Southern Laggards or Misfits? A comparative assessment of energy policy Europeanization

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ABSTRACT
The concept of “Southern lag” describes the lack of compliance of Southern European countries with EU law which has had increased salience after the 2008 eurozone crisis. This article identifies the most binding constraints on energy policy, a previously overlooked area in the Southern lag debate. Two factors make the evaluation of the Europeanization of energy policy critical: first, the energy union is a key objective of the EU and understanding the constraints to compliance is essential for its success. Second, EU energy policy objectives provide concrete goals that make measuring Europeanization easier in terms of actual policy outcomes. This article first identifies the key explanations of this Southern lag that scholars have proposed. Then, it evaluates and compares the levels of compliance of Greece and Austria with EU energy policy objectives. By contrasting the empirical policy outcomes with the predictions of the various theories of Europeanization, this article establishes that the level of compliance is mostly determined by the level of misfit. A policy has a high misfit when it has high political and economic costs associated with its implementation. Furthermore, this comparative analysis introduces the importance of geography in affecting the level of misfit in energy policy. This result implies that the most successful strategies for Europeanization will be focused on bringing down the level of misfit by tailoring goals and policies to each country’s previous conditions.

INTRODUCTION
The eurozone crisis of 2008 brought to the forefront questions about Europeanization. As it became apparent that the hoped-for convergence among member-states in terms of both policy and economic performance had not materialized, many turned to exploring the reasons. Scholars had already sought to answer the question of why southern European countries seem to comply less and Europeanize slower than Northern ones. The 2008 crisis, however, and its overwhelming consequences for southern member-states gave the question new salience. Studying the divergence between north and south and understanding its causes is crucial to designing effective policies and avoiding the apparently consequential lackluster compliance in the future.

This analysis seeks to do so by studying the Europeanization of Greece and Austria. It argues that even though Greece has made less progress on the Europeanization of its energy policy than Austria, this is due to the EU policies’ misfit with pre-existing institutions and energy policies. Greece, in other words, is not lacking the capacity nor the willingness to comply but the costs of its compliance are much higher than for Austria. This misfit is due to economic, political, and geographic factors that make compliance costlier for Greece.

This analysis it makes 3 contributions: Firstly, it yields an in-depth analysis of the Europeanization of energy policy, an increasingly salient policy area both in Europe where the energy union occupies a high place on the political agenda and globally due to the advents of climate change and geopolitical developments. Second, it adds to the empirical evidence on the misfit-based explanations of Europeanization - or lack thereof, showing that policy misfit is the driving factor of non-compliance in energy policy. Third, it provides another explanatory variable for policy misfit that has previously been overlooked: Geography. Geography influences the level of misfit through two channels: determining financial costs of infrastructure and the spillover effects of neighbors with higher level of Europeanization. The impact of the level of Europeanization of a country’s neighbor on its
Europeaization is an interesting question. Therefore, this analysis also provides recommendations for future research.

Comparisons between North-South Europeanization are a commonly used tool on assessing Europeanization (see e.g. Hartlapp and Leiber; Taylor et al., 2013; Koutalakis, 2004; La Spina et al., 1991). Essentially, the north country is used as the benchmark of the ideal or the actual level of Europeanization experienced. Measuring the south country against this benchmark allows to exclude the possibility that the lack of compliance is due to the policy’s faulty design or unrealistic expectation, which could be the case if no member-state complied. The comparison also allows one to determine the existence of divergence of compliance between north and south countries and the variation in such divergence across policy areas assists in the identification of the driving causes.

There are three reasons Greece and Austria present fitting comparison cases for a Europeanization study. Firstly, they represent a typical north–south comparison, since Greece is one of the most discussed countries of the European south and Austria presents a typical north country. Second, they have similar population and land sizes, which impacts energy demand and production thus affecting energy policies. Finally, and most importantly, they have similar resource endowments in that they are both resource poor in terms of conventional energy resources, that is fossil fuels. Resource endowments present a very important starting point that needs to be accounted for when examining a country’s energy policy (Feigenbaum, H., Samuels, R., and Weaver, R.K. 1993). Table 1 highlights the key similarities and differences of Greece and Austria; they will be further elaborated on and contrasted with their respective Europeanization levels in the sections that follow.

By analyzing the energy policy Europeanization of Austria and Greece, this analysis will show how their progress (or lack thereof) very closely aligns with predictions made by the policy misfit theory, while the other theories fail to consistently predict the experienced policy outcomes. Both Greece and Austria have complied best with EU policy when the costs of doing so were the lowest. Moreover, this analysis will establish the three factors determining the costs of compliance: pre-existing institutional arrangements, geography, and economic factors. Pre-existing institutional arrangements that affect misfit are both the regulatory framework of energy and the general institutions of the country. When a policy seeks to significantly change the pre-existing institutions or create new ones, it has a higher policy misfit (Hartlaap and Leiber, 2010). Geography affects misfit in energy policy because one of the objectives, interconnectivity, relates specifically to being connected with one’s neighbor. Therefore, who is the country’s neighbor matters in the policy outcomes. Finally, economic factors, namely the state of the economy and the financial costs of a policy, determine misfit by affecting policy outcomes and the feasibility of certain policies.

The rest of this paper is organized as follows: section 2 outlines the methodology followed including key definitions and data selection. Section 3 provides a literature review. It starts with definitions of Europeanization and then moves on to an overview of Europeanization studies that have focused on energy policy, outlining the gaps. Section 3.2 presents the studies that have focused on southern Europe, presenting the explanations given for the lack of compliance of southern member–states. Section 4 presents the objectives set by the EU on energy policy. Section 5 provides the empirical evidence of the study by analyzing Greek and Austrian energy policy. Finally, section 6 synthesizes the empirical results and tests the various hypotheses to establish causality.

**METHODOLOGY**

Europeanization is defined as both the transposition of EU regulations to national legislation and the enforcement of such regulations (Hartlaap and Leiber, 2010). Therefore, it is important to study not only the legal compliance of Greece and Austria to EU regulations but also their enforcement of the laws. In the case of energy policy, there are specific and measurable policy outcomes that can be used to identify the level of Europeanization.

Transposition is the adoption of EU directives to national law. Enforcement, on the other hand, is the actual implementation and policy outcomes of the laws. Enforcement is more important because there is a divergence in legal compliance and policy enforcement, as shown by numerous case studies (De Francesco, F. & Castro, G., 2018). However, Europeanization studies to this point have largely failed to address this issue by measuring Europeanization as legal transposition instead of policy outcomes (Treib, O. 2014).1 Divergence between transposition and enforcement is expected given that governments have the capacity to influence policy outcomes beyond legal transposition. Moreover, even if governments comply legally, there might exist institutional or other impairments that affect policy enforcement. Therefore, in assessing Europeanization it is essential to measure de facto compliance, in terms of actual policy outcomes.

