

Energy Transition – Quo Vadis Revisiting Supply-Side Policies in Ecuador

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IN SHORT

EN

- Extractivism has shaped Ecuador for the last half-century.
- The Yasuní initiative aimed at leaving about one-fifth of Ecuador's oil reserves underground.
- Poor handling of the Ecuadorian government and the international community let it falter and finally fade.
- Energy transition towards renewable energy sources might provide a new scenario in which supply-side policies such as leaving fossil fuels underground and fossil fuel non-proliferation treaties might be (re-)tested.

DE

- Extraktivismus und Erdölförderung hat Ecuador in den letzten fünfzig Jahren geprägt.
- Die Yasuní-Initiative zielte darauf ab, ein Fünftel der ecuadorianischen Ölreserven im Untergrund zu belassen.
- Durch die mangelhafte Handhabung der ecuadorianischen Regierung und der internationalen Gemeinschaft geriet sie ins Stocken und wurde schließlich aufgegeben.
- Die Energiewende hin zu erneuerbaren Energiequellen bietet ein neues Szenario, in welchem angebotsorientierte Maßnahmen und fossile Brennstoffe unter der Erde erneut getestet werden können.

FR

- L'extractivisme pétrolier a marqué l'Équateur au cours du dernier demi-siècle.
- L'initiative Yasuní visait à laisser environ un cinquième des réserves pétrolières de l'Équateur sous terre.
- La insuffisant gestion du gouvernement équatorien et de la communauté internationale l'a laissé vaciller et finalement disparaître.
- La transition énergétique vers les sources d'énergie renouvelables offre un nouveau scénario dans lequel les politiques de l'offre, telles que le fait de laisser les combustibles fossiles sous terre et les traités de non-prolifération des combustibles fossiles, peuvent être testées.

ES

- El extractivismo petrolero ha marcado Ecuador durante el último medio siglo.
- La iniciativa Yasuní pretendía dejar bajo tierra una quinta parte de las reservas de petróleo de Ecuador.
- La insuficiente gestión del gobierno ecuatoriano y de la comunidad internacional la hicieron tambalearse y finalmente desvanecerse.
- La transición energética hacia fuentes de energía renovables ofrece un nuevo escenario en el que pueden ponerse a prueba políticas orientadas a la oferta como dejar los combustibles fósiles bajo tierra y los tratados de no proliferación de combustibles fósiles

Introduction: The Energy Transition and “Reloaded” Extractivism

Suppose the world is committed to the goal of the Paris Agreement to keep global warming below 1.5 °C compared to pre-industrial levels; fossil fuel extraction needs to be reduced by 6 percent per year by 2030. Instead, snowballing global demand hanging on the recovery of the pandemic and the growing tensions between the West and Russia is pushing exporting countries to extract 110 percent more fossil fuels by 2030 (SEI et al., 2021). Therefore, supply-side policies that limit the further expansion of fossil fuel extraction are gaining growing recognition. Current academic debates on the potential of supply-side policies focus on the design of fossil fuel non-proliferation treaties (Newell et al., 2022) and the feasibility of leaving fossil fuels underground initiatives (Rempel & Gupta, 2022). Despite coalescing around the Paris Agreement, innovative supply-side policy approaches do not necessarily conform with conventional United Nations Framework Conference on Climate Change (UNFCCC) schemata based on carbon market rationale. This hinders their possibilities of implementation as climate policies. However, innovative supply-side policy approaches might be launched under other relevant frameworks currently at the top of the international political agenda, such as the energy transition.

The Paris Agreement does not explicitly mention “fossil fuels” as the leading cause of climate change. The penultimate COP26 in Glasgow, where the implementation of the treaty was discussed, includes only a meager statement on the gradual “phase down” (instead of phase out) of coal (Blos, 2021). Yet, the energy transition away from fossil fuels is widely

recognized as the only way to drastically curb greenhouse gas emissions. Despite the intended global change towards sustainability, the transition entails the continuity of extractivism in the Global South. In this Extractivism Policy Brief, extractivism refers to the endurance of a development model grounded in natural resources extraction for commodification as raw material in the world market without significant value added. Further, “reloaded” extractivism (Alarcón et al., 2022) might be understood as boosted fossil fuel extractivism in flat contradiction of the Paris Agreement and enhanced mineral extractivism triggered by the Global Northern demand for ‘green’ technologies necessary for harnessing renewable energy sources.

