**How should IOs engage with the private actors in global climate and energy governance?**

Dr Kaho Yu

Dr Xinchuchu Gao

Dr Xuechen Chen

1. **Introduction**

This chapter highlights that international organsations (IOs) play a crucial role in supporting the private sector’s engagement in global climate and energy governance, while also addressing the perceived risks that have, until now, restrained IOs from further engagement with the private sector. Collaboration between IOs and the private sector can bring about several benefits, including risk mitigation, crisis management, Research and Development (‘R&D’) promotion, and compliance with standards. These benefits can enhance the private sector’s competitiveness, resilience, and sustainability, thereby contributing to the global transition towards a low-carbon economy and the tackling of climate challenges. Yet the growth of the private sector’s participation in the global climate governance also raises some significant concerns due to the absence of legitimacy and accountability among private actors.

This chapter is structured as follows. The first section reviews the global landscape of climate and energy governance and demonstrates the importance of the private sector’s participation. The second section focuses on three key strategies that can enhance engagement between IOs and private actors, while also mitigating the perceived risks that have thus far hindered broader collaboration. The third section summarises the key findings of the chapter, highlighting the critical points and recommendations.

1. **The global landscape of climate governance: the importance of moving beyond the state-centric governance architecture**

The global climate governance architecture has primarily been built on the basis of intergovernmental negotiations within the United Nations (UN) framework. Formal UN talks on climate change took off with the decision of the World Meteorological Organisations and the United Nations Environment Programme to set up the Intergovernmental Panel on Climate Change (IPCC) in 1988. The creation of the IPCC marked a significant advancement in incorporating scientific insights into addressing climate change, enhancing public understanding of global warming science, and stressing the need for diplomatic talks. Immediately after the release of the IPCC’s first assessment report in 1990, the United Nations General Assembly adopted a resolution to launch formal negotiations for an international instrument to address climate change. During the 1992 Rio Conference on Environment and Development, these negotiations were concluded, resulting in a final agreement known as the United Nations Framework Convention on Climate (UNFCCC). The UNFCCC was designed so as not to put extra burdens on developing nations. Developing countries were exempt from all of the UNFCCC’s obligations except filing reports on their emissions (Victor, 2011). In 1995, at the first meeting of the Conference of the Parties to the UNFCCC (COP 1) in Berlin, the parties made decisions that commitments outlined in the Convention were insufficient to meet emission reduction objectives. As a result, they agreed to initiate another round of negotiation to create a ‘protocol or another legal instrument’ to catalyse ‘appropriate action for the period beyond 2000’ (UNFCCC, 1995). This round of negotiation ended with the 1997 Kyoto Protocol.

To better achieve emission reduction objectives, the Protocol included legally binding emissions targets for developed country, focusing on the six major greenhouse gases. Similar to the UNFCCC, the targets and timetables set by the Kyoto Protocol did not extend to developing countries. However, for the first time, the Kyoto Protocol highlighted that non-governmental support was crucial to the Protocol’s effective implementation (Kuyper et al., 2018). Furthermore, the Protocol explicitly assigned a role to private actors in the transfer of environmentally sound technologies and stressed their participation in activities such as Clean Development Mechanism (CDM) and Joint Implementation (JI). By facilitating the participation of private actors in the international carbon market through CDM and JI, the Kyoto Protocol enabled them to actively engage in the fight against climate change.

However, with the development of emerging economies and the rise of their greenhouse gas (GHG) emissions, the differences between developed and developing countries and their consequent responsibilities to address climate change were challenged. Developed countries questioned the allocation of GHG emissions allowance and pressured emerging economies to reduce GHG emissions (Jiang and Li, 2020). Developing countries, on their side, emphasised their lack of capability to reduce emissions without hindering economic development. In 2001, the withdrawal of the United States from the Kyoto Protocol further exacerbated the deadlock within the UN-led, state-centric architecture of global climate governance.

In response to this crisis, the 2009 UN Climate Conference in Copenhagen included more non-state and sub-state actors. While the Copenhagen summit was arguably a failure, it is noteworthy as a pivotal moment in global climate politics, signifying a shift away from a state-centric approach to a more decentralised one (Bäckstrand and Kronsell, 2015). Subsequently, the 2015 UN Paris Climate Change Conference further facilitated and institutionalised the participation of non-state actors. Differing from the Kyoto Protocol, the Paris Agreement did not set specific emission reduction goals for parties. Instead, the Agreement outlined an ambitious overall climate change targets and urged parties to contribute through their nationally determined contributions. This transition from internationally-regulated climate governance under the Kyoto Protocol to party-determined contributions under the Paris Agreement coincided with a proliferation of public-private partnerships (Widerberg and Pattberg, 2017). As Hale stated, the Paris Summit clearly recognised the benefits of linking climate actions by cities, businesses, and civil society to the multilateral treaty regime (Hale, 2016). The increasing involvement of non-state actors was evidenced in the significant number of non-state participants at the Paris Summit. Indeed, 8,000 out of 28,000 participants were registered as non-state actors (Lövbrand et al., 2017). Among them, 1,300 non-state actors joined the ‘Paris Pledge for Action’ and committed to act to reduce greenhouse gas emissions to a safe level (Streck, 2020). Moreover, in the COP decision accompanying the Paris Agreement, non-state stakeholders were acknowledged as critical contributors to the goal of limiting global warning to below 2°C or even 1.5°C (UNFCCC, 2016).