Bondarouk (2017) describes enforcement as having two components: implementation and performance. Implementation is defined as the stage of “formulating the policy on the ground” with all the changes that

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1 For an example of a study that goes beyond legal transposition and examines enforcement instead see Thomann, E. & Sager, F. (2017)
| Government system | Greece | Austria |
|-------------------|--------|---------|
| Population        | 10.3 million | 8.7 million |
| EU membership since | 1974 | 1995 |
| Resource endowment | Poor fossil fuel endowment, Import dependence, High RES potential | Poor fossil fuel endowment, Import dependence, High RES participation |
| Energy Mix (In order of significance) | Petroleum, gas, solid fuels, RES | Petroleum, RES, gas, solid fuels |
| Electricity market | Liberalized & highly concentrated | Liberalized & moderately concentrated |

**TABLE 1.** Austria and Greece at a glance; compiled by author

| Policy                    | Degree of Misfit | Europeanization |
|---------------------------|------------------|-----------------|
| Market liberalization     | Medium           | Partial         |
| Transmission Unbundling   | Medium           | Full            |
| Energy exchange           | High             | Low             |
| RES                       | Low              | Partial         |
| Energy efficiency         | Low              | Full            |
| GHG emissions             | Low              | Full            |
| Interconnectivity         | High             | Low             |

**TABLE 2.** Policy Misfit and Outcome – Greece; compiled by author

| Policy                    | Degree of Misfit | Europeanization |
|---------------------------|------------------|-----------------|
| Market liberalization     | Low              | Full            |
| Transmission Unbundling   | Medium           | Full            |
| Energy exchange           | Medium           | Full            |
| RES                       | Low              | Partial         |
| Energy efficiency         | Low              | Full            |
| GHG emissions             | Medium           | Low             |
| Interconnectivity         | Low              | Full            |

**TABLE 3.** Policy Misfit and Outcome – Austria; compiled by author
come from that. Performance is defined as policy outputs, the actions taken in response to the law, and policy outcomes, the impacts and effects of the law. For example, in electricity policy implementation consists of the formulation of criteria by the energy regulator for electricity production licenses; a policy output is the approval or rejection of licenses by the regulator; and the policy outcome is the market concentration of the electricity production market after the policy has been enacted and licenses have been awarded.

The methodology of this article consists of first describing the different theories put forward by scholars to explain lower levels of compliance for Southern European countries. I then identify the EU's energy policy objectives, translate these broad objectives to concrete measurable targets, evaluate the standing of Greece and Austria vis-à-vis these targets, and then compare the results. The key policy objectives are identified by looking at relevant European Union treaties and laws, the European Commission's communications, and relevant literature. The analysis then evaluates both policy outcomes and policy outputs for the three objectives using qualitative and quantitative data. Finally, the empirical results and policy outputs are contrasted with the predictions of the various Europeanization theories. This comparison allows us to establish the validity of each theory and determine which factors have influenced Europeanization the most.

Data was collected using primary and secondary sources. Quantitative data was acquired online from the European Union statistical agency and the European Commission's communications (European Commission, DG Energy, Unit A4, 2018). Government reports, progress reports, and relevant laws were all found online on the European Commission's (EC) website. Finally, semi-structured information sessions with experts were held in Greece during the summer of 2018, including one with the Vice President of the Hellenic Regulatory Energy Authority (RAE).

LITERATURE REVIEW

The definition of Europeanization has itself been a contested topic. Scholars have often defined Europeanization in different ways, which has further complicated the comparison of their respective results. For the purposes of this paper, the narrow definition of Europeanization is used, as in Haverland (2003), who defined Europeanization as national adaptation to European Union directives and policies. Moreover, it concerns sector-specific policies and not overall changes in domestic political structures (Radaelli, 2003, figure 2.1). Building on these narrow definitions, this paper defines Europeanization as compliance or non-compliance with EU Directives, specifically as concerning Energy policies. Compliance is defined as legal compliance and the convergence of policy outcomes with the EU's desired outcomes.

The field of Europeanization studies has largely focused on the legal compliance and transposition of EU directives into national law. In the past few years, the practical implementation part of Europeanization has regained salience after a recognition that legal transposition does not automatically lead to compliance. According to Treib (2014), scholars agree that there is a need to assess the factors that determine whether member-states are willing and able to Europeanize. Therefore, establishing the conditions under which these factors shape policy outcomes is an important task for future research. The last few years have seen a rise in such research that focuses on implementation (see e.g. De Fransesco and Castro, 2018; Thomann and Sager, 2017).

Europeanization and energy policy

Europeanization of energy policy research has focused on identifying the main drivers of EU energy policy and evaluating member-state compliance in regard to Renewable Energy Sources. Solorio (2011) examines the main drivers of energy policy Europeanization and argues that objectives related to environmental policies and internal market structure dominate legislation on the EU-level. Talking about the policy discourse, Dybuch (2015) contests that climate change and energy security dominate EU energy policy. Ortis (2011) argues that EU directives "deal more with the environment than with energy" and that energy policies are set in the context of achieving broader climate goals. Discussing Renewable Energy Sources (RES) support schemes, Boscheck et al. (2014) argue that member-states "go their own way with little regard" for other EU members and the EU policy.

The most comprehensive work on RES and Europeanization is the book by Solorio and Jorgens (2017), in which they explore the impact of EU RES policy and its implementation in various member-states. In it, Di Nucci and Russolillo (2017) argue that Italy's achievement of EU goals in RES policy demonstrates that there can be Europeanization even if national preferences are not aligned with EU goals and despite untimely transposition. Some research has focused on the RES policy of Greece and Austria, talking about the countries' performance and the policies enacted (Kettner and Kletzan, 2018; Iliopoulos, 2016).

Europeanization of Southern Europe

Within the literature of Europeanization, scholars have long debated the so-called "Southern problem." There is widespread disagreement amongst academics as to the explanatory variables for the apparent lower level of compliance for Southern European countries.² Hartlapp
and Leiber (2010) identify three schools of thought on the reasons behind the slow implementation of EU policies by Southern European member-states: misfit-based arguments, weak administrative and inefficient political system arguments, and weak civil society arguments. There is also a school of thought that has emerged since which focuses on actor-based explanations.

Misfit-based theories are either institution or policy-based. Coming from an institutionalist starting point, Knill (2001) talks about the misfit between EU policies and pre-existing institutions arguing that national administrations have a certain level of inertia and misfit occurs when an EU policy results in changing the bureaucratic status quo. This misfit leads to resistance by the bureaucrats and incomplete or slower implementation of the desired policies. Borzel (2003) emphasizes the policy misfit arguing there is no systematic or institutional misfit that would lead to consistent lack of compliance for Southern European countries. Borzel argues that Southern European states are not incapable of complying with EU environmental law and, moreover, “compliance varies across different policies within one country.” Lack of compliance is due to policy “misfits” which make the costs of complying too high to bear. However, mobilization of domestic actors can help overcome this obstacle and comply nevertheless. Bulmer and Radaelli (2004) contend that misfit-based arguments only apply to top-down Europeanization. They argue that policy misfit can only explain Europeanization or lack thereof under certain conditions, specifically when the EU prescribes a specific policy template or model. As we will later show these conditions are satisfied in the case of Energy policy.