The global scenario set by the energy transition might turn into an arena for implementing supply-side policy approaches such as leaving fossil fuels underground (LFFU) initiatives. Therefore, in this Extractivism Policy Brief I revisit the Yasuní initiative, a failed Ecuadorian plan to leave about one-fifth of the country’s oil reserves unexploited in exchange for international compensation for revenues foregone. First, I focus on the significance of oil in Ecuador to explain the context in which the initiative took place. Since the initiative entailed two levels of engagement, a domestic and an international, I then examine the reasons for its failure with a focus on the international level (for a focus on domestic reasons, see: Kingsbury et al., 2019). Finally, I discuss the lessons learned and outline the conditions under which supply-side policy measures might contribute to a global transition away from fossil fuels.

Oil in Ecuador: Black Gold or the Devil’s Excrement?

South America is natural resource-dependent. Agricultural products, minerals and metals, and energy resources amount to over three-quarters of the region’s total exports to the global economy (UNCTAD, 2021, p. 12). This situation is not new. Yet, it illustrates the traditional role of South American countries in the international division of nature: The provision of natural resources throughout different stages of the history of capitalism. Ecuador illustrates this role well (Alarcón,

2022). Alongside its establishment as an independent nation in the nineteenth century, exports of agricultural products began to steer the economy, politics, and social formation. The country became internationally known for its cocoa beans and bananas exports, which successively led the Ecuadorian portfolio. Control over their production and exports cemented the sociopolitical order dominated by landowners and agro exporters (Alarcón, 2021).

The year 1972 marked a watershed in the history of Ecuador. The country ceased to depend on the performance of the agricultural sector and started depending on the sales of oil overseas. The “Ecuadorian oil era” (Alarcón, 2021) began with the inauguration of the Trans-Ecuadorian pipeline that connects the extraction areas in the Amazon basin with seaports on the Pacific coast. The US consortium Texaco-Gulf, which was granted a vast concession area in the Ecuadorian Amazonia since 1961, launched the venture of crossing the Andes mountains to provide oil to the world market. The promise of entering the world’s oil circuit precipitated a coup. The military brought down the government and installed a self-styled “revolutionary nationalist” dictatorship allegedly to prevent “civilian politicians pillaging windfall revenues pouring into the state” (Conaghan, 1988, p. 79).

The dictatorship shouldered a more titanic venture: The state’s capture of a more significant portion of oil rent (for current debates on resource nationalism, see: Arbatli, 2018). Therefore, the law on the creation of a state-owned oil company was passed shortly before the inauguration of the Trans-Ecuadorian pipeline. Besides, the dictatorship renegotiated concessions granted to oil companies and compelled them to switch to contractual schemes that included raised taxes and royalties. The intention of a nationalist state-led oil administration was further supported by the integration of the Organization of Petroleum Exporting Countries (OPEC). The self-styled “revolutionary nationalist” military dictatorship was replaced in 1976 by a more corporation-friendly military dictatorship which lasted until the return to democracy in 1979. Though, the initial bargaining on the state’s capture of a larger portion of oil rent left the economy weighted in favor of the public sector and a new leading actor in development: The national state (Alarcón, 2021).

Despite being a marginal exporter to the world economy, oil rent transformed Ecuador. “Black gold” was central to the creation of new patterns of consumption. These patterns correspond to higher levels of income which, in turn, hinge on the revenues generated by extractivism and the state pouring oil rent into society through distributive policies (Alarcón, 2023); in short: oil was central to state-led modernization. Thanks to “black gold”, Ecuador was removed from the list of low-income countries. Nearly all of the most giant hydroelectric power plants and the entire oil refining infrastructure currently in operation

