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MULTILATERAL ORGANISATIONS AND THE LIMITS TO INTERNATIONAL ENERGY COOPERATION

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**ABSTRACT**

Surging world energy prices, increasing oil market volatility and a nascent ‘energy transition’ are posing major challenges for global energy governance. In response, there has been a proliferation in the number of multilateral bodies addressing energy issues in recent years, and a wide range of organisations now claim a role in facilitating intergovernmental energy cooperation. However, the practical achievements of these organisations have been very poor, with all suffering difficulties that have limited their ability to promote shared energy interests between states. This article examines the dynamics of multilateral energy organisations, arguing that the political economy features of energy – securitisation and attendant patterns of economic nationalism – explains why they have failed to develop more robust cooperative mechanisms. Ten global-level organisations are evaluated, and found to suffer from either *membership*, *design* or *commitment* issues that limit their effectiveness in global energy governance. These challenges are linked to the securitisation of energy, which has led governments to favour low-cost soft law approaches over potentially more effective hard law institutional designs. Moreover, the securitisation of energy poses limits for how far multilateral energy cooperation can proceed, and means contemporary efforts to strengthen these organisations are unlikely to succeed in coming years.

**KEYWORDS**

Energy politics, international organisations, energy security, multilateralism, securitisation, economic nationalism
INTRODUCTION

Energy issues are rising in status on the international economic agenda. Despite shared interests between producing and consuming governments in promoting energy interdependence, recent trends have raised questions over the effectiveness of global energy governance. Soaring world prices for oil, natural gas and coal, increasing levels of volatility in international energy markets, heightened anxieties over supply security, and the need to promote the transition to new energy sources have increased the need for international energy cooperation. Multilateral energy organisations – intergovernmental bodies dedicated to fostering energy cooperation – can play an important role in helping to realise shared interests in the energy sphere. Such organisations can potentially facilitate information sharing, integrate energy markets, address price volatility and help balance the interests of energy producers and consumers. Indeed, recent years have seen a proliferation of multilateral energy organisations, all of which have attempted to facilitate such patterns of intergovernmental cooperation. However, the practical effectiveness of these multilateral organisations has been decidedly poor. They all suffer from some form of institutional difficulty, which has led to the dominance of ‘soft law’ approaches that significantly limit their effectiveness in promoting energy cooperation between governments.

Why, when energy issues are rising in importance, and intergovernmental cooperation could help realise shared interests, have multilateral energy organisations performed so poorly? This article argues the answer in the political economy features of energy – namely, the securitised nature of energy issues and attendant patterns of economic nationalism. These
dynamics raise governments’ concerns over energy policy autonomy, prohibit forms of cooperation based on liberalisation, and result in the dominance of soft law designs in energy organisations. To substantiate this argument, a survey of contemporary institutional dynamics in ten multilateral energy organisations is undertaken. This survey reveals that all currently suffer from one of three challenges – membership, design or commitment issues – that reduce their effectiveness in promoting shared energy interests. These challenges can be linked to the securitisation of energy, which has seen major players oppose formal types of cooperation in favour of lower-cost (but less effective) soft law initiatives. Importantly, ongoing patterns of energy securitisation mean that efforts to strengthen these multilateral organisations are arguably unlikely to succeed, and their contribution to global energy governance is likely to remain limited in coming years.

ENERGY INTERDEPENDENCE AND MULTILATERAL COOPERATION

Managing energy interdependence is a pressing issue for many states. All industrialised economies require energy resources – typically coal, oil and gas – to power their electricity, transport and industrial systems. Energy production also makes a major contribution to the economies of hydrocarbon-rich countries, particularly those in the developing world where energy sectors account for large shares of exports, foreign investment and industrial employment. Owing to the arbitrary spread of energy reserves around the globe, production and consumption centres are often located in different nations. This has called forth mutually-
beneficial patterns of interdependence between energy producing and consuming economies, which respectively rely on each other for the demand for and supply of energy products. However, in order to realise shared interests in the energy sphere, some degree of intergovernmental cooperation is required. To enable trade and investment between energy-rich and energy-poor economies, it is necessary for governments to develop rules and practices that promote open and transparent world markets. Cooperative strategies to manage volatility are also important, to mitigate the economic risks posed by rapid upward and downward swings in world energy markets. Balancing the interests of energy producers and consumers – with the former generally favouring higher and the latter lower prices – is also essential to avoid distributional conflicts between governments over the gains from energy interdependence.

International organisations can potentially play a significant role in promoting these shared energy interests. At a minimum, energy-oriented international organisations could facilitate information sharing between governments (Dubash & Florini 2011), and reassure both producers and consumers regarding the policy intentions of other parties (Victor & Yueh 2010). More ambitiously, they could help integrate global energy markets, by setting standards for national energy policies, lowering transaction costs and reinforcing the transparency of international markets (Goldthau & Witte 2009). They may also help address energy market volatility, by providing a forum in which governments can collectively anticipate future market conditions and negotiate energy policies that respond accordingly (Harks 2010). International organisations could also smooth the transition process toward
new energy sources in the face of hydrocarbon depletion and climate change, by encouraging intergovernmental policy coordination for the promotion of renewable and non-traditional energy industries (Lesage et al. 2010). Given the benefits of energy interdependence for both producers and consumers, intergovernmental cooperating through multilateral energy organisations could potentially make a significant contribution to global energy governance.

The potential benefits of institutionalised energy cooperation have become even greater during the recent global resources boom. Driven by industrialisation and urbanisation in a range of developing countries, world demand for energy is presently growing fast – with global primary energy consumption increasing 58 per cent during the last decade (Enerdata 2012). However, owing to the economics of the energy industry, where investments have long lead times in the order of five to ten years, global supply has failed to keep pace with demand. World energy prices began an upward climb in the mid-2000s, and by 2012 coal, natural gas and crude oil prices had all roughly quadrupled on their levels a decade earlier (Figure 1). Energy markets have also become highly volatile, particularly between 2007 and 2011 when a rapid tripling of world oil prices was followed by an abrupt collapse and then a further price surge (Johnson 2011). While such high growth rates are unlikely to continue indefinitely, the International Energy Agency currently forecasts a further 40% increase in global primary energy consumption by 2035, driven largely by ongoing industrialisation in China and India (IEA 2011: 69).
These trends in world energy markets are posing significant economic risks for both energy consuming and producing countries. On the consumer side, high energy prices negatively impact on energy security – a situation where an economy enjoys the *continuous availability* of needed energy inputs at *reasonable prices* (Wilson 2014). On the producer side, market volatility makes it difficult to plan investments, both in energy projects themselves and the transport and processing infrastructure needed to support them (Victor & Yueh 2010). For both, increasing concerns about scarcity and climate change are the impetus for a so-called ‘energy transition’ – away from reliance on conventional energy products (such as oil and coal) towards newer sources such as natural gas and renewables (Lesage *et al.* 2010: [Insert page number here]).
Chapter 2). At no point in recent history has the need to manage challenges to global energy governance been so pressing.

