

# Global energy governance: do the BRICs have the energy to drive reform?

CHRISTIAN DOWNIE

The rising power of the BRIC countries—Brazil, Russia, India and China—is now at the centre of discussions about the future of international affairs and global governance. It is widely accepted that these countries have the potential to reshape the international system, and it is no surprise that some scholars have raised concerns about potential rivalries with the West. For instance, realists have argued that the United States and Europe should employ balance of power strategies to contain the emergence of these rising powers.<sup>1</sup> Others have focused on what the BRICs mean for global governance, especially global economic governance.<sup>2</sup> This reflects the fact that the term ‘BRIC’ was first coined in 2001 to highlight the growing economic power of these countries. Indeed, 2015 will mark the first year (at least in recent history) in which China’s GDP has exceeded that of the United States, a position that it is likely to hold for a very long time.<sup>3</sup> Global economic governance is also the area in which the BRICs have most explicitly flexed their new-found economic muscle. As others have pointed out, the BRICS used the global financial crisis in 2008 to advocate reform of the global financial institutions, specifically the IMF and World Bank.<sup>4</sup>

However, much less attention has been given to the role of the BRICs in global energy governance. This is puzzling for two reasons—although, as Cooper and Flesmes have argued, it may reflect the fact that the academic literature on the BRICs in general is still catching up with economic and diplomatic realities on the ground.<sup>5</sup> First, there is an emerging consensus among global governance scholars that a ‘global energy governance gap’ exists.<sup>6</sup> New producers and consumers have reshaped global energy markets; with the energy sector now accounting for

<sup>1</sup> Patrick Stewart, ‘Irresponsible stakeholders? The difficulty of integrating rising powers’, *Foreign Affairs* 89: 6, 2010, pp. 44–53.

<sup>2</sup> Miles Kahler, ‘Rising powers and global governance: negotiating change in a resilient status quo’, *International Affairs* 89: 3, May 2013, pp. 711–29.

<sup>3</sup> World Bank, ‘Purchasing power parities and real expenditures of world economies: summary of results and findings of the 2011 International Comparison Program’ (Washington DC, 2014).

<sup>4</sup> Oliver Stuenkel, ‘The financial crisis, contested legitimacy, and the genesis of intra-Brics cooperation’, *Global Governance* 19: 4, 2013, pp. 611–30; Peter Drahos, ‘Regulatory capitalism, globalization and the end of history’, *Intellectual Property Law and Policy Journal*, vol. 1, 2014, pp. 1–23.

<sup>5</sup> Andrew F. Cooper and Daniel Flesmes, ‘Foreign policy strategies of emerging powers in a multipolar world: an introductory review’, *Third World Quarterly* 34: 6, 2013, pp. 943–62.

<sup>6</sup> Ann Florini, ‘The peculiar politics of energy’, *Ethics and International Affairs* 26: 3, 2012, p. 303.

two-thirds of global greenhouse gas emissions, the existing institutional architecture has been left behind. For example, China is now the world's largest energy consumer and is set to become its largest oil-importing country, and India is projected to become the largest importer of coal within a decade.<sup>7</sup> Yet China and India, along with the other BRICs, are excluded from the principal international energy organization, the International Energy Agency (IEA).

Second, while the emerging literature has canvassed the problems associated with the existing international energy architecture and begun to consider what type of global energy governance reforms are needed, there is very little consideration of which actors could drive such reforms. One view is that the BRICs could do so. This is based not simply on their growing economic power, but on the observation that it is the transformations in their economies that are driving the rapid transformation of global energy markets. At the G20 summit in Brisbane in 2014, leaders for the first time dedicated a session to global energy governance and agreed to reform the international energy architecture to reflect better the role of these nations.<sup>8</sup>

With global energy governance reform now on the international agenda, this article considers whether the potential of the BRICs to reshape the international system applies to energy governance. In particular, it examines whether the BRICs can act as a coalition to effect substantive changes to the existing international architecture—specifically, to drive changes that secure the reliable and affordable supply of energy on the one hand, and the transformation to a low-carbon energy future on the other.<sup>9</sup> Drawing on recent scholarship in global governance and international negotiations, interviews with G20 officials (including those engaged in the energy negotiations) and the observations of the author, a past delegate to G20 negotiations, the article argues that the BRICs are unlikely to have either the capacity or the willingness to drive global energy governance reform. In particular, they are unable to coordinate effectively as a coalition on energy because of their divergent interests, and as a result they do not have a coherent preference on energy governance. However, the interview data indicate that, in the absence of BRIC leadership, China may provide the best prospect for driving global energy governance reform, given its recent behaviour on the international stage. The next section provides an overview of the emerging consensus on a global energy governance gap, and the following one contextualizes the BRICs in the global governance literature. Against this empirical and theoretical background, I then examine whether, in the light of the interview data, the BRICs have the energy to drive global energy governance reform; and if they do not, then who might?

<sup>7</sup> IEA, *World Energy Outlook 2013* (Paris, 2013).

