

# FUNDING FOR PROFIT & MULTISTAKEHOLDERISM

HOW THE PRIVATE SECTOR TOOK OVER  
GLOBAL CLIMATE TALKS AGAINST  
THE PEOPLE AND THE PLANET



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<sup>1</sup> I thank my colleagues Brid Brennan and Harris Gleckman for their contributions and comments to this article.

# INTRODUCTION

The corporate capture of the COP26 in Glasgow by the private finance sector is a manifestation of a major trend in how the multilateral system of global governance is being reshaped into one that benefits private corporate capital. The overall framing is of *multistakeholderism*. To arrive at this point has been a long and complex process both in the COP (the UN Conference of the Parties set up in Rio in 1992 with the responsibility of addressing climate change) and in the significant re-shaping of the overall UN multilateral system of global governance. This report unmasks some of the fronts where this corporate-centric takeover is occurring and its methods and mechanisms.

Part 1 describes how Big Finance was able to pull off a leadership coup at COP26 and identifies the multiple financial alliances (banks, investment corporations, asset owners, asset managers, financial services, insurance corporations) that emerged in Glasgow as the Global Financial Alliance for Net Zero (GFANZ). The GFANZ is an example of how multistakeholderism leads to corporate capture. Whereas it is supposedly embedded in a set-up with multiple stakeholders, such as academics and NGOs acting as experts or advisers who develop guidelines, in reality the finance corporations in GFANZ are in control. It is deeply troubling then, that the very investors funding pollution have been put in charge of handling the financial markets that are meant to tackle climate change.

Part 2 places these developments in the wider context where multistakeholderism is the major trend shaping global governance responses to all current global challenges at the UN level. It shows how this trend is visibly impacting climate negotiations, as the energy chapter illustrates.

The text concludes with indications on how governments and civil society need to respond at the COP27 – using their experiences of this engagement with multilateral bodies – to build strategies also for taking corporations out of the equation regarding the UN Summit of the Future scheduled for 2024.



## MULTISTAKEHOLDERISM

Is an emerging global governance system that seeks to ‘bring together global actors that have a potential “stake” in an issue and ask them to collaboratively sort out a solution. It diverges from the international governance system, multilateralism, established at the end of World War I or World War II in which governments, as representative of their citizens, take the final decisions on global issues and direct international organizations to implement these decisions. In multistakeholderism ‘stakeholders’ become the central actors without any clear procedure to designate ‘stakeholders’ ... there are countless possible stakeholder categories and each of these categories can be disaggregated or aggregated, depending on decisions by the specific multistakeholder convenor.

Harris Gleckman, 2018.



# PART 1

## CO-OPTING THE COP: HOW THE FINANCE SECTOR CAPTURED THE UN CLIMATE FINANCE AGENDA

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By Kenneth Haar, Corporate Europe Observatory

Corporate Europe Observatory outlines the role the Glasgow Financial Alliance for Net Zero (GFANZ) plays in the corporate capture of climate finance at the COP and shows how urgent it is to stop this.



The role of finance has become a key issue at the climate summits (known as the Conference of the Parties, COPs). That's because governments of the so-called developed world continue to shed their responsibility and refuse to find the money to pay for the transition in the Global South. And it's because the financial sector, in order to continue to throw money at fossil fuel investments, has become a major obstacle to meaningful climate justice action. It is deeply troubling then, that **the very investors funding greenhouse gas pollution have been put in charge of handling financial markets in the light of climate change.**

In Glasgow in 2021, at COP26, the subject of tackling financial flows in order to address climate change was finally dealt with in substance. Unfortunately, those taking up the mantle were not governments, they were finance corporations with huge vested interests. Under the leadership of former governor of the Bank of England Mark Carney and Wall Street tycoon Mike Bloomberg, hundreds of financial institutions had joined ranks in the run-up to the conference, convened by the UN, to take charge of the private finance agenda. A full day at the COP was dedicated to climate finance; **some of the most important financiers of fossil fuels were presented as key leaders in 'climate finance'.**

According to their less-than-reassuring vision, finance corporations can and will take care of the climate challenge through voluntary commitments to "net zero by 2050". These corporations, joined together as the Glasgow Financial Alliance for Net Zero (GFANZ), are pushing an implicit message that little or no action is needed from governments – because Big Finance can handle it themselves and save the world from the crisis they helped create.

A quick look at the list of leaders of the GFANZ coalition,<sup>2</sup> the so-called Group of Principals, reveals a large number of world-famous financiers of GHG pollution. There is Larry Fink from BlackRock, an asset manager famous for its deep involvement in the coal industry, and which is a laggard even on the weak net-zero targets.<sup>3</sup> And Citi, one of the five US banks that dominate fossil fuel financing globally.<sup>4</sup> And Standard Chartered, a bank that funds fossil fuel projects that emit five times the UK's annual emissions.<sup>5</sup>

This decision, to go for self-regulation rather than regulation of private finance, leaves the world with a huge problem. There is no solution to the climate crisis without changes to financial markets. **If big banks, investment funds, and asset managers can pour endless sums into the development of fossil fuel exploration and infrastructure without restriction and also 'manage' the small share that goes to the clean energy sector, we are unlikely to be able to change course away from more disastrous runaway climate change.** To simply let the market rule in this case would be suicidal. While the financial sector has an interest in steering clear of the risks posed by climate change

to their own investments this is a fairly limited and geographically self-interested standard for global leadership; they do not have the same incentive to care for the planet, and many (very profitable) reasons for not doing so. For that reason, the corporate capture we have seen at the UN on climate finance urgently needs to be stopped.

## THE PARIS AGREEMENT: WHAT DOES IT MEAN FOR FINANCE?

The 2015 Paris Agreement moved the matter of private finance up the political agenda with the introduction of wording on financial markets, marking an important and groundbreaking change to international climate policies. Article 2.1 c stipulates that going forward, efforts to fight climate change will include making "finance flows consistent with a pathway towards low greenhouse gas emissions and climate resilient development".