Indeed, the global resource boom has called forth a rapid expansion in the number of multilateral organisations dedicated to energy issues. Historically, there have been very few multilateral energy organisations in the world economy. The last global resource boom of 1960s and 1970s saw the formation of the Organisation of Petroleum Exporting Countries (a producer cartel aimed at fixing world oil prices) and the International Energy Agency (a consumer club dedicated to managing oil supply disruptions). However, following the ‘resource bust’ of the 1980s world energy markets stabilised, and institutional development crawled to a standstill (Colgan et al. 2012). Recent years, however, have seen a renewed interest in energy institution-building. Three new organisations dedicated solely to energy issues have been established (the International Energy Forum, Energy Charter Treaty and Gas Exporting Countries Forum); and another four multilateral bodies have elected to put energy cooperation on their agendas for the first time (Asia-Pacific Economic Cooperation, the East Asia Summit, and the Groups of Eight and Twenty). At present, some ten global-level organisations now claim energy cooperation as one of their major (if not primary) goals (see Table 2), in addition to comparable efforts from a wide range of regional bodies. In quantitative terms, the supply of multilateral energy organisations has never been higher.

The quality of these organisations, however, leaves much to be desired. With few exceptions, they have poorly developed institutional processes, almost never formalise rules for national policies, and in some cases have not even managed to broker agreement on
principles for cooperation. They tend to emphasise informal processes, voluntary adherence to vaguely-defined principles, and an aversion to negotiating formalised or specific policy commitments. These characteristics are symptomatic of what can be labelled a ‘soft law’ approach to institution-building (Abbott & Snidal 2000), and limit the extent to which the organisations lock-in cooperative behaviour. As a result, multilateral organisations have attracted considerable criticism for their weak contribution to global energy governance. Harks (2010: 248) has identified an energy “vacuum” in international organisations; Dubash and Florini (2011: 6) lament “uncoordinated and inchoate” overlaps between institutional functions; while Victor and Yueh (2010: 65) colourfully describe global energy governance as a “landscape of wreckage”. Writing in 2008, Mohamed ElBaradei – at the time the Director-General of the International Atomic Energy Agency – argued that:

“We have a World Health Organisation, two global food agencies, the Bretton Woods financial institutions and organisations to deal with everything from trade to civil aviation and maritime affairs. Energy, the motor of development and economic growth, is a glaring exception. Although it cries out for a holistic, global approach, it is actually dealt with in a fragmented, piecemeal way. A number of institutions focus on energy, but none with a mandate that is global and comprehensive and that encompasses all energy forms” (ElBaradei 2008).
The weakness of energy organisations requires explanation. Why, when energy issues are rising in importance, and cooperation could help realise shared energy interests, have multilateral organisations failed to make a significant contribution to global energy governance? Despite growing scholarly attention to energy issues, the burgeoning energy politics literature has yet to explore this question on a global scale. Existing studies either deploy a case study methodology assessing only a single organisation (Goldthau & Witte 2011; Harks 2010; Van de Graaf 2012; Van de Graaf & Westphal 2011); address energy issues at the regional rather than global level (McGowan 2008; Ravenhill 2013); or consider the full ensemble of practices in global energy governance (including national, bilateral and even corporate arrangements) rather than focusing specifically on multilateral organisations (Dubash & Florini 2011; Goldthau & Witte 2010; Lesage et al. 2010). This article therefore seeks to fill this gap in our understanding of multilateral energy organisations. It provides a comprehensive and global level cataloguing of multilateral energy organisations, to account for why they have collectively failed to develop robust and effective mechanisms for realising shared energy interests. What specific difficulties are faced by the multilateral energy organisations in operation today? What factors have conditioned the development of these organisations, and led to an emphasis on soft law approaches and informal institutional designs? And what does this tell us of the prospects for energy cooperation in the near- and medium-term future?
EXPLAINING THE FEATURES OF MULTILATERAL ENERGY ORGANISATIONS

Explaining the features of multilateral energy organisations requires theorising differences in the design of international economic institutions. Amongst theories of international regimes, a wide range of terms are used to measure the ‘quality’ of international organisations – such as the concepts of formality (Koremenos et al. 2001), legalisation (Abbott et al. 2000) and the degree to which they embody hard or soft law (Abbott & Snidal 2000). Despite their subtle conceptual differences, these competing terminologies all refer to the degree to which an organisation develops specific, codified and binding rules for intergovernmental cooperation. As Ravenhill (2013) suggests, this dimension of institutional development can be conceptualised as a continuum from ‘softer’ to ‘harder’ forms of cooperation:

**Figure 2 Institutionalisation within intergovernmental organisations**

<table>
<thead>
<tr>
<th>Dialogue/information sharing</th>
<th>Coordination (non-binding principles)</th>
<th>Negotiation of monitored targets</th>
<th>Legally binding treaties</th>
<th>Governance through joint institutions</th>
</tr>
</thead>
</table>

*Degree of institutionalisation*

*Source: Author’s adaption, from Ravenhill (2013: Figure 1).*

At one end of the continuum is dialogue and information sharing – the least formal and lowest cost type of intergovernmental cooperation. Reading from left to right, deepening institutionalisation progressively imposes tougher and more formalised constraints on
participating governments: the coordination of national policies around agreed but non-binding principles; the negotiation of monitored targets which states commit to meeting through independent actions; the signing of legally-binding treaties that formally constrain policy choices; through to governments ceding policy authority to joint governance institutions. This spectrum separates hard law type institutions towards the right hand side (those that create precise and binding obligations) from soft law types towards the left (whose obligations are less binding and/or precise) (Abbott & Snidal 2000). This conceptualises the design of international institutions as involving an autonomy/effectiveness trade-off. As organisations become more institutionalised, the inclusion of formal rules and monitoring systems limit state autonomy in a given policy area, but also make initiatives more robust and likely to lock-in cooperative policy behaviour.