To add empirical evidence on the misfit theory, Buzogany and Borzel (2018) show how the recently increasing compliance with EU environmental policy is due to the more managed approach of the EC. This approach emphasized capacity-building and technical assistance. Moreover, EU environmental policy became less demanding on member-states by focusing on amending existing laws rather than introducing new ones. These developments have led to higher compliance in environmental policy by essentially decreasing the level of misfit.

Inaugurating the weak institutions hypothesis, and much of the debate on Southern laggards, were La Spina and Sciotorno (1993, p. 221) who describe the Mediterranean Syndrome as a “structural tendency” of Southern European countries, which, under certain conditions, leads to ineffective policy-making and lack of compliance with EU rules. Two of the conditions they expect to lead to such inefficiencies seem to apply to some aspects of energy policy: the presence of “complex administrative procedures” and high political costs of effective policy-making (Ibid, p. 221 – 222). Adding on to the school of thought, Papadoulis (2005) talks about the gap between formal practices and informal rules that impede convergence for southern European countries, using air-transport public policy in Greece as a case study. Spanou (2011) also emphasizes the gap between formal rules and established informal practices in the public administration of Greece as an explanation for the lack of convergence with EU directives. Finally, Hoglund (2017) argues that administrative capacity is the main explanatory variable behind Europeanization with regards to the implementation of the Dublin treaty regulations on asylum-seekers.

Arguments that focus on civil society talk about the effect of social interest groups on Europeanization. Some scholars emphasize the importance of a strong civil society in implementing effective policy and then show that southern European countries have weak civil society. Other scholars emphasize that southern European countries lack a consensus-building tradition. Such a tradition helps overcome veto powers by building national consensus through negotiations and compromise; its absence means difficulty in overcoming formal and informal veto points and thus inefficient policy outcomes (Heritier, 2001; Tsebelis, 2002).

Actor-based arguments build on the importance of veto players and try to explain Europeanization as a result of the preferences of domestic decision-makers. Studying social policy, Hartlaup and Leiber (2010) argue that there is no systematic non-compliance by southern European countries. Instead, they develop a model of different “world of compliance” which refer to the national modus vivendi of policy-making for different groups of countries. These worlds of compliance are influenced by the political culture of a country and refer to “a typical pattern of response to EU adaptation requirements” which determines the way national administrations deal with EU requirements. Different sets of independent variables within these worlds of compliance are what ultimately affects Europeanization. Building on that theory, Dimitrova and Steunenberg (2016) develop a comprehensive game model that seeks to explain compliance based on actor preferences. They argue that compliance or non-compliance is determined by the preferences of politicians and administrators. The latter are particularly salient as they have control over policy implementation. Therefore, Dimitrova and Steunenberg argue, policy outcomes can differ from formal transposition and there can be non-compliance even when the political actors’ preferences align with European policies.

meaningfully generalizable way. This study does not contend as to whether there is a generalized “southern laggard” of Euro-
peonization but it only states that fact that such a gap is indeed observed between Austria and Greece when it comes to energy policy.
EUROPEAN UNION ENERGY POLICY OBJECTIVES

The signing of the Lisbon Treaty in 2008 transformed European energy policy by making it a shared competence of the EU and the member states. Article 176A of the Treaty of Lisbon (2007C) established an EU-wide energy policy to be set in accordance with normal legislative procedures by the Council and the European Parliament. The treaty created the legislative framework within which EU energy policy developed. This change consisted a pooling of sovereignty and a shift from soft law and horizontal Europeanization to top-down Europeanization in energy policy.

Broadly, the EU energy policy has four core objectives, as outlined in the Treaty of Lisbon: ensure the functioning of the energy market, ensure security of energy supply, promote energy efficiency and the development of renewable forms of energy, and promote the interconnection of networks. Following the treaty which constitutes a general framework, the EU then issued a series of Directives with specific policy prescriptions to fulfill these objectives.

Energy market regulation had started prior to that, in the late 90’s, when the EC began advocating energy market liberalization (European Parliament, 2018). The most significant step in EU energy market policy came about with the Third Energy Package in 2011 (EC, 2011). The Package established a target model for the energy markets, specifically for electricity and gas markets, whose stated goals were to “keep prices as low as possible” and increase security of supply. Part of the Directive was concerned with the breaking up of energy production and supply interests from the network, which has broad implications for market structure and big changes for policy. The goal of the directive was to eliminate vertical integration in the energy markets and the ability of transmission operators to favor their own production companies and prevent entry to the market. Countries were given three unbundling models: ownership unbundling, independent system operator (ISO), and independent transmission operator (ITO).

Both Greece and Austria chose the Independent Transmission Operator (ITO) system. Under this model, electricity producers were allowed to keep the ownership of the electricity transmission assets provided that the system is managed by a subsidiary company, the transmission operator (EC, 2011). The operator had to be managed independently of the parent company and maintain economic autonomy. The top management of the operator is appointed by the minister of energy and its investments are approved by the independent regulator (RTE, n.d.). This functional independence of the operator was to ensure that the producer cannot use its ownership of the transmission assets to discourage competition.

The second objective can be broadly defined as environmental goals and has been summarized as the 20-20-20-20 goal. The objective was twofold: the EU pledged to achieve a 20% share of gross energy consumption for Renewable Energy Sources (RES), a 20% reduction in primary energy consumption (energy efficiency), and a 20% reduction in Greenhouse Gas (GHG) emissions from 1990 levels. To achieve these goals, member-states then established their own binding goals which varied depending on their starting points for RES and wealth.

Austria had more ambitious goals than Greece on every objective. Greece pledged to increase the share of Renewable Energy Consumption to 18% while Austria pledged 34% (Directive 2009/28). For GHG emission cuts Greece had a 4% reduction goal and Austria a 16% reduction (Commission Decision 2017/1741). Finally, for energy efficiency, Greece had a goal of 24.7 Mtoe primary energy consumption and Austria one of 31.5 Mtoe by 2020, both of which would equal a 20% reduction in primary energy consumption compared to 1990 levels (Directive 2012/27).

The third objective, interconnectivity, pre-dates the Lisbon treaty. It was established in 2002 at the Barcelona European Council where leaders agreed on a 10% interconnection target (European Council, 2002, p. 15). Interconnection is defined as “import capacity over installed generation capacity” (Expert Group on electricity interconnection targets, 2017). This meant that if, for example, a country has a total electricity generation capacity of 100 TWh, it should also have the capacity to import 10 TWh of electricity through interconnections with neighboring countries. The goal was to be reached by 2005, but has since been delayed to 2020. Consequently, the October 2014 European Council (2014, p. 6) endorsed a 15% interconnection goal to be achieved by 2030.

Energy policy is an example of hierarchical, or bottom-down Europeanization. Thus, the conditions under which a policy misfit explanation is valid, as set forward by Bulmer and Radaelli (2004), are satisfied. There is a clear policy template in all three policies discussed here with concrete goals, frameworks, and measures for member-states. To the extent that there is horizontal Europeanization through learning and soft law, it is not the main driver of Europeanization in energy policy.

