2006: Introduction of main aim	2004: Creation of specific unit
	Daughter company	2002: Company acquired	No
ECO	Corporate level	No	No
	Daughter company	No	No
Agder	Corporate level	2006: Creation of specific unit	2006: Introduction of main aim
	Daughter company	2002: Creation of company 2004: Creation of company	2005: Creation of company
BKK	Corporate level	No	2007: Introduction of main aim
	Daughter company	Whole period: daughter company	2007: Creation of company
Lyse	Corporate level	No	No
	Daughter company	No	No
Skagerak	Corporate level	No	No
	Daughter company	2001: Creation of company	No
NTE	Corporate level	No	Gradual introduction of main aim
	Daughter company	No	Whole period: daughter company 2004: Creation of new company
Hafslund	Corporate level	2005: New corporate unit	No
	Daughter company	2001–6: Company shares acquired 2006: Entire company acquired	No
Akershus	Corporate level	2005: Introduction of main aim	No
	Daughter company	2001: Creation of company 2005–07: Four companies acquired/ developed.	No
Eidsiva	Corporate level	2006–07: Introduction of main aim and specific unit	No
	Daughter company	2006–07: Six companies created/acquired.	No

Source: Company reports 2000–2007.

The changes relating to windpower are not as profound as those involved in district heating. One hydropower producer had a corporate windpower unit and owned a windpower producer at the outset. Later, three other companies included windpower in their corporate business units, and two engaged in new windpower companies. Most of the changes occurred in 2004–2005, although for one company not until 2007. Only two companies aligned their organisational structures to both wind and heating, and two did not diversify at all.

Applications granted for developing new windpower and district heating plants show the traditional hydropower producers are predominant in relation to both energy sources (NVE 2008a, 2008b). In addition to the largest actors also many of the smaller producers are involved. A few large district heating companies have emerged from forestry-related industries. In addition, the Finnish power company Fortum and the Swedish district heating developer Rindi have entered the field. The conglomerate Norwegian Hydro become involved in many windpower projects in the middle of the period under study. In addition, smaller hydropower producers created a handful of joint venture windpower developers. Several other windpower companies emerged from outside the field, two attaining considerable size.

Diversification patterns are summarised up and presented in Table 2. The most profound changes relate to renewable district heating, from 2005 and onwards. Changes relating to windpower are less significant, and occurred mainly between 2004 and 2006.

Table 2. Diversification of Norwegian energy producers 2000–2008

		Windpower	Renewable District heating
Hydropower producers	Corporate level	Minor	Considerable
	Daughter company	Some	Considerable
Actors from outside		Minor	Some

4 Explaining Diversification

4.1 European Environments: Normative Support, Conflicting Logics

According to this perspective the European environment has been the diversification driver. As the organisational field in Norway diversified more toward district heating than wind, we would expect to find that European policies, institutions and market developments came to favour district heating as compared to windpower.

From the late 1990s and onwards, the EU's increasing dependence on outside energy supplies, together with climate change concerns, increased the focus on renewable energy (Commission 2004). The EU first agreed to aim for 12% renewable energy production by 2010. In 2001 it finalised a renewable electricity source (RES) directive that aimed for a 22% renewable electricity share (Directive 2001/77/EC). Although renewable district heating started to gain attention in 2005–2006 (Commission 2004), by 2008 the EU had still not developed specific policies to promote district heating. Global fossil fuels prices rose steeply and the Nordic electricity market was rather volatile, with peaks in 2002/2003 and 2005/2006 (SSB 2008b). District heating prices are set in various local markets, not at the European level, but district heating is favoured by rising prices on electricity and oil (Havskjold and Halseth 2007). Investments in windpower increased all over Europe, but district heating was primarily developed in the Nordic countries (Commission 2004).

Throughout the period there were fierce conflicts between proponents of feed-in and green-certificate renewable energy schemes (Nilsson et al. 2008). Feed-in tariffs guarantee renewable energy producers access to the grid, a fixed level of operation support and varying support levels for different technologies (Commission 2005, 2008). Green certificate schemes provide operational support at levels set by the market. The functioning of the market is determined by governmental regulations. The key requirement is the size of the quota that renewable energy producers are obliged to produce or purchase. The purchaser of a green certificate does not buy the actual energy, but a security that proves the economic contribution. Green certificate schemes will yield great profits for actors that can produce renewable energy the most efficiently, and favour actors large enough to manage considerable financial risks. Feed-in schemes will ensure stable conditions for all kinds of renewable energy producers.