Why do multilateral energy organisations tend to cluster towards the soft law end of the institutional spectrum? It can be argued that the key explanatory factor is the distinct political economy features of energy industries. Energy is somewhat unique amongst forms of economic interdependence because many governments consider it a securitised domain of economic policy. Securitisation is the process by which a political group (in the case of government policy, typically policymaking elites) discursively frame an issue as an existential threat to political order, which demands and legitimises the deployment of ‘exceptional’ responses (Buzan et al. 1998; Williams 2003). In the context of economic policy, securitised economic issues become a ‘quasi-reserved domain’ in which the established rules and practices for policymaking are suspended, and economic logics are subsumed to security
concerns (Higgott 2004). The implication of a government (or group of governments) securitising an issue is that it allows for the imposition of policy measures that go beyond standard practices considered normal for that issue area (Emmers 2003).

While the securitisation process is conditioned by the subjective perceptions of political actors (William 2003), there are a range of political economy features that lead governments to securitise energy issues. For some governments, energy is considered an important component of their economic security, particularly import-dependent consumers (such as the EU, US, Japan and China) whose economies would be very adversely affected by either rapid price rises or a suspension of supplies (Wilson 2014; Yergin 2006). Energy may also be included in broader concerns regarding national security and geopolitical strategy – for example, its inclusion in the Japanese concept of ‘comprehensive security’ (Ravenhill 2013), and Russia’s recent use of energy diplomacy in its dealings with Europe and Asia (Rutland 2008). Energy also cuts to issues of regime security in many countries. This includes both the so-called ‘rentier states’ that almost wholly depend on energy exploitation (such as those in the Middle East and Central Asia) (Schwarz 2008; Franke et al. 2009), as well as developing countries whose governments rely on resource rents to finance national developmental strategies (Mares 2010; Pomfret 2011). But regardless of what type of security is at stake, these patterns of securitisation mean many governments consider energy issues to be of especially high importance to state interests, thus warranting special and extraordinary policy measures. This marks energy off from many other economic sectors, where state interests are not explicitly linked to such a diverse array of security concerns.
The ‘extraordinary measures’ that have resulted from securitisation are economic nationalist energy policy regimes. On the producer side, this takes the form of ‘resource nationalism’, where governments intervene through trade and investment controls to ensure state control over energy sectors (Vivoda 2009; Mares 2010). Resource nationalism is widespread amongst the world’s major energy producers. The Gulf States – who produce one-fifth of the world’s oil – tightly control their energy sectors through state ownership and applying governmental export controls to facilitate participation in the OPEC oil cartel (Marcel 2006). Russia, a major oil and gas supplier to Western and Central Europe, also exercises close supervision of its energy sectors via state ownership of export pipeline infrastructure (Rutland 2008). Many energy producers in the developing world – including Brazil (oil), Indonesia (gas), India (coal) and China (oil and coal) – similarly have investment policies requiring some degree of state ownership in order to ensure their energy sectors contribute to national developmental goals (Nem Singh 2012; Seda 2005; Xu 2012).

However, economic nationalism is not limited to energy producers. On the consumer side, many governments deploy mercantilistic strategies to safeguard their energy security. These strategies aim to improve a country’s energy security by having national firms own energy projects at production sites abroad, and involve policies which eschew the use of international markets in favour of preferentially-negotiated trade and investment ties with key suppliers (Wilson 2014). Energy mercantilism is presently on the rise in the global economy. Much attention has recently been paid to China’s diplomatic and investment efforts in Africa and Central Asia, which some analysts fear will lead to China ‘locking up’ global
energy supplies (Leverett 2009; McCarthy 2013). However, energy mercantilism is common amongst many consumer governments, with Japan, Korea and India all launching similar strategies in the last decade as a response to surging energy prices (Herberg 2010; Wilson 2014). The securitisation of energy therefore leads many governments to maintain economic nationalist policies regimes, and as a consequence international energy markets are subject to significant levels of governmental intervention and control.

These political economy features of energy are important in explaining the dynamics of multilateral energy cooperation, because they limit on how far international cooperation can develop. First, securitisation leads states to adopt an individualistic approach to energy issues, in which ‘go-it-alone’ responses to energy security are prioritised over cooperative international efforts. Second, securitisation raises the perceived sovereignty costs of formal, rules-based forms of energy cooperation, and can result in states vetoing institutional designs that impinge on energy policy autonomy. Third, economic nationalism prohibits any form of cooperation based on trade and investment liberalisation, which clashes with the policy regimes emphasising state control common amongst both producers and consumers. As a result, governments are unlikely to agree to institutional designs based on hard-law type forms of cooperation, whose potential benefits are outweighed by the perceived costs they impose upon policy autonomy. As a consequence, intergovernmental energy cooperation can only be pursued through soft-law mechanisms – such as information sharing and dialogue activities – that do not pose such high sovereignty costs. Thus, while the securitisation of energy does not rule out multilateral cooperation entirely, it nonetheless acts to channel
cooperative efforts towards informal arrangements at the soft-law end of the institutional spectrum. In short, the relatively weak contribution of multilateral organisations to global energy governance is explained by the securitised nature of energy issues and nationalistic energy policy regimes associated with it.

The remainder of this article develops and substantiates this argument. The subsequent section provides a detailed survey of ten multilateral energy organisations, documenting the landscape of energy cooperation in the world economy today. This survey identifies that these organisation suffer from one of three challenges – to do with membership, design or commitment issues – which limit their ability to advance shared energy interests prioritised by the participating governments. The final section then explores how the political economy features of energy have conditioned the recent development of these organisations, connecting patterns of securitisation and economic nationalism to state preferences for institutional designs focussed on low-cost and informal (rather than hard law) forms of energy cooperation.

