Herding cats? Transnational Clean Energy Governance in a context of financial crisis

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For years commentators have complained that the global governance of energy is weak and under-developed. The challenge of climate change underscores the need to address that deficit. While there are agencies and institutions at the international level that address energy issues, none to date has been mandated with the need to promote and advance clean energy production.

With efforts to construct an International Renewable Energy Agency (IRENA) on the back of the REEEP (Renewable Energy and Energy Efficiency) initiative and the Asia Pacific Partnership on Clean Development and Climate, (albeit the latter as much focussed on 'clean coal' technologies as renewables), that may be about to change. We may be witnessing the emergence of a new, albeit fragmented, structure of global governance for clean energy. It's not all good news, however.

It is ironic that at the very time such efforts are finally in train to create a supportive environment for clean energy, key private sector energy actors appear to be losing interest in clean energy. Whilst for a number of years oil companies have made claims about moving 'Beyond Petroleum' in the case of BP and put efforts into diversifying their energy portfolios, more recently it emerged that BP's alternative energy budget is down from $1.4bn (£850m) to between $500m and $1bn this year, while in April the company closed a number of solar manufacturing plants in Spain. At the time it is increasing investments in controversial oil sands extraction in Alberta Canada. Shell, meanwhile, announced in March this year that it will no longer invest in renewable technologies such as wind, solar and hydro power on the basis that they are 'not economic'. Linda Cook, Shell's executive director of gas and power, said 'We do not expect material investment [in wind and solar] going forward.' Driven by shareholder pressure to see short-term returns amid a financial crisis, it appears responsibilities to address climate change, slip down the list of priorities.

The financial crisis has brought about another interesting development though. The re-regulation of elements of the financial sector has brought with it new opportunities to drive action on climate change. In the UK, for example, where the state now has a controlling voting stake (75%) in the discredited Royal Bank of Scotland, activists (World Development Movement, PLATFORM and People & Planet) are bringing a legal action against the UK Treasury for its support for a bank that continues to invest vast sums of tax payers' money in fossil fuel developments which contradict the governments own climate change commitments. Since RBS was bailed out in October 2008, it has contributed to loans worth an estimated £10 billion in coal, oil and gas companies. This includes £6 billion to energy giant E.ON, which is aiming to build the first new coal power station in the UK for over 20 years at Kingsnorth. Cases such as this may also provide an entry point for scrutiny of how tax payers' money is used to support other controversial investments such as World Bank energy investments which continue to support fossil fuel energy and fail to screen for climate impacts or, closer to home, support provided to the European Investment Bank, nearly half of whose investments in the energy sector from 2002 to 2006 (€11.3 out of total of €23.7 billion), went on fossil fuels, while only €3.0 – 3.6 billion was for renewable energy.

There at two issues here. One is public accounting for the use of public money through aid and the use of export credits to support industry's overseas which in the UK continue to support large-scale fossil fuel developments, as with the two Export Credit Guarantee Department supported projects, the Baku-Tbilisi-Ceyhan (BTC) pipeline and the Bonny Island liquefied-natural-gas plant in Nigeria –which will result in the emission of 660m tonnes of carbon dioxide, more than the entire annual output from the whole of the UK.

The other is the need to develop more effective public national and international oversight and regulation of private sector investments in the energy sector so that they align with, rather than undermine, the pressing need to simultaneously facilitate clean energy transitions and tackle climate change. One way of doing this is to enrol firms in public-private initiatives on a voluntary basis. This might work for those firms that already have an interest in realising the potential for clean energy investment. Likewise, the assistance that banks and businesses now demand of governments to see them through the financial crisis presents a good opportunity for governments to show their commitment to addressing energy poverty and climate change by insisting that public money is invested in clean energy. But if the hype about a new green deal is to have any substance, we need to identify new ways of obliging *all* businesses (not just those dependent on state bail-outs) that continuing to invest in climate change accelerating fossil fuels is no longer acceptable by rewarding those that invest in clean energy and reviewing the licence to operate of those firms that refuse to change despite the overwhelming evidence of the consequences of their actions.