While the article is not very precise, there is no doubt that it has transformative implications. A close analysis of 472 preparatory documents,<sup>6</sup> tabled before the Paris meeting, concludes that it cannot be understood merely as a pledge to mobilise support for the transition in the Global South. This is because it is not only about "provision of finance", it inserts a "climate consistency goal" for *all* financial flows. That should surely mean that financial investments must be consistent with the Paris goal of keeping global warming under 1.5°C.

In a legal analysis from the UN Library of International Law, professor Daniel Bodansky underlines that the article "goes well beyond the traditional focus of climate finance on the provision of support to developing countries". He continues: "It encompasses private as well as public financial flows and calls not only for increasing green finance flows to support low emission technologies and climate resilience, but also for phasing out brown finance flows used to fund greenhouse gas emitting technologies (such as coal-fired power plants)."<sup>7</sup>

It is deeply troubling, that the very investors funding greenhouse gas pollution have been put in charge of handling financial markets in the light of climate change.

2 The Glasgow Financial Alliance for Net Zero. <https://www.gfanzero.com/about/>

3 Eugene Ellmen, "Large asset managers lagging on net-zero targets", Corporate Knights, August 4 2022. <https://www.corporateknights.com/responsible-investing/large-asset-managers-lagging-on-net-zero-investing-targets/>

4 BankTrack, Rainforest Action Network et al, "Banking on Climate Chaos", March 2022. [https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2022/BOCC\\_2022\\_vSPREAD.pdf](https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2022/BOCC_2022_vSPREAD.pdf)

5 Market Forces, "Standard Chartered funds fossil fuel projects in 2021 that will emit five times the entire UK's annual emissions", April 28 2022. <https://marketforces.org.uk/news/analysis-standard-chartered-funds-fossil-fuel-projects-in-2021-that-will-emit-five-times-the-entire-uks-annual-emissions/>

6 Luis H. Zamarioli et. al, "The climate consistency goal and the transformation of global finance", Nature Climate Change, vol. 11, 2021, July 2021. <https://www.nature.com/articles/s41558-021-01083-w>

7 Daniel Bodansky, The Paris Agreement, United Nations Audiovisual Library of International Law, 2021. [https://legal.un.org/avl/pdf/ha/pa/pa\\_e.pdf](https://legal.un.org/avl/pdf/ha/pa/pa_e.pdf)

## WHAT IS THE BENCHMARK FOR FINANCIAL REFORM?

From this, it follows that financial markets as well as public investments must be transformed to underpin a global effort to keep the temperature from rising above 1.5°C. According to the International Energy Agency (IEA) and the Intergovernmental Panel on Climate Change (IPCC), the benchmark, then, is simple.

A report from the IPCC concludes that projected cumulative future CO<sub>2</sub> emissions “over the lifetime of existing and currently planned fossil fuel infrastructure without additional abatement exceed the total cumulative net CO<sub>2</sub> emissions in pathways that limit warming to 1.5°C (>50%) with no or limited overshoot”.<sup>8</sup> In other words, *any investment in new fossil fuel infrastructure will take us above the target from the Paris Agreement.*

On a related note, the IEA states that if the pathway to keeping global temperature from rising above 1.5°C is to be followed, there is “no need for investment in new fossil fuel supply”. “No new oil fields are necessary... No new natural gas fields are needed... beyond those already under development.”<sup>9</sup> In other words, **any new fossil fuel project is in contradiction with the Paris Agreement.** To some, that’s old news.<sup>10</sup> But coming from the IEA, an organization that used to be blind to the link between oil production and climate change, this is significant.

## PARIS OPENED THE DOOR TO BUSINESS

Since Paris, though, little has been done to implement Article 2.1 c. While there have been frequent clashes over the lack of funds to fulfil the obligation of ‘developed countries’ to finance transition in ‘developing countries’ to the tune of US\$100 billion annually, the broader – and even trickier – question of financial markets has been largely ignored.

But while little was discussed at the intergovernmental level, a decision in Paris to involve the private sector and other actors more directly in the implementation of the agreement has led to several initiatives in the years after Paris.<sup>11</sup> **The Marrakech Partnerships have had a major impact. These were set up to build cooperation with business and civil society to “strengthen collaboration between governments and key stakeholders” to “enhance and accelerate climate action among Parties and non-Party stakeholders” in the spirit of the Paris Agreement.**

The multistakeholderism of the Marrakech Partnership has so far defined the implementation of Article 2.1. c in various ways, not least through the formation of platforms for “net zero” emissions from various business sectors. Most importantly, the **Race to Zero Campaign has been set up to support and guide multistakeholder-based plans for emissions reductions from businesses, cities, regions, institutions, and businesses.**

**It’s worth pointing out here, that ‘net zero’ is an idea – perpetuated by Big Polluters – that their continued emissions can be ‘balanced’ by offsetting, capturing, or removing (from the atmosphere) CO<sub>2</sub>. Real zero would involve actual emissions cuts starting with a rapid phase-out of fossil fuels and scaling-up of renewable energies. Changing the goalposts from real zero to ‘net zero’ emissions is a sleight-of-hand boon to the fossil fuel industry and its financial investors.**

## WHAT RISK ARE WE TALKING ABOUT?

Confronted with the challenge of climate change, the financial sector has been on alert for many years. In Paris in 2015 too, lobbyists from the finance sector were well organised and active.<sup>12</sup> Banks and insurance companies have large sums at stake and they are keen to develop models that will save themselves. But such frameworks will not save the planet. **As one high-ranking BlackRock executive stated: “In the financial services industry, when people talk about climate risks, they don’t mean risk to the planet; they mean risks to their portfolio.... We’re not trying to stop Miami from getting wrecked by climate change. We’re trying to get our money out before it hits.”**<sup>13</sup>

So, while it’s no wonder that the financial industry is keen on playing a role in addressing climate change, their models are bound to start from their own fears of losing out in the short term, rather than a fear of destroying the planet in the short and medium term. **It is crucial, then, that whatever is decided at COP27 takes the right starting point, and that the finance sector is not allowed to take the initiative and impose formulas that is about shielding their interests.** Unfortunately, at the UN level the finance sector long ago started building up strongholds that has allowed them to capture the agenda on private finance and climate change.



