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CHATHAM HOUSE

Policy Brief

The “Middle Power Moment” for Energy Transition and Green Industrial Transformation



About This Policy Brief

This policy brief was jointly prepared by the Foreign Policy Community of Indonesia (FPCI) and the Sustainable Economics and Finance Association (SEFiA), drawing on the discussions, insights, and recommendations emerging from the **Middle Powers Dialogue on Energy Transition and Green Industrial Transformation**, convened by FPCI and SEFiA and hosted by Chatham House on Wednesday, 24 June 2026, during London Climate Action Week (LCAW) 2026.

The dialogue brought together participants from Australia, Brazil, Indonesia, Mexico, South Africa, South Korea, and Türkiye to explore how middle powers can exercise greater agency in shaping the global energy transition through cooperation on green industrialization, climate and transition finance, renewable energy deployment, and electrification. Building on these discussions, this policy brief outlines core principles, strategic priorities, and practical pathways for translating middle power cooperation into collective action and implementation.

Key Messages

- The global energy transition has evolved beyond a climate agenda into a primary arena of economic competition, industrial strategy, national security, and geopolitics. With emerging markets and developing economies (EMDEs) driving roughly 80% of global electricity demand growth, decisions taken outside major superpowers will shape the future clean energy economy.
- Middle powers possess the critical minerals, renewable resources, manufacturing capabilities, and diplomatic weight necessary to drive this transition, but their assets remain fragmented.
- To transition from fragmented capabilities to collective influence, like-minded middle powers must anchor their cooperation in a rigorous, structured normative pact rather than loose, ad-hoc mechanisms.
- Cooperation must be governed by a commitment to inclusive multilateralism, bridging the Global North-South divide, ensuring equitable wealth generation and local beneficiation, and advancing integrated climate action alongside clean energy access (SDG 13 and SDG 7).
- Strategic alignment protects national sovereignty against coercive economic practices and hyper-concentrated supply chains through mutual support, diversified markets, and transparent trade standards.
- A convergence-based variable geometry model—anchored by two-track execution linking high-level political coordination with technical workstreams—can successfully translate policy ambitions into investable project pipelines.

The global energy transition has transformed from a purely environmental objective into the central axis of international economic competition, industrial strategy, and national security. As emerging markets and developing economies (EMDEs) account for approximately 80% of global electricity demand growth, the trajectory of the future clean energy economy will increasingly be determined by states outside the traditional superpower axis.

Middle powers—such as Australia, Brazil, Indonesia, Mexico, South Africa, South Korea, and Türkiye—hold the critical minerals, renewable generation potential, manufacturing capacities, and diplomatic leverage required to steer this transition. However, these vital assets remain scattered. To overcome structural bottlenecks such as high costs of capital, transmission constraints, and supply chain vulnerabilities, like-minded middle powers must unite under a structured, issue-driven institutional framework.

Core Normative Principles: A Pact for Like-Minded Middle Powers

To move past ad-hoc cooperation, like-minded middle powers must anchor their joint initiatives in a rigorous, structured normative pact. In this regard, partner states should formally unite around the defense and reinforcement of rules-based multilateralism, utilizing minilateral and variable-geometry coalitions not to bypass global governance, but to make existing institutions (such as the UN, G20, and COP processes) more functional, equitable, and responsive.

Bridging the Global North-South divide should be a key priority. Cooperation must explicitly target structural inequities between advanced economies and the Global South by addressing disproportionate costs of capital, barriers to technology transfer, and asymmetrical economic dependencies. Economic and industrial strategies must reject models of raw material extraction that solely enrich external markets; instead, they must guarantee domestic value retention, high-quality employment, and shared prosperity across partner states.

In alignment with SDG 13 and SDG 7, climate mitigation and green industrialization must be inextricably linked with the imperative to eradicate energy poverty, ensuring that clean energy deployment scales universally, affordably, and reliably. Middle powers must align to protect national sovereignty against coercive economic practices and hyper-concentrated supply chains, ensuring collective resilience through mutual support, diversified markets, and transparent trade standards.

Key Policy Pillars for Implementation

1. Green Industrialization and Low-Carbon Value Chains

Resource-rich economies face the persistent danger of remaining raw material suppliers while high-value processing, manufacturing, and intellectual property accumulate elsewhere. Middle powers can counter this by leveraging dynamic complementarity—pairing mineral wealth, battery manufacturing, solar production, and green industrial exports across borders to foster shared industrial upgrading and transparent trade standards.

2. Shaping the Rules and Institutions of Climate Finance

EMDEs encounter costs of capital two to three times higher than advanced economies due to perceived risk, while capturing only a fraction of global clean energy investment. Middle powers can transition from passive financial rule-takers to active norm-setters by coordinating common positions on risk guarantees, local-currency financing instruments, debt sustainability, and co-financing frameworks through platforms like the G20.

