Enhancing the Just Energy Transition Partnerships to be effective and inclusive

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For the JETPs to be effective and inclusive:

1. **IPG countries should disclose financial terms and conditions to host countries from the outset**
2. **IPG countries should increase the amount of grant-based finance for the just transition part and for coal retirement in Indonesia and Viet Nam**
3. **IPG countries should improve the terms of non-concessional loans (e.g. higher concessionality, better debt repayment structures and providing finance in local currencies)**
4. **IPG countries should streamline the number of funding conditions and institutions**
5. **Host countries should define additional localization criteria for de-risking**
6. **Host countries should halt all new fossil fuel investments in exchange for high-quality climate finance**
7. **Host countries should conduct robust modelling prior to defining emission targets**
8. **IPG and host countries need to more actively include and inform affected communities (including in local languages)**
9. **IPG and host countries need to enhance accountability by disclosing project-specific finance flows within a set time frame**
10. **IPG and host countries need to prioritize more community-based small-scale renewable energy projects**

Introduction

The Just Energy Transition Partnerships (JETPs) - between the International Partners Group (IPG) or G-7+ countries and South Africa (2021), Indonesia (2022), Viet Nam (2022), and Senegal (2023) - aim to expedite coal phase out, promote renewables and incentivize a just energy transition. Due to their high ambitions, host-led implementation and focus on equity and procedural justice, the JETPs are seen as a vanguard climate finance approach. Yet, research has shown that climate finance can reproduce existent injustices.[1] Against this background, the CLIFF team examined the effectiveness and inclusivity of the JETPs in phasing out fossil fuels and accelerating the energy transition. Building on the results[2], this policy brief presents ten policy recommend-dations for both IPG and host country governments.

1. IPG countries should disclose financial terms and conditions to host countries from the outset

In the political declarations between the IPG and host countries, the latter committed to more ambitious emission reduction targets, while the IPG only fully disclosed the quality of financing terms in the months after partnership announcement. This does not present a partnership between equals and led to disappoint-ment with the JETPs in host countries.[2]

2. IPG countries should increase the amount of grant-based finance for the just transition part and coal retirement in Indonesia and Viet Nam

While the IPG pledged to provide funds for a just transition and to expedite coal retirement, the overall grant component of the JETPs amounts to less than 4% of total public finance (see Fig. 2). This is inadequate to finance the just transition part and to phase out coal fired power plants (CFPPs) in Indonesia and Viet Nam.[2]

3. IPG countries should improve the terms of non-concessional loans (e.g. higher concessionality, better debt repayment structures and providing finance in local currencies)

Currently, all public JETP finance is disbursed in foreign currency with loans raising concerns about debt distress. Moreover, commercial finance instruments make up more than 40% of public finance (see Fig. 2; excludes Senegal) and are only suitable for profitable just transition endeavours.[2]

4. IPG countries should streamline the number of funding conditions and institutions

Despite the country-owned design of comprehensive investment plans, the numerous financial conditionalities and institutions disbursing JETP funds[3] limit the autonomy of host countries in using the funds and implementing the investments plans. Weak harmonization and cooperation among the IPG further complicates the distribution of funds.[2]

5. Host countries should define additional localization criteria for de-risking

In the past local communities have not been benefitting

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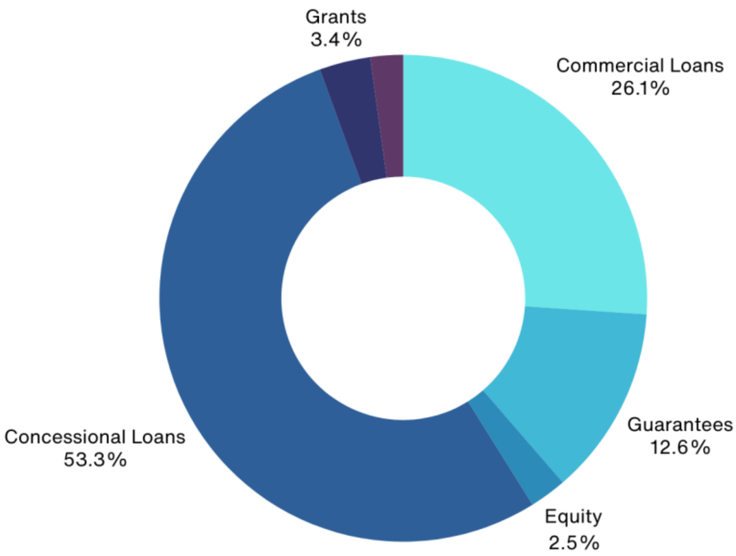
from internationally financed renewable energy projects.[1,4] At the same time, phasing out coal endangers many jobs which need to be replaced. Yet, the South African investment plan, for instance, does not sufficiently address the replacement of coal-based jobs, allocating just 0.1% of its investment to renewable manufacturing.[2]

Fig. 2 *Total public finance pledges divided by type (excludes Senegal)*[2]



6. Host countries should halt all new fossil fuel investments in exchange for high-quality climate finance

Although host countries committed to more ambitious emission reduction targets, they continue to invest in questionable fossil fuel projects, heightening the risks of stranded asset, resources and environmental harm, undermining progress towards NDC targets and deepening their reliance on fossil fuel-driven development.[2] At the same time, the quality of finance provided by the IPG is insufficient to retire CFPPs (see 2-3).

7. Host countries should conduct robust modelling prior to defining emission targets

Agreed emission reduction targets between the IPG and Indonesia, as defined in the political declarations, proved too difficult to reach.[2] This complicated partnership implementation.

8. IPG and host countries need to more actively include and inform affected communities (including in local languages)

While the development of just transition frameworks signals a shift towards considering workers' rights and affected communities, consultations across host countries did not align with host country JETP-specific procedural justice principles. Civil society raised concerns about the timing of publishing key policy documents (e.g. South Africa), their original publication in English (e.g. Indonesia), exclusion from the JETP process (e.g. Senegal) and oppression of their procedural rights (e.g. Viet Nam). In addition, Indonesia's and Viet Nam's investment plans do not outline specific numbers for the just transition part of the partnerships. These shortcomings are likely to undermine the domestic political consensus necessary for successful partnership implementation.[2]

9. IPG and host countries need to enhance accountability by disclosing project-specific finance flows within a set time frame

Public accountability is necessary to prevent the misuse of JETP funds. However, consultation processes across recipient countries faced barriers due to a lack of transparency.[2] The difficulty to determine the diverse finance flows as result of the financing jumble (see 4) and weak coordination between the IPG further hampers accountability.

10. IPG and host countries need to prioritize more community based small-scale RE projects

In the JETPs, large-scale, more attractive and profitable renewable energy projects receive priority funding (e.g. due to a minimum ticket size in Indonesia).[5] This is unlikely to increase affordable and clean energy access and sidelines decentralized, community-owned renewable energy projects (e.g. only receiving 0.01% in the South African investment plan). Moreover, the emphasis on capital- and land-intensive projects disadvantage communities that lack these resources to invest in and benefit from renewable energy.[2]

These policy recommendations are in the interest of both IPG and host countries as the window for staying below 1.5°C is closing rapidly.

Key References

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