<sup>8</sup> IPCC, “Headline statements for policy makers”, Sixth Assessment Report, Working Group III, April 2 2022. [https://report.ipcc.ch/ar6wg3/pdf/IPCC\\_AR6\\_WGIII\\_HeadlineStatements.pdf](https://report.ipcc.ch/ar6wg3/pdf/IPCC_AR6_WGIII_HeadlineStatements.pdf)

<sup>9</sup> IEA, “Net Zero by 2050 – A Roadmap for the Global Energy Sector”, October 2021 (4th revision). [https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector\\_CORR.pdf](https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroBy2050-ARoadmapfortheGlobalEnergySector_CORR.pdf)

<sup>10</sup> Kelly Trout, “IEA’s first 1.5°C model closes the door on new fossil fuel extraction”, Oil Change International, May 18 2021. <https://priceofoil.org/2021/05/18/iea-1-5c-model-closes-door-on-new-fossil-fuel-extraction/>

<sup>11</sup> UNFCCC, Decision 1/CP.21, January 29 2016. <https://unfccc.int/resource/docs/2015/cop21/eng/10a01.pdf>

<sup>12</sup> IIGC, “Institutional Investors Group on Climate Change

How the investor voice shaped COP21 Into the post-Paris climate era”, December 18 2015. <https://www.nordea.com/en/doc/iigcc-post-paris-cop21-report.pdf>

<sup>13</sup> Global Finance Magazine, “Greening The Global Economy”, December 29 2021. <https://www.gfmag.com/magazine/january-2022/greening-global-economy>

## BUILDING FINANCIAL INDUSTRY PARTICIPATION

In the case of the financial industry, COP26 was to be a breakthrough for the concept of 'net zero'. Long before the Glasgow summit, the United Nations Environment Programme Finance Initiative (UNEP FI) started building coalitions of finance corporations that were prepared to sign up to commitments to reach "net zero by 2050". Though formally a UN organization, the UNEP FI is actually an invention of the financial industry, and it is largely run by their representatives. It was formed in 1992 at the initiative of a group of financial corporations, including Deutsche Bank, HSBC, NatWest and many more.

The UNEP FI effort and that of the Race to Zero coalition led to the formation of five separate coalitions representing the various sections of the financial sector: the Net Zero Asset Managers Initiative, the Net Zero Asset Owners Alliance, the Net Zero Banking Alliance, and the Net Zero Insurance Alliance. Due to the key role of the UNEP FI they were all in a sense "UN-convened", a fact they all highlighted on any given occasion.

In parallel, two important personalities were moved into key positions to take these coalitions to another level. In December 2018 the UN Secretary General appointed Wall Street tycoon Mike Bloomberg as his Special Envoy on Climate Action, and in December 2019 the Secretary General appointed Mark Carney, former Governor of the Bank of England and former Goldman Sachs Director, as his Special Envoy on Climate Action and Finance. Only a month later, the UK Prime Minister Boris Johnson appointed Carney as his finance adviser for COP26. And Carney was a good salesman for the cause. To his peers in the financial industry, he vowed that the transition ahead would prove to be "the greatest commercial opportunity of our time".<sup>14</sup>

On the basis of this groundwork, a coordinating body for the various coalitions was set up, the Glasgow Financial Alliance for Net Zero. Under the direction of a "Group of Principals" the minimum commitment criteria of the Race to Zero Campaign are developed into tools and frameworks in order to appear to ensure 'compliance' from finance corporations.

## COP26: A PARADE OF BIG BANKERS ON STAGE

GFANZ dominated the finance day at COP26, 10 November 2021. In fact, the big public event at the summit was organised by Mark Carney and his associates – with few government representatives around. On that occasion, Mark Carney made bold statements about the impact of the commitments made by the now 450 financial institutions that had signed up to the net zero coalitions. With these banks and investment funds on board, the funding for the transition was within reach, he claimed.

In response the media reported a climate finance bonanza: "Banks and asset managers representing 40 percent of the world's financial assets have now pledged to meet the goals set out in the Paris climate agreement", Bloomberg wrote,<sup>15</sup> while the New York Times reported: "Global Finance Industry says it has 130 trillion dollars to invest in efforts to tackle climate change"<sup>16</sup> They were, according to the article, "committing to use that capital to hit net zero emissions targets in their investments by 2050, in a push that would make limiting climate change a central focus of most major financial decisions for decades to come". This was a very misleading take.

It seemed a stellar culmination of the attempt to turn around financial markets. A block of financial corporations had taken matters into their own hands. With no governments playing a role, they would adjust their approaches to meet the targets with no regulatory intervention. And perhaps as a reflection of this corporate capture of the agenda on private finance, nothing in the main declaration from COP26 went further into the matter. Appreciation was expressed in the Glasgow Climate Pact for "commitments made to work together with non-Party stakeholders", and a call was made for multilateral development banks "and other financial institutions" to "enhance finance mobilisation". Climate finance was needed "from all sources to achieve the goals of the Paris Agreement", so action was welcomed to "unlock the potential to contribute" to the targets.

In the financial services industry, when people talk about climate risks, they don't mean risk to the planet; they mean risks to their portfolio....