3. Accelerating Renewable Energy Deployment and Electrification

The global energy transition is fundamentally an electricity system transformation, with electricity demand projected to grow by 3.6% annually from 2026 to 2030, and emerging markets driving nearly 80% of consumption growth. While the International Energy Agency (IEA) projects 4,600 GW of new renewables through 2030, current policies fall short of COP28 tripling goals. As the COP31 Presidency elevates electrification into a flagship priority and opens a dedicated global electrification pledge for signature, the international climate agenda is taking a decisive step toward transforming end-use sectors like transport, industry, and heating.

The primary challenge has shifted from installing generation capacity to managing interconnected grids, flexibility, and transmission. Globally, over 2,500 GW of projects remain stalled in connection queues, while transmission build-out timelines outpace generation. Middle power experiences—from Brazil managing curtailment and planning battery auctions to South Africa expanding transmission, Korea deploying mainland storage, Türkiye scaling renewables, Mexico modernizing substations, and Indonesia launching its massive solar program—illustrate that bottlenecks evolve as deployment scales. As electricity replaces fossil fuels across transport, industry, and buildings, clean power becomes a driver of energy security and import substitution. However, rapid demand growth requires coordinated system planning, flexible loads, and structured coal phase-down.

Herein lies a strategic window of opportunity for middle powers: by aligning their diplomatic influence and domestic experiences, they can shape the COP31 electrification pledge into an actionable, equitable, and enforceable standard. Operating at the frontlines where surging industrial demand meets transmission bottlenecks and structural grid challenges, middle powers are uniquely equipped to bridge high-level multilateral commitments with practical implementation. Through minilateral coordination and collective leverage across COP and G20 processes,

middle powers can champion a holistic framework ensuring that international electrification pledges mandate grid-level decarbonization, equitable burden-sharing, and dedicated transition finance for clean flexibility—guaranteeing that the COP31 agenda accelerates a genuine system-wide transformation rather than inadvertently locking in fossil-based power systems.

Moving beyond simplistic best practices, middle powers must deploy diagnostic, issue-specific technical workstreams—focusing on grid planning, storage design, procurement reform, and integrated electrification—while utilizing a "lessons from failure" approach to accelerate implementation.

Conclusion: A Variable Geometry and Two-Track Execution Framework

Translating high-level diplomatic visibility into concrete implementation requires a practical framework known as convergence-based variable geometry. While having complementary materials and resources creates the foundation for cooperation, true political durability relies on shared national interests and a commitment to sustainable norms.

Much of the institutional infrastructure for middle power cooperation already exists across the G20, MIKTA, APEC, COP processes and other regional and sectoral platforms. The focus should be less about creating another organization and more about utilizing existing institutions more strategically. Smaller coalitions can be used to generate action, test approaches, and build political momentum, before successful initiatives are scaled or embedded through established institutions. In this model, minilateralism is not an alternative to multilateralism, but a mechanism for making it more responsive. Crucially, high-level political coordination must be directly anchored in dedicated technical workstreams, ensuring that broad policy ambitions are successfully translated into investable project pipelines, harmonized regulations, and robust domestic institutional capacity.

Contributing Partners

Foreign Policy Community of Indonesia (FPCI)

Foreign Policy Community of Indonesia (FPCI) is an independent, non-political, non-partisan, and non-governmental foreign policy organization established to discuss and introduce international relations issues to many relevant actors in Indonesia, such as diplomats, ambassadors, government officials, academia, researchers, businesses, media, lecturers, think tanks, and students. Since its establishment in 2015, FPCI has played an active role in socializing Indonesian foreign policy and regional and international issues at the grassroots level, particularly among young people and students. FPCI has become the largest foreign policy community in Indonesia, Southeast Asia, and the Indo-Pacific, with over 100,000 people in its network.

FPCI Climate Unit is a climate diplomacy and convening platform that supports Indonesia's transition to net-zero emissions and climate resilience, while advancing broader efforts across Southeast Asia and emerging economies. It brings together government, private sector, academia, and civil society to align priorities, strengthen cooperation, and translate climate ambition into actionable outcomes. By bridging the geopolitical, economic, and climate realities of today's world, FPCI Climate Unit works to drive systemic change toward a shared goal: building a safe, resilient, and prosperous future for all.

Sustainable Economics and Finance Association (SEFiA)

SEFiA, is a research oriented climate NGO based in Ankara, Turkey. SEFiA focuses on energy transition, climate change and low-carbon development discussion from the lens of economics and financial analysis. SEFiA works in close ties with the environmental NGO sphere, by addressing their research needs through academic integrity. While its main domain of research is Turkey, SEFiA also seeks opportunities for building alliances with international peers to enhance the knowledge base.

Its research topics include the impact analysis of alternative low-carbon economy pathways; the tracking of the transformation in global financial flows towards combating climate change; the economic and financial risks arising from climate change and energy transition. SEFiA aims to contribute to the design of low-carbon economic policies through its in-house expert capacity and studies conducted with researchers who are experts in their fields. Its ultimate goal is to ensure the implementation of these policies, therefore SEFiA also pursues the necessary communication of its research outputs towards this goal. SEFiA prioritizes the public interest in its work and supports participation. Through the workshops, roundtables and one-on-one meetings it organizes, it comes together with stakeholders operating in different fields such as the public,

Contributing Partners

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