In the post-Paris Agreement era, an increasingly diverse landscape of non-state actors participating in the global climate governance has become evident (Sinclair, 2017). The number of non-state and sub-state climate commitments and initiatives has experienced remarkable growth. Illustrative examples include the Compact of States and Regions, the European Union Covenant of Mayors and the Global Covenant of Mayors for Climate and Energy. In July 2023, the “Non-State Actor Zone for Climate Action (NAZCA)”, hosted by the UNFCCC, documented a diverse array of non-state actors (NAZCA, 2023). This included 11,354 cities, 282 regions, 15,590 companies, 1,654 investors and 3,443 organizations (ibid). These figures underscore the significant emergence of climate pledges made by various non-state and sub-state actors, highlighting their growing involvement and dedication to combating climate change.

The discussion above demonstrates the growing recognition of the need to involve non-state and sub-state actors in global climate governance. Within this wide range of non-state actors, private actors are now considered critical contributors to addressing global environmental problems. To begin with, the private sector is the de-facto implementer of climate standards. While governments and IOs typically set forth regulations and targets for emission reduction, it is primarily the private sector, particularly companies like oil and gas corporations, that significantly influences the escalation of emissions (Victor, 2011). Therefore, the effectiveness of emission reduction policies is closely linked to the compliance of these private actors. Without their active participation and commitments to reducing emissions, it becomes challenging to achieve the desired climate goals. In particular, engaging private actors in shaping measures and regulations to address climate challenges is crucial. This increases the likelihood of gaining private actors’ support to comply with the regulations in the long run. The establishment of private initiatives, such as carbon-trading systems like the World Bank’s Prototype Carbon Fund (PCF), exemplifies the benefits of public-private partnerships. Through such partnerships, private actors gain a stake in setting rules and regulations of climate actions, making it more likely that they will comply with emission reduction schemes (Levy & Jones, 2008).

Second, private actors possess key resources, including capital, expertise and political influence, which are essential in determining the effectiveness of international environmental regimes. Private investments geared towards climate initiatives are a key component of global climate finance. There has long been an awareness that public funding aimed at fulfilling environmental and climate commitments falls short (Clark et al., 2018). For instance, in the Copenhagen Accord of 2009, developed countries committed to jointly mobilising USD 100 billion annually by 2020 to address the needs of developing countries for Convention implementation (UNFCCC 2010). However, it is estimated that only less than half of ‘new and additional’ total development finance (including flows from official aid, multilateral contributions, and export credits) has materialized (Mitchell et al., 2021). Bridging the gap in climate finance to achieve sustainable development goals necessitates the crucial involvement of private sector investment (Park, 2022).

Apart from providing investment and capital required for climate actions, private actors play a role as knowledge-brokers, providing technical knowledge and expertise in innovation to find solutions to specific climate change and energy problems. Often private firms know best how to control emissions at the lowest cost, thereby proactively acting in technical panels in the negotiation process of many international environmental regimes (Andrade and de Oliveira, 2015). An instance is observed in oil and gas companies, who frequently share their knowledge and expertise about carbon capture and storage technologies with policy-makers at both national and international levels (Nasiritousi, 2015: 52). Other examples bringing private actors together to formulate regulations and standards include the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard, Verified Carbon Standard, and the American Carbon Registry (Streck, 2020). Therefore, private actors have an increasingly formal voice in making climate standards by providing relevant knowledge and expertise (Levy and Newell, 2005).

Private actors can also use their political influence to impact the formation, function, and maintenance of global environmental regimes in both direct and indirect ways. For instance, they can directly participate in the global climate regime as members of states’ official delegations. Crucially, private actors benefit from a huge political advantage because they do not rely on government funding. Private actors’ influence can also be indirect. Particularly, multinational corporations hold forms of structural power in the global economy. In the context of globalisation, national states tend to pursue policies that are more acceptable to corporations to maintain or attract more investment. This allows multinational corporations to exert an indirect influence on domestic climate policies. As Falkner has pointed out, private actors’ role in directing investments is bound to give them an important position in international environmental politics (Falkner, 2007).

Yet the growth of private sector actors’ participation in the global climate governance also raises some significant concerns. Firstly, private participation in global climate regimes can be problematic because of a lack of legitimacy, as their involvement is primarily motivated by economic profits rather than the public interest. During the initial phase of global climate change negotiations, private actors primarily opposed the development of climate change regulations due to concerns about potential threats to their competitiveness. However, the landscape has evolved, and nowadays, an increasing number of private actors view climate regulations as opportunities for technical innovation and business profits. Despite this shift, there remains a clear division among private actors, each holding distinct preference regarding climate governance. For instance, the fossil fuel industry has historically impeded progress in climate talks. On the other hand, industries supportive of addressing climate change, such as green energy providers and technology companies, have actively advocated for more stringent climate regulations aligned with their business interests. In other words, private actors are not homogeneous in their interests and actions. Critics therefore express concerns that the involvement of private actors in global climate governance could lead to the prioritisation of pro-business agendas. This might result in inadequate attention to the pressing environmental and social challenges posed by climate change, potentially compromising the broader public interest.