<sup>14</sup> The National News, "Mark Carney: Climate change is 'the greatest commercial opportunity of our time'", November 20 2021. <https://www.thenationalnews.com/business/economy/mark-carney-climate-change-is-the-greatest-commercial-opportunity-of-our-time-11108518>

<sup>15</sup> Bloomberg, "Carney Unveils \$130 Trillion in Climate Finance Commitments", November 2 2021. <https://www.bloomberg.com/news/articles/2021-11-02/carney-s-climate-alliance-crests-130-trillion-as-pledges-soar?leadSource=verify%20wall>

<sup>16</sup> New York Times, "Global Finance Industry Says it has 130 trn Dollars to Pursue Climate Goals", November 6 2021. <https://www.nytimes.com/2021/11/03/world/europe/cop26-climate-change-finance-industry.html>

## WHAT WAS THE REALITY BEHIND THE GLITTERING PROMISES?

**The emergence of GFANZ means finance corporations have captured the agenda on private finance and climate change. And at a very small price. While Carney’s statement on the US\$130 trillion was heralded as a bold promise to put an unimaginable fortune on the table to save the planet, what it was really about was something unimpressive: the sum is the total of investments under administration by the 450 financial corporations in the net zero coalitions. It does not mean they are to be reinvested to support a transition, merely that the institutions that control them have committed to a ‘net zero’ view of a ‘green’ transition.**

The commitments vary from sector to sector but common to all are their fundamental flaws that render their actual impact highly questionable. The Net Zero Banking Alliance leaves it unclear what the associated banks need to do before 2030, whereas the Net Zero Asset Owner Alliance does not even operate with interim targets – all talk is of a very distant future with net zero emissions by 2050. Amazingly, the Net Zero Asset Managers Initiative states that their investments should only be covered by obligations “to the extent possible”. The flaws are explained briefly in a 2021 briefing from CEO and TNI,<sup>17</sup> and in more depth in a report from Reclaim Finance.<sup>18</sup>

## WHAT IS REQUIRED BY THE RACE TO ZERO CAMPAIGN?

What they have signed up to collectively, through their membership of GFANZ, is the net zero framework from the Race to Zero Campaign. That too leaves a lot to be desired. The minimum requirements oblige companies to set an interim target by 2030 for them to take their “fair share” of emissions reductions, and to explain within 12 months what the following steps will be. This – crucially – is to be seen in the light of the emission cuts being net zero, which offers great potential for evading reduction at the source. Net zero opens the door to all sorts of loopholes, including purchasing of carbon credits, investments in dubious conservation projects, and so on.

The criteria of the Race to Zero Campaign were weak from the beginning, so weak in fact that there has been sufficient pressure for the campaign to adjust its course. While maintaining key characteristics, including the net zero approach, the criteria have been strengthened since COP26 in 2021. In June 2022, wording was introduced about fossil fuels for the first time, and the plans expected from companies were described in more detail.<sup>19</sup> Also, new language was introduced: “Each Race to Zero member shall phase out its development, financing, and facilitation of new unabated fossil fuel assets, including coal, in line with appropriate global, science-based scenarios”. While the little word “unabated” creates flexibility and vagueness in the design – allowing for widespread reliance on technical fixes with little proven effect, such as carbon capture and storage – this sentence at least makes the Race to Zero Campaign somewhat less flawed.

## WHAT CAN MAKE THE GFANZ CHANGE?

However, the strengthening of the Race to Zero criteria does not mean the GFANZ will adjust its course. In September 2022 16 civil society organizations (CSOs) denounced statements made by a UNEP FI official who had said it is “unlikely that individual alliances will need to update their core commitments to meet Race to Zero’s new rules”.<sup>20</sup>

This underlines another weakness in the whole Race to Zero setup: there are no enforcement mechanisms. The worst thing that can happen for a company that acts in clear contradiction with the criteria, is that said company is asked to leave the coalition. This is no real deterrent. And even then, the question is who can or will make that call. A show of solidarity from fellow bankers may hinder such an exclusion.

To complete the picture, the GFANZ has now initiated its own internal discussion about the criteria, and has even completed a public consultation on its ideas for “Enhancements to Measuring Net-Zero Portfolio Alignment for Financial Institutions”.<sup>21</sup> These show the GFANZ seeking a model that would require the least possible adjustments to their business models. “Climate solutions”, for instance, are presented in the main as a technical challenge which entails a speedy spread of new technologies. The 140-page report that serves as the basis for the consultation barely mentions divestment or fossil fuels.<sup>22</sup>

<sup>17</sup> Corporate Europe Observatory & Transnational Institute, “COP26: Financiers of Polluters in Charge”, November 2021. <https://corporateeurope.org/en/2021/10/cop26-biggest-finance-greenwash-event-history>  
<sup>18</sup> Reclaim Finance, “It’s not what you say, it’s what you do”, November 2021. <https://reclaimfinance.org/site/en/2021/11/03/its-not-what-you-say/>  
<sup>19</sup> Climate Champions, “Race to Zero’ campaign updates criteria to raise the bar on net zero delivery”, Race to Zero Campaign, June 15 2022. <https://climatechampions.unfccc.int/criteria-consultation-3-0/>  
<sup>20</sup> Capital Monitor, “Exclusive: NGOs push NZBA to meet Race to Zero guidelines”, September 15 2022. <https://capitalmonitor.ai/institution/banks/exclusive-ngos-push-nzba-to-meet-race-to-zero-guidelines/>  
<sup>21</sup> GFANZ, Press release, August 9 2022. <https://www.gfanzero.com/press/gfanzenveils-enhancements-to-measuring-net-zero-portfolio-alignment-for-financial-institutions/>  
<sup>22</sup> GFANZ, “Enhancement, Convergence, and Adaptation - Measuring Portfolio Alignment”, August 2022. <https://assets.bbhub.io/company/sites/63/2022/07/GFANZ-Portfolio-Alignment-Measurement-August2022.pdf>