<sup>8</sup> Tony Abbott, 'G20 leaders discuss global energy issues', Department of the Prime Minister and Cabinet, Canberra, 2014.

<sup>9</sup> Florini, 'The peculiar politics of energy'.

## The global energy governance gap

The global energy sector is being reshaped, largely by the BRICs. As noted above, China is now the world's largest energy consumer and India will be the principal driver of energy consumption within Asia from 2020. Brazil is set to become a major exporter of oil and is expected to be the world's sixth largest producer by 2035.<sup>10</sup> What we are witnessing is a seismic shift in the energy landscape. Already, the terrain is no longer dominated by a small band of OECD countries around the Atlantic; instead, the future contours of global energy markets are being shaped in Asia and the Middle East. According to the IEA, global demand for energy will grow to 2035, but 90 per cent of this demand growth will come from non-OECD countries. To make the point starkly: in 2004 OECD and non-OECD countries respectively used about the same amount of energy, but by 2035 non-OECD demand is projected to be more than double that of OECD countries.<sup>11</sup>

China and India are often used to highlight future energy trends, and for good reason. By 2035, the former rice bowl of Asia will consume 80 per cent more energy than the United States, the next largest consumer. The congestion on the roads of Beijing and Shanghai reflects China's insatiable appetite for cars, which will continue to increase until in 2030 cars on Chinese roads will be consuming more oil than any other national fleet in the world—a prediction that would have seemed preposterous less than a decade ago, especially in the land of Henry Ford. As Chinese energy demand growth slows from 2025, India will become the main driver in Asia, and its energy demand will match that of the entire EU in 2035.<sup>12</sup>

These changes are taking place in a carbon-constrained world—a world in which, moreover, 'the energy sector will be pivotal in determining whether or not climate change goals are achieved'.<sup>13</sup> The climate problem is an energy problem. Yet energy-related CO<sub>2</sub> emissions continue to rise, and according to IEA projections will increase by 20 per cent to 2035 even when the impact of measures to combat climate change already announced by governments around the world are taken into account.<sup>14</sup> As a result, if the world does not take further action to reduce greenhouse gas emissions, global average temperature rise will easily surpass the so-called 2°C guardrail for preventing dangerous climate change.<sup>15</sup>

These rapid transformations have exposed significant gaps in the existing international energy architecture. Global governance scholars argue that the existing system, composed of overlapping and partial institutions, 'falls far short of any reasonable assessment of a good outcome'.<sup>16</sup> Hirst and Froggatt conclude that

<sup>10</sup> IEA, *World Energy Outlook 2013*.

<sup>11</sup> IEA, *World Energy Outlook 2013*, p. 65.

<sup>12</sup> IEA, *World Energy Outlook 2013*, pp. 67–8.

<sup>13</sup> IEA, *World Energy Outlook 2013*, p. 1.

<sup>14</sup> IEA, *World Energy Outlook 2013*, p. 24.

<sup>15</sup> T. F. Stocker, D. Qin, G.-K. Plattner, M. Tignor, S.K. Allen, J. Boschung, A. Nauels, Y. Xia, V. Bex and P. M. Midgley, *Climate change 2013: the physical science basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change* (Cambridge: Cambridge University Press, 2013).

<sup>16</sup> Navroz K. Dubash and Ann Florini, 'Mapping global energy governance', *Global Policy*, vol. 2, special issue, 2011, p. 15; Christian Downie, 'Global energy governance in the G20: states, coalitions and crises', *Global Governance* 21: 3, 2015, pp. 475–92.

there could be a ‘need for a genuinely global body for cooperation on energy policy including all major energy consuming countries and working with energy producers in areas where they have interests in common’.<sup>17</sup> They claim that such a body could be created from the reform of existing institutions, ‘or it could be built from scratch’.

The dominant existing institution is the IEA, established in 1974 by the world’s largest oil consumers—including the United States, the United Kingdom and Japan—as a counterbalance to the world’s largest oil producers—represented by OPEC—following the oil shocks of the 1970s. In recent decades it has broadened its focus to include not only oil markets, but gas markets, energy efficiency and climate change issues. It has also expanded its membership from the original 17 to 29 member countries, almost all of the OECD membership.<sup>18</sup> Yet because the BRICs are not members of the OECD—one of the key requirements for formal membership of the IEA, along with a requirement to hold strategic oil stocks equivalent to 90 days’ worth of imports—they remain outside the IEA.

Aside from the IEA, the existing international energy architecture includes a series of energy organizations that overlap, often with conflicting agendas. These include OPEC, which was created in 1960, and began interacting with the IEA only after the first Gulf War in 1991; the International Energy Forum (IEF), which was created in 1991 as a dialogue between oil-consuming countries and OPEC members; the Energy Charter Treaty organization (ECT), established in the same year to promote energy sector investment in eastern Europe following the end of the Cold War; and, most recently, the International Renewable Energy Agency (IRENA), which was established in 2011 largely as a result of German leadership to advance renewable energy.<sup>19</sup> While these organizations have more inclusive memberships than the IEA—the IEF, for example, includes all four BRIC countries among its members—their influence on international energy markets and resources is very limited in comparison. For these reasons, the G20 and the BRICs have focused their reform efforts on the IEA, as the predominant international energy organization, of which none of the BRICs are members.