Additionally, the lack of comprehensive and transparent data reporting on the implementation of private actors’ climate commitments raises concerns about their accountability. Various studies have highlighted that a lack of data transparency hampers an assessment of climate actions (Hsu et al., 2016). For instance, in 2012, 10 years after the 2002 World Summit on Sustainable Development, around 43% of the ‘Partnerships for Sustainable Development’ did not produce accountable results (Pattberg et al., 2013). Similarly, only 44% of actions launched at the 2014 UN Climate Summit have established monitoring arrangements, making it difficult to track their progress and impact ( Chan et al., 2018). Another example is that, despite encouraging commitments towards climate goals, only just over half (56%) of New York Declaration on Forests (NYDF) endorsers have disclosed their progress to the public. Given these challenges, there is a growing consensus that replying solely on voluntary disclosure of data reporting on private actors’ climate commitments will not be sufficient to address climate challenge (Chan et al., 2018). Hsu and her colleagues therefore point out that national government actions are required to facilitate non-state actors’ implementation of their climate commitments (Hsu et al., 2016).

In summary, private actors’ participation in the global climate regimes have been the subject of growing controversy. As Andrade and de Oliveira have stated, it remains unclear whether private actors’ involvement is “a bane or a boon to global environmental governance” (Andrade and de Oliveira, 2015: 382). The following section will discuss ways in which IOs could enhance their interactions with private actors while also tackling any potential difficulties.

1. **Three ways in which IOs could better engage with private actors and challenges ahead**

As global climate and energy challenges grow increasingly complex, the importance of fostering strong relationships between IOs and private actors has become evident. Effective collaboration between these entities is crucial, as private actors, including multilateral companies, regional banks, and other smaller companies are not only major energy consumers but also producers of cleaner energy. Their participation is vital in driving the energy transition and promoting sustainable development, underscoring the need for IOs to engage with them actively. This section delves into three key strategies to enhance engagement between IOs and private actors, ultimately contributing to a more efficient and coordinated approach to addressing climate and energy challenges.

**a. Develop stronger business relevancy and mutual benefits**

It is essential to acknowledge that the private sector’s primary drive is profit; thus, making it essential for IOs to enhance their commercial relevance to foster effective collaboration. Although IOs are not established for commercial purposes, many have demonstrated the capability of sharing data, building networks, and providing technical assistance that could support the private sector in sustainability development and innovation. IOs are not only important to multinational corporations but also to smaller players in the market, such as small and medium-sized enterprises (‘SMEs’), that are less resourceful but still impactful as a group in the global climate agenda. IOs can support them in accessing valuable market information, identifying potential partners, and navigating regulatory environments. By collaborating with IOs, private actors may benefit from additional market and capital access, improved risk mitigation, effective crisis management, and fostered research and development (R&D) and knowledge sharing. This collaboration enables private companies to align their profit-oriented goals with sustainable practices better, creating a mutually beneficial partnership. In this context, IOs should effectively engage with the private sector, as a way to foster partnerships that drive forward energy transitions and sustainable development on a global scale. These benefits are further elaborated below.

1. ***Market and capital access***

Cooperating with IOs could provide private actors with stronger access to new markets and opportunities. This is particularly relevant for companies operating in the renewable energy sector or offering low-carbon technologies and services. Some IOs are designed to facilitate market entry by providing companies with relevant information, contacts, and support, as well as by advocating for policy frameworks that encourage sustainable investments.

The International Trade Centre (ITC), a joint agency of the United Nations and the World Trade Organisation, is one such organisation that supports SMEs in developing countries. It provides market intelligence, advisory services, technical assistance, and capacity-building services to help companies navigate complex international markets (ITC, 2023). By working with the ITC, companies could strengthen their knowledge about the latest environmental regulatory frameworks and sustainability reporting requirements adopted in their targeted markets, especially the emerging ones. Companies in the renewable energy and low-carbon sectors could also identify and seize new business opportunities in emerging markets, thereby expanding their global footprints and increasing their competitiveness (ITC, 2023).

IOs also aim to promote cross-border cooperation and facilitate partnerships between companies across multiple countries. For example, the United Nations Industrial Development Organization (UNIDO) runs the Global Cleantech Innovation Programme (GCIP) to build entrepreneurship ecosystems for innovative cleantech solutions. It provides a coordination platform for cleantech startups and SMEs to exchange best practices ideas with a global network of investors and R&D experts from more than 15 countries (UNIDO (2023). It is designed to forge international partnerships and identification of investable cleantech solutions, as a way to address environmental challenges together with the private sector.

Beyond mere market access, IOs have the potential to offer private actors funding opportunities, thereby assisting them in overcoming the financial barriers commonly associated with R&D investments. Numerous international financial institutions, such as the World Bank, along with regional development banks, such as the Asian Development Bank and the Inter-American Development Bank, have established various long-term programs to provide financial support to private sector actors. Utilising a range of financial instruments, including loans, grants, guarantees, and technical assistance, these institutions assist companies in overcoming financial obstacles that hinder investment in innovative cleantech solutions. Such support creates an environment for bolstered investments in R&D, enhancing production capabilities, and commercialising innovative technologies in the renewable energy and low-carbon industries.

Another example is the Green Climate Fund (GCF), one of the world’s largest climate fund with over 200 partners. It is dedicated to funding initiatives promoting low-emission and climate-resilient development in developing countries. To stimulate investment, GCF created the Private Sector Facility (PSF), providing concessional instruments, including loans, equity investments, and risk mitigators. PSF strategically focuses on five areas: financial institutions, project finance, climate funds, climate markets, and climate innovations. According to its latest Strategic Plan, the GCF private sector strategy aims to catalyse private climate finance by taking more risk in climate-related projects and de-risking conservative sources of finance (GCF 2020). By collaborating with the GCF, private entities have the opportunity to secure financing for avant-garde climate and energy ventures, enabling them to broaden their market footprint and explore new avenues for growth. (Reyes and Schalatek, 2021).

