



Task Force 7  
Towards Reformed Multilateralism: Transforming  
Global Institutions and Frameworks



# BENEFITS AND CHALLENGES OF EXPANDING THE G7 CLIMATE CLUB TO A G20 CLIMATE CLUB

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# Abstract




**A**t the end of 2022, the G7 countries launched a so-called climate club. The idea behind this initiative was that, on certain climate topics, a club of ambitious countries might make quicker progress than the United Nations Framework Convention on Climate Change (UNFCCC) and help implement the Paris Agreement. However, one of the largest challenges is the membership of this club. The term ‘club’ usually refers to a special,

exclusive group. Yet, climate change requires a global solution and thus different world regions, not just the G7 countries, need to be part of it. Moreover, if a (G7) club would come up with rules for industrial decarbonisation, or policy instruments favoured by some regions, e.g., carbon taxes, many more economies would be affected. This Policy Brief discusses the broadening of the G7 climate club to the G20 and how such a club could be designed.



# **The Challenge**



# **1**

## Establishing an adequate and effective membership for the climate club


**A**t the end of 2022, the G7 launched a climate club under Germany's presidency. The climate club seeks to support the Paris Agreement's objective of keeping global warming at 1.5 °C. It has three pillars: The first focuses on increasing ambition and transparency of climate mitigation policies as well as comparability of members' efforts to avoid carbon leakage; the second seeks to accelerate industrial decarbonisation with a particular focus on the steel sector; and the third centres on strengthening international mitigation efforts through cooperation, e.g., Just Energy Transition Partnerships (JETPs).<sup>1</sup>

The International Energy Agency (IEA) and the Organisation for Economic Co-operation and Development (OECD) are the interim hosts of the club's secretariat. The German government is in the process of negotiating membership with countries beyond the current G7 membership (for example, India). Several countries have already agreed to join (such as Indonesia,

Colombia, and Argentina). Chile is the co-lead, together with Germany, in the club-building task force.<sup>2</sup> A country that has the potential of taking over a leading role in the club is India which, holding the G20 presidency in 2023, could bridge the G7 countries and emerging G20 economies.

## How can the club be designed to be inclusive and incentivise G20 members to join, while delivering the desired climate policy progress?

A club can be defined as a small or select group of actors who cooperate to accelerate progress on a particular climate matter, seeking to go beyond the negotiation process carried out under the United Nations Framework Convention on Climate Change (UNFCCC). Clubs can broadly be categorised into two types: At one extreme are small, exclusive groups with a focus on economic benefits, setting (binding) rules and, raising climate policy ambition (as suggested by William Nordhaus in 2015).<sup>3</sup> At the other extreme are large, voluntary, rather loose, and inclusive alliances that primarily focus on technological exchange. Independent of its actual



size, a club must include a ‘critical mass’ of actors that are relevant for solving the problem—in this case, climate change. Relevance can be defined as the amount of greenhouse gas emissions

(GHG) (current or historic),<sup>4</sup> existing knowledge capacity, economic and political power,<sup>5</sup> vulnerability to climate change, legitimacy, or willingness to act.<sup>6</sup>

# The G20's Role

# 2

## Broadening the climate club from G7 to G20

The inclusion of important G20 greenhouse gas emitters would give the climate club more leverage, e. g., when deciding on common climate policy measures. G20 countries would be relevant club members because of their greenhouse gas emissions. Yet, the G20 countries give a mixed picture, which merits a focus on individual member countries rather than the G20 as a whole—with China, India, and Russia, the forum contains the biggest global non-G7 emitters (see Table 1).

Many of the G20 member countries (e.g., China, India, Indonesia) are also experiencing growing GHG emissions. While the industrial sector is not the biggest source of emissions in itself in any of the G20 countries, some of them have steep industry emissions even if their overall emissions are not among the highest in the G20 comparison (e.g., Saudi Arabia and South Korea). China, India, and Mexico, for instance, also host emission-intensive industries, including cement and steel. These countries could have a particular interest in participating in discussions on the decarbonisation of the industrial sector, future industrial markets, and supply chains.