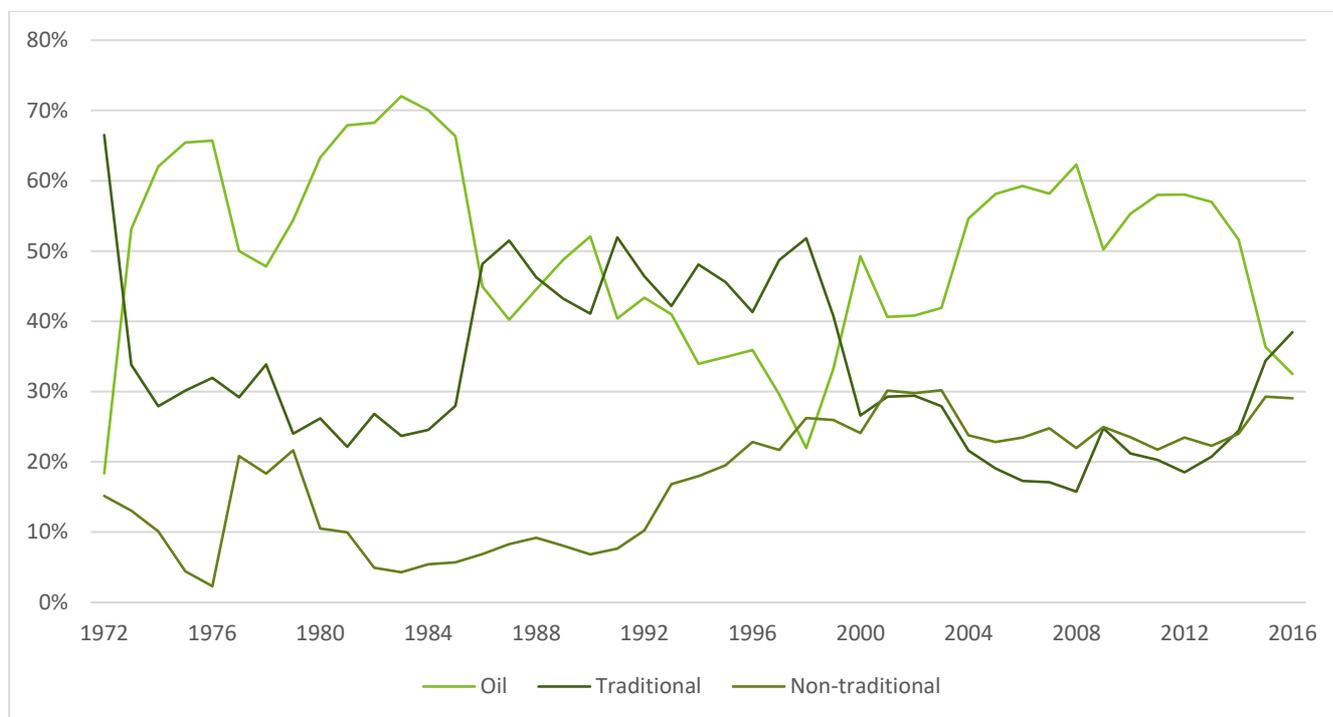
were established during the first oil boom (1972-1981). Besides, the state’s allocation of oil rent among society through creating employment opportunities in the public sector was essential to the consolidation and strengthening of urban middle classes (Gelb & Marshall 1988, p. 194). Another social mechanism of the state pouring oil rent that persists until now is granting subsidies on oil products for domestic consumption, which are mostly imported.

Despite modernization, state efforts during the first oil boom were not sufficient to attain economic diversification or its epitome at that time: industrialization. The Ecuadorian manufacturing sector grew somewhat during the first oil boom thanks to the enforcement of generous sets of measures, which included subsidized credits, tax benefits, exemptions from tariff and import duties, and subsidies. Though, such ephemeral growth resulted from a transient upsurge in dominant industrial segments in a context of domestic demand expansion—small- and medium-sized industries of finished consumer goods such as food processing, textiles, and clothing (Alarcón 2022, p. 215). A persistent consequence of not attaining economic diversification is a trade balance weighted in favor of imports of manufactured goods, including oil products.