1. ***Risk mitigation***

Another advantage private actors can derive from collaboration with IOs is risk mitigation, particularly concerning climate change and energy-related risks. These threats could be far-reaching, potentially undermining businesses' financial stability, day-to-day operations, and reputation. Private actors have the opportunity to tap into extensive databases, analytical tools, and specialised resources that could enable them to identify, assess, and manage these risks more effectively.

For instance, the UNFCCC’s Task Force on Climate-Related Financial Disclosures (TCFD) has developed recommendations on the disclosure of companies’ climate risk-related information as a way to support investors, lenders and insurers in better capital allocation. (Meyer, 2022). By adopting these recommendations, a company could enhance its risk management and strategic planning, staying ahead of climate risks from extreme weather to environmental regulatory changes.

IOs could also equip private actors with access to early climate risk warning systems, empowering them to make data-driven decisions in their daily operations and investments. For example, the IFC’s Performance Standards on Environmental and Social Sustainability stands as a global benchmark for managing environmental risks of projects in the private sector (IFC, 2012). It establishes the importance of improving the environmental performance of a commercial project through disclosure of risk information and consultation with local communities. Since a variety of financial institutions also use the Performance Standards, compliance with them could increase a company’s credibility with investors and stakeholders. Similarly, the World Meteorological Organization (WMO) provides climate services, data, and insights, including climate forecasts and early warning systems. These climate-related resources help businesses anticipate and prepare for potential climate-related impacts on their operations (WMO, 2020).

1. ***Crisis management***

Crisis management is another critical area where IOs can support private actors. Since climate change can trigger crises such as natural disasters, political instability, and supply chain disruptions on a regional and global scale, the private sector requires a global governance approach to deal with these threats. As such, the multilateral platform of an IO is well-placed to help private actors establish and maintain effective crisis communication strategies. It is expected to foster transparency, consensus building, and stakeholder collaboration during critical situations. Leveraging the expertise and platforms of IOs, private actors would be better positioned to navigate the complex landscape of crisis management and minimise the potential impacts on their operations, reputation, and financial stability.

Indeed, the history of IOs managing global energy crises is extensive. The International Energy Agency was created after the first major oil crisis in the 1970s and was mandated to coordinate and improve emergency supply measures (Colgan, 2009). It established emergency response mechanisms such as the Coordinated Emergency Response Measures (CERM) to address supply disruptions (Colgan, 2009). It is a rapid mechanism designed to help IEA member countries respond collectively to disruptions in oil supplies, ensuring the stability of global energy markets. Participation in the IEA's emergency response system allows private actors in the energy sector to obtain information, support, and coordination tools to manage energy supply disruptions, ensuring operational continuity.

Another example is the United Nations Office for Disaster Risk Reduction (UNDRR). It works closely with the private sector to develop disaster risk reduction strategies for crises, such as the COVID-19 pandemic (UNDRR, 2021). To increase mobilisation in the private sector, the UNDRR coordinates the Private Sector Alliance for Disaster Resilient Societies (ARISE), a network of private sector partners committed to implementing the Sendai Framework for Disaster Risk Reduction 2015-2030.[[1]](#footnote-1) Through ARISE, companies can access resources, best practices, and collaboration opportunities to strengthen their disaster resilience and contribute to global risk reduction efforts. Similarly, the United Nations Global Compact provides resources and guidance to aid companies in integrating responsible business practices into their crisis response strategies. Better crisis management helps them maintain trust and credibility with stakeholders during times of uncertainty (Orzes and Moretto, 2020).

*Research and development promotion*

Innovative R&D in energy transition and cleantech solutions requires heavy investment. Collaborating with IOs enables private actors to tap into additional funding and financial information for the development and execution of innovative solutions to climate and energy challenges. IOs play a pivotal role in diverting capital to private actors that are able to identify and demonstrate R&D innovation opportunities. R&D support from IOs can also equip private actors, especially smaller private players, with a competitive edge in the market by staying informed about the latest technological advancements and trends in the climate and energy sectors. The accessibility to avant-garde research and development facilitates private actors in adapting their business models, investing in contemporary technologies, and crafting innovative products and services that resonate with the dynamic market demands.

An example is the International Renewable Energy Agency (IRENA). Through its Innovation and Technology Centre (IITC), IRENA facilitates the formation of partnerships between public and private actors to accelerate the development and deployment of clean energy technologies (IRENA, 2016). Furthermore, IRENA has also developed guidelines for better cooperation with the private sector, thereby fueling innovation in key areas of the renewable energy sector, such as deploying renewable energy mini-grids (ibid.).

1. ***Knowledge and technology sharing***

Collaboration with IOs could facilitate sharing knowledge and technology between private actors and stakeholders. As essential intermediaries, IOs could link private actors with relevant information, expertise, and technological solutions to help them overcome climate and energy challenges. By actively engaging in knowledge and technology exchange initiatives, private actors could access cutting-edge innovations, thereby improving their internal capabilities, and enhancing their transition.

An example in this regard is the International Energy Agency’s Technology Collaboration Programmes (TCPs). TCP is designed to facilitate international cooperation among governments and industries on energy technology research, development, and deployment. It involves over 6000 experts globally from almost 300 public and private organisations across 55 countries. Through these collaborative efforts, private actors can collaborate with governments, research institutions, and other industry players to advance the research and more importantly the commercialisation of energy technologies (IEA 2023).