**Table 1: Emissions Profiles of G20 Countries (Excluding the EU)<sup>7</sup>**

G20 ranking: CO <sub>2</sub> /country level (2021)	Sector with biggest share of GHG (2019)	Total emissions of industrial sector / G20 ranking (2019)	Overall global share of CO <sub>2</sub> (2021)
1. China	Electricity, heat	1.22 Bt **/ 1st	30,9%
2. United States*	Electricity, heat	238,67 Mt*** / 2nd	13,5%
3. India	Electricity, heat	186,55 Mt / 3rd	7,3%
4. Russia	Electricity, heat	53,91 Mt / 7th	4,7%
5. Japan*	Electricity, heat	65,3 Mt / 6th	2,9%
6. Germany*	Electricity, heat	24,45 Mt / 13th	1,8%
7. Saudi Arabia	Electricity, heat	105,76 Mt / 4th	1,8%
8. Indonesia	Land-use, change, forestry	38,94 Mt / 10th	1,7%
9. South Korea	Electricity, heat	80,78 Mt / 5th	1,7%
10. Canada*	Electricity, heat	22,18 Mt / 16th	1,5%
11. Brazil	Agriculture	31,51 Mt / 11th	1,3%
12. Türkiye	Electricity, heat	40,12 Mt / 9th	1,2%



G20 ranking: CO2/country level (2021)	Sector with biggest share of GHG (2019)	Total emissions of industrial sector / G20 ranking (2019)	Overall global share of CO2 (2021)
13. South Africa	Electricity, heat	24,21 Mt / 14th	1,2%
14. Mexico	Electricity, heat	42,81 Mt / 8th	1,1%
15. Australia	Electricity, heat	17,03 Mt / 19th	1,1%
16. UK*	Transport	18,07 Mt / 18th	0,9%
17. Italy*	Electricity, heat	20,62 Mt / 17th	0,9%
18. France*	Transport	23,13 Mt / 15th	0,8%
19. Argentina	Agriculture	28,19 Mt / 12th	0,5%

\* = also a G7 member


\*\* = billion tonnes

\*\*\* =million tonnes

**G20 members are important trade partners with (often) large markets. Their considerable economic and political heft would make them important allies in a climate club.**

Many of these countries are of geopolitical relevance. As political and economic hubs they have a strong influence on their regions (e. g., Brazil in South America) but will also play a key role in global decarbonisation. For example, several G20 members, such as Saudi Arabia or China are large fossil fuel exporters. Many of them are important industrial partners (e. g.,

Brazil has a large steel sector, and South Africa holds rare-earth minerals that are required for wind turbines, solar panels, and electric vehicle batteries). Among G20 members, China takes on a special role, as it dominates many resources, markets, and supply chains for decarbonisation technologies. Failing to hear these countries' voices could weaken the reach of the climate club. Yet, what certainly poses a challenge is that G20 countries have very different visions for climate and energy policy. Some members have, for example, little commitment to the Paris Agreement (Russia or Türkiye). With these countries lacking in willingness to act, their club membership brings little benefit.




**Including G20 countries from the global South (Mexico, India, Brazil, China, Indonesia, South Africa, Argentina) will expand representation and enhance the effectiveness of the club, giving more vulnerable countries a voice.**

Even though industrialised countries are responsible for the already occurring global warming and still are emitting large quantities of GHG, many of the global South countries are suffering most of the damages and risks from climate change. To mitigate this fundamental injustice brought about by the disproportionate impacts on developing countries, these economies should be included into an expanded climate club for more effective solutions. Indeed, many existing climate initiatives have G20 and global South countries as founding members. For instance, Mexico was part of the launch of the Climate and Clean Air Coalition (CCAC) and since then has actively shaped the alliance. With the support of CCAC, Mexico created an additional reduction target for black carbon as part of its commitment under the Paris Agreement.

**To deal with challenges such as carbon leakage and prevent counteractive domestic climate policy approaches in the future, including further G20 countries is relevant.**

Future endeavours for cooperation would benefit if more G20 members are able to contribute to shaping the club's rules. For example, potential club measures such as carbon intensity standards for steel would benefit from being built in a manner that also satisfies needs and conditions of G20 countries, especially because global South G20 members have different baseline conditions. Their priorities are often connected to a functioning energy system, fighting crime and corruption, and providing universal healthcare, while greenhouse gas emissions mitigation is a secondary goal. Often, their technological conditions are not comparable to those of industrialised countries and the state does not have the capacity to support industry in the same way as, for example, the United States or EU countries can. They would thus require more flexible club rules. A club approach that accommodates



all these concerns would create an improved playing field for investments of companies or financial instruments. Also, those countries that are currently in the design stages of their climate policies could build club provisions and standards directly into their domestic approaches that might avoid future conflicts.