In this context, what type of global energy governance reform is needed remains an open question. For example, there is an ongoing debate about whether the global governance gap can be addressed through the reform of existing institutions (such as the IEA) and better cooperation between institutions (such as the IEA and the IEF), or whether new institutions will be required—such as a world energy organization. The concern of this article, however, is not to consider the precise *type* of global energy governance reforms; rather, it is to examine whether

<sup>17</sup> Neil Hirst and Antony Froggatt, *The reform of global energy governance* (London: Grantham Institute for Climate Change, 2012).

<sup>18</sup> Ann Florini, ‘The International Energy Agency in global energy governance’, *Global Policy*, vol. 2, special issue, 2011, pp. 40–50; Thijs Van de Graaf, ‘Obsolete or resurgent? The International Energy Agency in a changing global landscape’, *Energy Policy*, vol. 48, 2012, pp. 233–41.

<sup>19</sup> Thijs Van de Graaf, ‘Fragmentation in global energy governance: explaining the creation of Irena’, *Global Environmental Politics* 13: 3, 2013, pp. 14–33; Hirst and Froggatt, *The reform of global energy governance*; Dries Lesage, Thijs Van de Graaf and Kirsten Westphal, *Global energy governance in a multipolar world* (Aldershot: Ashgate, 2010).

the BRICs can act as a coalition to effect substantive changes to the existing international architecture. The next section considers the role of the BRICs in global governance, before the following sections examine more closely their role as a coalition in the energy field.

## **Global governance and the BRICs**

### *Global governance*

Academics and policy-makers engaged in discussions about politics above the domestic level have embraced the notion of 'global governance' as opposed to that of 'international relations'.<sup>20</sup> The focus on governance immediately raises the question: who does all the governing? In other words, 'Who governs the globe?'<sup>21</sup> International Relations theorists focus largely on states. For example, governments can govern via international treaties, by creating international organizations, and by using summit processes, such as the G20, to engage in discussions and set agendas on a variety of global issues.

In this context, liberal scholarship has focused on international 'regimes', defined as the 'principles, norms, rules, and decision-making procedures around which actor expectations converge in a given issue-area'.<sup>22</sup> In this view, regimes, such as the world trade regime or the climate regime, matter in global governance because they affect the behaviour of states. The conventional belief is that states create regimes which they expect to increase their welfare and, once created, regimes are easier to maintain than to construct again. As a result, states will typically seek to modify existing institutions in response to new problems rather than to create new ones.<sup>23</sup>

Although one of the main theoretical contributions of global governance scholarship has been to highlight the myriad non-state actors that take part in global governance, for the purposes of this article and its concern with the role of the BRICs the focus is on state actors. A distinguishing feature of the global governance literature is the emphasis on coalitions. One of the defining characteristics of multilateral negotiations, such as those in the G20, is that parties form coalitions: that is, 'a set of governments that defend a common position in a negotiation by explicit coordination'.<sup>24</sup> As negotiation scholars have pointed out, in multilateral negotiations, the larger the coalition, the less it will lose and the more it will gain, and coalitions that include both developed and developing countries are likely to gain more than those that do not. Empirical studies have shown that coalitions defined in terms of specific issues are likely to do better than ones encompassing

<sup>20</sup> Mark Bevir, *Governance: a very short introduction* (Oxford: Oxford University Press, 2012).

<sup>21</sup> Deborah Avant, Martha Finnemore and Susan Sell, *Who governs the globe?*, Cambridge Studies in International Relations (Cambridge: Cambridge University Press, 2010).

<sup>22</sup> Stephen Krasner, 'Structural causes and regime consequences: regimes as intervening variables', in Stephen Krasner, ed., *International regimes* (Ithaca, NY: Cornell University Press, 1983).

<sup>23</sup> Robert Keohane, *After hegemony: cooperation and discord in the world political economy* (Princeton: Princeton University Press, 1984).

<sup>24</sup> John Odell, 'Introduction', in John Odell, ed., *Negotiating trade: developing countries in the WTO and NAFTA* (Cambridge: Cambridge University Press, 2006).

several issue areas.<sup>25</sup> Thus the BRIC coalition's basis in economic development could prove important in the case of energy, should the BRICs unite around global energy governance reform.