THE CONTEMPORARY LANDSCAPE OF MULTILATERAL ENERGY COOPERATION

In comparison to international organisations in many other domains of the world economy, multilateral energy organisations are largely ineffective at facilitating intergovernmental cooperation. However, variations in the design, scope and membership of these organisations mean they have proven ineffective in markedly different ways. Surveying the ten multilateral
energy organisations operating at the global level today, not one but three distinct challenges can be diagnosed (Table 2). These organisations either suffer from membership issues that limit their relevance in global energy markets, design issues that proscribe their ability to proceed beyond dialogue activities, or commitment issues whereby states have proved reluctant to agree to cooperation initiatives that circumscribe policy autonomy.

MEMBERSHIP ISSUES

A first set of challenges affects energy organisations which are plagued by membership issues. Three bodies suffer from this problem: the International Energy Agency, the Organisation of Petroleum Exporting Countries, and the Energy Charter Treaty. These are all formal and well-institutionalised treaty organisations, which explicitly aim to stabilise world markets and/or promote market integration through energy policy liberalisation. However, narrow membership limits these organisations to a small segment of their respective world markets, and as a consequence their ability to act as energy market stabilisers is presently weak. Their difficulties in building membership are closely related to their highly formalised nature, which has acted as an obstacle to bringing in new members who are highly covetous of their energy policy autonomy.

The Organisation of Petroleum Exporting Countries (OPEC) is the oldest, and perhaps most scrutinised, international energy organisation. Established in 1960, its membership is potentially open to all net oil exporters, and its current twelve members control 41 per cent of
the world oil market. OPEC is a treaty-based cartel that obligates its members to coordinate output using production quotas, in order to ensure “fair and stable” international oil prices (OPEC 1960). Though infamous for its role in the twin oil shocks of the 1970s, during the 2000s OPEC has taken on a new role as a ‘collaborative manager’ of energy markets. In order to mitigate the internecine effects of oil market volatility, OPEC has begun working with consumers – in particular the IEA – to stabilise prices by adjusting output levels in response to price movements (Goldthau & Witte 2011: 36-37).

However, the effectiveness of the OPEC cartel has deteriorated significantly in recent years. Since the 1970s, new entrants to the oil industry have diminished OPEC’s share of the global market, and its members’ lack of spare production capacity mean its ability to stabilise world prices by adjusting output is presently limited (Bremond et al. 2012; Radetski 2012). Indeed, the ineffectiveness of the OPEC cartel was revealed during a recent period of price volatility. Between 2008 and 2012 world oil prices collapsed from $150 to $30 a barrel, and then surged back to $120 (Johnson 2011), despite OPEC efforts to stabilise prices through output adjustments (El-Badri 2009). Additionally, its market power is likely to decline further, as most recent oil discoveries have been made in non-OPEC members – particularly Russia, Brazil and Canada – which will bring a range of new players into the world market. OPEC’s ability to stabilise oil markets is demonstrably limited, and unless its membership can be expanded to new oil producers will further decline in coming years.

The history of the International Energy Agency (IEA) is intimately bound up with OPEC. The IEA was formed in 1974 by a group of OECD governments to resist the market
power of the OPEC cartel. Its original remit therefore focused on oil supply crises, specifically through its 1979 Common Emergency Response Mechanism which bound members to share oil stocks in defined situations of supply disruptions (Scott 1994: 123-132). But following the negotiation of its Shared Goals for Energy Policy in 1993 (IEA 1993), the IEA increasingly became a negotiating forum for broader energy policy cooperation amongst OECD countries. Since this time, it has exercised considerable policy influence through its regular market research and policy peer review processes, and has been highly effective in brokering consensus for energy market liberalisation amongst its members (Kohl 2010).

Recent shifts in world energy markets, however, are posing an existential crisis for the IEA. Industrialisation in a range of developing countries has seen the OECD share of world energy demand fall from 56 per cent in 1980 to 43 per cent by 2009 (IEA 2011: 81). This is forecast to fall to 33 per cent by 2035 – a trend which is severely compromising the organisation’s ability to either stabilise or promote the liberalisation of world energy markets. In response, the IEA has institutionalised formal ‘outreach programs’ with new energy players: China, India and Russia in 2009; and Brazil, Chile, Mexico and South Africa in 2011². However, these programs only involve dialogue and information sharing activities (rather than the full suite of membership commitments), and for the IEA to maintain its declining relevance deeper patterns of cooperation will need to be established with these new partners (Van de Graaf 2012).

The Energy Charter Treaty (ECT) is the most-developed energy organisation in the global economy today. Negotiated in 1991, the ECT was a post-Cold War initiative of the
European Community designed to economically bringing east and west together through energy market integration (McGowan 2008: 97). As a legally binding treaty, it commits signatories to non-discrimination in energy trade and transport policies, binds national energy tariffs, and extends national treatment protections to cross-border investments (ECT 1994). In this regard the ECT is unique, as it is the only international agreement that specifies and enforces rules for the liberalisation of national energy policies. However, since its negotiation the treaty has struggled with the legacy of its European origins. Seen by most as a ‘European baby’, Japan and the Central Asian republics are the only non-European states to join, and absent are the energy superpowers of Russia, the United States and China (Konoplyanik & Walde 2006). The ECT’s failure to secure Russian membership has proven a critical shortcoming, as the treaty’s raison d’être was to achieve energy market integration between consumers in western Eurasia and producers in the east, of which Russia is the most important (Victor & Yueh 2010). Despite its robust design, these membership limitations have meant the ECT has done little to promote energy market integration so far.

In sum, the IEA, OPEC and the ECT are well-institutionalised treaty organisations, which simply need more members to ensure they can effectively stabilise and/or integrate world energy markets. Indeed, all three are presently engaged in some form of outreach or membership drive to remedy this problem. However, the prospects for these initiatives are fairly poor, in large part due to the reluctance of new energy players to cede policy autonomy to hard-law type organisations. OPEC has extended membership invitations to the emerging oil exporters of Russia and Brazil, but both governments have formally refused as
membership would involve losing policy autonomy over their economically and geopolitically important oil industries (Goldthau & Witte 2011). For the ECT, a decade of efforts to secure Russian ratification collapsed in 2009 when the Russian government formally withdrew from the ECT accession process, primarily because of an unwillingness to cede energy policy sovereignty (Kazantsev & Sakwa 2012).