COUNTRY CASE STUDIES

The section that follows will examine the country’s resource endowment and energy mix, its institutional framework for energy policy-making, and the development and current structure of its energy markets. Consequently, this information will be used to evaluate the country’s progress towards the distinct EU energy policy objectives and assess its Europeanization along the distinct policy-areas. Finally, the factors that have enabled or hindered compliance in each policy area will be explored. This will assist in determining the validity of each theory in section 6.
GREECE

Located in Southeast Europe, Greece has a land area of 131,957 square kilometers and a population of 10.7 million (CIA, 2018a). Greece has over 2000 islands, 170 of which are inhabited, and the mainland is largely mountainous. A third of the population resides in Athens, which is the economic and political center of the country (Britannica, 2018a). Greece is a parliamentary and unitary state whose central government maintains a large amount of formal decision-making capacity. This is especially true in the area of energy policy, where most decisions are made at the centralized national level.

Energy policy overview

Resource endowment and energy mix

Resource endowments are crucial for shaping policy outcomes by constraining the policymakers' options (Feigenbaum, H., Samuels, R., and Weaver, R.K. 1993). Greece is a resource-poor country when it comes to fossil fuels and conventional energy sources. It has relied largely on fossil fuel imports—namely gas and oil—for energy generation and electricity production. The main domestic fossil fuel is lignite, a form of carbon coal, and it has traditionally accounted for a large part of energy production. However, the country’s reliance on lignite has been steadily decreasing. Greece has also started to increase its share of renewable energy sources, particularly solar and wind energy. Traditionally, Greece has also relied on hydroelectric power from infrastructure built largely after World War II, but which still makes up a large share of electricity generation.

Figure 1 presents the Gross Consumption of energy for each source in % terms, put differently the amount of energy required to satisfy energy needs in Greece (European Commission, DG Energy, Unit A4, 2018). It should be noted that energy consumption refers to total energy in the economy, not just electricity; this includes transportation, industry, and agriculture, among other sectors. A clear trend of an increasing role for natural gas and renewables and a decreasing share for solid fuels can be seen. Furthermore, figure 2 shows the same stable decline in solid fuel share, but it shows that this has been a recent phenomenon with the average trendline remaining mostly flat. Finally, figure 3 presents the decrease of oil imports. The fall of oil imports coincides with the start of the 2007 recession and therefore can be explained by the concurrent fall in output. In terms of renewable energy, it has doubled since 2008, reaching 10.9% of total energy consumption in 2016.

Renewable energy sources have also been significantly diversified, with Solar and Wind now overtaking Hydroelectric power in Megaton terms. However, the rise in RES’ relative significance is partly attributed to a fall of overall energy consumption per capita during the crisis seen in figure 4. While renewable fuels have increased to 14.9 Mtoe in 2016 from 5.4 in 2007, total electricity generation fell to 51.4 Mtoe from 63.5 Mtoe from 2017 – 2016. Therefore, there seems to have been a reduction in energy supply in response to a reduction in demand which was primarily achieved by phasing out and cutting down on solid fuel production units. By phasing out these units, the Greek government was able to achieve a 29% share with smaller increases in RES capacity. If Gross Electricity Generation is kept constant at the 2007 level, the RES share is 23%, which is still significant but represents a smaller increase.

Another independent feature of the Greek energy landscape is the distribution of consumption. As seen in figure 5, transportation and households account for most of the energy consumption (40% and 25% respectively), with industry having a decreasing share of 18% and services having 12%. The absence of a large manufacturing sector could potentially mean that policymakers are less concerned about international competitiveness in the context of energy policy. As shown later, this situation is different from Austria, where international competitiveness is a key consideration for decision-makers.

Institutional framework

Greece has followed the general trend in the regulatory policymaking by ceding a lot of the decision-making to an independent authority: The Regulatory Agency for Energy (RAE in Greek stands for “Rythmistiki Archi Energeias”). RAE was established based on the “provisions of L. 2773/1999, which was issued within the framework of the harmonization […] to Directive 96/92/EC ” in 1999 (RAE, n.d.) and it started functioning in 2002. The authority is institutionally independent, managed by a board of commissioners who are appointed for 5-year terms with parliamentary approval. RAE is financed through a fee levied on electricity production companies giving it financial independence, which leads to functional independence from the government (RAE, n.d.). RAE has an extensive portfolio including: regulating the energy market (which includes electricity, gas, petroleum, and heat product markets), ensuring energy security, protecting consumers, granting production licenses, and overseeing transmission operators.

Another independent authority in the energy sector is the Renewable Energy Sources service which was established in 2010 with the goal to promote and assist with investments in Renewable energy (Hellenic Ministry of Environment and Energy, n.d.). The agency is less institutionally independent than RAE and still acts within the framework of the Ministry for the Environment. However, its existence indicates a shift in focus towards renewable energy sources in alignment with EU energy objectives, a sign of Europeanization of the Greek energy policy.
Market structure

The electricity market has recently been liberalized though it is still largely dominated by the Public Electricity Corporation (DEI). The electricity production and transmission were nationalized after WWII when DEI was founded. In 2003, there was a legal separation between the wholesale and the consumer electricity markets following pressures by the EU who saw a need for liberalization of the electricity market (Iliadi, 2018). Following the Third Winter Package, Greece initially adopted the Independent System Operator (ISO) model but then switched to the Independent Transmission Operator (ITO) model in 2011 (RTE, n.d.).

The austerity programs included significant privatization provisions for the energy sector. In particular, according to the third Memorandum of Understanding (MoU), signed in 2015 between Greece and its creditors, DEI is scheduled to be partially privatized, with 17% of the company’s share sold to private investors (Liaggou, 2017). The proposed privatization caused internal strife in the ruling party and the process has been delayed after facing legal challenges by DEI’s trade union (Ecopress, 2018). However, a significant portion of production units, including 40% of lignite production, were privatized in 2018 following the introduction of the law on “Structural measures on access to lignite and the further opening of the wholesale electricity market and other provisions” (FEK: A 75/2018).

The petroleum and gas markets are somewhat more liberalized than the electricity market. Both the Hellenic Petroleum (ELPE), petroleum refiner and retailer, and the Public Gas Corporation of Greece (DEPA), gas retailer, are scheduled to be fully privatized (50.1% and 65% respectively) within 2018 (Liaggou, 2017). As of January 2018, consumers can choose their gas supplier according to the European Commission (2018, pp. 26–31). The gas market remains concentrated with only 3 entities importing gas while the largest importer (DEPA) has a market share of 95%.

Evaluation of Europeanization

Target Model Implementation

Greece has made progress in target model implementation although still falls short of full Europeanization. The target model implementation has been a long and slowly-advancing process but has accelerated in the last few years which is partly attributable to the austerity programs. Greece has adopted all needed legislation liberalizing the production, implementing the ITO transmission model, and establishing the energy exchange stock market. However, de facto compliance still lags: electricity production is still heavily concentrated, and consumers don’t have many supplier choices. The energy stock exchange market is not yet operational, even though its legal framework exists. It was initially expected to be operational by 2018 but the start date has now been moved to 2019 (Jovanovic, 2018). Finally, the gas
FIGURE 2. Gross electricity generation by fuel, TWh; Greece 1990 – 2016

FIGURE 3. Petroleum and Products net imports, Mtoe; Greece 1990 – 2016
**FIGURE 4.** Final Energy Consumption by Sector as a % of total energy consumption; Greece, 2016

**FIGURE 5.** Installed Generation capacity for RES; Greece, 2008 - 2016
market seems to be more liberalized than the electricity one. Therefore, in terms of target model implementation, Greece is partially Europeanized.

