

# Business Environment Reform and Competition Policy for a Green Transition

## Policy Brief



Systematic integration of sustainability into competition practice remains limited. Authorities need guidance and capacity to assess environmental and sustainability claims credibly.



Exemptions for green collaborations can enable legitimate but risk greenwashing if competition objectives are diluted.



Aligning competition, industrial and environmental policies amplifies benefits. Energy market reforms can deliver significant benefits to consumers while promoting the green transition.



Context and sequencing matter. Lower-income countries should first consolidate core competition frameworks; more advanced contexts can issue guidance, undertake market studies, and pilot casework.

## /01

### Introduction

**A green transition in developing and emerging economies requires policies that promote growth while protecting the environment.** BER and **competition policy** can help achieve this balance by shaping how markets allocate resources, how firms innovate, and how quickly cleaner technologies are adopted. Competitive and predictable markets lower the cost of green inputs, stimulate innovation, and expand access to sustainable products—creating opportunities for **small and medium-sized enterprises (SMEs)** to participate in green value chains.

**These policy areas still operate largely in silos.** Environmental and industrial policies often rely on subsidies or preferential measures that distort markets, while competition policy tends to focus on immediate “bread-and-butter” issues more than on sustainability. Closer alignment

can make market-based reforms a stronger driver of inclusive and environmentally sustainable growth

**Donors, development agencies, and implementers need evidence-based guidance on how to support such reforms.** The DCED study *Business Environment Reform and Competition Policy for a Green Transition* addresses this need by drawing on a review of over 150 publications, expert interviews, and five country case studies—**Austria, Mexico, South Africa, China, and India**—to identify how pro-competition reforms can advance environmental and climate objectives and where external support can add the greatest value.

## /02

How  
competition and  
BER accelerate  
green outcomes

**Competition and BER can deliver a triple win—lower emissions, higher productivity, and improved affordability.** A review of the literature shows that—**when supported by sound regulation and credible enforcement**—competitive and well-regulated markets drive firms to innovate, adopt cleaner technologies, and use resources more efficiently. By reducing costs for renewable inputs and equipment, competition supports environmental goals while strengthening competitiveness and consumer welfare.

**Regulatory reform creates the conditions for greener investment and innovation.** Simpler registration, clearer licensing, and predictable rules allow new firms to enter markets such as renewable energy, waste management, and energy-efficient technologies. These reforms also attract domestic and foreign investment aligned with climate goals and help build resilient, diversified value chains.

**Competition complements environmental regulation and industrial policy.** Effective enforcement prevents collusion or abuse of dominance that can undermine competition and entrench unsustainable practices, while competitive markets can offset potential inefficiencies from subsidies or command-and-control regulation, but competition policy cannot replace environmental regulation; it can only enhance its effectiveness when both are aligned. Aligning competition and green-industrial strategies ensures that competition complements rather than substitutes environmental regulation; markets alone cannot guarantee environmental outcomes without credible enforcement.

**International trade and cooperation reinforce these benefits.** Lowering tariff and non-tariff barriers to green technologies encourages diffusion and scale economies. Cross-border coordination among competition authorities helps monitor global supply chains and address anti-competitive practices that limit access to sustainable technologies, as well as helping to offset some of the negative effects of climate change on commodity markets.

**Country experience confirms the above-observed patterns.** In **Austria**, competition law now includes specific provisions for sustainability agreements between businesses. In **Mexico** and **South Africa**, advocacy and pro-competitive energy-market reforms improved affordability and innovation. Whilst in **China** and **India**, top-down industrial policy approaches have brought about contrasting results, with China enjoying considerable success in promoting its solar energy and electric car industries, while India has not enjoyed the same success.



## Austria

**Austria demonstrates how sustainability can be successfully embedded in competition enforcement.** The *Cartel and Competition Law Amendment Act 2021 (KaWeRÄG 2021)* reoriented national competition policy towards sustainability objectives, explicitly allowing environmental and social benefits to be considered when assessing exemptions for cooperation between firms. This legislative shift was described as “an **absolute novelty**”<sup>1</sup> and represented a landmark in linking competition policy with climate goals.