The hangover of the oil boom was massive. The severe crisis of the end of the twentieth century hit the country amidst plummeting international oil prices and snowballing external debt. Ecuador abandoned OPEC in 1992 in a bet to attract foreign investment to help counteract decreasing prices with increased oil extraction. Economic, social, and political crises led to abandoning the national currency. In 2000, the government adopted the US dollar as the only legal tender. Due to the US monetary policy, which at that time bet on depreciation, Ecuadorian agricultural products gained international competitiveness. Particularly exports of flowers experienced a takeoff (Figure No. 1). 94 percent of the total exports are currently natural resources, mainly agricultural products and crude oil (UNCTAD, 2021, p. 99). At the end of the twentieth century, alongside the rise of the mainstream discourse of sustainable development and the denunciation of the negative socio-ecological consequences of oil extractivism in the Amazonia and monoculture in vast parts of the country, environmental consciousness mushroomed among the Ecuadorian society. This, together with the assimilation of the misfortunes grown in the crisis, was central to

cementing the idea that oil is indeed the “devil’s excrement” (Pérez Alfonso, 1976).

TABLE 1: SHARE OF EXPORT PRODUCTS BY TYPE (PERCENT) IN ECUADOR 1972-2016



Source: Own elaboration based on BCE (2017, p. 111)¹

Building on Marx, Latour affirmed that “history repeats once as tragedy and once as farce, nonetheless, there is another possibility: it can endlessly replay as slapstick comedy” (Latour, 2017, p. 147). Amidst the twenty-first-century commodity boom, international oil prices skyrocketed again for over a decade. The influx of fresh petrodollars ultimately sustained Ecuadorian dollarization. The second oil boom (2003-2014) revived nationalist sentiments toward state-led oil administration. In 2006, during the government of President Alfredo Palacio, assets of US Occidental Petroleum Corporation (OXY), which controlled twenty percent of oil extraction, were nationalized. Furthermore, the National Assembly passed a reform to the Hydrocarbons Law that compelled foreign oil companies to pay the Ecuadorian state a 50 percent share of the windfall gains. At the beginning of the first presidency of Rafael Correa, in 2007, Ecuador resumed OPEC, and a new Fiscal Law was passed, fixing the state’s share of the windfall gains at 70 percent.

International conditions, by and large, changed during the end of the previous century leaving national states little room for maneuver. As a signatory of the World Bank’s Convention of the International Centre for Settlement of Investment Disputes (ICSID) since 1986, Ecuador consented to allow foreign companies to bring investment disagreements before international arbitral tribunals. Hence, a foreseen outcome of the enforcement of nationalist oil policy was foreign companies straightaway suing the country. Ecuador withdrew from ICSID in 2010, though it missed the boat; the state paid OXY \$ 980 million in 2016 as compensation for seizing its assets. Disputes against Anglo-French Perenco and US ConocoPhillips in ICSID courts total another \$ 800 million (Edwards & Strohecker, 2022; Valencia, 2016).

The second oil boom triggered renewed patterns of consumption that correspond to even higher income levels. Without economic diversification, though, new consumption patterns translated into snowballing

¹ Export products in the table: Oil: Mainly crude oil; Traditional products: Banana and plantain, coffee and coffee products, shrimp, cocoa beans and cocoa products, tuna and fish; Non-traditional products: Mainly natural flowers, canned sea food and mining products.

imports of consumer goods, which nearly tripled (in thousands of US\$) between 2003 and the historical peak of 2014. The trade deficit reached a high point in 2015 (BCE, 2017, pp. 109-119). To cope with the problem, the government-imposed tariffs on about one-third of all imports and charged consumer goods up to 45 percent ad valorem (Calderón, 2016, p. 113). Though, the measure opposes the reigning free trade global governance. Ecuador has been a member of the World Trade Organization (WTO) since 1994 and the Andean Community (Comunidad Andina, CAN) since 1996, therefore, the enforcement of import tariffs was limited to a maximum period of twelve months.

New patterns of consumption were not only sustained by extractivism and distributive policies but also rested on external debt. In a renewed effort to attract foreign

investment, the Ecuadorian state withdrew from OPEC again in 2020 and is trying to re-enter ICSID even despite its political constitution. Yet, as oil was more and more likened to the “devil’s excrement”, and as the “resource curse thesis” (Auty, 1993) arose as a *deus ex machina* to rationalize the misfortunes of (under-)development in natural resource-rich countries, ideas such as the moratorium on fossil fuels exploration, and leaving fossil fuels underground emerged in the 1990s in alternative climate forums by the hand of transnational environmental organizations such as Greenpeace and Oilwatch. Innovative ideas were to be proven amidst the persistence of extractivism in Ecuador and the national commitment to oil development in the twenty-first century in the Yasuní initiative, the most promising global campaign to stop fossil fuels worldwide (Finkeldey, 2023, p. 128).