### *The BRICs*

In this context, it is no surprise that the rise of the BRICs has had a marked impact on international affairs and global governance. Nowhere is this clearer than with the rise of the G20, which by including the BRICs at the table has superseded the G8 as the premier forum on international economic cooperation and increasingly on non-economic issues as well. On the one hand, the rising power of the BRICs has been viewed as a challenge to the existing international order and a fundamental threat to the West. Thornton and Thornton have gone so far as to argue that with the rise of China in particular, we are witnessing a 'contest of rival capitalisms' between authoritarian capitalism and democratic capitalism.<sup>26</sup> On the other hand, the willingness of the BRICs to work to a large extent within existing multilateral institutions, such as the G20, has been viewed as evidence of their desire to accommodate themselves to the existing liberal international order.<sup>27</sup>

The reality is likely to be more nuanced than either of these two perspectives suggests, with the BRICs acting differently on different issues. For instance, the moves by the BRICs to challenge the power of the US dollar and push for a more diversified international reserve currency suggest a desire to challenge the existing international order. At the same time, China in particular has been a vocal advocate of an open multilateral trading system, given the economic benefits it derives from international trade. Of course, it is possible to interpret BRIC (or, in this case, Chinese) support for the international order as a temporary tactic to allow it to become more powerful before it attempts to challenge the international system; but, as Glosny argues, there is as yet little evidence to support this view.<sup>28</sup>

The more immediate question here is not whether the rising power of the BRICs represents a fundamental challenge to the international system, so much as whether the BRICs can act as a coordinated and coherent coalition to effect global governance reforms. Most scholars tend to highlight the limits of BRIC cooperation and coordination, given the political and economic differences and historical distrust within the grouping. The political differences are perhaps most stark, given that Brazil and India, two of the largest democracies in the world, are poles apart from the autocracies of Russia and China. Likewise, China's economic power is such that its economy is larger than those of the other BRIC members

<sup>25</sup> Odell, 'Introduction'.

<sup>26</sup> William H. Thornton and Songok Han Thornton, 'The contest of rival capitalisms: mandate for a global third way', *Journal of Developing Societies* 28: 1, 2012, pp. 115–28.

<sup>27</sup> Melissa Conley Tyler and Michael Thomas, 'BRICS and mortar(s): breaking or building the global system', in Vai Io Lo and Mary Hisock, eds, *The rise of the BRICS in the global political economy: changing paradigms?* (Cheltenham: Edward Elgar, 2014); Kahler, 'Rising powers and global governance'.

<sup>28</sup> M. A. Glosny, 'China and the BRICs: a real (but limited) partnership in a unipolar world', *Polity* 42: 1, 2010, pp. 100–129.

combined.<sup>29</sup> Their trading interests and preferences also diverge: Russia and Brazil are commodity exporters and China is a commodity importer. China advocates pursuing the Doha Round on trade, while India is sceptical.<sup>30</sup> The historical distrust and foreign policy tension, especially within Asia, also raise questions about the capacity of the grouping to act as a coordinated coalition, let alone to provide collective leadership on a normative basis. After all, China has fought wars with both Russia and India. China's support for Pakistan and India's for Tibet does not help their relations, and both countries have overlapping spheres of interest in the Indian Ocean and compete for economic influence in Asia, for example in Myanmar (Burma) and Cambodia.<sup>31</sup> Chinese–Russian relations are also complicated by the historical legacies dating back to Russian encroachment on Chinese territory in the nineteenth century and of course the breakdown in relations between the two powers during the Cold War.<sup>32</sup> While Brazil is largely removed from these geopolitical tensions by virtue of its location, distance does not negate its political and economic differences with other members.

Despite the consensus among scholars that the differences trump the commonalities, the BRICs have managed a level of cooperation that has exceeded expectations. Since Russia hosted the first BRIC leaders' summit in 2009 'the frequency and breadth of intra-BRIC cooperation has increased markedly', with regular summits and ministerial meetings.<sup>33</sup> As noted above, the BRICs have argued strongly in the G20 for reform of the IMF and the World Bank. In return for agreeing to provide increased financial resources to the IMF, BRIC countries were able to push the G20 to a series of quota and governance reforms of the institution to increase their voting power, though the United States has so far resisted implementing the next round of reforms.<sup>34</sup> The BRICS summit in New Delhi in 2012<sup>35</sup> agreed on the establishment of a BRICS development bank, and announced in 2014 that this would be located in Shanghai with a capitalization of US\$100 billion. In addition, China, with the support of India, launched an Asian Infrastructure Investment Bank (AIIB) in 2014 to finance infrastructure projects in the Asia–Pacific region.<sup>36</sup>

As liberal scholars would argue, states will only form a grouping and establish or reform institutions if they see utility in doing so. The strongest proponents of the BRIC grouping are Russia and Brazil, which appear to view it as an opportunity

<sup>29</sup> Joseph Nye, 'BRICS without mortar', *Project Syndicate*, April 2013, <http://www.project-syndicate.org/commentary/why-brics-will-not-work-by-joseph-s--nye>, accessed 26 May 2015.

<sup>30</sup> Stuenkel, 'The financial crisis', p. 620.

<sup>31</sup> Jonathan Luckhurst, 'Building cooperation between the BRICS and leading industrialized states', *Latin American Policy* 4: 2, 2013, p. 257.

<sup>32</sup> Glosny, 'China and the BRICS', p. 127.

<sup>33</sup> Stuenkel, 'The financial crisis', p. 619.

<sup>34</sup> G20 leaders' communiqué, Brisbane summit, 15–16 Nov. 2014, <https://g20.org/tr/past-presidencies/>, accessed 26 May 2015.