The Austrian Federal Competition Authority (*Bundeswettbewerbsbehörde*, BWB) operationalised the amendment through *Sustainability Guidelines* (2022).<sup>2</sup> These guidelines outline how cooperation agreements can qualify for exemptions when they deliver tangible ecological gains alongside efficiency improvements. Five main criteria guide assessments: (1) the cooperation must generate efficiency gains; (2) these gains must contribute to ecological sustainability; (3) restrictions on competition must be necessary to achieve those gains; (4) consumers must receive a fair share of the benefits; and (5) the agreement must not eliminate competition entirely.

Several cases have since tested these provisions, such as agreements on increasing bioethanol use in retail fuel and improving the logistics of timber transport and newspaper delivery in rural areas. Although it remains difficult to isolate whether sustainability provisions were decisive in approving these collaborations, they provide additional legal support for green cooperation between firms.

**Austria’s experience offers valuable lessons for other jurisdictions.** It demonstrates how well-designed legal frameworks can give businesses the confidence to engage in pro-environmental collaborations while safeguarding competition. It also underscores that regulators should focus on the *nature* of authorised conduct—rather than attempting to quantify precise environmental gains—and should presume that consumers benefit from verified green efficiencies. **Overall, Austria illustrates how advanced economies can use competition law reform as a tool to align market incentives with the green transition.**

## Mexico

**Mexico’s experience shows both the potential and fragility of aligning competition policy with green transition goals.** The country’s 2013 energy reform broke up a long-standing state monopoly to allow private participation, aiming both to reduce emissions and improve efficiency. It stands as one of the clearest examples of how competition policy can drive sustainability in an emerging economy, yet it also reveals how political shifts and entrenched incumbents can undermine progress.

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<sup>1</sup> Thyri, P., (2021), “Key Aspect of the 2021 Austrian Competition Law Reform”, in EU Antitrust, Hot Topics and Next Steps. [EU ANTITRUST ebook 2022.pdf](#) Accessed 25/09/2025.

<sup>2</sup> BWB (2022). [Guidelines on the Application of Sec. 2 para. 1 Cartel Act to Sustainability Cooperations \(Sustainability Guidelines\)](#). Accessed 01/010/2025.

The Federal Competition Commission (*Comisión Federal de Competencia Económica*, COFECE) played a central advocacy role. Its market studies and public campaigns—ranging from policy briefs to essays and graphic design competitions—helped build public understanding and political support for clean energy reforms. These efforts complemented new *clean energy certificates* and renewable energy targets that assigned a market value to environmental benefits. The reform led to a “huge surge” of private entries into the renewable energy market, broadening green generation and lowering consumer costs.

COFECE's advocacy continues through its *Green Competition Strategy*, supported by a dedicated advocacy department that engages regularly with businesses, academics, and government. Mexico's Constitution enshrines the right to a healthy environment, and all new laws must undergo competition impact assessments to ensure environmental regulation remains pro-competitive. This institutionalised engagement helps align environmental and economic goals.

Overall, Mexico demonstrates how competition-driven reforms can mobilise private investment and accelerate the green transition—but also how such gains require sustained political commitment to keep markets open and competitive.

## South Africa

**South Africa's experience illustrates both the opportunities and constraints of using competition policy to support the green transition in an emerging economy with structural energy challenges.** The *Competition Commission of South Africa* (CCSA), established under the *Competition Act 1998*, is mandated to promote equity and efficiency across the economy and has interpreted its public-benefits provisions broadly to include, in some cases, environmental effects.

The Commission's most tangible contributions have been in the renewable energy sector. It has permitted several cooperative agreements between firms to jointly finance and install renewable energy infrastructure, allowing businesses to generate their own green power in response to persistent electricity shortages and grid instability. Such approvals have supported energy diversification, particularly as frequent blackouts have pushed firms to seek off-grid renewable solutions. The Commission has also acted against anticompetitive conduct in green markets, including a 2024 case against *Victron Energy B.V.* for retail price maintenance in the solar market.

However, renewable energy still accounts for only around 12 per cent of South Africa's electricity generation, with coal remaining dominant. The limited uptake reflects structural barriers: continued state control in energy markets, limited grid access for independent power producers (IPPs), and unfavourable pricing arrangements. Moreover, while the Competition Act allows general public-benefit considerations, it lacks explicit environmental or climate-related provisions. As a result, environmental factors are only considered when they affect specific local markets rather than as a broader policy goal.