| The Failed Yasuní Initiative

By the end of the twentieth century, the Ecuadorian environmental movement increasingly influenced domestic politics. Most influential “ecodependents” or national groups that partner with and receive funding from “ecoimperialists” or transnational environmental organizations (Lewis, 2016), integrated the PAIS (Patria Altiva I Soberana) movement. This political coalition propelled Rafael Correa to his first presidential election in 2007. Once in power, the self-styled “citizens’ revolution” promoted *Buen Vivir/Sumak Kawsay* as an alternative development model. An increasing number of authors (e.g., García-García, 2022) insist that the discourse of *Buen Vivir* in Ecuador might be better understood through its different branches. Thereby, the well-known ecologist stance roots in the indigenous vision of a harmonious relationship between society and nature. “Ecodependents” appointed to high-ranking state positions brought the idea of transnational environmental organizations leaving fossil fuels underground to the recently elected government.

The Ecuadorian state established the Yasuní National Park in the Ecuadorian Amazon basin in 1979. Since 1989 it has been part of the World Biosphere Reserves of the United Nations Educational, Scientific and Cultural Organization (UNESCO). The park overlaps ancestral Waorani territory and is inhabited by at least two other groups living in voluntary isolation. Yasuní is one of the two richest places in the world for amphibian species,

the second richest place known to date for reptiles, and is very rich in birds, mammals (particularly for bats), and fish species. It is the habitat of about one-third of the Amazonia’s amphibians, reptiles, birds, and mammals. Yasuní is also one of the top nine most affluent centers of global plant diversity, with at least two world records: Mean number of tree and shrub species and mean number of larger tree species per unit of area. A typical hectare of forest in Yasuní contains upwards of 655 tree species, more than are native to the continental United States and Canada combined. Part of this extraordinary diversity stems from a considerable number of threatened species, particularly mammals, and of regionally endemic amphibians, birds, and plants (Bass et al., 2010).

At least three-quarters of the total area of the Yasuní National Park (approximately 10,000 km²) overlap six oil fields. Field 43 or ITT (Ishpingo-Tambococha-Tiputini) alone contains about 850 million barrels of crude oil. Such an amount of oil, which makes up only one week of the global demand, represents not less than one fifth of its total reserves for Ecuador. The Yasuní initiative aimed at leaving the oil of the ITT underground *sine die*. In exchange for the loss of \$ 7.2 billion in revenues foregoing oil extraction (the net-present value of the reserves in 2007), the Ecuadorian state expected a monetary compensation at least half of that amount from the international community. The contribution of

the Ecuadorian state, though, was far beyond being just financial. The realization of the initiative would have meant a decisive step in the direction of (1) respecting the rights of indigenous peoples living in the Yasuní, (2) protecting the park's exceptional biodiversity in itself, and (3) as a provider of essential environmental services to the whole world (e.g., carbon sinks, provision of oxygen), and (4) combating climate change by keeping out of the atmosphere the number of greenhouse gases that results from using 850 million barrels oil, i.e., around 410 million tons of CO₂.

Moreover, realizing the Yasuní initiative would have sent a strong signal towards turning the discourse of *Buen Vivir/Sumak Kawsay* into practice as it epitomizes the influential ecological dimension of harmony between society and nature (Goeury, 2021; Alarcón, 2020). The initiative was framed within the National Development Plan 2007-2010 under the strategy of "alternative and sustainable use of biodiversity, with special attention to indigenous people and culture" (SENPLADES, 2007, p. 156). As happened with *Buen Vivir/Sumak Kawsay* itself, the inclusion of the Yasuní initiative into official documents despoiled it of its potential by understating its transformative dimensions (indigenous peoples' rights, protection of biodiversity, provision of environmental services, combating climate change) and linking it to orthodox narratives that refer to sustainable and human development (Alarcón et al., 2018, p. 56).