<sup>35</sup> South Africa joined in 2010 to make the group BRICS. However, for the purposes of this article the focus is on BRIC only, given South Africa's much more limited global economic significance. See Jim O'Neill, *The growth map: economic opportunity in the BRICs and beyond* (New York: Penguin, 2011).

<sup>36</sup> Atul Aneja, 'China invites India to join Asian Infrastructure Investment Bank', *The Hindu*, 30 June 2014, <http://www.thehindu.com/today's-paper/tp-national/china-invites-india-to-join-asian-infrastructure-investment-bank/article6161311.ece>, accessed 26 May 2015.

to enhance their respective positions on the international stage and influence international affairs. India, too, sees advantages, though it is likely to remain more circumspect about the role of the BRICs in challenging the existing order, given its currently good relations with the United States.<sup>37</sup> China, unsurprisingly, is often considered as a special category within the group, given its capacity to translate its economic power into unilateral initiatives, as the AIIB example shows. In addition, China's economy is not as vulnerable as those of the other BRIC countries, notably Russia, which is over-exposed to the vagaries of the global oil markets on which its government's revenue depends. As a result, the participation of China certainly strengthens the BRIC grouping and enhances its legitimacy as a global coalition. China needs the grouping much less than the BRICs need China, which can pursue its interests bilaterally. This most likely explains China's desire not to act as a leader of the BRICs. At the same time, China does secure benefits from coordinating its position with the BRICs, including improving its bargaining position with other western countries in multilateral forums and improving its historically uneasy relations with Russia and India.<sup>38</sup>

### Can the BRICs drive global governance reform?

Despite their differences, the BRICs can and do act as a coalition in international affairs. However, questions remain about their capacity to exercise this agency as influence. On global economic governance, where they have had most impact, they have used their rising economic weight to act as a veto coalition: that is, to block initiatives they oppose, rather than to drive reforms they support.

BRIC leaders have openly questioned the 'legitimacy and credibility' of the IMF, as they did ahead of the G20 summit in 2014, but they have not sought fundamental change in the financial regime,<sup>39</sup> opting to advocate piecemeal changes rather than attempt to transform the existing architecture. This has led some to conclude that the BRICs have become a bloc.<sup>40</sup> In fact, even when the latest of the IMF reforms are implemented—the so-called 2010 governance reforms, which the BRICs have advocated since the global financial crisis in 2008—the United States will still hold a voting share of 16.5 per cent (compared to 6 per cent for China and just over 2 per cent each for Russia, India and Brazil); enough to veto any IMF decision.<sup>41</sup> That said, the more recent examples of BRIC initiatives—the BRICS development bank and the AIIB—suggest that these countries may be willing to unite around reforms and drive them; although it should be noted that both initiatives are very much in their infancy and that the latter has largely been propelled by China, with the support of India.

<sup>37</sup> Luckhurst, 'Building cooperation'.

<sup>38</sup> Glosny, 'China and the BRICs', pp. 109–110.

<sup>39</sup> 'BRICS leaders dissatisfied with slow IMF reforms', *Business Standard*, 15 Nov. 2014, [http://www.business-standard.com/article/news-ians/brics-leaders-dissatisfied-with-slow-imf-reforms-114111500920\\_1.html](http://www.business-standard.com/article/news-ians/brics-leaders-dissatisfied-with-slow-imf-reforms-114111500920_1.html), accessed 11 June 2015.

<sup>40</sup> Drahos, 'Regulatory capitalism, globalization and the end of history', p. 8.

<sup>41</sup> IMF, 'Quota and voting shares before and after implementation of reforms agreed in 2008 and 2010', [http://www.imf.org/external/np/sec/pr/2011/pdfs/quota\\_tbl.pdf](http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf), accessed 11 June 2015.



Do the BRICs, as a coalition, have the capacity and willingness to drive substantive global energy governance reforms? In other words, do they have what it takes to drive changes that will secure a reliable and affordable supply of energy on the one hand, and transformation to a low-carbon energy future on the other? There is no doubt that the BRICs have an interest in global energy governance.<sup>42</sup> As discussed above, the rapid transformation of global energy markets has been and continues to be largely driven by the BRICs, and their dominance in global energy markets has led one commentator to call for the BRICs to establish themselves as an 'energy club'.<sup>43</sup> However, their energy interests are significantly divergent. Russia and Brazil, as energy producers, tend to benefit from high energy prices, while India and China suffer from them, as consumers. These dynamics have been the source of persistent tensions. For example, the deal signed between Russia's Gazprom and the China National Petroleum Corporation in May 2014, which will provide 38 billion cubic metres of gas each year to China, was almost a decade in the making and plagued by mutual mistrust and disputes over price.<sup>44</sup> Russia would prefer to sell gas to Europe, Japan or South Korea at higher prices than it can get from long-term contracts with the Chinese. Yet at the same time it is seeking to diversify its markets in the face of tensions with Europe and Ukraine, which China can exploit to drive down prices.<sup>45</sup>

