

Task Force 02

**SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS**

## The Role of Global Governance Institutions in Fostering Clean Energy Transitions

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**TF02**

## Abstract

As one of the three main priorities of the Brazilian G20 Presidency, clean energy transitions will play a significant role in reducing carbon emissions to mitigate the impacts of climate change (Engels & Snower, 2023). Transitioning to renewable energy sources and enhancing energy efficiency can result in significant benefits for climate action, poverty alleviation and equality. However, meeting the energy needs of a large population, while fostering an inclusive transition poses major challenges and requires the support of global governance institutions. Among other pressing issues, developing countries, particularly in Africa and Latin America, will also need to overcome poverty and improve their income distribution. For the green transition to provide avenues for economic development based on sustainable use of resources and on poverty alleviation, it is critical that the mechanism financing these transitions has an institutional setting that fosters interconnectedness between global and domestic realms.

This policy brief provides key recommendations on how the G20 can bridge the gap between domestic and global governance to enable inclusive energy transitions. The key messages include the following: the development of financing mechanisms to increase the accessibility for renewable energy resources; the adoption of supporting income policy mechanisms that allow households to adopt cleaner sources of energy; the adoption of best practices in term of standards and guidelines, for renewable energy, as well foster technical assistance and knowledge spreading between domestic and international actors.

**Keywords:** Clean energy transitions, global governance, accessibility, policy mechanisms, technical capacity, knowledge transfer, sustainable development

## Diagnosis of the Issue

The G20 New Delhi Leaders Declaration committed to pursuing sustainable, inclusive and just transitions globally (G20, 2023). Increasing the role of the G20 in fostering energy transitions requires a multifaceted approach that addresses the nuanced priorities of developing countries. As a leading forum for international cooperation, the G20 can play a significant role in supporting transitions to sustainable energy sources. One of the critical challenges to clean energy transitions is the gap between national and international governance, which is often manifested in policy misalignment. Domestic policies differ with global goals and agreements, resulting in inconsistencies and hindering energy transitions. Clean energy transitions need to occur across both national and international realms, requiring harmonizing domestic policies with global frameworks and agreements. The G20 needs to foster coordination and collaboration among countries at both the national and international levels to address and prevent policy misalignment.

The Final Energy Transitions Working Group under India's G20 Presidency identified that affordable access to power and clean energy solutions was a growing necessity. Africa and Latin America still lag in terms of energy accessibility for the poorer. Fostering access to new technologies is not only a means of decreasing carbon emissions, but also a feasible strategy to spread energy accessibility. How new multilateral forms of discussion, such as the G20, can help governments to break domestic stalemates and embrace energy transition is what will be discussed in this policy brief. Most often, multilateral institutions do not have the teeth to influence individual actors. They act upon informal rules. Yet, they can provide a feasible connection between pro-reform domestic stakeholders and groups of international specialists and policymakers that can convince

and change pro-status quo segments inside a country. The G20 may operate in this direction.

There are incentives put on the table. The energy transition towards renewable sources could spur economic growth through investments in renewable energy infrastructure, technological innovation, and job creation in related industries such as solar, wind, and battery storage. However, there may be short-term challenges for industries reliant on fossil fuels, which could experience declines in demand and profitability. For example, in Africa and Latin America, several countries rely on carbon intensive mining activities as a source of income and export revenues. Transitioning these sectors efficiently will be central to minimise economic disturbances.

South Africa has strong potential for renewable energy, particularly in sources such as solar and wind but remains dependent on coal as the primary source for its electricity generation. South Africa's ageing coal power plants has resulted in the country experiencing rolling blackouts since 2007, driving a need to shift to renewable energy sources. However, access to renewable energy is still expensive for the most part of the population if compared with traditional low-tech energy, such as wood. Therefore, the impact on income distribution could vary. On one hand, the renewable energy sector may create new job opportunities and accelerate income growth, particularly in regions where renewable resources are abundant. On the other hand, there could be income inequalities as some workers in fossil fuel intensive industries may face job losses or wage decreases during the transition.

Safeguarding an energy transition for affected workers and communities will be essential to mitigate income inequality. In Brazil, this is particularly true for the agribusiness sector, which has contributed to increased income of several municipalities in inland regions, but it has over-exploited natural resources, in terms of deforestation and

land use<sup>1</sup>. Also, the transport of crops to exporting ports on the coast is carbon intensive in terms of fossil fuel consumption (Wiltshire et al., 2022). Hence, the windfall of resources due to the exports of agribusiness has not translated into cheaper food prices for the impoverished domestic populations. It is part of the tasks of policymakers to devise the mechanisms of income transfer and technological adoption. For that reason, the support of a group such as the G20 is crucial.

## Recommendations

This section will bring about several policy recommendations to improve environmental soundness and energy transition.