The many small renewable energy actors in Europe support feed-in, while large power producers have favoured green certificate schemes. The majors are organised in national associations that again are joined in the European association Eurelectric (Eurelectric 2008). EREC in Brussels (the European Renewable Energy Council) represents actors in the field of renewable energy. EREC consists of European-level associations that in turn represent national associations relating to a wide array of technologies (EREC 2008). Most renewable companies are small, but some have grown into transnational companies. Despite great differences, our interviews indicate that renewables actors are united by a common engineering logic and aim of outpacing large producers of fossil- and nuclear-reliant power. Interviewees agree that there is little contact between the two groups at the European level.

The conflict played out in relation to development of the RES directive in 1999–2001 and in 2007–2008. Together with Eurelectric, the Commission initiated the creation of the Renewable Energy Certificate System (RECS) in the late 1990s (Kristiansen 2002:2). Later the Commission proposed a draft directive that promoted green certificate schemes. Due to resistance, the final directive contained only weak requirements in this respect (Nilsson et al. 2008). However, some member states with no feed-in traditions developed such schemes. By 2008, seven of the then 27 EU

member states had green certificate schemes, while 18 had feed-in (Commission 2008). The directive was not termed EEA-relevant and the Commission did not promote Norwegian adoption, yet it accepted Norway's plea for adoption (DG TREN 2004). In 2007, the Commission once more wanted to develop a common European green certificate scheme, but met with uproar (Nilsson et al. 2008).

EU state aid regulations prohibit public measures that distort or threaten to distort competition, that are granted by state or through state resources, or when the intervention is likely to affect trade between member states (Vedder 2003:279–96). Notification is to be given of all state aid measures, and these shall not be implemented without endorsement. If aid has been granted illegitimately, the receiver must repay it. The Community Guidelines on environmental state aid specify the conditions under which renewable energy support may be provided (Community Guidelines 2001). Investment support is not to exceed 40%, but up to 100% of eligible costs may be granted. Eligible costs are calculated by an extra-cost approach, which implies support corresponding to the additional costs of the renewable energy plant as against a conventional plant. The regulation of operating aid is less clear, except that there are no limitations for biomass support, and green certificate and feed-in scheme finances by consumers are exempted from the notification requirement (Kuhn 2001). The Commission is given considerable discretion in interpreting these regulations (Thielemann 1999).

Despite the complexity, it is evident that renewable electricity, and particularly windpower, gained increasing support from 2000 and onwards. Nordic renewable district heating investment was an exception to the general trend. Heating first emerged as an issue towards the end of the period. Both feed-in schemes and green certificate schemes were designed to support electricity. Both were favoured by being exempted from the EU state aid regulations. The state aid regulations gave EU member states more leeway to develop alternative schemes directed at renewable heating than windpower. So far, we may conclude that the European environment promoted diversification as such, but this cannot explain Norway's bias toward district heating.

4.2 Institutionalised Field: Prevailing Business Economic Logic

The organisational field approach would indicate that competition between institutional logics and a shift in values enabled the diversification to occur. Further, the explanation for the district heating bias should be that salient values and logic favoured renewable heating more than renewable electricity.

By the turn of the millennium, a business economic logic had come to dominate the organisational field of stationary energy production in Norway, contrasting with the hydropower-focused engineering logic predominant throughout the 20th century (Midttun 1987, Thue 1996). Back then it was assumed that the demand for electricity would continue to grow and that increased hydropower production would ensure economic prosperity. Both the government and the power companies aimed at ensuring sufficient electricity to meet the increasing demand.

The engineering logic was sustained by a combination of regulative and institutional features (Midttun 1987). New renewable sources emerged as a political issue in the 1970s and small-scale support aligned to the engineering logic was developed. In the 1980s, business economics and governmental economics joined forces, challenging the engineering logic (Thue 1996:111). This led to the implementation of a deep-going liberalisation reform. The Norwegian state power authority, Statkraft, was re-organised into a publicly owned company, and power prices were left to the Nordic power exchange to decide. These structural changes redirected power producers towards maximising their revenues rather than continuously expanding their portfolio of large hydropower projects (Bjørndalen et al. 2007). The business economic logic prevailed, but our interviews show that it was occasionally challenge by the old engineering logic. In contrast, liberalisation strengthened the governmental economic logic within the Ministry of Petroleum and Energy (MPE), not the business economic logic.

