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International Network of Energy Transition Think Tanks

Just Transition Finance

Experience from JETPs

Laura El-Katiri, INETTT Secretariat

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Contents

- 1. Why think about a Just Transitions?
- 2. Dimensions of Just Transitions
- 3. The Role of Transition Finance
- 4. Just Energy Transition Partnerships (JETPs): Opportunities and Challenges
- 5. Conclusions

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1. Why think about Just Transitions?

- **The Dual Challenge**
  Climate change poses a profound, though often abstract, threat to the socio-economic fabric of nations.
  In contrast, fears about the immediate impacts of transition policies—such as job losses, poverty, reduced energy and land access—are tangible and can significantly delay climate action.

- **The Risk of Replicating Past Injustices**
  A transition that mirrors historic injustices—within or between countries and regions—risks eroding public trust in governments, legal systems, and broader climate efforts.

- **The Need for a Fair and Inclusive Transition**
  A Just Transition must:
  - Ensure fairness and inclusivity.
  - Protect vulnerable communities.
  - Avoid repeating the mistakes of past development models.
  - Strengthen public trust in the shift to a low-carbon future.

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2. Dimensions of Just Transitions (1/2)

- A just transition prioritises **sustainable development, poverty eradication, and decent work opportunities** while addressing potential disruptions caused by energy sector decarbonisation to economies and livelihoods.
- It also promotes **equity, inclusiveness, and human rights**, ensuring that historically disadvantaged groups—such as women, youth, informal workers, and minorities—benefit from the transition.
- Additionally, a Just Transition ties into broader themes like **environmental justice, energy access, and economic transformation**, learning from, and avoiding repetition of the mistakes of the past.

"Just Transition is a principle, a process and a practice."
Climate Justice Alliance

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2. Dimensions of Just Transitions (2/2)

Risks, Impacts, Opportunities and Benefits (“Distributional justice”)

- Impacts on workers, communities (e.g. Indigenous Peoples), consumers
- Impacts on poverty, unemployment, energy access and affordability
- Land ownership and negative externalities

Agency and Accountability (“Procedural justice”)

- Is planning and decision-making inclusive?
- Agency: What is the say of impacted communities?

Transformational Systems Change (“Recognition justice” and “Restorative justice”)

- Does the Transition learn from past mistakes made in the energy sector and infrastructure development?
- New forms of resource exploitation vs change of energy system
- Inclusion vs marginalisation of dissent
- Human rights, grievance mechanisms and compensation
- But also: Who contributed most to climate change, and who should pay for mitigation (especially in developing countries)

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Examples of these dimensions in practice

Distributional justice narratives in Indonesia and Viet Nam

In **Indonesia**, coal mining communities are expected to be affected significantly by the coal phase-down intended the country's Just Transition policies:

> *"We have 250,000 people in Indonesia working in the coal mining sector [...]. If we close down the coal power plants and coal mines, we have to ensure that these communities get some financial help. For us, that's what a just transition means."* (Rizky Fauzianto, RMI, quoted in (Stone, 2023))

The World Bank recognised this idea, for instance in the context of **Viet Nam**, emphasising that

> *"Although Vietnam can mobilize domestic public financing and shift part of its domestic private savings toward its climate agenda, external resources will also be critical to meet its climate goals. Otherwise, the domestic financing effort might be detrimental to other social and economic needs, and negatively affect the country's quest to achieve high-income status by 2045. Beyond affordability, it is also a matter of common but differentiated responsibility as the country is to a large extent a victim of damages caused by the GHG emissions already generated by other countries." (World Bank, 2022a)*

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Examples of these dimensions in practice

Recognition and restorative justice in South Africa

South Africa's Just Transition framework addresses recognition and restorative justice explicitly. It states that it

> ***"…supports South Africa's broader efforts to redesign the economy to the benefit of most citizens to enable deep, just, and transformational shifts (…)***
>
> ***Historical damages against individuals, communities, and the environment must be addressed, with a particular focus on rectifying or ameliorating the situations of harmed or disenfranchised communities. It is about redress: healing people and the land, which was an immediate need echoed by all communities that the PCC has consulted with." (Presidential Climate Commission, 2022)***

It also emphasises the pivotal role played by those affected by the transition, arguing

- ***"Workers, communities, and small businesses must be empowered and supported in the transition, with them defining their own development and livelihoods. It is about embracing the sentiment, "nothing about us without us!"" (Presidential Climate Commission, 2022)***

3. The Role of Transition Finance

- **A Critical Enabler for Developing Countries**
  Climate and transition finance is essential to accelerate and secure energy transitions in developing economies.
  It includes local, national, and transnational funding from public, private, and alternative sources, aimed at supporting climate mitigation and adaptation efforts.
- **Why Financial Support Matters**
  Many developing countries lack the resources to:
  - Phase out and replace fossil fuel-based power generation and infrastructure
  - Upgrade transmission and distribution (T&D) networks.
  - Electrify energy consumption across sectors.
  - Decarbonize industries and implement broader mitigation policies.
  - Breaking the false choice between economic development and climate action.
- **The Risk of Insufficient Finance**
  Without adequate funding, achieving timely, just, and effective energy sector decarbonization will not be possible.

4. Just Energy Transition Partnerships (JETPs): Opportunities and Challenges

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Opportunities and Advantages

- 🌐 **Collaborative Approach**: Governments, private sector, institutions pooling finance.
- 📈 **Increased Visibility**: Energy transition efforts get global attention.
- 💵 **Finance Mobilization**: Leverages additional funding sources.
- 🏛️ **Political Benefits**: Strengthens partnerships between countries.

Current Challenges

- 🎭 **Overhyped Politically**: Limited real capacity to drive deep system change.
- 💳 **Loan-Heavy Packages**: Commercial loans exacerbate debt issues.
- ⚖️ **Missing Justice Element**: Justice components often vague or absent.
- 🧨 **Risk of Scapegoating**: Unrealistic expectations may backfire politically.

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5. Conclusions

- **Country Ownership is Critical**
  To meet expectations for innovative funding mechanisms, JETP financing packages must adopt a holistic, country-led approach.
- **Ambition on Both Sides**
  Success requires ambition from both financiers and countries committed to energy transitions through transition finance.
- **Innovative Financing Structures**
  Future models could prioritize pooled financing for comprehensive transition plans, rather than isolated projects.
- **Transparency and Accountability**
  Transition finance must be safeguarded against lack of transparency, conflicting interests, and elite capture.
  Lending terms should align with agreed social and environmental standards.
  Open sharing of data and information with both global and domestic publics is essential.

Thank you!

The International Network of
Energy Transition Think Tanks (INETTT)

Agora Think Tanks
Anna-Louisa-Karsch-Straße 2, D-10178 Berlin
T +49 (0) 30 7001435-000

https://www.inettt.org/