At the time of the launching of the initiative, the international political agenda was still not taken over by matters related to the energy transition. Nonetheless, the Ecuadorian government established a national Energy Transition Trust Fund to allocate contributions to renewable energies. However, the favored mechanism to collect contributions from international donors was a trust fund under the United Nations Development Programme (UNDP) administration destined mainly to social development projects, conservation and reforestation in the Amazon basin. The UNDP trust fund was to be financed by (1) contributions of governments, private and public entities, including intergovernmental and non-governmental organizations, and individuals, and (2) the issuance of Yasuní Guarantee Certificates (YGC). Since YGC strictly denoted emissions that would never occur while oil is kept in the ground, they were deemed ineligible for United Nations Framework Conference on Climate Change (UNFCCC) carbon market mechanisms. Mainly during COP 15 and COP 16 in 2009 and 2010, Reducing Emissions from Deforestation and

forest Degradation (REDD) was discussed as a principal mechanism to compensate developing countries for the environmental service of reducing deforestation.

The divergence between the Ecuadorian proposal and mainstream UNFCCC mechanisms is central to understanding the failure of the Yasuní initiative. More precisely, the Yasuní initiative constitutes a telling example of how innovative supply-side measures clash with the rigidity of UNFCCC carbon market rationale in which "emissions" are tradable. However, that is not the case with "avoided emissions". As the pathbreaking Ecuadorian project was pushed to compete against mainstream UNFCCC mechanisms such as Reducing Emissions from Deforestation and forest Degradation (REDD) in international forums, not only "international apathy" raised (O'Connell, 2016, p. 44), but also the outright reluctance to deliver offered financial contributions arose. The lack of political will to support the Yasuní initiative in governments of Global Northern countries stemmed from fears that the project would set a precedent for them to pay more for unburnt fossil fuels in the future (Sovacool & Scarpaci, 2016). During the Second Merkel Cabinet (2009-2013), the German government provides a paradigmatic example of this. Despite being the first administration worldwide which offered substantial backing to the Yasuní initiative, Dirk Niebel (FDP), head of the Federal Ministry for Economic Cooperation and Development (BMZ) at that time, refused to honor the pledge of \$ 50 million per annum voted by the Bundestag in 2008. Niebel opposed the Yasuní initiative and froze support in favor of conventional UNFCCC mechanisms (Niebel, 2011); nonetheless, the BMZ launched the special program Biosphere Reserve Yasuní (Sonderprogramm Biosphärenreservat Yasuní) in 2013 to channel EUR 34.5 million in five years to the Ecuadorian Ministry of Environment for biodiversity conservation in the Yasuní National Park (BMZ, 2013, p. 2).

By 2013, when the Ecuadorian government unilaterally decided to terminate the initiative, the contributions to the energy transition trust fund amounted to \$ 2 million, and the UNDP trust fund totaled \$ 11 million. Whilst the minimum threshold to be reached by 2011, according to the terms of reference agreed with UNDP, was \$ 100 million (UNDP, 2010, p. 13). Thereby, the Secretary of State and former Plenipotentiary Representative of the Yasuní initiative with a team of about fifteen persons had spent \$ 7.3 million in a fundraising campaign around the world only during the last three years of the initiative

(El Universo, 2013). In a public speech in August 2013, the Ecuadorian president blamed the international community for its alleged lack of compromise with the initiative: “The world has failed us”, and emphasized the sovereign right of the Ecuadorian state to pursue national development. Therefore, so the president, oil extractivism is essential, otherwise, “we are like beggars sitting on a sack of gold”. The government-near National Assembly promptly issued a resolution declaring the exploitation of Yasuní reserves of national interest for the sake of *Buen Vivir/Sumak Kawsay*. The state-owned oil company started drilling in 2016. Nowadays, field ITT provides about ten percent of the total oil extraction of Ecuador.

Despite the arguments of the Ecuadorian government (the meager transformation into the reality of offered international financial contributions), the termination of the Yasuní initiative was a kick in the teeth for international cooperation. When the German government asked for explanations, the Ecuadorian government announced its readiness to cancel the

special programme Biosphere Reserve Yasuní unilaterally. In October 2014, a delegation of German parliamentarians visited Ecuador, though it was impeded from entering the national park. A further visit was scheduled for the end of that year. The Ecuadorian government banned the German delegation from entering the country, and the president touted that “imperialism and colonialism had already ended” (El Universo, 2014). The end of the initiative also precipitated domestic aftermaths. “Ecoresisters” (Lewis, 2016), or home-grown environmentalists who reject the dominant oil-driven development paradigm, aligned themselves with the opposition, epitomizing the break between the government and social movements. Precisely such groups sought a referendum, which is foreseen in the constitution when it comes to the purpose of oil extraction in protected areas. The referendum was systematically blocked for nine years until recently, the Electoral Court revived the case. With that, the question of whether oil extraction in the Yasuní National Park should continue might arise in the next sectional elections (El Universo, 2022).