## WHY DO THEY RESIST SO FIERCELY?

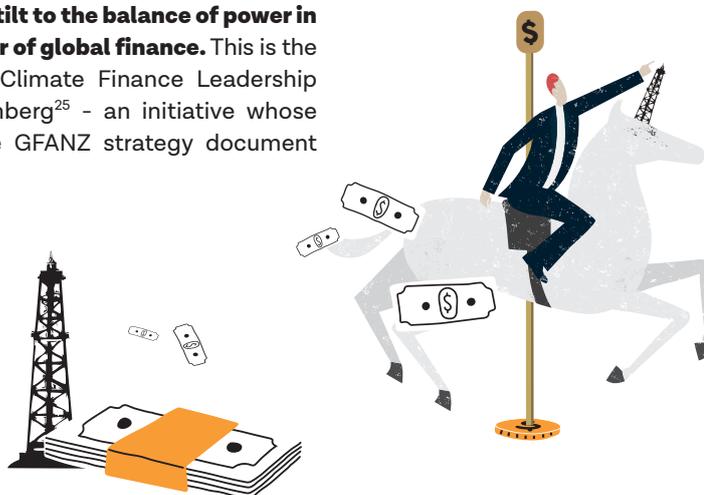
Hence **there is no sign that the GFANZ will ever be serious about the energy transition when it affects the fundamentals of its members' business models.** And who can wonder? While there are financial institutions in their midst who have changed their portfolios profoundly over the years, that cannot be said for the majority nor for the biggest corporations in GFANZ. **There is hardly a single major investor in fossil fuels on the planet that has not made it into the GFANZ coalition.**

It is the heads of these companies that are to lead the GFANZ in these critical years when, according to the IPCC, emissions have to be cut by half by 2030 to avoid irreversible and even more disastrous climate change. Having big bankers and asset managers at the steering wheel, then, should be a cause for concern. Despite this, not only is the GFANZ not under critical pressure, on the contrary: the mandate of GFANZ is even expanding.

## IS THERE A RISK THAT GFANZ BECOMES EVEN MORE POWERFUL?

In the run-up to COP27 in Egypt GFANZ seems to be taking on an even bigger role in the area of climate finance. The Egyptian hosts and people from the UNFCCC have organised a series of regional forums in Africa, Asia, and Latin America to discuss access to climate funding with governments.<sup>23</sup> In all forums, the GFANZ is a co-organiser and participant. And what's more, representatives from GFANZ are participating in the selection of projects that deserve to be taken forward.

**Why should this role of GFANZ be of concern? Because the GFANZ has already presented its views on climate financing<sup>24</sup> (what they call "mobilization" of finance) in the Global South. They are modelled on a view of the world often heard from financial corporations - for climate finance to reach the Global South, what is needed is for governments to introduce far-reaching incentives for more global capital such as 'investment protection' rules, tax breaks, and access points for international energy firms to influence government policies. In short, they are seeking a further tilt to the balance of power in domestic economies in the favour of global finance.** This is the way forward, according to the Climate Finance Leadership Initiative headed by Mike Bloomberg<sup>25</sup> - an initiative whose platform was highlighted in the GFANZ strategy document prepared for COP26.



<sup>23</sup> Climate Champions, "Towards COP27: Regional forums on Climate Initiatives to Finance Climate Action and the SDGs", Concept Note, July 2022. <https://climatechampions.unfccc.int/wp-content/uploads/2022/07/Towards-COP27-Regional-Forums-on-Climate-Initiatives-to-Finance-Climate-Action-and-the-SDGs-Concept-Note.pdf>

<sup>24</sup> Corporate Europe Observatory & Transnational Institute, "COP26: Financiers of Polluters in Charge", November 2021. <https://corporateeurope.org/en/2021/10/cop26-biggest-finance-greenwash-event-history>

<sup>25</sup> Bloomberg, The Climate Finance Leadership Initiative, <https://www.bloomberg.com/cfli/>

# PART 2

## MULTISTAKEHOLDERISM, A DANGEROUS COMBO FOR PEOPLE AND THE PLANET

By Gonzalo Berrón, Transnational Institute (TNI)

In this section we describe the metamorphosis of the multilateral system into a combination of multiple multistakeholder initiatives. These initiatives are driven by private sector but legitimated by multilateral institutions; they derived their funding from both private associations and government agencies. We describe how this is presented as a holistic solution that aligns with the Sustainable Development Goals, the Paris Agreement and the need to reform the United Nations system. In each case these multistakeholder groups are more concerned with directing these processes toward interventions that are beneficial to big economic actors. We illustrate this process of cooption in the case of energy and climate change. This trend is leading us to false solutions to both, the planet and the lives of people.



### From multiple crises to the UN Secretary-General's *Our Common Agenda* and the intergovernmental Summit of the Future

Frustrations about the trajectory of the multilateral climate negotiations and the way the multilateral institutions have not dealt with the climate crisis should not be a gateway towards a multistakeholder corporate-centric governance of climate and environment. COP27 this November is again an important calendar moment to raise the alarm on the implications for people and the planet of the continuing aggressive corporate capture of the process – especially in relation to the leading role of private finance – securely locked in place in Glasgow at COP26.