For the IEA, formal expansion has proven even more difficult, as institutional rules mandate that all members must also belong to the OECD. While this rule historically helped ensure a broad consensus behind energy market liberalisation, it also locks the new energy players of China, India, Russia and Brazil out of IEA membership. Moreover, an ‘ideological divide’ between the pro-liberalisation IEA states and the nationalist energy policy preferences of these potential new members mean their accession would be highly unlikely, even if IEA membership rules were relaxed in the future (Bochkarev & Austin 2007). Thus, the strength of these organisations is also paradoxically their primary weakness – hard law approaches to cooperation secure organisational coherence, but at the cost of preventing sovereignty conscious states from joining. By restricting membership, formal rules ultimately weaken their effectiveness in stabilising and integrating world energy markets.

**DESIGN ISSUES**

A distinct set of problems limit the performance of four multilateral energy organisations affected by design issues: the International Energy Forum, the Gas Exporting Countries Forum,
Asia-Pacific Economic Cooperation and the East Asia Summit. These organisations sit at the opposite end of the institutional spectrum from the membership-limited bodies. They have broad and open memberships, which facilitates high-level intergovernmental dialogues between all major energy producing and consuming states. However, to achieve these broad memberships very informal organisational designs have been required. None of these organisations have a purposive agenda, consensus behind well-defined policy principles, or in some cases even a fixed membership list. Their primary role is as ‘energy talkshops’, and while they perform useful information sharing and dialogue functions are designed in such a way as to explicitly rule out any other forms of cooperation.

The last decade has seen the emergence of two new multilateral organisations dedicated to energy issues – the International Energy Forum (IEF) and the Gas Exporting Countries Forum (GECF). Initially convened in 1991 (but officially formalised in 2003), the IEF is a biennial summit meeting dedicated to fostering producer-consumer energy dialogue, whose most recent summit in 2012 was attended by eighty-nine national delegations (IEF 2012a). The GECF was established in 2001 as a body to promote common policies amongst gas exporters, and its eleven members currently hold 70 per cent of proven world gas reserves (GECF 2012a). Their primary functions are dialogue activities: convening annual or biennial ministerial summits, hosting a series of technical and policy dialogues between national energy bureaucracies, and in the case of the IEF operating a business forum which runs parallel to ministerial meetings. Both ministerial summits conclude with the issuing of a collective statement, which spells out directions for cooperation and policy reform agreed by
consensus amongst participants. The main strength of these bodies is their broad membership: IEF members account for over 90 per cent of world energy trade (Table 2), and while the GECF controls only a third of the current global gas trade its members are poised to gain the lion’s share of this nascent export industry as it expands over the coming decade.

However, because they have not moved beyond the most basic of dialogue functions, the IEF and GECF currently do little to realise shared interests in energy. Neither body has agreed to a well-defined set of policy principles; their ministerial statements are generally aspirational and limited to vague calls for future cooperation; and the IEF even lacks a fixed membership. Indeed, this soft law approach to cooperation is written into the organisations’ legal texts. The GECF Statute of 2008 formally indicates it shall be a ‘dialogue-only’ body (GECF 2012b), while the recently-negotiated IEF Charter explicitly rules out any formal types of policy cooperation (IEF 2011). The IEF members see this as a virtue rather than a vice, necessary to ensure that countries with diverse energy interests are not be deterred from participating in the dialogue (IEF 2010). But beyond high-level summitry – and the information sharing this has facilitated – no concrete initiatives have yet resulted from either organisation.

In addition, two multilateral economic organisations – Asia Pacific Economic Cooperation (APEC) and the East Asia Summit (EAS) – have both begun energy initiatives in recent years. Formed in 1989, APEC has a long history of energy cooperation, having first promulgated a series of pro-liberalisation energy policy principles in 1996 before launching an *Energy Security Initiative* in 2001 (APEC 1996, 2001). Energy issues then climbed its agenda
during the last decade, with energy security declarations issued out of its 2007, 2010 and 2012 summits\(^5\). The EAS was formed out of the ‘ASEAN Plus Three’ dialogue in 2005, and considerable effort was dedicated to energy cooperation at its outset. A set of energy policy principles (the *Cebu Declaration* of 2007) were negotiated at only the second summit (EAS 2007), and have since been reinforced by ministerial declarations referencing energy cooperation at every subsequent summit meeting\(^6\). Both organisations convene annual energy ministerial meetings, host technical working groups, and energy issues have loomed large in some recent heads-of-government meetings\(^7\). A major strength of these organisations is their broad and relatively representative memberships, which include a mix of both the world’s major energy consumers (Japan, Korea, China and the US) and producers (Australia, Russia, Indonesia, and Canada).

However, few concrete outputs have come from the APEC or EAS processes either. Both organisations’ agreed principles for energy cooperation are extremely vague – outlining desired collective outcomes (predominantly market liberalisation and energy efficiency measures), but leaving the steps required to achieve them under- or un-specified\(^8\). Linked to this lack of consensus around principles has been a decided absence of meaningful deliverables from any of their summits. APEC’s recent declarations have consisted of bland exhortations which “encourage” members to undertake cooperation; the EAS’s Cebu Declaration delivered only an agreement that governments should develop energy efficiency policies; and many of their policy commitments are described as ‘non-binding’ or ‘voluntary’ in legal texts\(^9\). An instructive example is APEC’s *Yokohama Agreement* of 2010. While this
agreement called for governments to voluntarily reduce inefficient energy subsidies, only three APEC members have yet implemented such measures (GSI 2012). The highly ambitious energy declarations coming out of the APEC and EAS processes hide the fact that neither has advanced beyond voluntary forms of non-binding coordination.