| Lessons from the Yasuní Initiative: Supply-Side Policies in the Spotlight

The gap between the multidimensional transformative potential of the Ecuadorian Yasuní initiative (combating climate change, protection of indigenous peoples’ rights, protection of biodiversity, and provision of environmental services) and the rigidity of mainstream UNFCCC mechanisms fixed on emissions trading and carbon markets was a hotbed of the lack of political will to support the project in governments of Global Northern countries. It first incited “international apathy” and then outright reluctance to deliver offered financial contributions. Besides, attaching to UNFCCC mechanisms hindered the possibility of thinking “out of the box” of the market rationale of emissions trading. In this line, by the time of the initiative, other significant international frameworks were in force regarding the rights of indigenous peoples (the International Labour Organization’s Indigenous and Tribal Peoples Convention, also called ILO 169) and the conservation of biological diversity (the United Nations Convention on Biological Diversity). Such significant international frameworks were barely mentioned during the promotion of the Yasuní initiative. By understating the entire transformative potential of the project, a unique

opportunity was missed to support other most relevant priorities besides combating climate change.

This is not to say that the UNFCCC opposes supply-side approaches per se. On the contrary, the agreed principle of the common but differentiated responsibilities and respective capabilities written into the UNFCCC might prove as a powerful framework to underpin supply-side projects as it addresses (1) the different historical responsibilities of countries for emissions derived from burning fossil fuels, and (2) the unequal wealth different countries have accumulated from fossil fuel extraction and fossil fuels (ab)use in the past and still do so today. Policymakers and potential contributors of supply-side approaches must push the ‘respective capabilities’ component of the principle to gain recognition for (1) the uneven capacity of Global Southern countries to limit extraction and transition away from fossil fuels and (2) dependence many countries have on fossil fuels for their development. This might be the basis for recognizing the need for international support and solidarity and in most cases, the need for “special and differential treatment” (Newell et al., 2022, p. 2).

The principle of the common but differentiated responsibilities and respective capabilities might also serve as an adequate platform for supply-side approaches during the scenario set by the energy transition. Innovative projects such as the Yasuní initiative might prove a tremendous contribution and turn into a “prototype” (Sovacool & Scarpaci, 2016) of supply-side policies for the Global South. Country-specific characteristics might steer the attention of supply-side projects towards the protection of the rights of indigenous peoples or the conservation of biological diversity. Though, a common characteristic of supply-side projects in the Global South is that they put the issue of natural resource extractivism at the top of the political agenda of the energy transition. The public announcement of groundbreaking projects with the objective of slowing down the pace of extractivism in the Global South (or at accelerating the pace of the energy transition in the Global North), such as leaving fossil fuels in the ground initiatives and fossil fuel non-proliferation treaties, is not only crucial to insisting on the obvious and often neglected fact that the other side of the coin of “reloaded” extractivism is the growing demand of raw material in the Global North, but also to rising awareness among a broader public on the persistence of the extractivist nature of the current energy system.

A shift of focus to natural resource extractivism in the Global South implies questioning the main tenets and priorities of ongoing academic debates on the energy transition. For example, acknowledging that whereas in the Global North, the energy transition is re-balancing the relationship between capital and labor, in the Global South, the unbalanced relationship between capital and nature remains untouched. Or recognizing that with an economy weighted in favor of the public sector and a traditional role in pursuing development, Global Southern states will be mainly in charge of the energy transition instead of well-established markets with the capacity for technological innovation in tandem with welfare states providing (or restricting) the necessary environment for more or less ambitious transitions through skilled public sectors with room for maneuver (Krause et al., 2022, p. 5).