The business logic led the power producers to seek to optimise their profits from power trading and search for new profitable business activities. Power production varied in accordance with annual precipitation, which created fluctuating power prices. As the power producers were blamed for this, they became increasingly interested in energy sources that would not be dependent on precipitation. However, they remained focused on large-scale power production. In the late 1990s windpower, which in its modern form is a quite large-scale operation, attracted more and more attention. A few operated renewable district heating plants, but our interviews confirm that the local municipality owners had instructed them to do so. District heating was regarded as too small-scale to provide an interesting market.

The upshot is that emergence of the business economic logic made the producers interested in energy sources other than hydropower. Nonetheless, the prevalent values still promoted electricity and large plants. This path-dependent bias may explain why windpower attracted interest, but not why the organisational changes were greatest in connection with district heating. Further, it is worth noting that the rift between competing logics destabilised the field, not least because the producers and the ministry no longer shared world view.

4.3 Hierarchical Political Steering: Reliance on Heating, Windpower in Flux

If the diversification results from hierarchical political steering, we should find that the governments have given greater priority to district heating than to windpower. Moreover, the governments will have ensured that the diversification process followed their preferred logic.

The three governments in office during the period all aimed to step up the development of new renewable energy, although Norway is self-sufficient in energy. The development of traditional large hydro-projects has been politically abandoned. The governments aimed to increase the production of windpower by 3 TWh and renewable heating corresponding to 4 TWh by 2010 (St.meld. nr 9 2002–2003). Moreover, it was

politically agreed to try to avoid widespread use of electricity for purposes where thermal energy would suffice. The rationale was that electricity is the most valuable because it is a high-quality energy carrier suited for lighting, technical work, heating and cooling, while thermal energy is a low-quality energy carrier mainly suited for heating and cooling. In 2000, the government introduced a new renewable energy investment support scheme, and a new public company, Enova, was created to administer it (St. meld nr. 29 1998–1999). This system was based on cost-efficient support to specific technologies. Thus it was aligned both to engineering and governmental economic logics, although support levels were rather low.

In 2000 the Norwegian parliament, with reference to EU development, instructed the government to assess introduction of a green certificate scheme (Budsjett-innst. S nr. 9, 2000–2001). In 2003, it initiated negotiations with Sweden on a common scheme and Norwegian adoption of the RES directive (Innst. S. nr 167, 2002–2003:17–18). In the following winter, extreme conditions caused electricity prices to peak, with sizeable profits for the energy companies. This caused political turmoil. Particularly the Labour Party, then in opposition, criticised the government (Innst. S. nr. 181, 2003–2004:15). In November 2004, the government issued draft regulations for the green certificate scheme. In the autumn 2005 elections, Labour, the Social Left and the Centre Party gained a majority and formed a coalition government (Soria Moria, 2005). Sweden pressed for a high renewables quota and demanded that Norway increase its ambitions. Our interviews confirm that this gave rise to profound internal disagreement within the government. A high quota would mean higher energy prices for the consumers in the short term, although it might lower prices in the long term. The government feared that they would be blamed if electricity prices went up (Stortingsforhandling 2005–2006:1428). While Labour first supported the green certificate idea, it changed its mind on realising that the companies with the most profitable windpower projects could reap great profits from the scheme. Our interviewees give this as a key reason why the scheme was shelved in February 2006.

In order to calm the uproar from the political opposition and the energy producers, the government immediately promised to replace the Enova investment scheme with a new technology-neutral, operational support scheme. Not wishing consumer financing, the government opted for a new scheme financed by public revenues. By this time, the investment scheme had recently been approved by ESA, after four years of deliberations. Our interviews show that the political appointees had not paid much attention to this process. Only after the promise was given did they realise that the state aid regulations would severely constrain their scheme-design options. The government issued a draft for ESA in November (St.meld.nr. 11 2006–2007). This was meant to provide for operational support at three different fixed levels relating to specific technologies, but the levels were significantly lower than elsewhere in Europe (Commission 2008). The previous investment scheme for heating was improved and not issued for new notification. Moreover, the government declared that it aimed to ensure 30 TWh new renewable energy or energy efficiency gains by 2016. The notification process did

not proceed smoothly, however, and so the government put the new operational scheme on ice, prolonged the investment scheme for windpower, enlarged the Enova fund and initiated new green-certificate scheme negotiations with Sweden in late 2007 (Enova 2008).

