



Plenary Session Four

Effective Global Energy Architecture: The Role of the IEF

16 May 2014



Overview

One of the greatest challenges that lies ahead for international energy cooperation will be to transcend the frameworks of the past, when the model of international governance was largely based on a network of institutions and regional or bilateral agreements designed for a more polarised world. Today, the geography of energy is markedly different and more multifaceted than four decades ago. The OECD is no longer the centre of global demand growth, and although OPEC controls a third of world output, much of the incremental production is generated in countries outside of its membership. Moreover, the producer-consumer dichotomy is less clear-cut than it once was, characterised by numerous interdependencies among trading nations.

A new distribution of influence in the energy market—accompanied by control of reserves and production by domestic firms—and a new regional distribution of power require a fitting governance system. An interdependent world where bipolarity is increasingly giving way to multi-polarity calls for a more modern and inclusive approach, with a framework endowed with the flexibility to adapt quickly to the unrealised changes that lie ahead.

The IEF and IRENA are two examples of new forms of multilateral cooperation that emphasise inclusiveness and the participation of stakeholders with diverse interests. Neither has the authority or power of OPEC or the IEA, as they do not take decisions directly affecting the supply of oil. However, inclusiveness is an important asset when fostering cooperation in this interdependent, multipolar and digital age, even if it alone is insufficient to ensure an optimally functioning energy governance structure. The IEF and other mechanisms must be supported to ensure that their wide geographic reach, goodwill and credibility can advance the goals of building trust and distributing responsibility.

As the IEF Charter was signed just three years ago, the Forum is arguably among the most modern energy organisations on the scene. The IEF member countries designed it as a platform to transcend the rigid frameworks of the past and to embrace today's new energy geography. In recent years some IEF member countries, notably those more familiar with, and active in, the Forum, have engaged with the platform and strengthened its role as a facilitator of informal, open, informed and continuing dialogue.

The IEF platform holds great promise indeed, but its full value has yet to be realised. To date, no member has leveraged Section V of the IEF Charter, which facilitates moving beyond the traditional set of dialogue activities by calling for the establishment of working groups on a specific topic or convoking an extraordinary Ministerial meeting to address new challenges. It is worthwhile remembering that the strength of the platform also depends on its continued use and the on-going participation of its members, whether there is a market crisis or not.

Commitment to the global energy dialogue tends to strengthen when policymakers and industry executives face an issue of common concern, such as the oil price volatility of 2008-2009. This episode resulted in the launching of the IEA-IEF-OPEC programme of work to jointly analyse and compare energy outlooks and to explore the interaction between physical and financial markets. And over a decade ago, due to insufficient information on the supply-demand balance, which is a key indicator to assess the health of the oil market, the countries participating in the producer-consumer dialogue supported the establishment of the Joint Organisations Data Initiative (JODI), a concrete example of collaboration among its partners.

The unconventional oil and gas revolution may represent an issue of similar impact, given its likely game-changing nature. Discourse around the topic may well revitalise the global energy dialogue, contribute towards helping the IEF to realise its potential and further buttress the global energy architecture, but the path of the IEF will ultimately be determined by its member countries.

Objective of Plenary Session 4

Ministers and heads of international organisations are invited to discuss the current state and performance of the global energy architecture and the role that the IEF plays therein. Ministers are encouraged to consider ways in which the IEF's platform can be leveraged to promote the best possible complementarity among the existing international energy organisations.

Suggested Questions

- What are the emerging challenges for the existing global energy architecture?

- How do Ministers evaluate the performance of the global energy architecture?
- How can the global energy architecture be strengthened (including by improving and enhancing cooperation, coordination and dialogue among existing international energy organisations) in the changing global energy environment?
- Is there a perceived need for a new energy organisation to fill a void?
- More than three years since the IEF Charter was signed, how might the IEF realise its full potential and deliver maximum value to its member countries?
- How might Ministers help to raise awareness of and participation in the Joint Organisations Data Initiative?
- Is there a specific new energy opportunity or challenge that merits the creation of a new working group inside the framework of the IEF?

The IEF Reference Shelf: Recommended Reading

Meyer, Timothy (2013) *The Architecture of International Energy Governance*, University of Georgia Law School Legal Studies Research Paper No 2013-13, March

Hirst, Neil and Froggatt, Anthony (2012) *The Reform of Global Energy Governance* Grantham Institute for Climate Change in partnership with Chatham House Discussion paper No. 3., December

Florini, Ann and Dubash, Navroz K. *editors* (2011) *Global Energy Governance*, *Global Policy Journal*, Special Issue Volume 7, September

IEF (2011) Charter, February