**Discuss environmental governance and energy transition alternatives in inclusive institutional frameworks.** Environmental and energy governance can be defined as exercise of authority and norms across national borders in the management and regulation of global resources and systems. Again, it includes the role of intergovernmental organizations, transnational networks, and private arrangements in shaping energy and environmental policies and practices. Energy governance also encompasses the contestation and politicization of these institutions and their legitimacy in addressing

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<sup>1</sup> In the appendices, Graph 01 shows the breakdown of greenhouse gases per economic sector since 2016, using Brazilian official data. Although overall volumes are decreasing. The component called LULUF (Land Use and Land Use Change) and Agriculture are responsible for a major part of emissions and has been growing in the last few years, as a consequence of policy shifts and increased economic activities in agricultural regions.

global and transnational energy challenges (Fioretos & Tallberg, 2021; Van De Graaf & Colgan, 2016). The G20 can serve as a mechanism of discussion of these contending issues and should facilitate inclusive dialogue between member countries, acknowledging their different economic, social, and environmental contexts. Decision-making processes on energy transitions within the G20 should be transparent, participatory, and inclusive, considering the views and interests of all member countries, particularly those most vulnerable to climate challenges. The increased inclusion of the Global South in global governance efforts would also enhance the legitimacy and efficacy of the G20's efforts in addressing complex international environmental issues. The creation of new multilateral groups, congregating both developing and developed countries to discuss the financing of energy transition, for instance, though this is no panacea, may also provide a feasible solution.

**Fighting global warming and climate change in tandem with poverty alleviation and making use of innovative policy mechanisms.** It is crucial that the G20 develops and implements policies that integrate climate action and poverty alleviation objectives, recognizing the interconnectedness between environmental action and socio-economic development. Brazilian authorities stress the change from purely environmental issues towards a comprehensive agenda of human development, to create benefits for the poorer, which today is urban-based and suffer the most from environmental harm. The United Nations Sustainable Development Goals (SDGs) are examples of this new governance that is concerned with integrating the environmental and human debate and allow for greater dialogue between policies. G20 policy recommendations should be making use of these direct policy recommendations in the use of renewable energies. Hence, the use of direct and indirect subsidies aimed at poorer households, to create incentives for the

adoption of cleaner technologies is a policy that has been adopted in several countries and should be part of the policy agenda and formal declarations within the group.

**Establishing a regulatory framework to foster financing the energy transition and attracting investments to clean energy projects.** Several countries in Latin American and in Sub-Saharan Africa have problems in providing a safe regulatory environment for investors. Access to affordable capital, innovative financial mechanisms, and international cooperation are critical for scaling up renewable energy use. Several countries in both regions are in much need for adequate infrastructure, crucial for enabling the transition to clean energy. A group such as a G20 can create policy networks to speed up private and public partnerships in these areas - together with traditional institutions such as the World Bank and Inter-American Development Bank, and bringing new ones, such as the New Development Bank. Therefore, multilateral discussion mechanisms might also give advice on policy and regulatory frameworks establishing standards and guidelines to promote transparency and accountability in financing the energy transition. This could also entail encouraging the adoption of environmental, social, and governance (ESG) criteria among investors.

**Fostering increased international cooperation through technical assistance and knowledge sharing is imperative to the adoption of renewable energy technologies and promoting sustainable development.** The G20 can play a pivotal role in supporting clean energy transitions by providing technical assistance to G20 countries in the form of training programs aimed at government officials, policymakers, and civil society actors engaged in clean energy policymaking. These programs could be based on a range of topics related to clean energy transitions, such as emerging technologies and energy

efficiency measures, enhancing the policymaking capabilities of participants. Furthermore, the G20 should also organize specialized thematic workshops addressing specific clean energy topics, such as enhancing existing grid capacity for renewable energy deployment. These workshops will encourage peer-to-peer learning and knowledge exchange among policymakers from different G20 countries. Lastly, the G20 should establish a platform on clean energy transitions, through the form of an online portal or collaborative network. This platform could support clean energy transitions by serving as a repository of research findings, policy documents, and other information related to energy transitions. Through the establishment of such a platform, the G20 can facilitate ongoing communication and knowledge sharing among G20 countries, thus creating a conducive environment for the development and implementation of effective clean energy policies.



## Scenario of Outcomes

This section will explore the scenarios that may emerge because of the implementation of the recommendations outlined in the previous section of this policy brief.

### **Scenario 1: Implementation of Inclusive Institutional Frameworks**

In this scenario, the G20 successfully implements inclusive institutional frameworks for discussing environmental governance and energy transition alternatives. G20 countries engage in transparent and participatory decision-making processes, considering the interests of all countries, particularly those most vulnerable to climate challenges. As a result, there is enhanced global cooperation and collaboration on international environmental issues. However, there may still be disparities in representation and influence within the G20, as it may be difficult for developing countries with limited capacity to fully engage in discussions and agreements, resulting in unequal outcomes and decisions. Ensuring equitable participation and meaningful engagement of all member countries should remain a key priority for the G20.