This shows that the Norwegian government supported the development of both energy sources, but, while district heating state aid measures remained steady throughout the period, windpower support measures were in flux. That indicates that governmental steering has great explanatory value regarding the district heating bias. Moreover, the government's lack of knowledge concerning the EU state aid regulations seems to have blurred its steering signals.

4.4 Mechanisms at Work: Crucial, but Uncoordinated Carriers⁴

All three perspectives contribute to explain the diversification among Norwegian energy producers. First, the normative focus in renewable energy at the European level enhanced the focus on windpower in Norway, while EU state aid regulations hampered the development of an investment scheme. Second, the prevalence of business economic logics within the organisational field made it malleable to European trends and Norwegian governmental steering signals directed at diversification. Thirdly, the stable political focus on renewable district heating and influence from other Nordic countries can explain much of the organisational change in this direction. However, although we have may revealed the sources of the impulses for change, this does not tell the whole story. In order to understand the mechanisms at work we need to explore the role of the carriers in transforming European impulses, in particular relating to EU state aid regulations and the development of the green certificate scheme.

The European environment and the hierarchical governmental steering perspectives both see governmental organisations as key actors. The former assumes that the carriers will introduce EU policy without editing, while the latter merely expects them to implement the components transformed by executive politicians. The hierarchical governmental steering perspective expects power producers to follow governmental instruction, while the European environment perspective holds that these will actively translate the European signals. The organisational field perspective sees power producers as the key carriers, but expects all field-level organisations to interpret change impulses in line with their own institutional logics.

It is evident that the MPE actively edited the state aid regulations. In November 2002, the EEA Surveillance Authority (ESA)⁵ asked the ministry to notify the Enova scheme. Its respond to this was brief and superficial. The ESA immediately asked why the scheme had not been aligned to the guidelines. To this the ministry responded that firstly the guidelines were not legally binding; secondly the extra-cost approach of the guidelines was not appropriate for a liberalised energy market; and thirdly it would not allow companies as high profits as those permitted according to the extra-cost approach of the guidelines. The MPE force-

fully argued that the present value calculation applied by Enova ensured that the government would not grant more funding than needed to realise new projects.

Bioenergy was exempted from the strict state aid conditions in the guidelines, and thus ESA agreed to accept the Enova procedure for renewable district heating. Deliberations concerning electricity support continued. In 2005 the ESA instigated a formal investigation. According to our interviews, the MPE now started to do its utmost to ensure ESA acceptance. Moreover, the ministry had come to realise that the actual practices of Enova were not as cost efficient as had been explained to the ESA. Thus it made efforts to ensure that the practice of Enova actually became aligned to net present value calculations. It argued towards the ESA that this approach represented an improved version of the extra-cost model. One year later, the ESA finally authorised the modified version of the scheme. However, the power producers were neither involved nor informed about the ESA dialogue (MPE 2005). Interviewees confirm that the political appointees regarded state aid issues as an administrative hurdle for the bureaucrats to solve.

After they had failed negotiate a common Swedish–Norwegian green certificate scheme, the politicians become involved in developing a new scheme. The state aid guidelines are highly unclear on how to develop a non-green certificate and non-feed-in operational scheme. Instead, the MPE administration followed its own governmental economic logic, stressing towards the government the importance of ensuring that the new scheme did not allow producers excessive profits. Our interviews show that the politicians had no previous knowledge of the guidelines and no contact with either the Commission or ESA on the issue. Thus they listened to the advice from the MPE administration. Moreover, the harsh criticism imposed severe time pressure for the government to launch an alternative scheme. The ESA response to the alternative scheme indicates that it was not really concerned about the revenues, as the government had expected. Rather it probed into a great many technical issues.