Further, China's and India's rising energy consumption and dependence on imports have raised energy security concerns in both nations.<sup>46</sup> In China, for example, there has been a concerted effort to reduce dependence on coal and rely more heavily on renewable energy. The announcement by President Xi Jinping that China's CO<sub>2</sub> emissions would peak by 2030 follows on the heels of its 12th Five-Year Plan (2011–2015), which has been heralded as the 'greenest' in history.<sup>47</sup> There is already some evidence that renewables are improving China's energy security, and in 2013 it produced more renewable energy than any other country in the world (378 gigawatts compared to the 172 gigawatts produced by the United States).<sup>48</sup> As a result, China is actively pushing for a low-carbon future, in direct contrast to Russia, which is still heavily dependent on fossil fuels. This is one reason for the emergence of the BASIC group (i.e. the BRICS minus Russia) at the international climate negotiations.

<sup>42</sup> Thijs Van de Graaf, 'Old rules, new players? Integrating the BRICs in global energy governance', in L. Spetchinsky and T. Struye, eds, *La Gouvernance de l'énergie en Europe et dans le monde* (Louvain-la-Neuve: Presses universitaires de Louvain, 2008).

<sup>43</sup> Matthew Hulbert, cited in Stephen Fortescue, 'The BRICS and Russia', in Lo and Hisock, eds, *The rise of the BRICS in the global political economy*, p. 231.

<sup>44</sup> Alec Luhn and Terry Macalister, 'Russia signs 30-year deal worth \$400bn to deliver gas to China', *Guardian*, 22 May 2014, <http://www.theguardian.com/world/2014/may/21/russia-30-year-400bn-gas-deal-china>, accessed 26 May 2015.

<sup>45</sup> Ole Odgaard and Jørgen Delman, 'China's energy security and its challenges towards 2035', *Energy Policy*, vol. 71, 2014, pp. 107–117.

<sup>46</sup> See e.g. for example, Odgaard and Delman, 'China's energy security and its challenges'.

<sup>47</sup> Elspeth Thomson, 'Introduction to special issue: energy issues in China's 12th Five Year Plan and beyond', *Energy Policy*, vol. 73, 2014, pp. 1–3.

<sup>48</sup> John Mathews and Hao Tan, 'Manufacturing renewables to build energy security', *Nature* 53: 7517, 2014, pp. 167–8.

Nevertheless, BRIC leaders have made the case for global energy governance reform. Most of this activity has taken place in the G20.<sup>49</sup> At the Brisbane summit in November 2014, G20 leaders for the first time dedicated a discussion to global energy governance and endorsed a set of principles on energy collaboration, agreeing that the ‘international energy architecture needs to reflect better the changing realities of the world energy landscape’.<sup>50</sup> This statement reflects not only several years of agitation from the BRIC countries, but also acknowledgement by developed countries that the international energy architecture has not kept pace with the rapid transformations in energy markets. For example, following the Cannes summit, in 2012 former Chinese Premier Wen Jiabao proposed multilateral coordination within the framework of the G20 to make the global energy market more ‘secure, stable and sustainable’.<sup>51</sup> And in 2013 the IEA and six ‘partner countries’—Brazil, China, India, Indonesia, Russia and South Africa—issued a joint statement of intent to pursue a stronger, enhanced form of multilateral cooperation on energy.<sup>52</sup> This was followed by the so-called ‘association initiative’, which was welcomed by G20 leaders in St Petersburg in 2013, and aims to engage the major emerging economies that remain outside the IEA.<sup>53</sup>

However, it remains unclear whether the BRICs can and will drive reform. First and foremost, interviews with G20 officials indicate that the BRIC countries are not behaving as a coalition. Negotiation scholars argue that a coalition is a set of governments that defend a common position in a negotiation by explicit coordination, yet most officials pointed out that in the G20 at least, ‘they were not singing from the same song sheet’.<sup>54</sup> There is no explicit coordination of the kind that takes place among the EU members in G20 negotiations, and while there are exceptions, such as IMF reform, on many issues the BRICs take different positions, including on global energy governance.<sup>55</sup> Indeed, some G20 officials have argued that the grouping ‘is losing relevance because the difference in their strategic interests is so great’.<sup>56</sup>

Second, and as a result, the BRICs do not have a coherent preference on global energy governance reforms. For instance, they have supported the IEA’s association initiative and its outreach to other energy bodies such as the IEF, but they have not articulated a vision for a future system of energy governance. China and India appear more prepared to support IEA reform, whereas Brazil has been much more cautious, particularly around questions of national sovereignty. Russia has also shown an interest in IEA integration, but its position is complicated by the

<sup>49</sup> Downie, ‘Global energy governance in the G20’.

<sup>50</sup> G20 leaders, ‘G20 principles on energy collaboration’, Brisbane summit, 15–16 Nov. 2014, <https://g20.org/tr/past-presidencies/>, accessed 26 May 2015.

<sup>51</sup> Hirst and Froggatt, *The reform of global energy governance*.

<sup>52</sup> IEA, ‘Joint declaration by the IEA and Brazil, China, India, Indonesia, Russia and South Africa on the occasion of the 2013 IEA ministerial meeting expressing mutual interest in pursuing an association’, Paris, 2013.