**The decisions taken within the club will have implications for G20 and other countries.**

G20 climate club members would have the benefit of influencing and potentially lessening the negative impacts on their economies. The climate club is currently taking the shape of a large voluntary forum that sets no binding obligations on its members and will discuss

manifold policy options. Some of the initially named measures are known to have a large impact on countries of the global South. For example, a common carbon border adjustment mechanism (CBAM) or carbon pricing mechanism was met with interest in some countries. Studies on the proposed EU CBAM expect, however, strong repercussions for countries in the global South.<sup>8</sup> However, even a loose forum focused on technical exchange has implications for the G20 countries. If members agreed to (voluntarily) implement carbon content standards for products or agreed on sustainability taxonomies and definitions for green technologies (e.g., green hydrogen or green steel) then these would also account for imports from other G20 countries and impact their economies.



# **Recommendations to the G20**



# **3**

## The build-up of the climate club and its barriers and limits

**T**he crucial characteristic that could draw G20 countries into joining the climate club is its design.

In this regard, the club can benefit from lessons learnt from the many and diverse existing voluntary climate alliances.

**i. Focusing on a particular (sectoral) topic or group of actors has been a success factor and helped to define the niche in existing club-like alliances.** The example of CCAC that focuses exclusively on short-lived climate pollutants shows that working closely together on a specific topic helps create trust, a rich expert network, and ultimately to bring a formerly neglected topic on the political agenda. Industrial decarbonisation was long a neglected topic on the international climate agenda and is now gaining traction. Creating an opportunity for G20 members to be a part of this pillar of the club, or even dividing this pillar further, for instance into different working groups that tackle different industries, as is a practice in the Clean Energy Ministerial, could make the contributions of the G20 countries even more valuable.

**ii. Foster technical dialogue first, but then agree on the implementation of measures.** Members of the large CCAC and Under2 Coalition, for instance, regard the voluntary character of the initiatives as a low entry-barrier for countries. The value of these alliances lies in technical exchange, building trust, capacity, methodologies, and policy planning; activities which help in preparing the playing field for more binding regulations and enabling implementation.<sup>9</sup>

A club that is expanded to the G20 members could also start as a technical dialogue forum and with an 'exchange phase'. It could tackle the following issues.

- Definitions or taxonomies for concepts such as 'green', 'clean', 'sustainable' and 'decarbonised' as they relate to products, procedures, and supply chains.
- Coordination of standards proposed by existing other alliances (e.g., in the steel sector, approximately 20 different standards exist).
- Further comparison and coordination of measurement, reporting and verification (MRV) practices in existing policy instruments.

- Point of entry and attribution of avoided emissions, for example, green hydrogen.
- Benchmarks for green products and milestones in transition plans.
- Exchange on incentive policies for innovative and green products and procedures from tax credits to public procurement.

The club's objective of strengthening the ambition of climate policies would likely require some stronger club rules. Therefore, the second, 'harmonisation phase' could entail agreeing on and implementing some of the above-mentioned points. For example, coordinating green product incentives in a way that they facilitate a common lead market in the club countries.

**iii. A financial support mechanism could motivate emerging countries to join the club.** One of the crucial questions that need to be discussed as the club is set-up is its financial basis. Existing clubs operate with divergent funding models. Some alliances like the CCAC or the clean energy ministerial (CEM) have established a trust or action fund that finances the club's infrastructure and makes some funding

available for projects, methodology development, and capacity building, often destined for global South members. Other initiatives, such as the G20, have no institutionalised funds. G20 presidencies are responsible for the meeting infrastructure, and each country covers its activities and travel costs.

The climate club needs funding for the structure and functioning, but more importantly, a decision needs to be made on whether the club should fund further activities, and if so, which and where. This is of fundamental importance as some countries might have a higher motivation to join the club if it offers, for instance, capacity building support or funds for climate projects. global South countries argue for the creation of a strong financial mechanism that enables them to fund their climate mitigation and adaptation activities. Yet, previous experiences with club-like alliances show that seldom do these alliances manage to gather the necessary funding to finance activities at scale and are not comparable with the large funding mechanisms of the UNFCCC, such as the Green Climate Fund.

**iv. The institutional set-up in existing clubs, such as the club secretariat, steering committee, and specialised subgroups play a critical role.**

In addition to the secretariat, a rotating steering committee or board that consists of a subgroup of members that represent the geographic and economic diversity of the club has proven to be a good practice in other clubs, such as the CCAC. Club members should have regular meetings, which could deal with strategic matters, such as topics and new members. Furthermore, on the manifold topics that were already proposed through the club (ranging from carbon pricing to steel decarbonisation), the organisation in different subgroups would be suitable. They would allow for a more focused working exchange.