After the parliament instructed the government to adopt the RES directive in 2003, the MPE took over as carrier of this policy into Norway, although the government was also involved in translating this together with the administration. The 12% renewables share objective for the EU as a total was transformed into a 90% target for Norway. As Norway had a higher share of renewables at the time, as well as political aims promoting increased production, this did not greatly affect its renewable energy policy. The weak requirements relating to green certificates were implemented in a rather wholesale manner, but interviewees indicate that this hardly affected deliberations on the green certificate scheme.

The dialogue with the ESA led the MPE to direct Enova to align its practice closer to a governmental economic logic. Although Enova formally has a structurally free position as a publicly owned company, the MPE constrained Enova by issuing detailed instructions annually (see e.g. MPE 2002; 2007). As district heating consists of many functionally disconnected systems, like several separated monopolises, the energy price is not readily evident (Havskjold and Halseth 2007). Thus it was not

possible for to Enova to follow a strict governmental economic approach when this support practice was refined and improved. Our interviews show that Enova instead engaged in close dialogue with district heating actors on streamlining the scheme in order to meet their varying needs. From both our interviews and public consultation inputs it is clear that the power producers did not become interested in heating until Enova stepped up this dialogue (MPE 2005; 2007). Thus the diversification directed at district heating intensified toward the end of the period under study.

During the period, Statkraft bolstered its ties to other European power producers by increasingly engaging in joint ventures and other activities abroad (Nilsen and Thue 2007). Together with other large power producers, Statkraft became involved in RECS at the turn of the century, initiating a lobbying campaign for a green certificate scheme and adoption of the RES directive (St.meld. nr 9, 2002–2003:109–111). Later the power producers in the Norwegian Electricity Industry Association developed a common political strategy. The association's membership in Eurelectric strengthened their ties to the European green certificate promoters. These large power producers soon succeeded in presenting the green certificate scheme as the only design capable of providing higher support levels for all kinds of renewable energy sources – thereby silencing discussions on how to improve the Enova investment support scheme. References to the RES directive substantially strengthened the arguments of these major producers. After they managed to get the parliament to call for adoption of the directive, they did not get involved in translating it into practice.

The power producers' response in the 2005 public consultation on the green certificate scheme reveals that they felt sure that they had already won (MPE 2005). Interviewees indicate that most of the diversification towards windpower resulted from that conviction. This can help to explain why most organisational changes relating to windpower occurred between 2004 and 2006. Moreover, the inputs to the public consultations show that a wide range of renewables actors wholeheartedly supported the green certificate idea (MPE 2005, 2007). The few renewables actors that were not involved in hydropower production were all rather new and small. According to our interviewees they had weak ties to European renewables actors. That lack of contact with the European environment contributes to explain why they did not promote feed-in. Also the environmental organisations favoured the green certificate scheme.

The traditional power producers, the MPE and the politicians all had key roles in the transformation process. However, their efforts lacked coordination. The ministry acted as a key carrier mostly in line with the prediction of the organisational field perspective. It was not an objective instrument, neither for the government nor for the EU. Instead it interpreted the EU state aid regulations in line with its own institutional logic. While the government was hardly engaged in this translation process, it actively endorsed implementing the RES directive in a manner that would not mean expanding the political objectives concerning renewable energy.

In line with the organisational field perspective, it was the dominant power producers that carried the green certificate idea into the field – primarily in response to the campaign of the Commission and the large European power producers, not EU policy. Moreover, they edited away the controversy relating to this measure on the European scene. Initially they succeeded in affecting other energy-related actors and the environmental movement, which is also in line with the organisational field perspective. That proved sufficient to foster substantial organisational change among energy producers. However, political governmental steering later redirected the change process, eventually leading to the rejection of green certificates. Later, the MPE translation of the state aid guidelines did manage to hinder the development of scheme that could foster more profound organisational changes relating to windpower. The blossoming of organisation change related to district heating was strengthened by the circumstance that the impulses for change primarily came directly from Norwegian politicians, not Europe.

5 Discussion: Added Value from the Organisational Field Perspective

Before turning to general theoretical conclusions, we need to recall the diversification pattern in the Norwegian organisational field of stationary energy production between 2002 and 2008. Organisational changes emerged in respect to both windpower and district heating, but were most pronounced in relation to the latter. Windpower diversification emerged from 2004 to 2006. Although modest district heating diversification occurred at the beginning of the period, it really took off from 2005 and onwards.