There is widespread recognition that there are difficulties in reaching consensus between governments on how to move forward at the speed necessary to deal with current inter-related crises of climate, health, and environmental and economic realities. As the framing of the recently created High Level Advisory Board on Effective Multilateralism claims “there is general consensus that the status quo is neither optimal nor sustainable for advancing a common agenda to correct course on environmental degradation”.<sup>26</sup> In response the High Level panel, some governments, international institutions, and private sector associations are searching for new forms of governance which can claim – and may even look like – they are tackling climate change and other global crises. However, **this search to address the climate emergency is being used to justify the increasing trend toward multistakeholderist approaches.**

**The Secretary-General of the United Nations, Antonio Guterres, in September 2021 proposed in a report called *Our Common Agenda* that the United Nations should convene a multistakeholder Summit for the Future along with proposals for eight other multistakeholder governance groups. The interesting dimension of the proposal is that this multistakeholderism is called informally by the Secretary-General “Multilateralism 2.0”. This proposal was framed as a democratic international system asking to out-source global governance on key issues, even on the nature of future global governance itself, to bodies that are dominated by transnational corporations and related business associations. It would be a new “networked” multilateralism that “draws together existing institutional capacities, overcoming fragmentation to ensure all are working towards a common goal”.<sup>27</sup>**

As Gleckman and Kostakos argue, these proposals “unfortunately mark a further weakening of the intergovernmental leadership at the UN and legitimize the trend towards an expanded global governance role by corporate-centric multistakeholder partnerships”.<sup>28</sup> Furthermore, they affirm that **the so-called “network governance” (in the language of the World Economic Forum, a strong business advocate of multistakeholderism) is a way to promote a concept of “global government” without political leadership or accountability, through voluntary actions by powerful firms and governments.** Instead of moving into more efficient public mechanisms, the UNSG’s *Our Common Agenda* promotes formulas supposed to induce actors to reach policy targets through good will, instead of promoting binding mechanisms – or at least a mix of binding with non-binding mechanisms – to make states and actors (mostly business) to move toward the expected targets.<sup>29</sup>

However, the General Assembly, led by the Group of 77, objected that governments were being marginalized by the Secretary-General’s approach. They argued successfully that multilateral intergovernmental bodies should lead in defining key global issues, not multistakeholder bodies. The current process, now called a Summit of the Future – with the name dropping “multistakeholder” – is being held in September 2024, with a high-level ministerial in September 2023.

**While the General Assembly pushed back on the call to expand multistakeholderism, proponents of this out-sourcing of global governance are trying to manoeuvre by creating multistakeholder bodies in specialized international forums like the climate COPs.**

The Paris Agreement (COP21) itself includes what we can call the “traps”, not just in the sense of the small print of the agreements, but explicitly in the articulation of the goals. The Paris Agreement, similarly to the SDG 17<sup>30</sup> on implementation, advances in Article 6 a set of arrangements that push towards a “multistakeholder” implementation of Paris, the SDGs and other agreed commitments. In a way, the multilateral system, as we saw in the case of the World Trade Organization (WTO), has surrendered its role as policy maker to a set of ‘rule makers’ and retained only the role of monitoring the implementation of others’ policies – the private sector and national states. By doing that, the system has lost in terms of accountability and social monitoring as well as participation because implementation has no clear rules for engagement, and it is seen as just a technical, mechanical ‘task’.

<sup>26</sup> “Framing Paper. Environment as Global Public Good.” By Mayesha Alam, Feb. 2022

<sup>27</sup> António Guterres, *Our Common Agenda* (New York: United Nations, 2021), <https://www.un.org/en/content/common-agenda-report/>: 66-67

<sup>28</sup> Harris Gleckman & Georgios Kostakos, “Global governance and “Our Common Agenda”: a critical review”, Discussion paper, FOGGS, November 2021.

<sup>29</sup> Mayesha Alam, *op cit.*

<sup>30</sup> SDG 7 “Ensure access to affordable, reliable, sustainable and modern energy for all.”

In this regard, **in the name of a more ‘inclusive’ multilateral system the UN leaders are promoting uneven mechanisms for the participation of both less developed countries and civil society entities. Instead of ECOSOC status and other formal well-established – even if not perfect accreditation systems – they are supporting another system for public participation that reduces the space for CSOs to contribute to solving global problems.** Proponents of ‘inclusive multistakeholderism’ have turned the history of equal participation on its head. They are insisting that all the different sub-sectors of the world’s economy should now have separate access rights to international governance matters and that it is appropriate that all of civil society has but one or two seats. This approach was clear at the Glasgow COP26 when merchant bankers, investment advisors, investment managers, investment counselors, and other financial sub-sectors wanted to be separately recognized in their net-zero projects, which were presented to the world as their solution to climate change, a claim made without even the meaningful presence of academic or social movement review.

We are critical of how the climate multilateral talks are organized and the outcomes of the negotiations. But in terms of participation, even if civil society will always stake a claim for more transparency and access to information, the formal status given through the ECOSOC system, and the recognition by the COP, is an accepted one and one that is far more balanced. **Now this is changing and multistakeholderism is being presented as the new way of doing it – a way that ignores the long tradition of UN rules and practices and is moving into another formula of inclusiveness that fits better with the idea of ‘key stakeholders, instead of democratic representation and participation.**

## ENERGY, A CRITICAL EXAMPLE

A critical example of this trend that aligns SDGs, the Paris Agreement on climate and businesses is the area of energy. The energy combo mixes the need, as stated in SDG7, of more energy for people in developing countries – and today, given the war crisis, even in developed countries – with the imperative of a transition towards cleaner energy.

### THE GLOBAL ENERGY ALLIANCE FOR PEOPLE AND PLANET (GEAPP)

The way the UN addressed these challenges was through a pack of multistakeholder initiatives. The most recent variant is The Global Energy Alliance for People and Planet (GEAPP), launched at COP26. This is a platform of “\$10 B+” to implement policies to achieve SDGs and the Paris Agreement goals. The alliance is anchored in three partners: the IKEA Foundation, The Rockefeller Foundation and the Bezos Earth Fund, which have together contributed US\$1.5 billion; an additional US\$8 billion came from eight public investment partners: the African Development Bank Group, the Asian Development Bank, the European Investment Bank, the Inter-American Development Bank, the International Finance Corporation, the British International Investment, the US International Development Finance Corporation, and the World Bank.<sup>31</sup> The initiative is based in and led by another multistakeholder group, the Sustainable Energy for All (SEforAll), created in 2011 by then UN Secretary-General Ban Ki Moon.

