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The Second Generation of Climate Minilateralism

Building a New Mitigation Alliance

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With multilateral progress on climate change lagging behind, a range of “minilateral” climate alliances have emerged over the past years. However, most of these climate clubs only had a limited impact in practice. In order to accelerate global climate action, there is a need for a second generation of climate minilateralism – a new Mitigation Alliance that provides exclusive benefits, comprises enthusiastic actors, and is closely aligned with the Paris Agreement.

Introduction

Praised as one of the major achievements of the multilateral climate regime, the 2015 Paris Agreement (PA) broke new ground in international climate politics, bringing to an end almost two decades of controversial UN negotiations. However, given that the Agreement is based on voluntary Nationally Determined Contributions (NDCs), which are neither legally-binding nor necessarily in line with the Agreement’s temperature targets, it remains far from clear whether the PA can actually deliver on its ambitious objective of limiting global warming to well below two degrees Celsius.¹ Indeed, current NDCs would lead to significant temperature increases of more than three degrees Celsius at the end of the century;² the share of renewables in global energy demand remains limited to just 10.4 per cent (2018);³ and last year, as a result of higher energy consumption, global CO₂ emissions rose by 1.7 per cent, hitting new record levels.⁴ Put differently, more than four years after the adoption of the PA, the Agreement seems to have created little incentives to transform the global economy and set the world on a more sustainable development path, an issue which highlights the weaknesses of the current multilateral climate system.⁵

With progress on the multilateral level lagging behind, it is hardly surprising that the “top down grand deal approach” of the UNFCCC has produced frustration among more ambitious UN member states, triggering a range of alternative proposals on how smaller groupings of states can accelerate global climate action.⁶

In this context, so-called “minilateral alliances” or “climate clubs” have attracted a substantial degree of attention among policy-makers: typically comprising a small set of pioneer actors that seek to go beyond the multilateral climate regime, climate clubs are widely perceived as an effective way to increase the collective level of ambition and complement the consensus-based setting of the UNFCCC.⁷ Accordingly, numerous minilateral initiatives for climate action have emerged over the past decade. Among others, these include the Clean Energy Ministerial, an international forum that encourages exchange among 25 major emitters, the Climate & Clean Air Coalition, a network of over 120 states and non-state actors that aims to reduce short-lived climate pollutants, or the G20 Energy Transitions Working Group, an intergovernmental working group that was added to the G20 agenda in 2018 in order to promote sustainable energy systems.

However, despite the establishment of a multitude of minilateral climate regimes, mitigation efforts continue to be off-track, raising fundamental questions on the effectiveness and usefulness of existing climate clubs: To what extent can minilateralism actually contribute to the combat against climate change? Do climate clubs have a real impact on the ground or are they mere “talking shops” where dialogue prevails action? Is there a need for more action-oriented alliances to provide new impetus to climate change mitigation? This article argues that while climate minilateralism can be a strong complementary force to the PA, the impact of existing clubs has been strikingly limited. Too often, climate

alliances have promoted incremental, rather than transformative change, falling short to accelerate climate action at the scale required to reach the temperature targets of the PA.⁸ As such, there is a need for a “second generation” of climate minimalism – a new Mitigation Alliance that draws lessons from the shortcomings of existing clubs and thereby initiates ambitious mitigation efforts.

A New Impetus for Global Climate Action? The Rationale Behind Minimalism

While the Paris Agreement has been interpreted as an outstanding victory for the multilateral climate regime, a range of analysts and policy-makers have called for supplementary mechanisms of cooperation to the PA.⁹ Indeed, the uncertainty surrounding the implementation of the PA – namely the potential misalignment between NDCs and the PA’s temperature target – shows that the Agreement can only serve as a broad framework for global climate action, a framework that needs to be underpinned and supported by complementary tools of implementation, including climate clubs.¹⁰ In fact, the PA itself highlights the importance of coalitions of the willing, noting in Article 6 that those parties who are willing to do so may “pursue voluntary cooperation in the implementation of their NDCs to allow for higher ambition in their mitigation [...] actions”.¹¹