In the following we discuss how and through what mechanisms the European environment, government hierarchical steering and the organisational field affected diversification. The aim is to explain the trend. If we were to explain the differences between the companies examination of company internal factors would be needed. Five theoretical implications of general value will be presented.

Firstly, the case study has shown it fruitful to combine European environments, governmental hierarchical steering and the organisational field approaches to explain domestic industrial change processes, here in the case of Norway. We have seen that European market developments did not directly affect the diversification pattern within a Europeanised industry. Rather the organisational diversification process has been intertwined with political steering and institutional processes. Change impulses toward windpower development emerged at all levels, but the actual development of district heating stems primarily from Norwegian governmental steering. In addition, the increased normative focus on new renewable energy in Europe has affected both the Norwegian government and the organisational field. In line with the arguments of by Mörth (2003) and Mastenbroek (2005:1110) the forces at work are not static. Moreover, the ongoing institutionalisation processes at the European and the national levels intervene. The relative influences of European environments, organisational field-level developments and domestic governmental hierarchical steering depend largely on when and how they interact.

Europeanisation studies have focused primarily on policy change and not organisational change. Yet, it is often implicitly assumed that policy change is a precondition for societal change. Our study indicates that this is not necessarily the case. The specific focus on organisational changes at industry level shows that European ideas and soft policy may spur changes directly within an industry, also without leaving firm traces on domestic policy.

The second theoretical implication is that misfit between institutional logics at the European level and the national level hampers, rather than promotes, organisational change. By applying an organisational field perspective we can better grasp the institutional dynamisms often missed out by merely contrasting domestic politics with EU policy. The Europeanisation literature portrays the ‘goodness of fit’ between European and domestic institutions as key explanation for domestic change (e.g. Cowles et al. (eds) 2001; Knill and Lenschow (eds) 2000). The argument is that a certain discrepancy between institutions at the European and the national levels is a necessary precondition for domestic change, implying that institutional misfit will foster domestic change. The case explored in this article would support the converse: namely, that misfit between institutional logics at the European and the national level hampers rather than promotes change. This is an insight gained by exploring the lesser details related to the translation of the European impulses. It may reduce the elegance of the narrative, but it shows how cross-cutting conflicts between institutional logics may yield another consequence than that assumed by prior research.

Three institutional logics have been at play in this case: the business economic logic, governmental economic logic and engineering logic, as set out in Table 3.

Table 3. Three institutional logics relating to promotion of renewable energy

	Business economic	Governmental economic	Engineering
Basic assumption	Market actors will strive to maximise their profits.	Market actors will exploit all possibilities to earn a surplus (free entry).	Technologic improvement is needed in order to meet increasing energy demand
Renewable energy will be developed when	Renewable energy is the most profitable	Renewable energy is profitable	The technology is mature
Governmental role	Ensure that renewable energy is the most profitable and that the market creates fair competition	Ensure cost-efficient development, using no more money than needed to correct market failure.	Ensure good conditions for development and refinement of the most promising technologies.

Historically, the Norwegian organisational field of stationary energy production was embedded in an engineering logic, but liberalisation de-institutionalised the field and economic logics came to dominate. Despite some similarities between the business economic logic of the energy producers and the governmental economic logic of the MPE, they are not compatible on how to develop renewable energy. The Enova support scheme combined the old engineering logic and the new governmental economic logic. No wonder that it was disliked by the energy producers. This business economic logic matches the green-certificate scheme idea, while the feed-in schemes follow engineering logic. The lessened importance of the latter meant that this support measure found little resonance in the Norwegian case, while the green certificate idea proved to be a perfect fit with the new logic of the power producers.