The Commission has nonetheless engaged in advocacy to address regulatory barriers such as local-content rules that restrict the import of green technologies like solar panels. Lessons from this experience suggest

that pro-competitive reforms—such as easing restrictions on private energy generation—can simultaneously address reliability, affordability, and sustainability. Yet, sustained progress will require stronger regional cooperation, clearer environmental exemptions within competition law, and reforms to open energy markets to new green entrants.

## China

**China's experience shows how state-led industrial policy can both accelerate and constrain the green transition.** Strong government support through subsidies, export promotion, and technology transfer turned China into the world's largest producer of solar panels by 2012, despite starting from a negligible base. Most of this production, however, served export markets rather than domestic consumers.

Competition policy remains secondary to industrial objectives. The government's consolidation of state-owned enterprises (SOEs) in sectors such as steel has at times been used deliberately to curb excess capacity and lower emissions—an approach that reduced pollution but also limited market competition (Zheng, 2022)<sup>3</sup>. Recent steps such as the introduction of a national emissions trading scheme and green finance reforms suggest a gradual move toward more market-based instruments, though SOE dominance continues to constrain rivalry.

China's experience thus provides a counterexample: ambitious green industrial policy can yield rapid results, but when competition is subordinated to state priorities, long-term innovation and market openness risk being undermined.

## India

**India's approach to the green transition has focused on building domestic solar capacity through protectionist industrial policies,** notably extensive local content requirements (Harrison et al, 2017)<sup>4</sup>. These measures aimed to foster domestic manufacturing but often produced the opposite effect: firms turned to imported substitutes that faced high tariffs, leading to negative effective protection for local producers (Johnson, 2013).<sup>5</sup>

Weak enforcement has further limited progress. Studies by Duflo et al. (2013, 2014)<sup>6</sup> found widespread underreporting of emissions and poor monitoring, highlighting the challenges of implementing top-down environmental regulation. Broader initiatives such as the *National Solar Mission* and the *Perform, Achieve and Trade* scheme sought to expand renewable generation and improve industrial efficiency but were only loosely connected to competition policy.

The *Competition Commission of India* (CCI) has not yet incorporated environmental objectives into its enforcement practice but has engaged in advocacy to improve electricity market competition and procurement

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<sup>3</sup> Zheng, W. (2023). The Chinese antitrust paradox. *University of Chicago Business Law Review*, 2(2), 1-166.

<sup>4</sup> Harrison, A., Martin, L.A. and Nataraj, S. (2017) 'Green industrial policy in emerging markets', *Annual Review of Resource Economics*, 9(1), pp. 253–274. doi:10.1146/annurev-resource-100516-053445.

<sup>5</sup> Johnson O. (2013). [Exploring the effectiveness of local content requirements in promoting solar PV manufacturing in India](#). Work. Pap., Ger. Dev. Institution, Bonn.

<sup>6</sup> Duflo E, Greenstone M, Pande R, Ryan N. (2013). [Truth-telling by third-party auditors and the response of polluting firms: experimental evidence from India](#). *Q. J. Econ.* 128(4):1499–545

Duflo E, Greenstone M, Pande R, Ryan N. (2014). [The value of regulatory discretion: estimates from environmental inspections in India](#). NBER Work. Pap. 20590)



transparency. India's experience underscores the risks of relying on protectionist measures and weak compliance systems: while industrial policy can stimulate green sectors, it must be aligned with open competition and effective enforcement to deliver sustained results.

**Overall, stronger outcomes emerge where competition and BER reforms are pursued together.** Countries that combine enforcement, advocacy, and regulatory reform—supported by coherent policy frameworks and donor engagement—achieve faster progress toward greener, more inclusive markets. **Comparative country evidence also shows that context shapes outcomes.** Countries with mature competition systems can integrate sustainability objectives more readily, while those still developing basic enforcement capacity must first strengthen institutions and frameworks.

## /03

### Challenges and trade offs

**Integrating sustainability into competition enforcement is complex.** Allowing cooperation between firms to achieve environmental goals can yield benefits but also risks distorting markets. Authorities need clear criteria for judging when collaboration genuinely improves outcomes and when firms are attempting to engage in greenwashing of anticompetitive conduct.