In line with that, climate clubs may offer great potential to accelerate the implementation of the PA. First, minimalism shifts climate change initiatives from a multilateral, consensus-based forum to a smaller, more flexible regime, bypassing the veto risk by parties that do not wish to go beyond the lowest-common-denominator solution of the PA’s COP-process.¹² As such, minimalism enables climate leaders to raise the international level of ambition without waiting for laggards to agree to the collective effort. Second, by providing significant, exclusive benefits to club-members only (e.g. linking Emission Trading Schemes (ETS)), climate alliances can set strong incentives to abide by a club’s mitigation targets.¹³ This, in turn, allows to send a clear message to the world that non-compliance will come at a cost (i.e. losing access to benefits), reducing

the risk of free-riding in climate change mitigation. Finally, while moving ahead in parallel to the UNFCCC, minimalism regimes can increase the level of ambition of the PA over time, for example through the Agreement’s “ratchet mechanism” – a mechanism according to which the PA’s parties are supposed to submit increasingly ambitious climate action plans every five years.¹⁴ Indeed, climate clubs can develop collective climate action plans, thereby taking a leadership role in multilateral climate policy and setting a benchmark for the implementation of the PA.

As a result, minimalism can be a strong, complementary force to the PA, pushing international climate politics beyond the UNFCCC “towards a more decentralized game of ratcheting up mitigation efforts”.¹⁵ This, of course, should not mask the fact that climate alliances do harbour a range of risks, which may put the multilateral climate process at stake. Some commentators, for instance, have highlighted that the establishment of a multiplicity of climate clubs may lead to an increasingly fragmented institutional landscape, potentially undermining the coherence and effectiveness of the global climate governance architecture.¹⁶ Others have cautioned that any minimalism regime is likely to lack legitimacy in the eyes of excluded actors, possibly prompting strong counter-reactions from non-members and further destabilizing an international order that is already characterized by a high degree of polarization. However, if based on a formal link to the multilateral climate regime, climate clubs may disperse at least some of the risks mentioned above, in particular the potential lack of international legitimacy as any minimalism regime aligned with the provisions of the PA remains within the “legal orbit” of the UNFCCC. As such, rather than undermining or even replacing the PA’s COP-process, climate clubs may augment and support the multilateral climate efforts – assuming that they are well-coordinated with the provisions and targets of the PA.¹⁷

Theory Meets Practice: Climate Clubs in the Real World

While in theory climate clubs may provide key benefits to accelerate international mitigation

efforts, their practical impact has proven to be strikingly limited. Although numerous initiatives have been launched, there is scant evidence that minilateral groups are more effective in advancing climate cooperation than the UNFCCC has been in the past.¹⁸

Indeed, an analysis of the existing institutional landscape of climate clubs shows that current clubs enable incremental, rather than transformative change.¹⁹ A first set of minilateral climate alliances, such as the Clean Energy Ministerial or the G20 Energy Transitions Working Group, can be best described as “political dialogue forums”, whose central purpose is the exchange of information and the sharing of best-practices on climate change mitigation, often resulting in joint statements. A second category of climate clubs, including the Climate & Clean Air Coalition and the Global Green Growth Institute, may be defined as “implementation clubs”, which primarily focus on the promotion of specific, rather limited, climate projects. Both of these kinds of minilateral regimes serve useful and important functions, such as providing a “safe space” for diplomatic initiatives on climate change and supporting a slow progress towards a decarbonized global economy – non-trivial achievements in a world where climate politics continues to be a controversial issue.²⁰ However, almost none of the existing minilateral arrangements comprise an explicitly stated objective of enabling and encouraging significantly increased ambition among its members.²¹ In fact, most clubs are open to any actor that wishes to join, regardless of the actual level of ambition to reduce emissions. Moreover, many alliances have failed to provide exclusive, tangible benefits for their members, thereby lacking one of the most crucial aspects to incentivize mitigation efforts and reduce the risk of free-riding.²² Accordingly, the mandates and configurations of most minilateral climate regimes are inadequate to achieve substantial emission reductions, falling short to trigger ambitious action at the scale required to reach the temperature targets of the Paris Agreement.²³

Rather than contributing decisively to global mitigation efforts, the sheer quantity of existing climate clubs has actually added to an increasing degree of fragmentation in international climate politics, in line with the concerns raised by critics of minilateralism. In many cases, minilateral alliances seem to have been formed out of political opportunity instead of a systematic analysis of the needs and gaps in the current institutional landscape, with “little overarching consideration either of how clubs fit together or how they could methodically drive forward the goal of [climate change mitigation]”.²⁴ As such, it becomes clear that forming climate clubs does not necessarily reinforce global climate action. Quite to the contrary, in some circumstances minilateral alliances may even be detrimental to the combat against climate change, undermining the coherence of global climate governance.

