Corporate Engagement in Clubs for Climate Governance

More and more institutions in Canada have realized the urgency of changing their everyday activities substantially and explored innovative approaches to lowering energy use and carbon footprint in response to the climate crisis. Climate clubs have attracted significant industry and scholarly attention as a promising pathway forward to larger-scale shifts in economic and energy systems. These clubs unify like-minded partners in smaller-scale groups than international treaties to deliver collaborative climate action. Most importantly, they operate by deriving excludable benefits from sharing the cost of producing social externalities and emphasize club goods and exclusion as incentives for participation and compliance.[1] The surge in attention to clubs has featured state-led initiatives and great power cooperation.[2] Little is known about how non-state actors, especially corporations, interact with and influence climate clubs. To fill this gap, I create a four-layered analytical framework to make a compelling case for corporate engagement in climate governance.

First, I explain the rationales for involving corporations in club-based climate cooperation. Climate change has manifested as reputational, financial, and legal issues for corporations, trustees, and directors. But these actors are also in special positions to gain recognition as authoritative by managing financial and regulatory risks and taking on climate-related responsibilities. They can increase the overall problem-solving capacity with their contributions to climate mitigation and adaption in specific jurisdictions and sectors. Second, I propose a typology of governance functions performed by clubs on which corporations can exert positive influence. In addition to making active emissions reductions, these clubs can also share best practices, facilitate technical dialogue, build capacities for policy and program implementation, and develop norms of behavior. Third, I study the legal foundations underpinning clubs. In other words, what legal tools are effective in holding corporations and other non-state actors together and keeping them engaged in the conduct of climate governance? Fourth, I develop some entry points for analyzing the legal issues and rules concerning the operation of clubs in multi-jurisdictional legal frameworks, including domestic legal orders and international climate law. The ability of corporations to make tailored organizational changes and to confirm with the law surrounding them matters for their sustained viability and political acceptance and for reducing their risk of being judicially annulled.

Throughout my analysis, I apply an eclectic approach bringing together theories from law, political science, economics, and management, to illuminate the role of corporations in constructing and implementing club-based norms as well as (re)framing the engagement and contribution of corporate actors in the processes and practices of climate governance and lawmaking. I apply my analytical framework to three generalized types of clubs for case studies: (1) clubs for emissions measurement and disclosure (e.g., Greenhouse Gas Protocol, Carbon Disclosure Project); (2) dialogue and networking clubs (e.g., C40 Cities Climate Leadership Group); and (3) clubs for technology research, development, and deployment (e.g., International Solar Alliance, Canada's Oil Stands Innovation Alliance).

My project will yield new insights on the potential and limitations of non-state clubs for addressing climate change and advance the debates on how to mobilize and optimize private climate governance. It can help corporations, boards, and CEOs in Canada and beyond identify the norms and practices that have the greatest potential to withstand political changes, stabilize legal disputes, and receive legitimacy and goodwill for environmental stewardship from their stakeholders. It can also equip them with overarching theoretical and methodological tools, supported by empirical evidence, to conduct governance activities besides climate-related financial disclosure and understand whether and to what extent engaging in climate governance shapes their rights and obligations.

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[1] James M Buchanan, 'An Economic Theory of Clubs' (1965) 32 Economica 1; William Nordhaus, 'Climate Clubs: Overcoming Free-Riding in International Climate Policy' (2015) 105 American Economic Review 1339.
[2] Jon Hovi and others, 'Climate Change Mitigation: A Role for Climate Clubs?' (2016) 2 Palgrave Communications 1, 7.