**Institutional capacity remains uneven.** Many low- and middle-income countries lack the technical expertise, data, and legal clarity to evaluate environmental claims or monitor outcomes effectively. Without such capacity, sustainability considerations risk remaining rhetorical rather than operational. For many developing economies, sequencing is also essential—core enforcement capacity must come before integrating broader sustainability objectives.

**Political-economy constraints can slow or reverse reforms.** Incumbent firms in carbon-intensive sectors often resist liberalisation, while fragmented mandates across authorities hinder coordination. Effective reform requires political commitment and mechanisms for inter-agency collaboration.

**Cross-border enforcement and trade integration pose additional challenges.** Differences in legal frameworks and capacity make it difficult to address anti-competitive conduct that spans jurisdictions or restricts trade in green technologies.

## /04

### Lessons learned

**Strong coordination across institutions is essential.** Aligning competition, industrial, and environmental policies determines whether reforms reinforce or contradict each other. Coordination helps avoid conflicting incentives and ensures coherence between green-industrial and pro-competition objectives.

**Legal clarity improves implementation and predictability.** Clear guidance on how environmental benefits and sustainability claims are assessed in competition cases reduces uncertainty for firms and prevents inconsistent interpretation of exemptions.

## /05

### Recommendations

**Capacity building underpins lasting reform.** Technical expertise, data systems, and analytical tools are prerequisites for integrating sustainability into competition enforcement, yet few countries systematically monitor the environmental or social outcomes of such reforms, underscoring the need for stronger evidence and M&E systems. Investment in these areas could produce clear gains to policymakers aiming to promote a green transition.

**Targeting high-impact sectors and lowering trade barriers increases returns.** Reducing tariff and non-tariff barriers further accelerates access to green technologies in countries not currently at the technological frontier, by allowing businesses easier access to technologies generated overseas.

**International cooperation supports consistency and learning.** Information-sharing among competition authorities, joint market studies, and donor-facilitated peer exchange strengthens analytical quality and harmonises approaches across countries.

**Sustained donor engagement ensures continuity.** Long-term partnerships that combine institutional development, sector analytics, and peer learning outperform isolated projects and ensure that reform momentum endures.

### For donors and development agencies

- **Invest in institutional capacity.** Support long-term training, analytical tools, and data systems that enable competition authorities to assess environmental effects credibly and integrate sustainability into enforcement.
- **Develop and support green competition frameworks.** Help national authorities establish dedicated sustainability provisions and guidance, following examples such as **Austria**, to clarify how environmental objectives can be considered within competition law.
- **Enable coordination and international cooperation.** Fund standing mechanisms linking competition, energy, environment, and industrial-policy bodies, and promote cross-border collaboration and information-sharing among agencies.
- **Focus on markets where green effects of intervention are likely to be strongest.** Commission market studies in high-emission sectors and support the removal of barriers to the creation and adoption of green technologies.
- **Commit to long-term partnerships.** Multi-year support combining institutional development, policy analysis, and cross-country exchange yields stronger and more durable reform outcomes.

### For competition authorities and policymakers

- **Keep competition as the guiding principle.** Apply sustainability exemptions cautiously, ensuring that collaboration delivers measurable environmental benefits without reducing consumer welfare.
- **Clarify permissible cooperation.** Provide practical examples—such as eco-labelling standards, shared data systems, and

interoperability initiatives—that illustrate legitimate collaboration for sustainability.

- **Align competition and green-industrial policy.** Ensure that incentives for green sectors remain open to entry and innovation rather than protecting incumbents.
- **Open and regulate key markets fairly.** Remove discriminatory rules and promote transparent grid access, renewable-energy licensing, and tariff structures that enable new entrants and cross-border trade in sustainable technologies.
- **Facilitate SME participation in green value chains.** Simplify compliance procedures, reduce administrative costs, and improve access to finance and information on sustainable technologies.
- **Strengthen enforcement and cross-border monitoring.** Prioritise cases and market studies that combine competition and environmental relevance, and cooperate internationally to address global supply-chain distortions.

For links to more resources on this topic see the [DCED's Business Environment Reform webpage](#).

This policy brief was written by Jamie Smith on behalf of ImactLoop LTD for the DCED Business Environment Working Group and edited by Diana Thomas of the DCED Secretariat. It draws on a corresponding research report: [Business Environment Reform and Competition Policy for a Green Transition](#). Please provide feedback to [admin@enterprise-development.org](mailto:admin@enterprise-development.org)

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