**b. Involve the private sector in environmental standards and agenda-setting**

Engagement between IO and the private sector can be enhanced through involving companies in shaping agendas and standards related to climate issues. By taking an active role in developing these standards, private actors may gain the opportunity to understand their ramifications better, thus becoming more willing to contribute to policies more aligned with their interests and capabilities. One benefit of this cooperation with IOs is improved compliance with international standards and best practices. It equips private actors with the foresight to adapt to regulatory changes and emerging market trends and, more importantly, maintain their competitive advantage. Furthermore, compliance with these international standards can also pave the way for new business opportunities, especially in a broader environment where sustainable practices are becoming increasingly important to investors, customers, and other stakeholders (WEforum, 2022). This collaborative commitment to shaping and complying with international standards could also contribute to a unified and measurable approach to climate challenges.

Many IOs have played instrumental roles in creating and promoting standards, guidelines, and frameworks related to climate and energy governance. These tools can guide private actors in aligning their operations with global sustainability goals, demonstrating their commitment to responsible business practices. For example, the International Organization for Standardization (ISO) develops and publishes various standards relevant to sustainable development, such as the ISO 14001 and ISO 50001 standards (Curry, 2023). These standards are widely used in energy management systems and carbon pricing instruments. They help private actors improve environmental performance, reduce energy consumption, and enhance their credibility with investors, customers, and other stakeholders.

Other than improved compliance, engagement with these IOs also allows private actors to receive guidance to better understand global sustainability requirements. Many of these standard-setting IOs have established capacity-building programmes and technical assistance to help private actors implement international standards and best practices in their operations. For example, the United Nations Global Compact, a voluntary initiative seeking to advance universal sustainability principles, has developed several frameworks, such as CEO Water Mandate and Caring for Climate, to encourage businesses to embed sustainability into their business strategy. It provides library resources, from SDG guidelines to joint research reports with multinational corporations, to help the private sector align their operations with the Compact’s principles on sustainability (UN Global Compact 2023).

Another example of an IO promoting standard compliance in the private sector is the United Nations Environment Programme’s Finance Initiative. It provides training and capacity-building programmes for financial institutions to integrate environmental, social, and governance (ESG) factors into their decision-making processes. These programmes are designed to help private actors strengthen their internal capacity to manage climate- and energy-related risks and opportunities, promoting sustainable finance. One more example is the Global Reporting Initiative (GRI), which provides a comprehensive sustainability reporting framework that enables businesses to measure and communicate their economic, environmental, and social performance. Adhering to GRI guidelines could enhance transparency and accountability, which can draw the interest of investors increasingly aware of sustainable best practices.

**c. Institutionalise engagement with the private sector**

Institutionalising engagement with the private sector establishes a structured framework for collaboration, ensuring continuity and long-term commitment from both IOs and private actors. This formalisation of engagement fosters mutual trust and creates a coordinated approach to address climate and energy challenges. Moreover, it serves as a mechanism to align private sector interests with global sustainability goals, allowing for integrating policies and practices across different sectors and regions. By creating a stable environment for cooperation, institutionalised engagement can lead to more impactful and enduring partnerships that contribute significantly to the global fight against climate change and promote sustainable energy development. The sections below summarise three ways of institutionalising engagement with the private sector.

1. ***Establish membership networks targeting private actors***

IOs often function as platforms for dialogue and cooperation, bringing together diverse stakeholders, including governments, businesses, civil societies, and academia. Participating in these forums allows private actors to share knowledge, forge partnerships, and collaborate on initiatives that advance their climate and energy objectives. To further manage and encourage regular participation of the private sector, some IOs have created membership networks for them. The pre-existing coordination mechanism embedded in these networks has became particularly important when there is a need to manage global energy crises, such as the supply shortage after the Ukraine crisis broke out in 2022 (Larkin, 2022).

For example, the IEA actively involves the private sector in its activities, such as through its Energy Business Council (EBC) (IEA, 2023). The EBC operates as a dialogue platform between IEA member countries and leading industry representatives, attracting interest from a broad range of companies from fossil fuel companies to renewable energy producers, automakers, and financial institutes. It aims to foster conversations about key energy issues and market trends. EBC meetings and events allow IEA to incorporate the insights and experience from private actors into its formulation of energy strategies.

Another example is the Clean Energy Ministerial (CEM), a global forum hosted by the IEA that promotes collaboration between governments, businesses, and other stakeholders to accelerate the transition to clean energy. Through initiatives such as the Corporate Sourcing of Renewables Campaign, the CEM connects private actors with policymakers and market participants, enabling them to work together to increase the adoption of renewable energy in the private sector. Regular high-level meetings in CEM have normalised the involvement of private actors to address climate and energy challenges and capitalise on emerging opportunities in the sustainable energy market.

1. ***Involve the private sector in policy-making***

Involving private actors in the policymaking process in IOs can help establish a sense of ownership and responsibility that incentivises them to participate more actively in implementing these policies and regulations. This fosters a more collaborative and transparent approach between the public and private sectors to addressing climate and energy challenges. While private actors benefit from enhanced insights into the regulatory landscape and opportunities to influence policies affecting their operations, IOs can simultaneously draw on their expertise, resources, and unique perspectives.

