

# A BRICS Approach to Energy Cooperation: Implications for Global Energy Governance

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## SYNOPSIS

Comprising some of the world's largest energy consumers and producers, the BRICS grouping has the potential to develop its own multilateral energy cooperation approach that goes some way towards addressing significant gaps in the extant global energy governance (GEG) framework. However, there are many competing energy security interests among BRICS members to overcome. This brief examines the role of BRICS in shaping the global energy landscape.

## KEY POINTS

- According to their annual summit declarations and communiqués, the BRICS members, especially Russia, are interested to promote intra-BRICS energy cooperation.
- Cooperation among BRICS countries on a bilateral basis is increasing and although this occurs outside the BRICS framework, it still serves to strengthen energy relations among these states.
- These efforts do not amount to a fully realised or coherent 'BRICS approach' to energy security. Rather, some nascent ideas on how the BRICS can enhance energy security through collective effort are being discussed.
- While they share many commonalities and areas of common concern within the energy realm, fundamental divergences and competing energy security interests also characterise the BRICS grouping.
- However, there is potential for multilateral energy cooperation among the BRICS members in the areas of energy conservation and energy efficiency, and renewable energy development.

## INTRODUCTION

The BRICS (Brazil, Russia, India, China and South Africa) have become dominant players in the energy landscape over the past fifteen years. They are reshaping global energy markets due to their enormous and ever-increasing energy demand and nationalistic energy policies. Hence, if intra-BRICS cooperation can be developed in this area, it will have an impact at the global level and go some way towards addressing—at least symbolically—the critical gaps that currently plague the GEG regime. Energy security is an issue that remains high on the policy agendas of BRICS members, although BRICS multilateral energy cooperation has been slow to develop and is fraught with obstacles.

Despite their growing influence in energy markets, all the BRICS are under-represented within existing GEG arrangements. The International Energy Agency (IEA) is at the centre of a patchwork of institutions that constitutes the GEG regime. However, it is increasingly regarded as a 'legacy institution' that remains 'stuck in the past' as it continues to limit full membership to OECD (Organisation for Economic Co-operation and Development) countries.

There is not yet a concrete 'BRICS approach' to energy security, with discussions on energy to date revolving around collective efforts to improve energy conservation and energy efficiency, and renewable energy development.

Underpinning BRICS cooperation is a leading role for the state and state-owned enterprises (SOEs) in ensuring energy security, as opposed to the liberal market model advocated by the IEA/OECD. At a deeper level, there are perhaps too many competing energy security interests among BRICS members to garner substantive energy cooperation.

## **ANALYSIS**

### ***Energy Security Interests Among the BRICS***

The BRICS are among the largest and fastest growing energy producers and consumers in the world. Together they account for 35 per cent of energy production and consumption, and this is set to rise to 40–50 per cent by 2040, according to the IEA. In terms of their energy security needs, the BRICS are a heterogeneous grouping consisting of energy producers and consumers who have differing and at times conflicting energy security interests. In general, energy producers are more concerned about the security of demand for their exports, whilst consumers focus on the security of supply. However, there also exists an oft-overlooked complementarity among the BRICS, with China, India and South Africa as the energy consumers/importers, and Russia and Brazil as primary energy producers/exporters. In addition, Russia seeks to diversify the consumer base for its natural gas exports away from the EU and is increasingly looking towards BRICS markets.

In China, India and South Africa, energy is a major economic development issue. China's continued rise is critically reliant on securing reliable access to energy resources, and in India, South Africa and some parts of rural China, access to energy is still a major public policy goal where energy poverty remains a big problem. The BRICS are also undergoing common demographic changes where the energy needs of their rapidly expanding middle classes will increase over the coming decades. All the BRICS have an interest in developing renewable energy both to meet increasing energy demand and address the environmental fallout of reliance on fossil fuels, as well as climate change concerns. Therefore, while there are striking divergences among the BRICS particularly when it comes to oil, there are also areas of shared concern that could form a basis for closer cooperation.

In terms of their energy profiles, more than half of the BRICS' energy use is reliant on coal, spurred by rapid growth in demand for electricity. This is in contrast to OECD countries where coal accounts for only 16.5 per cent of primary energy consumption. However, coal is not really an energy source that countries worry about securing, unlike oil, hence it is not really an energy security concern as such. Nevertheless it is a major concern from an environmental perspective and in terms of efforts to address climate change.

China, India and South Africa are net importers of oil and gas, and all aim to increase the role of nuclear power and renewable energy within their energy mixes. The growing level of dependence on imported oil is a key energy security concern for these countries. In Brazil, 45 per cent of primary energy demand is met by renewable energy, making it one of the least carbon-intensive energy sectors in the world. Brazil is becoming a major exporter of ethanol, having recently gained access to the US market, and it also recently became a major exporter of oil. South Africa is taking a lead role in the development of clean coal technologies.

### ***Common Ground and Fundamental Divergence***

Despite these commonalities shared by the BRICS, there are also fundamental divergences in energy security interests. For example, when world oil prices were high during the 2000s Russia and Brazil benefitted, whereas India and China as large oil importers suffered financially—now the situation is reversed in the era of low oil prices. In addition, BRICS members have engaged in fierce energy competition with one another, notably between the Chinese and Indian SOEs for energy projects in Africa and elsewhere.

More recently, there have been efforts to build bilateral energy cooperation between various BRICS members, for example, energy deals struck between China and Russia, South Africa and Russia, and China and Brazil. There was also a Memorandum of Understanding (MOU) signed in 2012 between Indian and Chinese national oil companies (NOCs) to cooperate on energy projects. Cooperation is currently based on bilateral partnerships and agreements for specific energy investments

and projects. To date, there has not been any multilateral energy cooperation initiative among the BRICS.