<sup>53</sup> IEA, ‘Agreement on an international energy program’, IEA, Paris, 2014.

<sup>54</sup> Author’s interviews with G20 officials, 2014.

<sup>55</sup> Author’s interviews with G20 officials, 2014; BRICS Information Centre, ‘Media note on the informal meeting of BRICS leaders on the occasion of the G20 summit in Brisbane’, Brisbane, 2014, <http://www.brics.utoronto.ca/docs/141115-brisbane.html>, accessed 26 May 2015.

<sup>56</sup> Author’s interviews with G20 officials, 2014.

crisis in Ukraine.<sup>57</sup> Indeed, their approach to the question mirrors their approach to global economic governance more broadly, in that they act to veto initiatives they do not support rather than to drive reforms they do. The BRICs have been able to force small changes to the existing order, but they have not shown the type of leadership that could drive fundamental reform.

## **If not the BRICs, then who?**

If the BRICs as a grouping do not have the capacity to drive reforms in global energy governance, what other actors are most likely to take up the challenge? For example, will China act unilaterally? There is a widespread view within the literature on rising powers, including on China, that they are ‘irresponsible stakeholders’: that is, that although they clamour for greater global influence, they are often unwilling to take on the responsibilities of participating in the existing international order.<sup>58</sup> Similarly, as others have pointed out, while China may appear more confident on the international stage, this assurance remains limited,<sup>59</sup> and Chinese leaders have continued to argue in international forums that theirs is a developing country ‘and cannot take on a level of obligation that goes beyond its capacity’.<sup>60</sup> This argument extends to global energy governance. For example, Herberg has argued that ‘Beijing remains uncomfortable with the prospect of taking on greater international responsibilities that closer collaboration with the IEA would entail’.<sup>61</sup>

Nor has China itself, any more than the BRICs as a group, articulated a clear preference or vision for a future international energy architecture. Instead, it is turning to bilateral and regional channels to secure its energy objectives. China has engaged in bilateral dialogues with the United States and Japan to manage energy issues, and its national oil companies are active in over 30 countries with which they have signed long-term contracts to secure oil and gas supplies.<sup>62</sup> It has also worked to improve regional energy cooperation through the Shanghai Cooperation Organization (SCO), which it founded in 2001, and whose members include Russia and Kazakhstan.

However, interviews with G20 officials in 2014 suggest that China is beginning to act more positively on the international stage, no longer taking only defensive stances, as was characteristic of its position on exchange rate issues at earlier G20 summits, but prosecuting issues with much greater confidence.<sup>63</sup> G20 officials point to China’s successful push to host the G20 summit in 2016, and to a series of announcements at the end of 2014 which give the strongest indication yet that China may be willing to take on the role of ‘responsible stakeholder’. For example, at the Brisbane summit, President Xi Jinping announced that China

<sup>57</sup> Author’s interviews with G20 officials, 2014.

<sup>58</sup> Stewart, ‘Irresponsible stakeholders?’.

<sup>59</sup> Zhiqun Zhu, *China’s new diplomacy: rational strategies and significance* (Farnham: Ashgate, 2013), p. 11.

<sup>60</sup> Jiechi, cited in Zhiqun Zhu, *China’s new diplomacy*, p. 236.

<sup>61</sup> Mikal Herberg, *China’s ‘energy rise’, the US and the new geopolitics of energy* (Los Angeles: Pacific Council on International Policy, 2010).

<sup>62</sup> Herberg, *China’s ‘energy rise’*.

<sup>63</sup> Author’s interviews with G20 officials, 2014.

would subscribe to the IMF's Special Data Dissemination Standard (SDDS), which was established following the financial crises of the 1990s and will require China to be much more transparent about its economic data, something from which it has long shied away.<sup>64</sup>

This shift in approach is also becoming evident in energy governance. China was a strong supporter of the G20 principles on energy collaboration, especially the declared intention to 'make international energy institutions more representative and inclusive of emerging and developing economies'.<sup>65</sup> More significantly, President Xi Jinping followed his announcement on IMF data by agreeing to release information about China's oil stocks, otherwise known as its strategic petroleum reserve.<sup>66</sup> G20 officials noted that this was significant not only because China had long been opposed to releasing what it viewed as sensitive information, but also because, as noted above, one of the formal requirements for IEA membership is a strategic petroleum reserve equivalent to 90 days' worth of oil imports. These announcements by China run counter to earlier claims that China has been uncomfortable with the 'international responsibilities that closer collaboration with the IEA would entail'.<sup>67</sup>

Nevertheless, it would be foolish to expect a series of announcements by China to translate into substantive global energy governance reform. While the interview data indicate that China has decided to take a more active role on the international stage and consider becoming a responsible stakeholder, it has not gone beyond questioning the legitimacy of the existing international energy order, any more than the BRICs have ceased to question the financial order. It has not revealed a clear preference or vision for a future multilateral energy architecture, and it remains reliant on bilateral and regional channels to secure its energy objectives, as the recent gas agreement with Russia shows. If China is to lead this is likely to happen in 2016 when it hosts the G20 summit for the first time; this will offer the best chance in the short term for the principles on energy collaboration to be translated into substantive reforms.