**Green Energy Objectives**

Greece has performed better on the environmental objectives than the other two goals. It is on-track to achieve the Renewable Energy Sources goal (18% of gross energy consumption) with 10.9% gross energy consumption coming from RES in 2016. It has already over-achieved the GHG emissions’ reduction goal of 4%, reaching a 10.9% reduction of GHG emissions compared to 1990 levels in 2016. Finally, it is on-track to achieve the energy efficiency goal under which gross consumption should remain at 23.7 Mtoe, with consumption at 24.1 Mtoe in 2016. Although policy changes contributed to achieving these goals, the economic conditions were largely responsible for Greece’s strong performance in the green energy objectives.

Both policy and the economic conditions were responsible for the progress towards the RES objective. Figure 6 shows the installed electricity capacity for RES from 2008 – 2016. Greece largely increased its renewable energy generation capacity especially in solar power photovoltaics. In fact, Greece undertook a large public investment program between 2008 and 2013, providing substantial subsidies for solar energy. In concurrence with the overall declining costs for solar energy, this led to a large increase in solar power electricity generation capacity. Even though policy was partly responsible for achieving the RES goal, the economic conditions also contributed by decreasing overall energy consumption and leading to a relative larger share for RES, as noted earlier. Europeanization here, therefore, was driven by policy choices which were easier due to a lower energy demand during the recession.

Policy and the economic conditions were also responsible for achieving the energy consumption objective as well. Figure 7 shows that there was a decrease in energy consumption concurrently with the drop in GDP, as one would expect. However, the implementation of measures to increase energy efficiency also played a role in the decrease in energy consumption. According to the ODEX index, energy efficiency increased by 34% between 2000 and 2016 (Iatridis et al. 2018). This was achieved by a host of public investments in energy efficiency in the agriculture, industry, transportation, and residential sectors and by enacting new regulations such as building codes with stricter efficiency standards.

The recession also led to lower GHG emissions via reducing economic activity and energy demand. Figure

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3 Greece was forced to overhaul its subsidy system during the recession as it was shown to have substantially increased energy costs for consumers and to hurt competitiveness. See Iliopoulos (2016) for an in-depth analysis of Greece’s Feed-in tariff system for solar power plants.

4 For an explanation of the methodology of ODEX see http://www.odyssee-mure.eu/publications/other/odex-indicators-database-definition.pdf
9 shows the sectors that were responsible for 95% of all GHG emission reductions between 2008 and 2016 (out of total percent of reductions). For example, electricity accounted for 45% of the total reduction in GHG, which was 10.9% compared to 1990 levels; put differently, electricity reduced GHG emissions by 4.5 million tons of CO2 equivalent. Electricity and heat production accounted for a large share (45%) due to both policy changes and lower demand caused by the recession. The other sectors driving the reduction were manufacturing and construction industries, agriculture, and international maritime. They were all sectors who suffered during the recession due to a drop in domestic demand and the international demand. The global recession affected the maritime industry worldwide, and the Greek industry suffered as a result (Economist, 2016; Kalgora, 2016). It is also well-documented that the eurozone crisis led to lower GHG emissions throughout the EU (European Environmental Agency, 2010).

Overall, Greece is on-track to achieve all green energy objectives. This higher-level compliance is partly due to policies and partly due to economic conditions. In a sense the recession made the costs of compliance lower by reducing the total energy consumption. Moreover, all the goals in the green energy objective were individually tailored to each country. The combination of these two factors led to a lower policy misfit and can explain why Greece achieved Europeanization in the green energy objective.

**Interconnectivity**

Greece's performance in the interconnectivity goal is mixed, depending on which measure is used. It reached the Barcelona Council interconnectivity goal by achieving 11% import capacity over total generation capacity by 2014. However, according to the Report of the Commission Expert Group on Interconnection Targets (2017), Greece remains below 30% interconnectedness on all of the Group's alternative measurement methods. Greece ranked 3rd to last, only performing better than the UK and Cyprus.

Even though the Barcelona Council goal is the current yardstick by which country progress towards interconnectivity is measured, the Expert Group pointed out that such a measure is outdated and does not capture the different nature of energy markets today (Expert Group, 2017, p. 7). When measuring Europeanization in a comparative approach, it is thus more appropriate to utilize the Expert Group's alternative measurements as they more accurately depict a country's regional integration and energy interconnectedness. Moreover, Greece has limited electricity connectivity to the rest of the EU primarily through an outdated cable connection to Italy (Manolkidis, 2018). Therefore, in terms of interconnectedness and using the Expert Group measure, Greece has not achieved Europeanization.
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Located in the center of Europe, Austria has a land area of 82,445 square kilometers and a population of 8.7 million (CIA, 2018b). It is mostly mountainous and urban with more than half the population living in cities (Britannica Academic, 2018b). Austria is a federal country with nine self-governing states called Lander. However, it has been described as a “federation without federalism” where society sees states as administrative units rather than self-governing and autonomous entities (Erk, 2004). This does not mean that states do not wield any policy influence. Indeed, in the energy sector and policy, the Lander play an important role by controlling most electricity providers. However, the fact that Austria largely acts as a unitary state simplifies the comparison with Greece, a highly centralized and unitary country, by removing an added layer of complexity that true federalism would impose on the analysis.

Energy policy overview

Resource endowment and energy mix

Like Greece, Austria is a resource-poor country when it comes to conventional fossil fuel energy sources. It produces a small amount of oil and natural gas (15,160 bbl/day and 132,100 bbl/day respectively in the 2016 CIA estimate) which corresponds to approximately 10% of its oil and gas imports respectively. Austria, therefore has had to consistently rely on energy imports which in 2016 made up 62% of gross energy consumption, according to the EU Statistical Energy (2017). Most of these imports were Petroleum and Products (54%), Natural Gas (34%) and Solid Fuels (13%). Due to its mountainous geography and rich drainage basin, Austria has had the chance to develop numerous hydropower infrastructure projects which provide most of its electricity (Britannica Academic, 2018b).

Austria’s energy mix is dominated by fossil fuels, but RES play a large role (30%). Figure 8 shows gross electricity generation, which measures the total amount of electricity produced by each fuel type. It shows that RES dominate electricity production accounting for 79% of gross production; hydropower alone accounts for 63%. Examining trends in Austrian energy consumption and production yields the conclusion of a relatively stable energy mix since 1990. The composition of Gross Inland Consumption, seen in figure 9, has remained relatively unchanged as have net imports depicted in figure 10. Gross electricity generation has followed a similar stable trend, but hydropower has become relatively more important. Coupled with a small but sizeable increase in solar and wind power, this led to an increase in electricity generation from RES from 66% in 1990 to 79% in 2016 (a 15% increase). It is important to note that Austria has had a much larger share of RES than Greece in 1990. This point is crucial to remember in the context of studying the cost of compliance and the EU policy misfit.