That being said, the BRICS recognise the potential benefit of multilateral cooperation in some specific areas of energy security—generally those that are the least politicised—with on-going group discussions on how this might be facilitated. Beyond their large-scale energy consumption and production, the BRICS also reshape, and arguably challenge the current GEG regime, through their nationalistic and state-led approaches to energy security. All the BRICS member states favour a strong role for the state in the energy sector, as opposed to the support for liberal market forces advocated by the IEA. They have adopted a neo-mercantilist style of energy diplomacy based on bilateral relations and are in possession of large SOEs that spearhead their pursuit of energy security interests at home and abroad.

This approach is geared towards national autonomy and energy independence, rather than an endeavor towards market-oriented energy policies and deeper integration into global energy markets as an end. China's Belt and Road Initiative (BRI) is a particularly striking product of neo-mercantilist thinking since it is a state-led global trade and investment plan, a key driver of which is Beijing's desire to improve its own energy security. These characteristics suggest an emerging common BRICS approach to energy security that would appear significantly different to the prevailing liberal market OECD model. On the downside, there are concerns that this rising energy nationalism may trigger intensified state competition over access to energy resources in the coming decades.

### ***The Global Energy Governance Regime***

According to the IEA, 90 per cent of energy demand growth to 2035 will come from non-OECD countries, a large portion of which will come from the BRICS. The current GEG regime is market-oriented, with the principal multilateral institution promoting international energy cooperation and transparency being the IEA. It also includes less influential, often overlapping, organisations that have varying levels of effectiveness, such as the International Energy

Forum (IEF), the Energy Charter Treaty organization (ECT), the International Renewable Energy Agency (IRENA).

Substantive GEG reforms are needed in order to attain two key objectives. First it needs to better reflect the changing global energy landscape where more than half of the world's energy is consumed by non-IEA countries. This is fundamental to ensure global energy security, understood as the reliable, affordable and sustainable supply of energy for all countries, in the face of daunting projected increases in energy demand, especially from Asia. Second, there is a need to accelerate the shift towards cleaner and renewable sources of energy in order to address both energy security and climate change concerns.

To be realistic, even if BRICS multilateral energy cooperation can be developed, it is unlikely to address these governance gaps with substantial institutional initiatives. Rather the potential lies more at the discursive or normative level of shaping global energy policy debates and reform agendas. As a new plurilateral summit institution (PSI) that represents the interests of non-IEA countries that are also some of the world's largest energy consumers and producers, it would be a welcome addition to the GEG regime. That being said, since the BRICS pursue approaches to energy security that differ from the liberal market OECD model promoted by the IEA, it is not a given that the a BRICS energy agenda would neatly align, or fit coherently, with the extant GEG framework.

### ***The BRICS' Energy Policy Agenda***

The first BRIC summit declaration in 2009—before South Africa's induction in 2010—mentioned energy security in broad terms. Since then, discussions on energy issues have become more specific and better articulated. The BRICS Summit Delhi Declaration of 2012 was the first to mention 'multilateral energy cooperation within a BRICS framework'.

Russia is also playing a leading role in advocating the need for the development of energy governance institutions within a BRICS framework, making this issue a major theme when it hosted the 2015 BRICS Summit. In November 2015, the first official meeting of the BRICS ministers of energy was held in

Moscow, where they recognised the need to deepen and institutionalise energy cooperation within the scope of the BRICS. At this meeting, a MOU was signed in the area of energy conservation and energy efficiency, as this is a less politicised area where energy cooperation can be readily cultivated. In the lead up to hosting the seventh BRICS summit in 2015, Russia also proposed for a BRICS energy association to be formed, which would include a fuel reserve bank and an institute for energy policy. Following on from this, at the ninth BRICS summit in Xiamen in 2017, the BRICS launched their Energy Research Cooperation Platform, which is intended to conduct research and analysis with a strong focus on energy efficiency and support energy project implementation within the BRICS.

The BRICS have also been using the New Development Bank (NDB), which is a multilateral development bank established by the BRICS states to fund energy projects within the member-states. In particular, the NDB has decided to prioritise renewable energy projects as one of its chief aims, calling it a 'moral and economic necessity'. So far it has provided more than US\$1 billion for renewable energy projects in its member states, mainly directed at SOEs.

## CONCLUSION

While there is not yet a fully coherent vision for a BRICS approach to energy governance, there are indications of dissatisfaction, espoused by India and China, with the IEA market-oriented model, and a tendency towards state-led energy governance. The areas in which BRICS energy cooperation is developing—albeit slowly—include renewable energy projects and initiatives to improve energy access and energy efficiency. The NDB is also promoting this through its provision of funding, which is often channelled to SOEs rather than private sector companies.

Cooperation among BRICS countries on a bilateral basis is increasing and although this occurs outside the BRICS framework, it still serves to strengthen energy relations among these states. Based on existing developments, a BRICS multilateral approach would not necessarily align with the liberal model of energy governance. It is also unlikely that a BRICS version of the IEA will be pursued, or

that deeply institutionalised energy cooperation will emerge.

## WHAT TO LOOK OUT FOR

- The amount of momentum for substantive BRICS energy cooperation as reflected in the status of current energy initiatives, and future directions of collaboration.
- The role of the New Development Bank in facilitating investments in energy projects.
- The ability of BRICS in facilitating cooperation in areas of common concern while managing divergent and competing energy security interests.

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