A further question then arises: will China have the capacity to drive reform alone? If the G20 principles on energy are any indication, it may still require the support of the United States, or another power like India.<sup>68</sup> In fact, one of the most interesting findings from the interview data was that the G20 principles on energy were driven by the United States and China in cooperation. It appears that global energy governance reform was a priority issue for the Chinese and, while not quite leading, they were willing to work closely with the United States to forge an agreement. If the global energy governance gap is to be closed, in the absence of leadership from the BRICs, cooperation between these two energy superpowers seems essential. While the joint announcement by the United States

<sup>64</sup> Christine Lagarde, 'The second IMF statistical forum: statistics for policymaking', 18 Nov. 2014, IMF, Washington DC, <http://www.imf.org/external/np/speeches/2014/111814.htm>, accessed 26 May 2015.

<sup>65</sup> G20 leaders, 'G20 principles on energy collaboration'.

<sup>66</sup> 'UPDATE 1—China makes first announcement on strategic oil reserves', Reuters, 20 Nov. 2014, <http://www.reuters.com/article/2014/11/20/china-oil-reserves-idUSL3NoTA1QE20141120>, accessed 26 May 2015.

<sup>67</sup> Herberg, *China's 'energy rise'*.

<sup>68</sup> Author's interviews with G20 officials, 2014.

and China ahead of the G20 summit to reduce greenhouse gas emissions indicates that cooperation may be taking place on climate change,<sup>69</sup> it is not clear if the same level of cooperation on energy will emerge. If China does decide to drive global energy governance reform in 2016, what reform might look like is an open question, and whether it will be enough to close the governance gap identified by scholars remains a moot point.

## **Conclusion**

The BRICs are at the centre of the rapid transformation in global energy markets. Not only is China now the largest economy in the world, it is also the largest consumer of energy, and India is not far behind. At the same time, Brazil and Russia control huge reserves of global energy supplies, with Brazil set to be the world's sixth largest oil producer within two decades. The consensus among global governance scholars is that the international energy architecture has not kept pace with these changes. After all, none of these countries are members of the most prominent international energy institution, the IEA.

While it is widely accepted that the BRICs have the potential to reshape the international system, there is very little understanding of whether this potential applies to global energy governance—in other words, whether the BRICs can act as a coherent and effective coalition to drive reforms that will secure the reliable and affordable supply of energy on the one hand, and the transformation to a low-carbon energy future on the other. As discussed above, the BRICs have made the case for reforms mainly via the G20, including in their support for the announcement by G20 leaders in 2014 that the 'international energy architecture needs to reflect better the changing realities of the world energy landscape'.

Evidence from the interview data on which this article draws indicates that the BRICs do not have the capacity or willingness to drive reform. The BRICs do not appear to be able to act as an effective coalition. They are not defending a common position on global energy governance by explicit coordination, as negotiation scholars would expect an effective coalition to do; indeed, global energy governance is one of the many issues on which they take divergent positions in multi-lateral negotiations. Second, the evidence suggests that even if the BRICs were explicitly coordinating on most issues, they would be unwilling to do so on energy because they do not have a coherent shared preference for a future international energy architecture. In part, this reflects their political and economic differences, not to mention differing energy profiles.

What the analysis does indicate is that China is beginning to take a more active role in the international arena, and its cooperation with the United States in developing the G20 principles on energy collaboration was crucial to the agreement in Brisbane. Despite the view within the literature that these rising powers are 'irresponsible stakeholders', China's decision to subscribe to the IMF's SDDS, coupled with the announcement by President Xi Jinping that China will release

<sup>69</sup> Mark Landler, 'US and China reach climate accord after months of talks', *New York Times*, 11 Nov. 2014.

information about its oil stocks, indicates that China's perception of its own role might be changing. While China's growing engagement with the global energy governance agenda may produce a substantive outcome in 2016 when it hosts the G20 summit, given the traditional pace of international multilateral negotiations it is unlikely that this summit alone will generate the types of reform that are required to close the energy governance gap. Further, as other empirical studies have shown, when international negotiations 'mature' and agreements switch from being about principles to enshrining concrete commitments with costs and benefits, agreement is more difficult to achieve.<sup>70</sup>

Accordingly, future research should open up the black box of Chinese domestic politics to develop an understanding of the dynamics behind the apparent changes in Chinese behaviour on the international stage, particularly in the area of energy policy. The rise of these emerging powers has not been matched by analysis of the role different government agencies have played in global energy policy. A better understanding of the domestic preferences of the BRIC countries would greatly enhance our assessments of the prospects for global energy governance reform, and could lead to conclusions likely to be relevant across a range of foreign policy areas.

<sup>70</sup> Christian Downie, 'Toward an understanding of state behavior in prolonged international negotiations', *International Negotiation*, vol. 17, 2012, pp. 295–320.