### SUSTAINABLE ENERGY FOR ALL<sup>32</sup> (SEFORALL)

According to its 2021 Annual report, SEforALL “is an independent international organization that works in partnership with the United Nations (UN) and leaders in government, the private sector, financial institutions, civil society and philanthropies to drive faster action towards the achievement of Sustainable Development Goal 7 (SDG7) – access to affordable, reliable, sustainable and modern energy for all by 2030 – in line with the Paris Agreement on Climate Change. We work to ensure a clean energy transition that leaves no one behind and brings new opportunities for everyone to fulfill their potential.”<sup>33</sup>

Damilola Ogunbiyi, CEO and Special Representative of the UN Secretary-General for Sustainable Energy for All (SEforAll) and Co-Chair of UN-Energy described the High-level Forum on Energy held in Kigali, Rwanda, in September 2022 as the “first summit-level dialogue on energy during the UN General Assembly in 40 years. I was privileged to be chosen as Co-Chair for the Dialogue, which gave SEforALL a lead role in shaping the event, including the outcomes it hoped to produce. Working with our partners at UN-Energy, we set out on developing a platform that would mobilize stakeholders to increase ambition and make new commitments to SDG7.”

<sup>31</sup> <https://www.energyalliance.org/about-us/>

<sup>32</sup> <https://www.seforall.org/>

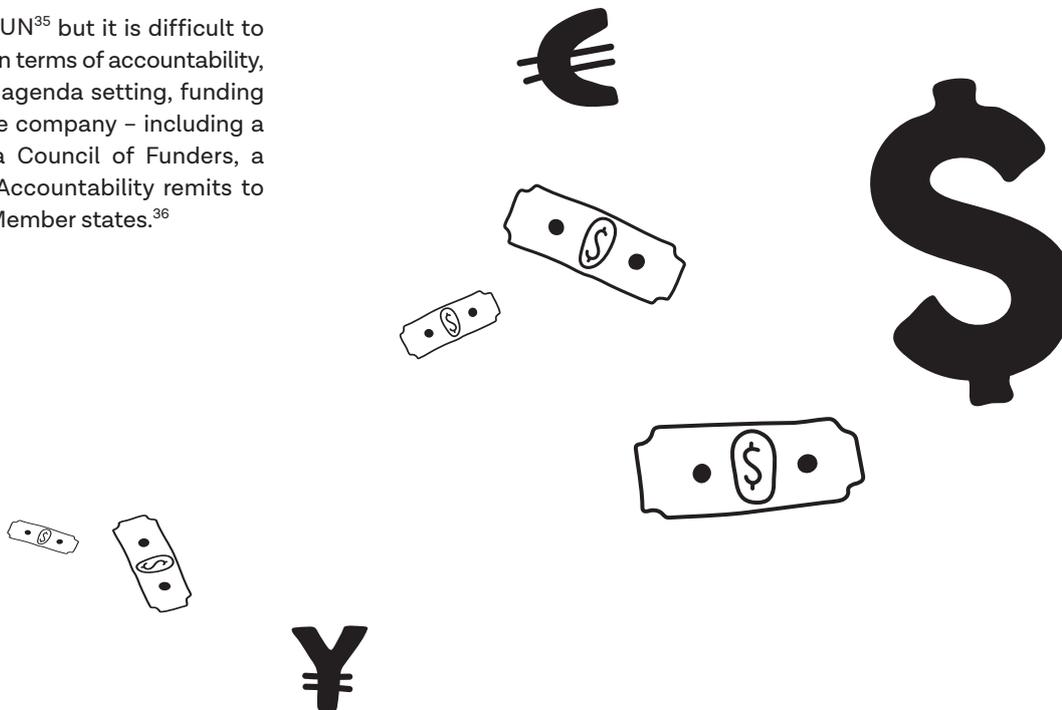
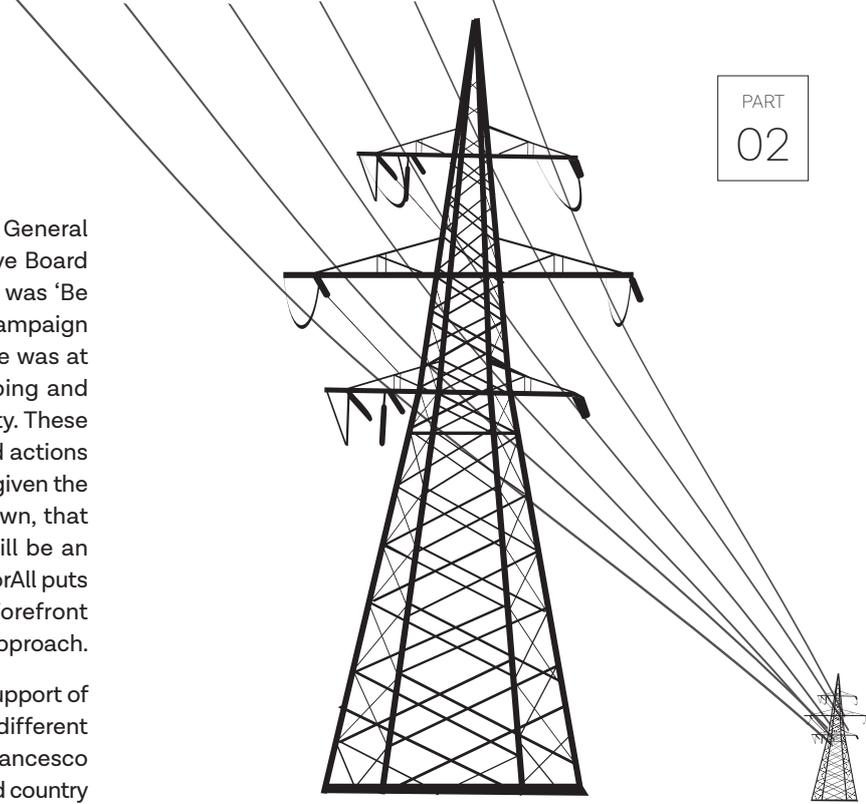
<sup>33</sup> [https://www.seforall.org/system/files/2022-08/SEforALL%20Annual%20Report%202021\\_0.pdf](https://www.seforall.org/system/files/2022-08/SEforALL%20Annual%20Report%202021_0.pdf)