Furthermore, this inclusive approach can help overcome potential barriers to cooperation, such as mistrust, misunderstanding, or conflicting priorities. As private actors become more engaged in the policymaking process, they will likely develop a deeper understanding of the objectives and limitations IOs face. Similarly, IOs may also be more attuned to the needs and concerns of the commercial world. This mutual appreciation is essential to driving more effective and sustainable policy outcomes safeguarding the interests of both IOs and private actors.

For example, the Carbon Pricing Leadership Coalition (CPLC), an initiative led by the World Bank and the International Monetary Fund (IMF), brings together governments, businesses, and civil society to promote the adoption of carbon pricing policies. By actively participating in the CPLC, private actors can share their insights and experiences that are useful in designing effective carbon pricing mechanisms and play an essential role in shaping the development of carbon markets.

1. ***Establish structured training programmes targeting the private sector***

Structured training programmes bridge IOs and the private sector, filling knowledge gaps, enhancing skills, and fostering collaboration. Through these programmes, IOs demonstrate their commitment to engaging with the private sector and acknowledge of their essential role in driving sustainable development. This proactive approach sends a strong message to private actors that IOs value their contributions and are willing to invest in their capacity building collectively.

Structured training programmes also enable IOs to gain insights into the nuanced needs, challenges, and opportunities private actors face. It allows IOs to tailor their support and engagement strategies more effectively, ensuring their initiatives and policies are relevant, practical, and finely tuned to the private sector’s requirements. Moreover, these training programmes create platforms for networking and collaboration for the public and private actors to share knowledge, experiences, and best practices. This helps cultivate trust and understanding, which are essential for establishing long-lasting partnerships and collaboration on shared projects.

Several IOs have provided capacity-building support to private actors in the climate and energy domains. For example, the IEA provides a range of resources and training programmes to improve energy efficiency and promote the adoption of clean energy technologies. One of them is the Energy Efficiency Training Weeks which gathers experts from the public and private sectors across multiple countries to share knowledge and best practices in energy efficiency policy, management, and technology. [[2]](#footnote-2) Similarly, the Clean Energy Solutions Center, an initiative of the Clean Energy Ministerial, supports governments and private sector actors in developing and implementing clean energy policies. Through its “Ask an Expert” service, the Solutions Center links private actors with experts who can provide tailored technical assistance on diverse clean energy subjects, such as policy design, financing mechanisms, and technology assessment.[[3]](#footnote-3)

The United Nations Environment Programme (UNEP) also offers various capacity-building initiatives designed to help businesses transition towards more sustainable practices. One of them is the Global Environmental Management Initiative, which provides a range of practical guidance materials including best practices guides, benchmarking tools, and case study reports. These resources enable businesses to identify and implement effective environmental management strategies tailored to their needs and circumstances. Another example at UNEP is the Green Industry Platform, a multi-stakeholder partnership promoting green industry practices within manufacturing and related sectors. This platform provides private actors access to training programmes, workshops, and technical assistance, as a way to build their capacity in areas such as resource efficiency, cleaner production, and circular economy strategies. The Green Industry Platform also acts as a hub for knowledge sharing and collaboration among its members, cultivating a cooperative environment where companies can learn from each other’s experiences and jointly develop innovative solutions to common challenges (United Nations Environment Programme, 2019). Membership in this platform is inclusive and open to any business corporation or industry trade association committed to fostering environmental sustainability and EHS excellence.

**Challenges ahead for IO**

Despite the above efforts and mechanisms, there are still limitations in IO’s engagement with the private sector, including a lack of legitimacy and accountability of private actors and communication barriers. As mentioned above, private participation in global climate regimes can be problematic because of a lack of legitimacy, as their involvement is primarily motivated by economic profits rather than the public interest. While some functions of IOs could align with the commercial interests of the private sector, the objectives of IOs may not always align with the priorities of the private actors. To incentivise commercially driven businesses to comply with global sustainability standards, IOs need to establish clear benefits for compliance, such as improved market access, brand reputation, or consumer trust. Simultaneously, there should be penalties or consequences for non-compliance. This “carrot-and-stick” approach aims to motivate private actors to align their practices with international standards. Additionally, the lack of comprehensive and transparent data reporting on the implementation of private actors’ climate commitments hampers an assessment of private actors’ climate actions. While IOs have provided platforms for knowledge sharing and research cooperation, concerns about commercial sensitivities could limit the scope and transparency of these collaborations. Building trust and transparency through more open communication can help address these concerns about sharing sensitive information and promote effective partnerships between IOs and private actors. Also, the complexity of sustainability standards established by IOs can be a barrier for private actors. As Laughland and Bansal (2011) pointed out, the lack of universal rules for sustainable sourcing and the multitude of metrics and frameworks embedded in these standards can make it difficult for companies to adjust their business models. Misunderstandings can also lead to accusations of greenwashing, further complicating the relationship between IOs and the private sector. IOs could work on simplifying sustainability standards and establishing clearer guidelines to make them more accessible to a wider range of industries.

Overall, overcoming these limitations requires a collaborative effort. By offering clear incentives, promoting more open and effective communication, simplifying complex sustainability standards, IOs and private actors can work together more effectively to mitigate climate challenges.

1. **Conclusion**

In the post-Paris Agreement era, an increasingly diverse landscape of non-state actors participating in the global climate governance has become evident. In particular, private actors are considered as critical contributors to global efforts in mitigating climate challenges due to their status as de-facto implementors of climate actions and their possession of key resources, including capital, expertise and political influence.