Nonetheless, despite the shortcomings of existing clubs, the concept of climate minilateralism should not be rejected as a whole. When constructed in a straightforward manner, closely aligned with the provisions of the Paris Agreement, climate clubs can be conducive to the multilateral climate regime. What is needed is a “second generation” of climate minilateralism – a minilateral regime that draws lessons from the shortcomings of existing climate clubs and sets clear incentives for ambitious mitigation efforts.

“Second Generation” Minilateralism: The Architecture of a New Mitigation Alliance

How could a more effective mitigation alliance look like? On which architecture could it be based? And through which specific measures could it avoid the associated risks with minilateralism, namely the potential lack of legitimacy and the undermining of the Paris Agreement? In order to turn into transformative pioneer alliances, climate clubs need to meet three key conditions: first, significant benefits need to be created that are accessible to club-members only; second, the “right” size of a club needs to be determined, with a range of enthusiastic actors involved; and finally, legitimacy vis-à-vis the UN-led climate process needs to be ensured, linking the club to the PA.

Benefits: As has been noted before, any effective climate club needs to have the ability to guarantee to its members a set of significant, exclusive benefits that stimulate participation.²⁵ As cutting emissions is costly and economically disruptive – especially when it comes to transitioning towards renewable energies and clean industries – the benefits of joining the club need to be large enough to outweigh the costs of climate change mitigation, thereby reducing the temptation to free-ride by remaining a non-member.²⁶ This is most likely to be achieved by a strategy of “carrots and sticks”, whereby “carrots” represent the benefits of membership and “sticks” comprise some form of penalty for non-compliance with the club’s norms, such as withholding benefits or even excluding non-compliant members. Analysts have identified numerous incentives which climate clubs could provide, including the harmonization of sustainability standards in a broad range of sectors, the exemption from Carbon Border Adjustment (a policy tool which effectively puts an import tax on carbon-intensive industries that are not covered adequately by national or regional carbon pricing), preferential trade agreements in the renewable energies sector and, perhaps most ambitious, the linkage of different ETS, turning climate alliances into a “club of carbon markets”.²⁷

Size and membership: While climate minilateralism has attracted a significant degree of attention in policy circles, it remains far from obvious how the size and membership of climate clubs should be determined. Existing proposals have ranged from 20 member states,²⁸ covering the major emitters that are responsible for up to 80 per cent of global emissions, to just seven or eight “climate great powers”,²⁹ i.e. those key countries whose efforts are vital to mitigate climate change. In line with these proposals, many observers tend to agree that any effective minilateral climate regime should be built around a critical mass of central players, essentially consisting of those major emitters that possess sufficient economic weight to implement substantial emissions reductions.³⁰ However, such an approach, focussed exclusively on major emitters, seems to be misguided in two particular ways: not

only does it pose the risk of replicating the grid-locked climate talks of other forums – such as the G7/G20 – that have achieved very little in actual emissions reductions; it would also exclude several actors that have contributed decisively to the UNFCCC in the past, such as the Alliance of Small Island States (AOSIS) which is responsible for less than one per cent of global emissions but has been a driver of change in international climate politics throughout the past decades.³¹

In fact, instead of incorporating all major emitters right from the start, it seems more appropriate that, initially, a climate club is composed of a few enthusiastic actors which control a sufficiently large share of global income. Based on these financial resources, the club can generate significant economic benefits that make membership worthwhile for reluctant actors.³² Put differently: the key for climate minilateralism is to provide an attractive model of cooperation, thereby enticing participation of major emitters over time. As such, a climate club can start small and grow gradually, assuming that it pursues an open-membership policy and is able to provide increasingly large benefits. A fully-fledged climate alliance may also expand its membership to ambitious sub-national actors (e.g. cities, regions, and businesses), circumventing national governments that are unwilling to intensify their mitigation efforts – something which, at the moment, may be particularly interesting for US States that pursue progressive climate policies, such as California or Massachusetts.³³ Indeed, this approach would allow to tap the significant mitigation actions which more than 7,000 cities, 245 regions, and 6,000 businesses across the world have promised since 2015, paving the way to bridge the global emissions reductions gap.³⁴

Legitimacy: Finally, linking climate clubs to the Paris Agreement is of pivotal importance to respect the foundations of the multilateral climate regime – a key factor to strengthen the international legitimacy of minilateral climate alliances.³⁵ For this, a climate club should engage pro-actively with the COP-process, in particular by supporting the PA’s “ratchet mechanism”. Moreover, in order to remain within the legal

provisions of the PA, close attention needs to be paid to Article 6 of the Agreement, one of the most comprehensive Articles whose “rulebook” is still under negotiation. Article 6 sets specific obligations for the formation of minilateral climate regimes, especially when it comes to international carbon pricing, effective measures for monitoring, reporting and verification (MRV) as well as shared efforts on NDCs. As such, complementarity with the multilateral climate regime depends on a thorough understanding of Article 6, making it an important norm of future climate minilateralism.