The demand-side for energy also looks different in Austria. The industry and transportation sectors are the main drivers of energy consumption as seen in figure 11, accounting for 2/3 of Final Energy consumption by sector. While in Greece industry occupies a declining 19% of final energy consumption, in the much more industrialized and manufacturing-focused Austria industry has a steady 34% share. Therefore, it is reasonable to expect energy policy and energy prices in particular, to occupy a higher place in the political agenda in Austria and international competitiveness to be a key consideration for energy policymakers.

Institutional framework

Indeed, energy policy has been a high policy priority in Austria. The energy-intensive manufacturing sector means a large share of the economy is export-oriented, which has made energy costs a matter of international competitiveness (Kletzan and Köppl, 2016). Changes in the institutional framework with the establishment of a federal energy regulator and the liberalization of the electricity and gas markets came at the turn of the century. Regulation of electricity markets is shared between the federal government and the states (Pell and Stalinger, 2017). From this vertical share of competences arises a very complicated institutional and regulatory framework whose intricate details are beyond the scope of this analysis.

An independent energy regulator, E-Control, was established in 2001 following the federal Energy Liberalization Act of 2000 (BGBI. I No. 121/2000). This was done to achieve compliance with Directive 96/92/EC much like in the rest of the EU. E-Control is run by an Executive Board whose two Directors are appointed by the Ministry of Science, Research and Economy and a Regulation Commission also appointed by the government. The five commissioners, the five alternates, and the executive directors serve 5-year terms. There is also an advisory body with representatives from the provinces and social partners (E-Control, 2018a). The establishment of a federal regulatory body marked a shift to a more centralized energy policy in Austria which, up until then, was largely left up to the Lander.

E-Control was given a portfolio that included drawing up rules governing the gas and electricity markets, monitoring and enforcing federal laws, overseeing the transmission and distribution networks, enforcing rules governing RES and publishing data (E-Control, 2018b). In contrast to the Greek energy regulator (RAE), E-Control is not tasked with issuing electricity production licenses. It also cooperates with the Federal Competition Authority to ensure that the energy market remains competitive and to enforce anti–trust laws (Langmajerova, 2013).

Market structure

The electricity and energy markets were fully liberalized since the early 2000s in Austria (E-Control,
FIGURE 9. Gross Energy Consumption by Fuel Type; Austria 1990 - 2016, Mtoe

FIGURE 10. Net Imports by Fuel; Austria 1990 - 2016, Mtoe
Prior to that, electricity production and transmission was left to the Lander who established their own utility corporations and were obliged to maintain at least 51% ownership by the Second Nationalization Act of 1947. In addition to state-owned utilities, the Federal government founded a public electricity generation corporation, Verbund, whose goal was to build large, hydroelectric power plants (Verbund, n.d.). It remains the largest electricity generation company with 40% of the market.

Following the Third Winter Package, Austria chose the ITO model and transposed the EU directives into national law in 2010 and 2012 for the electricity and gas markets respectively (EC, 2014a). There are two main transmission operators (TSO’s) in the electricity market and one in the gas market who have all been certified ITO’s in accordance with EU law (EC, 2014a). There are 137 retail market electricity suppliers out of which 15 operate nationally and the rest operate regionally, largely within the states (EC, 2014a). Overall, both the wholesale and retail markets are effectively competitive despite the convoluted regulatory framework owed to the federal nature of Austria’s energy policy.

The gas market is similarly liberalized with 41 importers and 64 retailers active nationally or regionally. The cumulative market share of the largest importers is 73%, suggesting a somewhat large concentration but one significantly lower than that seen in Greece where the respective largest importer's market share is 95%. Moreover, Austria does not witness a divergence in the level of liberalization between electricity and gas markets.
Evaluation of Europeanization

Target Model Implementation

Austria has fully implemented the target model both legally complying and in terms of policy outcomes. In terms of legal compliance, energy production is liberalized, transmission follows the ITO model, and the wholesale electricity market is fully coupled with Germany's. Moreover, Austria has a mature energy exchange market -EXAA Energy Exchange Austria, covering its electricity market and that of Germany since 2002 (EC, 2014b). In terms of policy outcomes, Austria's electricity market is liberalized and competitive with 209 producers and 162 retailers, most of which are relatively small in size. The cumulative market share of the 4 largest producers stands at 58.4% and that of the 6 largest retailers is 77%. Recall that this picture of a fragmented electricity market is widely different from that of Greece where these market share figures are 86.6% and 88% respectively.

Overall, Austria has achieved full target model implementation and compliance, signifying full Europeanization of the energy markets' structure. This is not surprising given Austria's starting point and geography. Its starting point was one of a less concentrated market with multiple utility corporations operating nationally and regionally since the early 2000's. Moreover, Austria's location next to Germany, a wealthy and highly Europeanized country, meant that it has been able to couple its electricity market with that of Germany and create a mature energy exchange market.

Green Energy Objectives

Austria has made progress towards achieving the Green energy objective. RES accounted for 29.7% in 2016, having grown steadily since 1990. Although this number still falls short of the 34% goal Austria has set for 2020, the country is still on-track. Energy consumption was at 31.8 Mtoe, marginally above the 31.5 Mtoe goal. GHG's emissions are 3% higher relative to 1990–levels which is far from achieving the 16% reduction target.

In terms of RES, Austria has taken steps to increase their share by investing in research and installation. Figure 12 shows the upward trend for installed electricity generation capacity for wind and solar power. This new emphasis on solar and wind power, gave them a higher relative share of the grid. Coupled with a 25% increase in the already prominent hydropower, it led to a 33% reduction of emissions from electricity production.

An emphasis was put on energy efficiency in order to achieve the second green energy objective. The Energy Efficiency Law was put into place in 2015 and it implemented a host of regulations and market tools to increase energy efficiency (Arvanitis et al., 2017). As a result of this law and previous efforts, energy efficiency (as measured by the ODEX index) increased by 20% between 2000 and 2016 (Austrian Energy Agency, 2018). There is also a tax on electricity and fossil fuel use imposed on firms since 2003 (Kletzan-Slamanig and Köppl, 2016).

Despite the substantial de-carbonization of the electricity sector and the gains in energy efficiency, GHG emissions have increased, making a 16% reduction by 2020 improbable. This can be partly attributed to the federalist governance system and partly due to economic conditions. Steurer and Clar (2014) show that federalism was in part responsible for Austria's missing of its Kyoto protocol targets. By adding an administrative layer on building energy efficiency, which is reserved to the competences of the Lander, federalism has further complicated reducing energy consumption. Moreover, a steady increase in economic output has contributed to an increase in GHG emissions. This increase was largely driven by the transportation sector, whose emissions are 68% higher today than in 1990. According to the Austrian Energy Agency one reason for this rise of transportation-related emissions is fuel tourism, with residents of neighboring countries buying fuel in Austria due to lower gas taxes (AEA, 2018, pp. 25–31). Another reason, is an increase in the stock of cars and freight traffic due to higher economic activity (AEA, 2018, p. 7).