The collaboration between IOs and the private sector is crucial in tackling the complexities of climate change and progressing towards a sustainable, low-carbon economy. This study has proposed three approaches through which IOs can enhance their collaboration with private actors to effectively address climate-related challenges. First, IOs need to develop stronger business relevancy and mutual benefits for private actors. This involves providing enhanced market and capital access, alongside aiding in risk mitigation, crisis management, promoting research and development, and fostering knowledge and technology exchange. Second, IOs need to strengthen partnership with private actors in shaping agendas and standards. This can empower private actors to grasp these standards better, ensuring improved compliance in the long run. Third, IOs should institutionalise their engagement with private actors by creating membership networks tailored to private actors, incorporating private actors into policy-formulation processes, and establishing structured training initiatives targeted at private actors. These actions institutionalise cooperation and collaboration between IOs and private actors, setting the stage for sustained progress in climate mitigation efforts.

However, the study also acknowledges certain limitations in IOs’ engagement with private actors. These include issues concerning the legitimacy and accountability of private actors, as well as communication barriers. To overcome these challenges, it is critical to establish clear incentives, foster open and efficient communication channels, and simplify sustainability standards. By collectively addressing these constraints, IOs and private actors can work towards mitigating the challenges posed by climate change.

In the future, it is recommended that IOs should continue to explore innovative ways to foster collaboration with private actors, Leveraging their combined resources, expertise, and influence, IOs and private actors can proactively tackle the urgent issues of climate change.

**Bibliography**

Andrade, J.C.S. and J. A. P. de Oliveira (2015), “The role of the private sector in global climate and energy governance”, *Journal of Business Ethics*, Vol. 130, No. 2.

Bäckstrand, K. and A. Kronsell (2015), *Rethinking the Green State: Environmental Governance towards Climate and Sustainability Transitions*, Routledge, London.

Chan, S. et al. (2018), “Effective and geographical balanced? An output-based assessment of non-state climate actions”, *Climate Policy*, Vol. 18/1.

Clark, R. et al. (2018), “Bridging funding gaps for climate and sustainable development: Pitfalls, progress and potential of private finance”, *Land Use Policy* 71.

Colgan, J. (2009), *The International Energy Agency: Challenges for the 21st century*, Global Public Policy Institute, <https://www.gppi.net/media/Colgan_2009_The_International_Energy.pdf> (accessed 04 April 2023).

Currey, A. (2023), *CICS’ Quick guide to ISO 50001, the new energy management system standard*, <https://www.sustainabilityexchange.ac.uk/files/cics_quick_guide_to_iso_50001.pdf> (accessed 02 May 2023).

Falkner, R. (2007) *Business Power and Conflict in International Environmental Politics*, Palgrave Macmillan, Basingstoke.

GCF (2020) Updated Strategic Plan for the Green Climate Fund 2020-2023, https://www.greenclimate.fund/document/updated-strategic-plan-green-climate-fund-2020-2023 (accessed 01 Aug 2023).

Hale, T. (2016), “All on Desk’: The Paris Agreement and Nonstate Climate Action” in *Global Environmental Politics*, MIT Press, vol. 16(3).

Hsu, A. et al. (2016). Track climate pledges of cities and companies. *Nature*, *532*(7599), 303-306.

IEA (2023) About the TCP, https://www.iea.org/programmes/technology-collaboration-programme (accessed 01 Aug 2023).

IEA (2023), *Energy business council dialogue among the IEA, the business community and policymakers*, International Energy Agency, <https://www.iea.org/about/structure/energy-business-council> (accessed 01 May 2023).

IFC (2012), *IFC performance standards on environmental and social sustainability, International Finance Corporation*, <https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/publications/publications_handbook_pps> (accessed 06 April 2023).

IRENA (2016), *Policies and regulations for private sector renewable energy mini-grids*, IRENA, <https://www.irena.org/-/media/Files/IRENA/Agency/Publication/2016/IRENA_Policies_Regulations_minigrids_2016.pdf> (accessed 02 May 2023).

IRENA (2021), *Ten years of IRENA in Germany*, IRENA, <https://www.irena.org/news/pressreleases/2021/Oct/Ten-Years-of-IRENA-in-Germany> (accessed 03 May 2023).

ITC (2023) Business, https://intracen.org/business (accessed 01 August 2023).

Jiang, S. and J. Li (2020), “Global climate governance in the new era: Potential of business actors and technological innovation”, *Chinese Journal of Population, Resources and Environment* 18.

Kuyper, J. W., B. O. Linnér and H. Schroeder (2018). Non‐state actors in hybrid global climate governance: justice, legitimacy, and effectiveness in a post‐Paris era. *Wiley Interdisciplinary Reviews: Climate Change*, *9*(1), e497.

Larkin, A. (2022), IEA strengthens focus on clean energy in ministerial meeting, *Energy Global*, <https://www.energyglobal.com/special-reports/04042022/iea-strengthens-focus-on-clean-energy-in-ministerial-meeting/> (accessed 05 May 2023).

Laughland, P and T. Bansal (2011), The top ten reasons why businesses aren’t more sustainable. *Ivey Business Journal*, <https://iveybusinessjournal.com/publication/the-top-ten-reasons-why-businesses-arent-more-sustainable/> (accessed 01 May 2023).

Levy, D. L. and P. J. Newell (eds.) (2004), *The Business of Global Environmental Governance*, the MIT Press, Cambridge.