**v. Use the G20's strengths and give India a leading role in the climate club.**

The informal character of G20 bears weakness and strength at the same time. Yet, this informality also makes it similar to a club structure and the experience of G20 countries with cooperative procedures, meetings coordination, as well as dealing with conflicts and tensions that could enrich the climate club. In short, in knowing

how to work together, G20 countries could also smoothen relations within a climate club.

Many of the above-mentioned aspects are particularly relevant for India. India is a large emitter with significant amounts of industrial greenhouse gases, and also a country that is invested in decarbonisation and sustainable development. While in a technological speed up, significant portions of its population still face severe poverty, and the whole country is highly vulnerable to climate change. These starting conditions, paired with India's political position in-between the industrialised G7 and the global South countries, gives it credibility and trust from both sides. The Indian G20 presidency has a crucial role to play in bridging demands from global South and North countries, particularly as it has already entered negotiations to join the club as member. In pushing for a club membership and club design that incentivises other relevant G20 members to join, it can ensure that the club is attractive for other global South members and achieves its goal of not only creating another forum for dialogue but of driving ambitions higher.



## Key challenges and barriers

What stands out as a challenge for the climate club is the notable tension between inclusiveness, a large club size, and the objective of raising ambition. With more members and more interests involved, it will be more difficult to agree on measures and ultimately the club will face problems similar to those experienced in the UNFCCC. As this tension is almost impossible to solve, what has been observed in existing forums is that sometimes ‘a club forms within the club’. In other words, a group of ‘more ambitious or like-minded’ members becomes more active than the rest and builds more ambitious policies. This situation could be pre-empted. The club could, for instance, arrange for a ‘light’ or observer membership for those members who do not want to contribute actively. This would keep them involved and informed but would prevent them from interfering with club decisions and facilitate decision-making among the active members.


Moreover, the tensions that exist within the G20 could dampen the climate ambition of the club. In the past, climate and energy topics have led to conflict among G20 members. An extreme case was the US’s G20 presidency under

Donald Trump, who withdrew his country from the Paris Agreement. At the time of writing this brief, G20 countries are still disagreed on the phasing out of fossil fuels. The Russian war of aggression in the Ukraine has exacerbated frictions among G20 members. Such conflicts would hamper progress also within a G20-based climate club.

Closely related to this is a more normative question of who the club launching countries (Germany and the G7) want to see as part of the club. Here, especially Russia and China represent special cases. Diplomatic relations, energy imports, and trade with Russia are highly inflected and halted on many levels. Tensions between the US and China have been growing during 2022–23. The geopolitical situation requires the founding countries to take a careful and diplomatic approach. Including the entire G20 into the climate club, thus, is unlikely.

Already at this stage, traditional lines of conflict have appeared. The global South might countries suspect that the global North countries are seeking to force them to make stronger commitments. In some countries, the club proposal has raised the concern that the club aims at sanctioning outsiders.<sup>10</sup> Countries





might hesitate to join an alliance they are not sure they can comply with, or where their own interests might be overpowered by stronger countries.

While the focus on a specific topic might benefit the progress of the club, it might also deter prospective candidates for the club. For example, if the club focuses on decarbonising the steel sector, those countries without significant steel production and international trade might not have an interest in joining the club. It will ultimately depend on how far-reaching the club's activities will be. Will they, for instance, also include supply chains for energy, will the club remain focused on technical dialogue or as suggested above, have a phase where countries agree on common rules. In that case, naturally, impacts

will be more drastic, and more countries will want to be involved.

Many of the points raised in this Policy Brief can be synthesised in the question of whether the climate club will be able to make a difference. In other words, whether in the near future it will be able to deal with the fundamental problems raised here: creating an attractive membership, launching a smart institutional design, and finding its niche. It needs to manage relations and possibly competition with the many already existing (or proposed) initiatives and regulations, such as the Global Arrangement on Steel currently developed by the US and the EU, the EU's CBAM, or the above-mentioned voluntary climate alliances.

Attribution: Charlotte Unger and Sonja Thielges, "Benefits and Challenges of Expanding the G7 Climate Club to a G20 Climate Club," *T20 Policy Brief*, June 2023.

## Endnotes

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