



# Just Transitions and Just Energy Transition Partnerships: friends or foes?

## Background briefing

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## *Introduction*

As the UN Climate Talks in Egypt (COP27) continue, and the G20 Summit gets started in Indonesia, one of the major talking points are Just Energy Transition Partnerships (JETPs). In essence, JETPs are multilateral financial agreements designed to support the phase out of fossil fuels in emerging economies. They are entwined within the broader discussions of climate finance, in principle offering a mechanism to provide more money and faster to support developing countries to transition away from fossil fuels.

A political agreement for the first JETP, for South Africa, was announced in 2021 at the UN Climate Talks in Glasgow (COP26), by the “International Partners Group”, comprising South Africa, France, Germany, UK, US and the EU. The much vaunted deal seemingly offered a way forward for the country’s energy transition, and it was touted, that of numerous others. At the G20 in Indonesia, the much anticipated JETP for Indonesia was announced on 15 November 2022, with possible new announcements for Senegal, Vietnam and India coming soon.

*Are JETPs a good thing?*

In principle, if properly designed and implemented, JETPs could offer transformative approaches to achieving climate justice. With the right conditions, they could offer a potentially promising mechanism for energy transitions away from fossil fuels, carried out with affected communities at their centre. The money provided for example, could be used to train and re-skill workers, support needed infrastructural developments such as community-led renewable solutions, and help ensure countries do not embark on development paths using oil or fossil gas.

However, so far there are a number of concerns about the terms and conditions of current JETP agreements, including an overall lack of transparency on the deals – reflecting broader issues with climate finance. As the world looks at Indonesia and South Africa as potential models for catalysing and packaging climate finance, we take a closer look at some of the issues.

### *The South Africa JETP*

The original South Africa JETP deal promised \$8.5 billion, only a fraction of the [US\\$250 billion over 30 years](#) that South Africa needs to transform its energy system. A year on from the announcement, even this limited money appears to still be out of reach. Although South Africa began prepping its institutional framework immediately after the Glasgow announcement, setting up commissions and more commissions; establishing and updating plans, it is only now that we are really able to see any of the details.

Unfortunately, so far these details paint a concerning picture. While many members of civil society are still working through the 200-page document released just days before COP27, it is clear that the South Africa [investment plan includes](#) a disproportionately high number of loans and guarantees, compared to much needed grants. At COP27, the South African government has also signed two separate [loan agreements](#) with France and Germany, each for €300-million (approx \$310mn). Resources are needed, but it is disappointing to see this money coming in the form of loans, albeit concessionary ones.

Meanwhile, there are considerable shortfalls. The US government, for example, has only committed to mobilising \$20 million so far, and while some will be made available through grants, there is also a particularly concerning reliance on commercial loans. This indicates that financing for South Africa's JETP deal appears to be built on market principles, or conditions that favour the private sector. These mechanisms are being prioritised despite experience in South Africa which has seen how overreliance on the market has led to increasing prices and energy poverty – the opposite of what needs to be achieved in a just transition. Further, they run the risk of diverting resources that could support socially-owned renewable energy solutions.

The South African President hopes to achieve more grants at COP27. Until the outcome of this is known and the plan finalised, it is impossible to know what can be supported by civil society. However, unfortunately the precedent to date is not promising. Until the JETP Investment Plan was shared on 4 November, its details were also obscured from public scrutiny in South Africa.

Furthermore, while pressure from civil society did lead to some progress and space for meetings between affected communities and various commissioning bodies, the many offers of support from these groups were largely ignored by policymakers.

This has contributed to flawed processes, even in cases of nominally good practice. For example, it is positive that there was a process to identify coal "hot spots" i.e. those areas of South Africa that will need the greatest support to transition. However, the same process failed to reflect on the diversity of impacted communities, such as people in the informal economy around coal mines, or of the unpaid labour of women in the social reproduction and maintaining of a labour force. These are issues that could have been well addressed with full participation of civil society.

For more information see: [The Fair Finance Southern Africa Coalition](#)

### *The Indonesia JETP*

Meanwhile, a [JETP deal for Indonesia](#) for \$20 bn has just been announced at the G20, to be led by the US and Japan with support from Germany and other G7 countries. The plans have just been shared so there is a lot to analyse, but as with South Africa, questions around transparency in the negotiations and investment plans and the funding mix remain.

Of note, is that the deal appears to recognise that *some of the funding could go toward renegotiating debt for existing coal plants, with the goal of retiring them early*. This is critical for Indonesia to be able to decarbonise properly. It is also a relief to see that, contrary to earlier concerns, there appears to be no space given to false solutions projects, such as fossil gas. Furthermore the deal reiterates the need to ensure Indonesia is not locked into stranded assets and celebrates the move to a renewables transition. It appears that it will be a mix of concessional loans, grants and equity. Of course, what we need to see are grants not loans, as even concessional loans need to be returned with interest.