These four organisations have failed to advance very far along the continuum of institutional forms due to conscious design choices on the part of participating states. For the IEF and GECF, informality was a desired feature from the outset. The organisations were conceived of as talkshops (reflected in the use of the term ‘forum’ in their names); and were never intended to go beyond dialogic functions. For APEC and the EAS, their soft law approach to energy stems from characteristics of the broader organisations. APEC was designed on the principle of ‘voluntary multilateralism’ – that states would never be required to commit to binding policy reforms – and since its formation the EAS has inherited this modus operandi from APEC. As a consequence, neither body has historically proven capable of hard-law type cooperation in any of the economic issues areas that members have placed on their agendas (Beeson 2009; Webber 2010). Referring energy issues to APEC and the EAS in the mid-2000s was therefore a safe option for states with concerns over policy autonomy, as they did so in the knowledge that these organisations would and could not go beyond non-binding coordination activities. These energy talkshops are therefore ‘weak by design’, and evidence a clear preference for soft law cooperation on the part of major producing and consuming governments.
**COMMITMENT ISSUES**

A third set of problems afflicts bodies suffering from what can be called *commitment issues*: the World Trade Organisation, the Group of Eight and the Group of Twenty. These organisations should be well-positioned to promote shared interests in energy markets. They have relatively representative memberships, include energy issues (such as market integration and energy transition management) on the official agendas, and most importantly have a track record of facilitating cooperation in other economic areas. Nonetheless, effective energy cooperation has proven beyond their capabilities due to reluctance amongst member states to push cooperation as far in energy as in other economic domains. A lack of commitment amongst member states – associated with concerns over policy autonomy – is therefore preventing these organisations from living up to their broader potential when it comes to energy cooperation.

The World Trade Organisation (WTO) is archetypical of this group. It is perhaps the most deeply institutionalised economic organisation in the world, monitoring and policing a set of well-defined and legally-enforced trade rules. It also has near-universal membership, and since Russia’s accession in 2012 accounts for almost all world energy trade (Table 2). However, energy has historically been subject to an informal policy of exclusion from WTO disciplines. At the signing of the GATT in 1947, a gentleman’s agreement was implicitly reached to exclude oil from the agenda due to its geostrategic importance (UNCTAD 2000: 15). An ‘exception clause’ included in the GATT (Article XX) also allows states wide latitude to apply quantitative restrictions upon energy trade\(^\text{10}\); and the WTO’s Trade-related
Investment Measures (TRIMS) agreement of 1994 does not cover investment policies that are of significance to energy sectors (such as local ownership and performance requirements) (Selivanova 2007).

Since the 1970s, consumer governments have made several attempts to close these so-called ‘energy gaps’ in the GATT rules, in order to promote the liberalisation of energy trade policies. However, all such efforts have proven unsuccessful. US-led initiatives at the Tokyo (1973-79) and Uruguay (1986-93) negotiating rounds were blocked by developing country members, who insisted that Article XX exceptions be maintained to allow developmentally-oriented trade restrictions (UNCTAD 2000: 16-19). Similar European efforts during the early stages of the WTO’s Doha round (2001-present) were also vetoed by a coalition of resource producers, who successfully claimed that nationalistic policies were a legitimate and justifiable policy tool to promote economic development (Latina et al. 2011: 8). This situation appears unlikely to change, as energy issues are not currently part of the WTO Secretariat’s work program, and are unlikely to be added to the agenda for the (already fraught) ongoing Doha round.

Similar commitment problems have occurred in energy dialogues within the Group of Eight (G8) and Group of Twenty (G20). Energy cooperation initiatives which were added to the G8 agenda during the 2005 Glean eagles Summit, and have featured in every G20 Leaders Summit since they were first convened in 2008. The G8 agreed a set of relatively pro-liberalisation energy policy principles known as the St Petersburg Principles in 2006 (G8 2006); and a significant number of the two summits’ recent declarations have included specific
policy commitments. Managing the transition from hydrocarbons to new energy sources has been a particularly focus, and agreements to promote energy efficiency, renewables and national energy planning repeatedly feature in their declarations.

Table 1 G8 and G20 energy policy commitments, 2005-2012

<table>
<thead>
<tr>
<th>Group</th>
<th>Declaration</th>
<th>New policy commitments</th>
</tr>
</thead>
<tbody>
<tr>
<td>G8</td>
<td>Gleneagles Action Plan 2005</td>
<td>Promote renewable energy industries</td>
</tr>
<tr>
<td>G8</td>
<td>St Petersburg Plan of Action 2006</td>
<td>Develop national energy efficiency targets Oil market information collection</td>
</tr>
<tr>
<td>G8</td>
<td>Heiligendamm Plan 2007</td>
<td>Support energy efficiency Develop new energy technologies</td>
</tr>
<tr>
<td>G8</td>
<td>Leaders Declaration on Environment and Climate Change 2008</td>
<td>Develop national energy action plans Implement IEA energy efficiency recommendations</td>
</tr>
<tr>
<td>G20</td>
<td>Leaders Declaration 2009</td>
<td>Phase out ‘inefficient’ fuel subsidies</td>
</tr>
</tbody>
</table>

*Source: Author’s summary, from G8 Information Centre (2012) and G20 Information Centre (2012).*

However, this impressive declaratory record hides serious practical shortcomings. First, the G8 and G20 summits have cherry-picked easy and low controversy issues for attention. All but two of their commitments focus on energy efficiency measures which, as Van de Graaf and Westphal (2011: 28-29) point out, member states were already in the process of implementing. Second, some of their commitments have been so vaguely worded as to have little practical value. The G20’s 2009 agreement to phase out ‘inefficient’ fuel subsidies suffered from this difficulty, as it allowed states to self-determine whether their fuel subsidies were inefficient or not. Third, even their specific commitments are officially labelled non-binding, and compliance studies conducted by the G8 Information Centre
demonstrate that the implementation record is at best mixed. Governments have been reasonably responsive in implementing the (easy) energy efficiency measures, but more demanding initiatives (such as formulating national energy plans and reducing trade barriers) have suffered from weak compliance records (G8 Information Centre 2012). Thus, while energy cooperation efforts in the G8 and G20 seem well-institutionalised, they are also either vaguely defined, or suffer from poor compliance records.