EU state aid regulations are closer to the business economic logic (lack of strong constraints on maximising profits) and the engineering logic (focus on fostering specific technologies) than the governmental economic logic. Due to the ambiguity and complexity of the regulations, the MPE nonetheless had to become actively engaged to specify their content. In its efforts to make sense of the regulations, ministry staff applied the logic to which they had been socialised: the governmental economic logic. Because the MPE failed to recognise the binding nature of the state aid regulations, its initial responses were superficial. Moreover, it claimed that the Enova practice fitted perfectly the governmental economic logic, without actually checking that this was the case. Nor did the ministry assess the risks related to developing policies that deviated from the regulations. Afterwards the government became captured by these first MPE responses. The fit between the logic of the large European power producers and Norway's hydropower producers was conducive to change, but organisational diversification related to windpower was hampered because of the misfit between the logic of the ministry and the European power producers. Moreover, lack of support for the business economic logic among Norwegian politicians later contributed to hamper the development of a green certificate scheme for Norway. These conflicts between prevalent institutionalised logics in Europe and Norway obstructed the heightened European normative focus on renewable energy from rendering more organisational changes within the Norwegian organisational field. The reason why there was greater change related to district heating than to electricity is precisely that the support scheme for the former was *not* hampered by cross-level conflicts between logics. Further, the match in normative focus – an increased normative focus on renewable energy, in the European environment, within the organisational field and among Norwegian politicians – amplified the change process. This normative fit was conducive to change, but the misfit between logics hindered the change from becoming any larger.

Thirdly, the results of this case study undermine the simplified notion that passive actors ensure that European-level institutions intervene with domestic institutions. The carriers in this case were certainly not idle (Sahlin-Anderson and Engwall 2002). Because they translate the change impulses in line with the logic in which they are embedded their actions are to a certain degree predictable. The MPE actively edited the EU state aid guidelines in a way that obstructed further organisational changes relating

to windpower development. Moreover, Norwegian actors embraced the green certificate idea – because it fitted their logic. The lack of strong and well-organised actors relating to various renewable energies prevented them from acting as carriers for the feed-in idea. Further, most of these actors had connections with the major Norwegian hydropower producers. These large producers succeeded in presenting the European discussions in line with their own interests. Paradoxically, the organisational changes this caused in relation to windpower resulted from wishful thinking on the part of the energy producers. They were blinded by their lobbying success thus far, and this actually served to enhance organisational diversification. Although well aware of the strong standing of governmental economic logic within the MPE and the Labour Party, the energy producers were taken aback when the green certificate scheme was rejected. Cognitive constraints seem to have hindered them in understanding how this could have come about.

Neither the state aid regulations nor the green certificate idea would have yielded the same effects, had they been introduced by other actors. In a strongly institutionalised organisational field, all kinds of actors would have edited in the same way: but because the field was fairly de-institutionalised, the carrier did matter. Not only did the carriers leave their hallmark on the features, they were also strikingly uncoordinated. The MPE did not inform the energy producers about the ESA process. Neither did these engage when the MPE and the government ensured that the green certificate elements in the RES directive were implemented in a weak form. De-institutionalisation meant reduced contact among actors. Moreover, the ministry now felt it appropriate to control the energy producers, rather than to engage with them. The power producers would probably have acted differently if they had been aware of how the MPE was handling the state aid regulations. For instance they could have argued that the green certificate scheme was the only alternative because the state aid regulations would hinder development of alternative ambitious schemes. This might well have changed the governments' decision to reject the green certificate scheme.

Fourthly, the case shows that national politicians do not control the translation of the European impulses. This finding contradicts studies that, directly or indirectly, portray domestic governments as the prime actors in Europeanisation processes. Norwegian politicians did not have detailed knowledge of the relevant European impulses and were included in the formal adoption processes only in the very final stage. This constrained their ability act as strategic translators and reduced their political clout. On the other hand, they were not entirely toothless – as shown by the rejection of the certificate scheme, and the ensuing halt in organisational diversification related to windpower. However, the political costs were huge. Business organisations successfully referred to European developments, and particularly the RES directive, to strengthen the legitimacy of their stands. Norwegian politicians did not show similar strategic skills. Nonetheless, their ability to spur organisational changes relating to district heating shows that they are able to change Norwegian industries if they can maintain the pressure over time and without distortion from EU policies. As Norway is not a member of the EU, Norwegian politicians are less involved in EU forums than their European colleagues. However,

given the time constraints of the political appointees in general and the technical nature of the EU policy in question, the situation of Norway's politicians is probably not unique. Indeed, all over Europe, state aid regulations have attracted scant attention from business and governments alike (Flåm 2008).