Civil society organisations in Indonesia have published a [list of demands](#) on the JETP under negotiation. These include the need for Indonesia's deal to replace the country's extractive and centralised energy production and distribution system with a more democratic one reliant on renewables. The list also emphasises the need for justice, transparency, and accountability mechanisms to be enshrined in the agreement; and for human rights, local customs and cultural traditions to be honoured and respected during the transition. So far, there has been no response.

The principles and red lines for climate finance and JETP deals stipulate that any deal must be ambitious, democratic and accessible to impacted communities. They also make clear that to truly usher in a Just Energy Transition, it is critical that the plan is accompanied by meaningful steps to [accelerate decarbonisation](#). Indonesia is the world's largest coal exporter, and currently

uses coal for around 60% of its energy. This means shutting down existing coal fired power plants, and cancelling the plans for new ones.

### *General Principles for JETP deals*

Building on what we know so far from South Africa and Indonesia, and past experience with climate finance mechanisms, we outline some key principles that must be adhered to with any JETP agreement.

**Transparency is key.** Large announcements on pledged finance may be politically attractive, but insisting on transparency from the start is key to ensure precious resources are not wasted trying to identify hidden conditions.

To be truly transparent financing agreements must clearly show the, **specifications of:**

- The form of funding, i.e. whether it's new funding *additional to* existing pledges
- The source of the funding
- The timeline of the funding
- The terms of the funding.
- The monitoring and reporting system that will be used.
- Clear governance mechanisms to enhance accountability

**Agreements must be inclusionary and consultative.** A Just Transition by its very nature requires detailed knowledge of which communities are affected and how. This might seem obvious but all-too-often we see that countries lack this information, whether because of gaps in administrative capacity, unclear flows of information filtered through multiple intermediaries, each with their own different interests. Engaging key stakeholders early on and ensuring representation of workers' and community members' interests is key.

Ensuring affected groups have final say over the implementation of any funding throughout its lifecycle of any funding, in the final processes, decisions and implementation is critical to ensuring policies which are more robust and far more likely to succeed, and in so doing would help to build trust between impacted communities and government entities.

**Information must be simple and accessible.** It is important for the public to be able to monitor the JETP agreement details including the mechanisms and the provided funding share. To do this they need to be able to understand what is being said. Steering clear of jargon and overly technical or bureaucratic processes allows all stakeholders to be involved from the initial assessment through the negotiation to the implementation and monitoring.

**Fair finance principles** are critical to ensure community ownership and inclusion throughout the process. This includes ensuring that funds are disbursed in the form of **grants not loans**. Even concessional loans, at significant discounts to market rates, need to be returned with interest, and increase the debt burden of countries seeking to transition away from fossil fuels. In 2021,

34 of the world's poorest countries spent [over five times more on debt payments](#) than on protecting their people from climate impacts. The war in Ukraine and ongoing knock-on impacts of COVID-19 continue to impact socio economic stability across the world.

Loans also reinforce unequal global power relations and further obscure the question of historical debt for climate change. The G7 countries alone are historically responsible for [over two thirds of climate breakdown](#) and [over half of ecological breakdown](#). The rich and most polluting countries are still [failing to deliver the \\$100 billion](#) in annual climate finance promised to the most impacted countries in 2009.

**Don't bank on private finance.** Private finance is primarily looking for “bankable” projects and judging on how slow it is on general climate finance in general there is little evidence that private finance is banking on just transition principles. State owned energy infrastructure packaged into perfectly bankable bits however, might seem very appealing. Yet, if this is not done right it can lead to other forms of injustice, and undermine the “Just” of a “Just Transition.”

**No false solutions.** JETP policies need to be aligned with reality and climate targets. Finance and fossil fuel industries must not be allowed to manipulate the process towards measures that have nothing to do with justice, or even the energy transition. For example: investing in new infrastructure for fossil gas, despite it being this very dependence on fossil fuels which led the world here in the first place. Furthermore, the sectors within a country cannot have divergent policies and pathways that contradict the nature of the agreements.

### *Going Forward*

As 350.org together with partners we agree with UN Secretary-General António Guterres' call for a 'Climate Solidarity Pact, to ensure independence from fossil fuels and universal, affordable sustainable energy for all. Such a Pact goes beyond JETPs, but if done right, they can offer a foundational step towards achieving this.

Achieving this means ensuring that mechanisms like JETPs, which could potentially be used as a template for climate investment in several countries, are not pushed through without careful consideration and democratic participation. This can also mean course-correcting where necessary to ensure JETPs live up to their names, i.e. that they are inclusive, transparent processes, built on the principles of fair finance. Together with civil society partners across the world, we stand ready to support efforts to make this a reality.