Why are the WTO, G8 and G20 all struggling to move toward more institutionalised forms of energy cooperation? It is certainly not due to the design of the organisations themselves: the WTO has proven highly successful in developing formalised, hard-law type trade rules (Jackson 2008); and the G8/G20 summit processes have managed to facilitate a degree of fiscal and monetary coordination during the recent global financial crisis (Cooper 2010). Rather, the answer lies in issues of sovereignty and nationalism unique to energy sectors. In the WTO, negotiation deadlocks between sovereignty-covetous producers and pro-liberalisation consumers have consistently seen efforts to close the energy gaps in the GATT fail (Selivanova 2007: 34). The G-summits have been plagued by similar internal divisions, which pit western consumers favouring liberalisation against a group of nationalistic suppliers unwilling to relinquish governmental control: Russia in the G8 (Lesage et al. 2009), and a constellation of resource nationalists (China, Saudi Arabia, Brazil, Russia and South Africa) in the G20 (Van de Graaf & Westphal 2011). These internal divisions between the interests of pro-liberalisation consumers and nationalistic producers have prevented these organisations from progressing cooperative initiatives as far in energy as they have in other
domains. The result has either been the explicit vetoing of energy cooperation proposals (the WTO), or the blocking of meaningful proposals being made in the first place (the G8/G20).

**ENERGY SECURITISATION AND THE LIMITS TO MULTILATERAL COOPERATION**

As this survey has demonstrated, the practical contribution of multilateral organisations to global energy governance is limited. Despite the presence of ten organisations concerned in some way with energy, no global body effectively and reliably institutionalises patterns of intergovernmental cooperation. Nonetheless, these organisations all sit at different points on the institutional spectrum, have pursued different shared energy interests, and face differing challenges (summarised below in Table 2). Some are relatively well-institutionalised but have membership limitations; some are talkshops by design, useful for information sharing but little else; while others have failed to live up to their potential in the energy sphere due to commitment issues. Despite shared interests in integrating world energy markets, addressing volatility, and managing the transition to new energy sources, no multilateral organisation effectively realises any of these goals. When reading across these organisational stories, what factors can be divined as the root cause behind the absence of effective and well-developed energy organisations? Why has energy proven so resistant to multilateral cooperation?
Table 2 Summary of multilateral energy organisations

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Agreed policy principles</th>
<th>Energy dialogue processes</th>
<th>Institutional design</th>
<th>Shared energy interests pursued</th>
<th>Primary challenge</th>
<th>Share world trade 2011 (exports/imports)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Organisation of Petroleum Exporting Countries</td>
<td>Yes, specific</td>
<td>Ministerial</td>
<td>Treaty</td>
<td>Market stabilisation</td>
<td>Membership</td>
<td>41% / 1%</td>
</tr>
<tr>
<td>International Energy Agency</td>
<td>Yes, specific</td>
<td>Ministerial, technical</td>
<td>Treaty for oil; non-binding coordination elsewhere</td>
<td>Market stabilisation; market integration</td>
<td>Membership</td>
<td>28% / 63%</td>
</tr>
<tr>
<td>Energy Charter Treaty</td>
<td>Yes, specific</td>
<td>None</td>
<td>Treaty</td>
<td>Market integration</td>
<td>Membership</td>
<td>23% / 44%</td>
</tr>
<tr>
<td>International Energy Forum</td>
<td>No</td>
<td>Ministerial, technical</td>
<td>Dialogue</td>
<td>Information sharing</td>
<td>Design</td>
<td>95% / 90%</td>
</tr>
<tr>
<td>Gas Exporting Countries Forum</td>
<td>No</td>
<td>Ministerial, technical</td>
<td>Dialogue</td>
<td>Information sharing</td>
<td>Design</td>
<td>34% / 0%</td>
</tr>
<tr>
<td>Asia Pacific Economic Cooperation</td>
<td>Yes, vague</td>
<td>Leaders, ministerial, technical</td>
<td>Non-binding coordination</td>
<td>Market integration; energy transition</td>
<td>Design</td>
<td>32% / 53%</td>
</tr>
<tr>
<td>East Asia Summit</td>
<td>Yes, vague</td>
<td>Leaders, ministerial, technical</td>
<td>Non-binding coordination</td>
<td>Market integration; energy transition</td>
<td>Design</td>
<td>28% / 52%</td>
</tr>
<tr>
<td>World Trade Organisation</td>
<td>No</td>
<td>None specific to energy</td>
<td>Treaty</td>
<td>Market integration</td>
<td>Commitment</td>
<td>89% / 98%</td>
</tr>
<tr>
<td>Group of Eight</td>
<td>Yes, vague</td>
<td>Leaders, ministerial</td>
<td>Non-binding coordination</td>
<td>Market integration; energy transition</td>
<td>Commitment</td>
<td>30% / 56%</td>
</tr>
<tr>
<td>Group of Twenty</td>
<td>No</td>
<td>Leaders, ministerial</td>
<td>Non-binding coordination</td>
<td>Market integration; energy transition</td>
<td>Commitment</td>
<td>52% / 82%</td>
</tr>
</tbody>
</table>

Source: Author’s summary; trade data from (UNCTAD 2012)
There is a demonstrable connection between patterns of energy cooperation and the political economy features of energy. The various limitations faced by these organisations can all be traced to the fact energy is a securitised economic issue, and many players in energy markets consequently maintain economic nationalist energy policy regimes. These dynamics raise states concerns over policy autonomy, prohibit forms of cooperation based on liberalisation, and result in cooperative efforts being channelled towards low-cost (but low impact) dialogue and information sharing activities. The membership, design and commitment issues faced by multilateral energy organisations can all be traced to securitisation and economic nationalism in the energy sphere.

The securitised nature of energy is an important explanatory factor behind membership patterns in energy organisations. As energy is an integral element of economic, national and/or regime security, many governments are highly protective of policy autonomy. States have proven the most willing to join soft law energy organisations with low sovereignty costs – either those which are limited to dialogue activities (the IEF and GECF), or those whose energy initiatives are strictly voluntary and non-binding (APEC and the EAS). Conversely, states have proven far less willing to join organisations based on hard law designs. Russia and Brazil have refused invitations to join OPEC (Goldthau & Witte 2011), China has rebuffed approaches from the IEA to deepen energy cooperation (Chan et al. 2012), and Russia has withdrawn from the ECT accession process (Kazantsev & Sakwa 2012) – all because of concerns regarding policy autonomy in their (highly nationally significant) energy sectors. Indeed, this strong preference for policy autonomy appears unique to energy.
cooperation. As the experience of the WTO makes clear, states capable of hard law cooperation in a wide range of economic areas nonetheless baulk when it comes to ceding even the smallest amount of energy policy autonomy. Securitisation has led to a clear set of governmental preferences in favour of soft rather than hard law forms of multilateral energy cooperation.

