

# The Role of Political Power and Strategic Lobbying in Climate Policy Implementation

Till Armbruster<sup>1,2</sup>, Théo Konc<sup>1,2,3</sup>, and Linus Mattauch<sup>\*1,2</sup>

<sup>1</sup>Potsdam Institute for Climate Impact Research — member of the Leibniz Association, Potsdam, Germany

<sup>2</sup>Technical University Berlin, Berlin, Germany

<sup>3</sup>Wageningen University and Research, Wageningen, The Netherlands

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## Abstract

Economic transformations such as the green transition are often hindered, or at least slowed down, by the concentration of political power among incumbent industries. This paper develops a political economy model to study how political power, uncertainty, and technological transition shape climate policy outcomes over time. We consider firms with political power, which can influence a carbon tax through lobbying under imperfect information about the economic costs of climate policy. Yet they face credibility losses when claims about these costs prove inaccurate. The model yields two main results. First, lobbying is most effective when policy costs are uncertain and credibility constraints are weak. Second, learning about policy costs endogenously limits strategic lobbying by increasing the expected loss of political capital from misleading claims. Our study provides a first step toward understanding why firms increasingly align themselves with climate goals while continuing to obstruct or delay specific policies, and how political power, uncertainty, and political salience shape this pattern over time.

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