Austria's performance in the Green energy objectives also aligns well within the predictions of the misfit hypothesis. RES have long comprised a large share of the energy mix while the fact that countries set their own targets allowed Austria to set realistic goals. In the front of GHG reductions, however, both political institutions (federalism) and Austria's strong economic performance made compliance costlier.

Interconnectivity

Austria has fully achieved the interconnectivity objective by all measures. Using the Barcelona Council measure of import capacity over installed capacity, Austria stands at 29% as of 2014 (EC, 2015). Using the Expert Group on electricity interconnection (2017) proposed measures, Austria consistently scores above 60% (with 30% being the proposed benchmark). Austria benefits from its location in the center of the EU which allows it to build electricity infrastructure that connects it to its neighbors. It has particularly benefited from bordering Germany which has the most advanced electricity interconnection infrastructure in the EU, many of which are with Austria (Appuhn, 2018).

Interconnectivity was perhaps the policy one would expect Austria to do best in due to the least misfit. Austria borders six EU members, two of which are founding members. Moreover, it closely borders Germany, a wealthy and highly Europeanized country. Austria has benefited from its location in the center of Europe because it has made developing interconnectivity capacity cheaper. Therefore, the financial costs of compliance are lower for Austria due to geography, which in turn results to low policy misfit for interconnectivity.
In this section the validity of the misfit hypothesis is established in two ways: First, I demonstrate that the empirical observations closely align with the theoretical predictions of the misfit hypothesis; policies with higher misfit are the ones with the lower levels of compliance and vice-versa. Second, I show how the other proposed explanations are unable to fully account for the level of Europeanization; their predictions do not always match the empirical evidence.

Greece and Austria had different starting points in energy policy and that meant different misfits for each policy. Tables 2 and 3 summarize the degree of misfit and level of Europeanization for each country for all the policy objectives examined in this analysis. Even with a quick glance, the strong correlation of misfit and policy outcomes is apparent. Moreover, the other schools of thought proposed and presented in this analysis fail to make accurate predictions with similar consistency.

Assessing the misfit theory

Greece and Austria had different starting points in energy policy and that meant different misfits for each policy. Tables 2 and 3 summarize the degree of misfit and level of Europeanization for each country for all the policy objectives examined in this analysis. Even with a quick glance, the strong correlation of misfit and policy outcomes is apparent. Moreover, the other schools of thought proposed and presented in this analysis fail to make accurate predictions with similar consistency.

The target model had a lower policy misfit for Austria than Greece due to pre-existing market structures and institutions. While both countries had public utility corporations, Greece had a single, national corporation, that until recently was a legal public monopoly and, to this day, has significant market power. Austria’s electricity market was much more fragmented, consisting of local monopolies which have now been replaced with a liberalized and competitive market. One can reasonably assume that the existence of a large, national, state-owned monopoly, accompanied by a powerful trade union that characterizes Greece’s public sector, resulted in higher resistance to market liberalization in Greece. This key difference shows the importance of special interests in determining Greece’s performance by raising the level of policy misfit.

Policy misfit can also explain performance regarding the two other components of the target model package, unbundling transmission and establishing an energy stock exchange. Transmission unbundling had a lower misfit because countries were given some flexibility. Both Austria and Greece chose the ITO model. While Ownership Unbundling was the EC’s preferred model, it was also a more politically costly policy. The fact that countries could avoid this and choose a policy that was easier to implement lowered misfit for both. Establishing a new energy stock exchange has a high misfit as it requires the creation of a new institution and set of accompanying rules. The misfit was lower for Austria because it could rely on the assistance of Germany for the development of the exchange market which includes both countries and was developed in 2002. Greece, on the other hand, does not have a neighbor with a functioning energy exchange.

In the realm of Green energy policy objectives, both Greece and Austria have high RES potential and they both made significant progress towards Europeanization. Both countries had low policy misfit in achieving the first two green energy objectives. Most importantly, this was because the EU set member-specific goals that considered their starting points. Moreover, the recession helped Greece comply by lowering total emissions and energy consumption. Finally, Greece outperformed

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FIGURE 13. Respondents who said environmental concerns are important or very important; compiled by author using data from Eurobarometer (Eurobarometer, 2014; Eb, 2011; Eb, 2008)

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5 Even though there is a lack of empirical evidence on the relative strength and influence of trade unions in formulating public policy in the energy sector, many scholars have presented compelling evidence that Greece can be characterized as an “Insider– Outsider Society” where trade unions, particularly those representing public-sector employees have considerable political power and their members get special privileges as a result. See Kolintzas et al. (2018).
Austria in the GHG emissions reductions objective, which is also the objective in which Greece had lower misfit than Austria. This misfit was due to the reduction in economic activity experienced by Greece, which led to lower GHG emissions. In contrast, Austria's federalist system and strong economic growth raised the misfit making compliance both politically difficult and costly.

Interconnectivity is an objective largely impacted by geography. Greece only borders two EU members, one is the poorest and one of the newest members (Bulgaria), and one is only bordered via sea (Italy). Austria, on the other hand, is located in the heart of the EU, sharing land borders with six member-states, including Germany, the wealthiest and highly Europeanized EU member. This geography makes misfit significantly higher for Greece as sea interconnections are more expensive and Greece’s options are much more limited. Moreover, the level of Europeanization of Greece's neighbors is much lower. It is no surprise then that Austria has performed significantly better in this objective than Greece.

**Assessing alternative hypotheses**

In order, however, to establish the validity of a hypothesis, scholars must not only show the empirical evidence supporting their theory, but also firmly establish the inability of alternative hypotheses to explain the empirical observations. This is even more pertinent when operationalizing a complex phenomenon that could be attributed to multiple factors who are not mutually exclusive, as is the case here. It is therefore crucial to examine the extent to which the other theories of Europeanization can explain the policy outcomes for energy policy.

A key prediction of the arguments centered around administrative inefficiency and institutional weaknesses is that there should non-compliance and a lower level of Europeanization across all policies (Borzel, 2003). However, such is not the case in energy policy. Not only did Greece experienced a high variation of Europeanization across different objectives, but also it even performed better than Austria in one objective, reducing GHG emissions.

To build on this notion, it is useful to examine what policy outcomes the institutional weakness theory would predict for each objective and how closely these predictions align with reality. Weak institutions would mean that it is particularly challenging to implement policies that require broad regulatory change. Moreover, policies that require multi-agency coordination and cooperation, such as investments in green energy and reducing energy consumption, would also be areas of least compliance under this theory. The experienced results are different, however, since Greece performed well towards the green energy objectives. Furthermore, even though the target model implementation is partial, significant progress has been made. Finally, the least Europeanization is seen in the interconnectivity objective which does not require significant regulatory change; it does, however, require a large amount of financial investment and these financial constraints are the biggest obstacle to progress.