Besides theoretical considerations, the energy transition in the Global South entails concrete challenges. In a context where social developmental projects such as assuring access to public health, education, and social security are constitutionally granted but largely unmet,

enforcing the energy transition imposes an additional burden. In many natural resource-dependent Global Southern countries, financing the energy transition is an open question. Given that prices of domestic energy services for end-users must be affordable, the energy transition, as any other developmental project, would test (1) the states’ capacity to appropriate and allocate natural resource rent to finance it, and (2) the states’ capacity to attract foreign investment. The international perception of many Global Southern countries often builds a barrier for the latter. On the one hand, the country risk index, a barometer of the investors’ trust, depends mainly on internal conditions such as political stability. On the other hand, a low corruption perception index (where 100/100 is considered very clean and 0/100 is highly corrupt), which is commonsense in many Global Southern countries (Transparency International, 2022), often discourages international investors. International cooperation and development aid should be taken with a pinch of salt. The claims that capital, technology, and international cooperation might solve the problems and contradictions of the Global South’s energy transition might deepen dependence on technology developed in the Global North (such as solar panels, wind turbines, batteries, electric cars). This, in turn, might result in snowballing external debt.

The formulation and launching of supply-side policies might hinder many of these problems, as it calls for international cooperation in non-conventional ways. The energy transition as the elected framework for supply-side measures requires that scope, objectives, and principles on which the projects are based, must be well-defined: A clear formulation is essential to mobilize proper funding sources of potential international contributors in specific topics. Mechanisms of gathering contributions, such as trust funds, should be transparent and guarantee the seriousness of supply-side proposals. In this line, creating an energy transition fund financed by taxing oil companies making windfalls might be pursued. Correspondingly, the destination of the contributions should be demarcated; for the energy transition, for instance, governments applying for international contributions should clarify if these would serve to replace fossil technologies (e.g. through small decentralized hydropower plants) or to ensure that energy prices will be affordable for domestic use, or both.

Of course, it is not only a matter of presenting groundbreaking supply-side policy approaches in international arenas. A legitimization process is also

needed domestically. Supply-side projects formulated in the Global South must strongly integrate into a national strategy within an explicit political stance. Promoting supply-side projects as masterpieces of post-development models or alternative development models might help to align support abroad. Historically, civil society mobilization has been crucial to building support for new initiatives (Newell et al., 2022, p. 8). To embark on such endeavors constitutes a challenge for governments in countries in which essential state services are unmet (public health, education, social security) or vis-à-vis populations that perceive oil rent (or its distribution among society) as the only way to access to state benefits. However, applying governments could take advantage locally of the growing environmental consciousness on the negative socio-ecological consequences of oil extractivism.

The international community, in turn, first and foremost, must understand that the energy transition agenda imposes an additional burden on Global Southern states, namely, providing the raw material necessary for renewable technologies while coping with the imperative of achieving the energy transition themselves. At the same time, other social development projects remain unfinished. Such an understanding must lead to the recognition that conventional international cooperation, incentives to severing natural resource extractivism in highly biodiverse and cultural-sensitive regions, and compensations for the loss of natural resource revenues foregoing extraction are necessary, yet insufficient if raw material demand in the Global North continues increasing. As the energy transition advances, (re)launching supply-side approaches, such as the Yasuní initiative, might prove a powerful political tool to cope with reloaded extractivism.

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EXTRACTIVISM

| The Project

The collaborative research project ***extractivism.de*** links the Universities of Kassel and Marburg. The project scrutinizes the extractivist development model and proposes new economic, political, and sociological conceptions of extractivism. It preliminarily focuses on Latin America and the Maghreb patterns. The project researches the conditions under which these patterns affect the persistence and transformative capacity of extractivism and its respective institutional settings. Finally, it explores how extractivism affects cultural processes and habitual routines and questions under what conditions and how far the development model extends into institution-building and social practice, i.e., everyday life.

The project aims to understand extractive societies not as deviants from the Western trajectory of development but in their own logic and their own particularities. The project, therefore, combines a strong empirical focus with theoretical work. It links both broad field research and data gathering of primary data and the qualitative and quantitative analysis of available secondary sources with a stringent transregional comparison. It develops methods in cross-area studies and investigates whether and why similar patterns of social change emerge in different areas and world regions despite significant cultural, social, or religious differences. Finally, the project intends to translate the findings for politics, society, and development cooperation.

Please visit www.extractivism.de for further information.