### **Scenario 2: Integration of Climate Action and Poverty Alleviation**

In this scenario, the G20 successfully integrates climate action and poverty alleviation objectives, implementing innovative policy mechanisms such as direct and indirect subsidies aimed at incentivizing the adoption of cleaner technologies by poorer households. This integrated approach leads to a reduction in greenhouse gas emissions while simultaneously improving living conditions for marginalized communities. However, the financing of subsidies may divert resources away from other climate mitigation measures, such as investments in renewable energy infrastructure. There may

also be challenges with the targeting and effectiveness of subsidies. Thus, effective policy coordination, stakeholder engagement, and monitoring and evaluation mechanisms is essential to the G20 efforts for achieving sustainable and equitable outcomes.

### **Scenario 3: Improved Accessibility to Clean Energy Investments**

In this scenario, the G20 successfully establishes a regulatory framework to foster financing for the energy transition and attract investments to clean energy projects, particularly in regions such as Latin America and Sub-Saharan Africa where regulatory challenges hindered investment. The creation of policy networks facilitates successful private and public partnerships and multilateral discussions result in the successful development of standards and guidelines that promote transparency and accountability in the financing of the clean energy transition. However, the focus on attracting investment from international financial institutions may create dependence on external funding sources, potentially hindering the autonomy and sovereignty of recipient countries in shaping their own energy transitions. Furthermore, disparities in access to investments may persist resulting in certain regions or communities being excluded from the benefits of renewable energy adoption, further exacerbating existing inequalities and socio-economic disparities. Thus, balancing the need for investment attraction with considerations of sovereignty, social equity, and economic development requires effective policy coordination and stakeholder engagement from the G20.

### **Scenario 4: Enhanced Technical Assistance and Knowledge Sharing**

In this scenario, the G20 successfully fosters increased international cooperation through technical assistance and knowledge sharing for clean energy transitions. Training programs and thematic workshops related to clean energy are successfully implemented

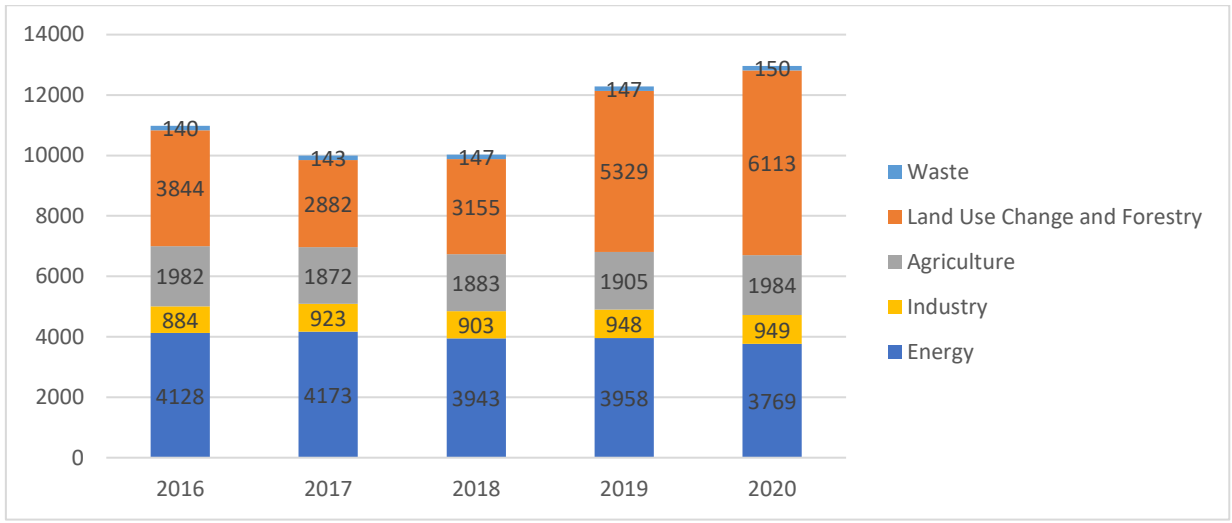
enhancing clean energy policymaking capabilities. Furthermore, the establishment of a platform on clean energy transitions facilitates ongoing communication and collaboration amongst G20 countries in the respective energy transition pathways. However, the emphasis on technical assistance and knowledge sharing may divert resources away from other critical aspects of clean energy transitions, such as regulatory reform, leading to a fragmented approach to clean energy policymaking that does not sufficiently address the multiple dimensions of the transition. Furthermore, there may also be difficulties between promoting sustainable development objectives and advancing economic interests among G20 countries. Thus, effective governance mechanisms, stakeholder engagement, and a multifaceted policymaking approach are essential to the G20 efforts for achieving sustainable and equitable outcomes.

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## Appendices

GRAPH 01 - Net Greenhouse Gases emissions per sector - Brazil (2016 - 2020) (million tons of CO<sub>2</sub>)



Source: [SIRENE-MCTI](#)



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