In the same document, Francesco Starace, CEO and General Manager, Enel SpA, Chair of the SEforALL Administrative Board wrote that a “key theme for SEforALL throughout 2021 was ‘Be Bold’”, which the organization also turned into a global campaign highlighting leaders in the energy transition. This theme was at the core of SEforALL’s work with UNEnergy in developing and soliciting Energy Compacts<sup>34</sup> from the global community. These Compacts are meant to capture bold commitments and actions that will deliver meaningful progress towards SDG7, and given the number of countries and organizations, including my own, that have formed Compacts thus far, it is clear that this will be an important platform for action for years to come”. The SEforAll puts big emphasis on its Youth Forum and Women at the Forefront programmes that also underpin its multistakeholderist approach.

With public and private money in their pockets and the support of international institutions, SEforALL is doing what the different bodies of the UN were supposed to do. According to Francesco Starace, in the same report, “SEforALL’s advocacy work and country engagement are helping countries create practical, integrated energy plans that show what is needed to achieve energy, climate and development goals. This important body of work is already proving to be in high demand from countries and will help them attract the financial and technical support they need”.

The SEforALL was launched without any kind of formal consultation or debate with the UN General Assembly and the UNFCCC. Some key issues, such as affordability, were dropped from the SDG7 original statement of the goals when SEforALL was set up.

Today, they have a “relation” with the UN<sup>35</sup> but it is difficult to understand what kind of relation this is in terms of accountability, participation, democratic procedures, agenda setting, funding etc. SEforALL is structured as a private company – including a CEO with an administrative board, a Council of Funders, a business plan and an annual report. Accountability remits to Funders, not to people and not to UN Member states.<sup>36</sup>



<sup>34</sup> “the Compacts now reflect approximately USD 600 billion in funding for SDG7 and the energy transition”.

<sup>35</sup> <https://www.seforall.org/who-we-are/governance-and-accountability/our-relationship-with-the-un>

<sup>36</sup> <https://www.seforall.org/who-we-are/governance-and-accountability>

# WAYS FORWARD AT COP27 & BEYOND

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The UN is restructuring in a way that is increasingly surrendering democracy, legitimacy, accountability and participation to a set of “semi” public, semi “inclusive”, “semi” democratic structures that “semi” privatize the implementation of vital global policies. This restructuring, however, is in favour of big corporations and economic sectors including firms in the oil, gas, and coal sectors. This report has identified some of the specific organizations, practices, and ideological forces that are united in the attack on global governance, and on the health and safety of the planet and its peoples. Many UN leaders are worried about the real need for funding for an effective response to climate change and are exploring how to build a more efficient, and even more democratic and participatory, multilateral global governance. Corporate-led initiatives are often, however, falsely promoted by senior UN officials as the only and “natural” way towards a new international global governance system.



**Key dimensions of it are manifested and discussed in the GFANZ agenda for COP27 and in the Secretary-General's Our Common Agenda. Governments and CSOs should continue to work to shape a quite different process at climate COPs and the 2024 Summit of the Future.**

The GFANZ model for mobilisation of climate finance for the Global South really helps to complete the picture of how financial corporations are reaching out to capture the agenda on climate governance through the control of private finance. With the GFANZ standing at the COPs, financial corporations are seeking to handle the transition themselves. They are doing that on the basis of a net zero approach that, broadly speaking, allows them to continue business as usual. And more, they are able to exploit their position to gain the upper hand with a significant number of developing countries.

**Considering the role in financing climate destruction of many of these corporations, it is urgent to dethrone them and take away all privileges they now enjoy at the UN. What is needed is that governments develop credible rules on divestment from fossil fuels and put in place enforcement mechanisms.**

Governments at COP27 should be finally pressured to exclude transnational corporations from all climate governance events, from the conference facility, and from financing the COP and host country.

Climate and environment civil society activists must mobilize around this nexus of challenges, because these will impact the UNFCCC process in the way we have demonstrated in the "energy" section (Part 2). **Multistakeholderism is the wrong answer to a real problem.**

**COP27 is a crucial moment for action on the climate crisis. Governments, with the support of civil society and the climate movement, need to take back control over private finance and dismantle the leadership role it has carved for itself with the GFANZ.**

A decisive move on this at the COP27 can also be a step in the direction of addressing the systemic framework of "corporate networked multilateralism" which is becoming dominant in the current course of UN re-structuring. Taking action on the regulation of the private climate finance sector can lay the ground for what is anticipated to be a continuing battle against a corporate-centric role for the Summit of the Future.

**Big bankers and free markets are part of the problem, not the solution – tackling this at COP27 can be an opening engagement for setting the direction towards the Summit of the Future.** The Finance sector's corporate leadership in the COP can only be reversed when it is tackled as part of the multistakeholderism that is now positioning itself at the center of the global governance system.

# FUNDING FOR PROFIT & MULTISTAKEHOLDERISM

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HOW THE PRIVATE SECTOR TOOK OVER  
GLOBAL CLIMATE TALKS AGAINST  
THE PEOPLE AND THE PLANET