It seems, therefore, that the weak institutional capacity theory fails to predict the experienced outcomes. That is not to say that bureaucratic inefficiencies cannot explain any of the lack of compliance. But the policy outcomes presented in this study suggest that institutional weaknesses matter to the extent that it raises the policy misfit. Moreover, even if there are institutional deficiencies they do not seem to exist in a widespread and systematic way that consistently leads to non-compliance as had been previously suggested.

Civil society–based explanations focus on the impacts of either the weakness of civil society or the strength of specific veto players and special interests on public policy. The first one would predict least compliance in green energy goals, since this is where civil society groups might lead towards compliance by mobilization. For example, a strong civil society could lead to greener energy through strong environmental activism. In addition to the fact that this is the area of most compliance for Greece, empirical evidence shows that environmental movements in Southern Europe are not weaker than in Northern Europe suggesting that the theory has no factual basis (Kousis et al., 2008; Sotiropoulos, 2004). While that might seem to verify the weak civil society explanation, a more in-depth look into Greece's compliance with the green energy goals reveals that the reductions of GHG emissions and the increase of RES were aided by the reduced economic activity.

Veto players do seem to matter for compliance. The state utility corporation and its trade union would indeed consist of a veto player and this would predict low compliance towards the target model implementation. However, this can essentially be incorporated into the misfit arguments since veto players are a channel through which misfit increases by increasing the political costs of a reform. Therefore, the veto player theory does not contradict nor disprove the importance of policy misfit. Veto players are simply another source of policy misfit and can be explained within that framework.

It is also clear that veto players cannot be the sole explanation of Europeanization, as some have argued. One key prediction of such assertion would be that Austria, whose federal system introduces many veto players with formal veto power, would comply less well than Greece, a

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6 Borzel (2003) who pioneered the policy misfit arguments also admitted the existence of veto players and incorporated them within the broader framework of policy misfit.
unitary and highly centralized state. However, Austria has complied better than Greece in most objectives. To the extent that federalism hindered compliance, it too can be explained through the misfit theory. There does not seem to be, therefore, a consistent result that would suggest that veto players are the only or the most important source of non-compliance.

Actors’ preferences explanations also do not seem to make predictions that align with the policy outcomes. To determine their validity, it is necessary to examine the domestic actors’ preferences in both Greece and Austria. When these preferences align with the EU’s objective, we would expect high compliance and in the case of the opposite, low compliance. To examine the actors’ preferences, I use public opinion polls, party platforms, and official government communications.

Regarding the target model, there seems to be widespread consensus among Greek decision-makers towards compliance with EU objectives. The Greek Ministry of Energy states on their website:

*At the centre of this process lies: the liberalization of the electricity and natural gas markets, increased competitiveness, the extension and enhancement of the domestic and cross-border electricity, natural gas and oil networks, the further separation of production and supply from transmission networks, consumer choice (Hellenic Ministry of Environment and Energy, n.d.)*

Moreover, the ruling party’s platform, SYRIZA, made no mention of market liberalization nor unbundling and only opposed privatization of the public utility corporation (Energypress.gr, 2015). Liberalization and vertical unbundling were largely supported by the previous government of New Democracy with former prime minister, Antonis Samaras exclaiming that his government adopted European standards with the goal of more competitive energy markets (Kathimerini, 2014). Given no opposition to the target model across all political parties, one would expect full compliance if the preferences of domestic decision-makers are what determines Europeanization. Clearly, that is not the case.

Turning over to green energy, according to various Eurobarometer indicators, Greek citizens seem to have slightly higher environmental concerns than Austrians and their level of concern has not changed after the 2008 crisis (European Commission, 2014a and 2014b). Moreover, more Greeks believe in joint EU action when it comes to the environment (62%) than Austrians (48%). Finally, the Green party is in the ruling coalition in Greece as a minor partner to SYRIZA. Austria’s government also emphasized RES and energy efficiency in its government program (Saghy, 2018).

Given the similar preferences of the public and policymakers in both countries, this theory would accurately predict closer convergence in green energy objectives. However, public preferences cannot explain the timing of convergence which was largely after the recession given that public attitudes did not change during the same time. Figure 13 plots the share of respondents to three Eurobarometer surveys in Greece and Austria who considered the environment as important; it is clear that the convergence in green energy cannot be attributed to a change in preferences over the same period. In contrast, the level of misfit which is shaped by economic activity can explain this timing.

As a largely technical issue, interconnectivity does not often feature in the political debates of Greece. To the extent that actors’ preferences could predict policy outcomes in this area, it would be due to the decision-makers’ unwillingness to make interconnectivity a priority. However, the Greek ministry of energy mentions cross-border energy connections as a priority and so do officials in the RAE (Manolkidis, 2018). The Austrian government’s platform also mentioned an increased emphasis on cross-border infrastructure. Therefore, both countries seem to consider interconnectivity a priority, but, as shown earlier, Greece has only achieved partial Europeanization.

If the actors’ preferences were the primary factor shaping compliance, then one would expect Greece and Austria to Europeanize equally well with all energy policy objectives. The fact that compliance is not consistent with the decision-makers’ preferences suggests that other factors are at play. That is not to say that actors’ preferences and public opinion never affect Europeanization. They are not, however, the primary factor determining it. In fact, actor preferences could be a necessary, but not sufficient, condition for Europeanization since we don’t observe Europeanization in spite of actors’ preferences; this analysis only shows that actor preferences are not enough to achieve Europeanization.

**CONCLUSION**

From the analysis of the empirical evidence, it becomes clear that the misfit theory most accurately predicts the empirical observations. That is not to say that other factors are not at play in the Europeanization process. But it seems like the misfit model accounts for most of the variation. Moreover, when other factors are at play, they too can be understood using the misfit model. Misfit, therefore, seems to be the largest constraint and biggest determinant of Europeanization, at least in the case of energy policy.

This finding is important for two reasons. First, it has significant policy implications by suggesting that the most successful energy policies will be the ones that minimize the level of misfit. This suggests that softer measures and active technical assistance are the best ways to achieve convergence and high levels of compliance. Second, it suggests that there is nothing deterministic about the lower levels of Europeanization in Greece. That goes against the Mediterranean Syndrome theory and the
weak institutions approaches that argue that divergence is inevitable. Divergence and compliance seem to be affected by the policies themselves much more than by any innate characteristic of the member-states.

The findings of the factors that affect misfit the most are also crucial. Some of these factors had already been identified, namely political and economic factors. However, geography is a new factor that has previously been overlooked and which seems to affect Europeanization in the sphere of energy policy. This finding has a policy implication as it suggests that to achieve the interconnectivity objective, the EU should focus on assisting those members whose geography hinders their success. It could also set targets that take this geography into account and are more realistic for each member-state, much as it did with RES.

This finding also sparks an interesting question for future research: to what extent does a country’s neighborhood affect its Europeanization? Even more specifically: does the level of Europeanization of a country’s neighbor affect the country’s Europeanization? It would be interesting to examine this question and see whether such a finding is generalizable and to which policies it seems to matter the most.

In conclusion and to restate the main finding of this study, Greece is not lacking the capacity nor the willingness to comply with EU energy policy but the costs of its compliance are much higher than for Austria. This is due to economic, political, and geographic factors that make compliance costlier for Greece.

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