Based on these three conditions – significant benefits, dynamic membership policies and international legitimacy – ambitious actors can construct a more effective minilateral regime, with club members developing a joint vision for climate change mitigation. Such a joint vision could be transformed into a climate club’s founding document which

1. determines collective targets for emission reductions and climate neutrality,
2. establishes specific rules of cooperation among members,
3. and acts as a basis for the set-up of concrete, exclusive club-benefits.

Conclusions and Recommendations for the EU

Given that the Paris Agreement is primarily based on voluntary NDCs, which are neither legally-binding nor necessarily in line with Agreement’s overall temperature targets, minilateralism constitutes an indispensable complement to the multilateral climate regime. In fact, as Robert Falkner from the London School of Economics puts it, any expectation that the PA alone “could provide the breakthrough solution for [climate change], was always illusory”.³⁶ The Agreement needs to be supported and underpinned by more effective forms of climate cooperation, including climate clubs which allow to raise the level of ambition, reduce the risk of free-riding and bypass the lowest-common denominator logic of

the UNFCCC. While existing climate clubs have fallen short to achieve these objectives, climate minilateralism can be made “fit for purpose”: what is needed is a second generation of minilateralism – a minilateral climate regime that is closely aligned with the Paris Agreement, creates significant benefits for its members and involves relevant actors that control sufficient resources to make club-membership increasingly attractive. Without any doubt, the establishment of such an ambitious climate club is likely to face substantive challenges, not least against the background that in the past years several influential players have dropped their leadership role in international climate politics, including the US and Brazil.³⁷ However, during the UN Climate Action Summit in September 2019, international climate politics gained new momentum: more than 60 UN member states committed to climate neutrality by 2050 and 59 member states launched the “Climate Ambition Alliance” – a group of countries that aims to increase the collective level of ambition at this year’s COP26 where the parties to the PA are supposed to submit enhanced climate action plans.³⁸

The EU should seize these positive dynamics and support the set-up of a new climate club, leading the way towards a minilateral climate regime that is based on the three key pillars outlined in this paper: significant benefits, dynamic membership policies, and international legitimacy. In fact, recent research suggests that with its huge single market, its well-established ETS and its substantial financial resources, the EU could even single-handedly launch a climate club that creates sufficient incentives to attract non-EU members, including China and India.³⁹ Accordingly, it lies within the EU’s reach to initiate substantive global climate action through the formation of a new minilateral climate regime. As a starting point, this paper proposes the following immediate measures:

1. Launch EU-internal, cross-sector discussions on the set-up of an action-oriented climate club, culminating in a common EU position for this year’s COP26. The position should set out time-bound targets for the club, illustrate

exclusive benefits for abiding by the club's norms and present potential disadvantages in case of non-compliance. The discussions should go beyond negotiations among EU member states and ensure close coordination between relevant players, in particular DG Climate Action, DG Environment, the EEAS as well as DG Trade (traditionally, the latter has not been involved in climate negotiations, but is likely to play an instrumental role when it comes to providing benefits, such as a Sustainable Energy Trade Agreement).

2. Identify a number of key policy areas where the EU may provide particularly attractive benefits for non-club-members, making use of the Union's international market power. Among others, this may include preferential trade agreements in the renewable energies sector, the linkage of the EU-ETS with other carbon markets across the world, and the exemption from Carbon Border Adjustment (which, controversially, the new European Commission is planning to introduce – to the dismay of some actors in the Global South who fear to face yet another EU trade barrier).
3. Reach out to successful climate initiatives of sub-national-actors, unleashing the potential of urban and regional climate action, especially in the fields of public transport, housing and air pollution. Partners for closer cooperation may include a range of ambitious sub-national groupings that have been set up in the past, including the C40 and the International Council for Local Environmental Initiatives (ICLEI).

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