Fifth, and finally, Europeanisation sharpens the challenges relating to democratic governance of liberalised industries. Liberalisation reforms affect the room for national political governance. Although the consequences vary from industry to industry and from country to country, liberalisation tends to reduce the political clout of national governments (Christensen and Lægreid 2007). At first glance, our study would appear to refute this, because in this case liberalisation de-institutionalised the organisational field, rendering it malleable towards political signals. Thus we could say that the diversification of institutional logics led the way for organisational diversification. On the other hand, former gloomy conclusions regarding democratic governance have been confirmed, because the politicians evidently had a hard time developing political measures that suited the business economic logic. Although the liberalisation reform relieved the politicians from deciding the power price, the government still risked being blamed if prices rose. The Labour party hesitated at introduce a scheme that could enable the opposition to blame them for future price peaks. Thus it was unwilling to support a scheme that could mean greater profits for the largest companies at the expense of the consumers. In sum, we have seen how politicians are faced with severe governance challenges in relation to organisational fields that are both liberalised and Europeanised. This complexity hampers their ability to strategically promote their political objectives. Many domestic industries in Europe today are simultaneously liberalised and Europeanised – and the number of EU policies directed towards these industries is growing.

Schneiberg and Clemens (2006:165) state that 'a rejection of reductionism lies at the core of institutional theory'. Europeanisation studies that draw on new institutional theory nonetheless rely on simplifications that are too crude to grasp the key mechanisms at work. This paper has offered some theoretical insights that may contribute to remedy these weaknesses.

Notes

¹ Thanks to Tom Christensen and fellow colleagues at the Fridtjof Nansen Institute for valuable inputs.

² Hydro is excluded from the list of the ten majors because it is a conglomerate company and has engaged in several complex reorganisation processes, making it hard to compare changes in relation to renewable energy production.

³ This was related to the establishment of local waste-treatment plants and is thus a factor outside the scope of this paper. The factors explored here increased in importance over time and are thus in focus in our discussion.

⁴ Most of this chapter is based on examination of written correspondence between MPE and ESA concerning the state aid guidelines and the RES directive.

⁵ ESA is formally responsible for enforcing state aid regulations in Norway, and not DG Comp, as is the case for EU member states.

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Norwegian actors (positions and date of interview)

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Bratland, Sjur, Hydro, 03.05.2007

Broli, Erlend, Statkraft 08.10.2008

Christensen, Dag, Hydro 03.05.2007

Enoksen, Odd Roger, Minister of Petroleum and Energy (17.10.05–21.09.07), 07.02.08

Ettestøl, Ingunn, Enova, 05.06.07

Gundersen, Mari Hegg, Norwegian Energy Directorate 06.06.07

Håndlykken, Einar, Zero 31.01.08.

Kismul, Ane Hansdatter, Norwea, 11.05.07

Møller, Ulf, Statett 17.01.08

Juhler, Heidi, Norsk Fjernvarme 12.09.07

Konglevold, Synnøve, Former Member of Parliament, 22.11.07

Leistad, Øyvind, Enova (Former Ministry of Petroleum and Energy) 15.06.2007

Olsen, Arne, Norwegian Energy Directorate, 25.05.07

Steensnæs, Einar, Minister of Petroleum and Energy (19.10.01–8.06.04) 22.06.07

Sørensen, Heidi, Member of Parliament, 23.08.07

Tveitereid, Sigurd, MPE 27.07.07

Ulseth, Oluf, Statkraft (Secretary of state, MPE 18.06.04–17.10.05), 08.10.08

Brussels situated actors (positions and date of interview)

Andersen, Birgitte, EFTA-secretariat, 25.02.08

Foquet, Dörte, EREF, 28.02.2008

Bernsen, Johanna, DG Comp 26.02.2008

Clayon, Marianne, ESA 29.02.2008

Engebreetsen, Marit, Energy counsellor of the Commission of Norway to the EU. 26.02.08.

Hercsuth, Andrea DG TREN 27.02.2008

Klimmann, Annette, ESA 29.02.2008

Lipponen, Eurelectric, 25.02.2008

Piel, Elo, Euroheat and Power, 29.03.08

Radmann, Trine, NHO Europe, 27.03.08

Rushe, Tim Maxian, DG Tren 27.02.2008

Tranholm-Schwarz, Bente, DG Comp 26.02.08

Veum, Karina, DG Tren (telephone interview) 28.03.08

Zander, Joachim, ESA, 29.02.2008

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