Nationalistic energy policies compound this challenge, as they lower states’ commitment to energy cooperation. Governments that maintain nationalistic policy regimes have exercised explicit and implicit vetoes against cooperative initiatives based on energy policy liberalisation. Frequent negotiation deadlocks – such as Russia’s refusal to join the ECT and OPEC, developing country vetoes against closing the energy gaps in the WTO, and the vaguely-defined liberalisation commitments made at APEC, the G8 and G20 – are symptomatic of economic nationalism obstructing liberalisation-oriented cooperation. In other cases, governments have simply refused to comply with initiatives that clash with nationalistic policy regimes. Commitments to phase out inefficient fuel subsidies made by APEC and the G20 are illustrative, with many governments either self-defining their subsidies as ‘not inefficient’, or exploiting the voluntary nature of these commitments to make no discernable changes to their energy subsidisation schemes. When multilateral organisations require the liberalisation of energy policies, nationalistic governments have either refused to join, or simply not complied with organisational agendas.

Nationalistic energy policies also account for why many of these organisations have been purposefully designed along soft law lines. The energy policies of many major players –
including China, Russia, the Gulf States and most countries in Latin America – are nationalist, inward-looking, and antithetical to all but the lowest-cost forms of energy cooperation (Herberg 2010; Vivoda 2009). As a consequence, the broad-membership organisations to which these governments belong – such as the IEF, GECF and G20 – have not developed any cooperative principles. In other organisations, such as APEC and the EAS, the presence of nationalist energy producers has been accommodated by designing vague principle statements that encourage, but do not require, energy policy reforms. Indeed, the only bodies to develop strong and specific cooperative principles are the IEA and ECT\textsuperscript{12}, which are almost wholly comprised of western consumer governments and count few energy nationalists amongst their members. Economic nationalism has inhibited even the development of cooperative principles, and made soft law a necessary condition for participation in multilateral energy organisations.

Thus, the evidence surveyed here demonstrates that weak energy cooperation is causally linked to patterns of securitisation and economic nationalism. To put the argument theoretically: the political economy features of energy mean many states perceive the sovereignty costs of hard-law energy cooperation as greater than its potential benefits. The result has not been a lack of cooperation entirely, but rather a preference for soft law approaches and the dominance of informal institutional designs. Energy organisations using soft law approaches have grown rapidly, while those engaged in hard law cooperation have struggled either to attract members or to ensure compliance with agreed initiatives. Moreover, efforts within organisations to move towards more formal types of cooperation
have consistently either resulted in negotiation deadlocks, or have been vetoed by members covetous of policy autonomy. Thus, energy securitisation and economic nationalism mean there are limits to how far multilateral cooperation can develop, as most states are only interested in soft law forms of cooperation that do not carry high sovereignty costs. Soft law approaches have the benefit of facilitating cooperation in what is clearly a sensitive policy area, but are also far less effective in locking in cooperative behaviour from governments.

This explanation has important implications for how energy organisations are likely to develop in the coming years. While the political economy characteristics of energy are not historically immutable, the global resource boom means they are unlikely to change in the short or medium term. This augurs poorly for initiatives to strengthen these organisations currently underway. Efforts to broaden the three membership-limited organisations will likely require a dilution of membership conditions\textsuperscript{13}, which will reduce their capacity to lock governments into substantive policy reforms. While the four design-limited bodies perform important dialogue functions, the participants have little appetite to develop them beyond a talkshop role due to concerns over policy autonomy. Problems in the commitment-limited organisations will also prove intractable, as there is little potential to advance liberalisation while nationalistic policy regimes are maintained by key players such as Russia, Brazil and China. To put it bluntly, the performance of multilateral energy organisations is as good as it is likely to get in their current political and economic context.

To be sure, this analysis should not necessarily be read as a wholesale condemnation of multilateral energy organisations. During the global resource boom, several multilateral
initiatives have been highly successful in fostering policy dialogues and information sharing, and global energy governance is certainly the better for it. As advocates of soft law approaches such as Abbott and Snidal (2000) argue, these organisations are helping build confidence between the key players in world energy markets, and have allowed dialogic cooperation that would have been impossible had hard law designs been insisted upon. However, the informal nature of these organisations means they have not helped governments realise shared energy interests such as integrating energy markets, addressing market volatility or managing energy transitions. Whatever dialogic benefits institutionalised cooperation may potentially offer, the securitised nature of energy issues means that multilateral organisations have not made a major contribution to global energy governance, and are unlikely to in coming years.


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1 The Association of Southeast Asian Nations, Latin American Energy Organisation, and European Union each also manage energy cooperation at the regional level.

2 Author’s compilation, from IEA (2012).

3 APEC and the East Asia Summit are nominally ‘Asian’ regional organisations. However, the presence of important extra-regional players (the US, Australia and Russia), alongside their large shares of world energy trade, means their activities are arguably global in scope.

4 Author’s summary, from IEF (2012b) and GECF (2012c).

5 Author’s summary, from APEC (2012).

6 Author’s summary, from ASEAN (2012).

7 Particularly the second and third East Asia Summits (2007) and the 2007, 2008 and 2010 APEC Summits.


9 Author’s summary, from APEC (2012) and DFAT (2012).
While GATT Article XI bans all quantitative trade restrictions, exceptions in Article XX covering natural resources allow quantitative restrictions to be applied on the grounds of conservation, local processing and/or ‘local or general short supply’.

Unsurprisingly, seven of the G20 members failed to implement this commitment at all, on the basis of self-evaluated claims that their fossil fuel subsidies were not ‘inefficient’ and therefore exempt. See G20 Information Centre (2012: 362-4).

OPEC is an outlier here, as the sole hard-law organisation that is comprised of resource nationalists. This is due to the fact that OPEC is a producer cartel, and its cooperative efforts (collective interventions aimed at managing world oil prices) are therefore consistent with nationalist energy policies.

This could be achieved by creating some form of ‘associate member’ status that exempts members from certain institutional rules. This has been proposed as a possible direction for the IEA’s recent ‘outreach’ agreements with China, India, Russia, Brazil, Chile, Mexico and South Africa. See Van de Graaf (2012: 239).