Levy, D. L., & Jones, C. A. (2009). “Business strategies and climate change”, in Selin, H. and S. D. VanDeveer (Eds.) *Changing climates in North American politics: Institutions, policymaking, and multilevel governance*, the MIT press, Cambridge.

Lövbrand, E. et al. (2017), “Making climate governance global: how UN climate summitry comes to matter in a complex climate regime”, *Environmental Politics*, 26 (4).

Meyer, M. (2022), *What is the TCFD and why does it matter*, Deloitte, <https://www2.deloitte.com/ch/en/pages/risk/articles/tcfd-and-why-does-it-matter.html> (accessed 25 April 2023).

Mitchell, I., E. Ritchie and A. Tahmasebi (2021) Is climate finance towards $100 billion “new and additional”. Center for Global Development: Washington DC, <https://www.cgdev.org/sites/default/files/PP205-Mitchell-Ritchie-Tahmasebi-Climate-Finance.pdf> (accessed 22 April 2023).

Nasiritousi, N (2015), *Shapers, Brokers and Doers The Dynamic Roles of Non-State Actors in Global Climate Change Governance*, Linköping Studies in Arts and Science No. 667, Linköping University Electronic Press, Linköping.

Nasiritousi, N. (2017), “Fossil fuel emitters and climate change: unpacking the governance activities of large oil and gas companies*”*, *Environmental Politics*, Vol. 26 (4).

NAZCA (2023), *Global Climate Action*, <https://climateaction.unfccc.int> (accessed 06 June 2023).

Orzes, G. and A. Moretto (2020), “The impact of the United Nations Global Compact on firm performance: A longitudinal analysis”, *International Journal of Production Economics* 227(4).

Park, J. (2022), “How can we pay for it all? Understanding the global challenge of financing climate change and sustainable development solutions”, *Journal of Environmental Studies and Sciences* 12.

Pattberg, P. et al. (eds.) (2013), *Public-Private Partnership for Sustainable Development: Emergence, Influence and Legitimacy*, Edward Elgar Publishing, Cheltenham.

Reyes, O., and L. Schalatek (2021), *GCF private sector finance in focus 2: MSMEs, Heinrich-Böll-Stiftung*, <https://us.boell.org/sites/default/files/2022-03/hbs%20Washington_GCF-PrivateSector2_MSME%20briefing_final.pdf> (accessed 03 May 2023).

Sinclair, G. F. (2017), *To Reform the World: International Organisation and the Making of Modern States*, Oxford University Press, Oxford.

Streck, C. (2020). Filling in for governments? The role of the private actors in the international climate regime. *Journal for European Environmental & Planning Law*, *17*(1), 5-28

UN Global Compact (2023) Explore our enhanced library, https://unglobalcompact.org/library (accessed 01 Aug 2023).

UNCTAD (2014), “Investing in the SDGs: an action Plan”, *World Investment Report 2014*. New York and Geneva.

UNDRR (2021), *Annual report 2021, United Nations Office for Disaster Risk Reduction*, <https://www.undrr.org/publication/undrr-annual-report-2021> (accessed 05 April 2023).

UNFCCC (2010). *Report of the Conference of the Parties on its Fifteenth Session, Held in Copenhagen from 7 to 19 December 2009. Addendum: Part Two: Action Taken by the Conference of the Parties at its Fifteenth Session*, https://unfccc.int/sites/ default/files/resource/docs/2009/cop15/eng/11a01. Pdf (accessed 06 June 2023).

UNFCCC (2016), *Decision 1/CP.21. Adoption of the Paris Agreement FCCC/CP/ 2015/10/Add.1*., <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf> (accessed on 03 May 2023).

UNFCCC(1995). Report of the Conference of the Parties on its first session, held at Berlin from 28 March to 7 April 1995, Addendum. FCCC/CP/1995/7/Add.1, <https://unfccc.int/resource/docs/cop1/07a01.pdf> (accessed on 02 May 2023)

UNIDO (2023)

United Nations Environment Programme (2019), *Two new platforms offer the latest knowledge on green finance and green business, UN environment programme*, <https://www.unep.org/news-and-stories/press-release/two-new-platforms-offer-latest-knowledge-green-finance-and-green> (accessed 16 April 2023).

Victor, D (2011), *Global Warming Gridlock: Creating More Effective Strategies for Protecting the Planet*, Cambridge Press, Cambridge.

WEforum (2022), *Why sustainability is crucial for corporate strategy*, <https://www.weforum.org/agenda/2022/06/why-sustainability-is-crucial-for-corporate-strategy/> (accessed 01 May 2023).

Widerberg, O. and P. Pattberg (2017). Accountability challenges in the transnational regime complex for climate change. *Review of Policy Research*, *34*(1), 68-87.

WMO (2020), *State of climate service: Risk information and early warning system, World Meteorological Organization*, <https://library.wmo.int/doc_num.php?explnum_id=10385> (accessed 06 April 2023).

1. See ARISE website, available at https://www.ariseglobalnetwork.org/explore [↑](#footnote-ref-1)
2. See IEA’s Energy efficiency policy in emerging economies training week, <https://www.iea.org/events/energy-efficiency-policy-in-emerging-economies-training-week>. [↑](#footnote-ref-2)
3. See Clean Energy Solutions Center “Ask an expert”, <https://www.cleanenergyministerial.org/initiatives-campaigns/clean-energy-solutions-center/#ask-an-expert/>. [↑](#footnote-ref-3)