



COP28 COMPASS

**JUST ENERGY TRANSITION
PARTNERSHIPS, CLIMATE ACTION, AND
MINILATERALISM**

Abstract

In recent years, citing the limited success rate of global climate agreements in generating consensus and developing a more targeted approach to achieving goals, minilateralism has steadily emerged as an alternate approach in climate geopolitics. Just Energy Transition Partnerships (JETPs), officially launched at COP26 in Glasgow in 2021, is one such minilateral initiative, later supported majorly by the G7 countries among other stakeholders, which seeks to facilitate the process of energy transitions in developing countries and achieving their climate goals. The paper argues that if JETPs seek to succeed as a minilateral initiative towards financing just transitions, it needs to follow a more holistic approach that aligns with the existing multilateral climate finance mechanisms.

Keywords

energy transitions, multilateralism, minilateralism, climate action, just transitions, JETPs

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1. Introduction

At the recently concluded G20 Summit in New Delhi, the member states, as part of the New Delhi Leaders' Declaration, recognized the need for just energy transition and affirmed to 'pursue development models that implement sustainable, inclusive, and just transitions globally, while leaving no one behind' (G20 Declaration, 2023). The declaration also categorically mentioned 'the need for US\$5.8–5.9 trillion in the pre-2030 period' for developing countries if they were to implement their Nationally Determined Contribution (NDCs) and 'the need for US\$4 trillion per year for clean energy technologies by 2030' to reach net zero emissions by 2050 (G20 Declaration, 2023). The leaders also resolved to develop partnership-based models to pursue low carbon emissions, climate resilience, and environmentally sustainable development pathways. Over the last ten years, there has been a significant focus on reducing global greenhouse gas emissions and decreasing the reliance on fossil fuels. This objective has gained greater importance, especially after the 2015 Paris Agreement, as a part of the ongoing efforts to combat climate change. While climate change is included in the agenda of most multilateral forums, such as G7, G20, and ASEAN, the United Nations (UN), with its global membership, has long been viewed as the legitimate foreground for the majority of the climate negotiations.

In recent years, minilateralism has emerged as an alternate approach in climate geopolitics due to the limited success rate of global climate agreements in generating consensus and developing a more targeted approach to achieving goals. Naim (2009) defines minilateralism as bringing together the 'smallest possible number of countries needed to have the largest possible impact on solving a particular problem'. Minilaterals focus on shared interests rather than on shared values. While multilateral forums are more inclusive and incremental in the process of negotiating international treaties, minilaterals are more often involved in supplementing the process of achieving the objectives of treaties that have already been negotiated, as seen in the domain of outer space or cyber security. Game theorists have long argued that international cooperation becomes more difficult as the number of actors increases. The literature on international political economy also acknowledges the presence of global power imbalances and suggests the use of regional decomposition or minilateral groupings in order to reduce the number of actors and achieve mutual interests (Oye, 1986). Moreover, research also indicates that countries that are averse to abide by formal mechanisms established by the multilateral forums at times find it easier to engage with other functional, yet flexible forums.

Especially in the domain of climate, analysts have argued in favour of augmenting the UNFCCC-dominated multilateralism model with a new form of ‘minilateralism’ given the dissatisfaction with the existing pace of the global regime in upholding states’ international commitments (Falkner, 2015). It has been increasingly advocated that minilateral initiatives such as Clean Energy Ministerial or the Climate and Clean Air Coalition might have structural advantages in effective climate governance and can complement the global regime (Gampfer, 2016). These ‘Minilaterals’ or ‘Climate Clubs’ seek to decentralize the process by directly negotiating with states on determining specific objectives such as emission reduction targets and pledging financial support to streamline the process.

2. Just Energy Transition Partnerships

Just Energy Transition Partnerships (JETPs), officially launched at COP26 in Glasgow in 2021, is one such minilateral initiative, supported majorly by the G7 countries among other stakeholders. It seeks to facilitate the process of energy transition in developing countries and achieving their Paris climate goals. Through a mix of public–private financing, these partnerships seek to accelerate the process of transition from coal-dependent energy modules towards more renewable sources in specific developing economies. While the issue of minilateral ventures in energy transition has been discussed since the Paris Agreement in 2015, the G7 Summit in 2021 laid the concrete groundwork for climate financing commitments from the West. In the summit it was declared that ‘coal power generation (was) the single biggest cause of greenhouse gas emissions... and to accelerate the international transition away from coal... we commit to cease financing thermal coal power generation and along with other donors (that shall include the private sector) plan to mobilize US\$10 billion to accelerate coal transition and integrating renewable energy programme’ (G7 Summit, 2021).

At COP26, the governments of South Africa, France, Germany, the UK, and the US, along with the European Union, issued a formal political declaration announcing a long-term JETP with South Africa. Initially, JETP was supposed to be a *sui generis* initiative. The funding for the transition plans was to be raised and disbursed by a consortium of partners termed the International Partners Group (IPG). The focus of JETP was to provide funds for accelerating decarbonization efforts to help South Africa achieve the goals set out in its nationally determined emission goals. The move towards JETPs was also reflected in the official statement of COP26, which highlighted the need for ‘just’ energy transition as a mitigation

strategy and called on the parties to ‘accelerate the development, deployment, and dissemination of technologies, and adoption of policies to transition towards low emission energy systems....while providing support to the poorest and most vulnerable in line with national circumstances’ (COP 26, 2022). JETP, hence, was introduced as a financing mechanism, provided either through grants, loans, or investments, wherein developed nations were committing to fund a coal-dependent developing nation to formulate a comprehensive plan aimed at phasing down coal and moving towards clean energy.

Post the formal adoption of the partnership model with South Africa at COP26, JETPs were then discussed in detail at the G7 Environment Ministerial in 2022, where most of the donor countries were represented. The statement lauded the JETP signed with South Africa for using an innovative method of multi-donor partnerships, including with the private sector, to mobilize finance to deliver emission reductions. G7 aims to support several developing countries and emerging economies that demonstrate a high level of ambition in developing and implementing a country-led, accelerated, sustainable, and socially just energy transition that contributes to net zero emissions aligned with the Paris Agreement, considering each country’s specific situation. Post the announcement of the partnership with South Africa, a second tranche of countries was identified to be targeted, including Indonesia, Vietnam, and Senegal.

3. Existing Partnerships

At COP27 on 7 November 2022, President Cyril Ramaphosa of the Republic of *South Africa* launched the new JET Investment Plan prepared by the South African government. The Plan covers three priority sectors – the energy sector, electric vehicles, and green hydrogen – for finance. The plan roots for a ‘just’ approach to transition and aims to ensure that those most directly affected by a transition from coal – workers and communities, including women and girls – are not left behind. It identifies US\$98 billion in financial requirements over five years to begin South Africa’s 20-year energy transition, where investments will be needed from both the public and the private sectors. Currently, in the initial phase, IPG has agreed to mobilize US\$8.5 billion to support South Africa’s ambitious transition plan.

As South Africa introduced its plan (see Table 1) at COP 27, *Indonesia* also announced its JETP at the G20 Summit in Bali in 2022. In the case of Indonesia, co-led by the United States and Japan, the IPG included Canada, Denmark, France, Germany, Italy, Norway, and the United Kingdom. The European Union, along with its international partners, pitched to work together

with Indonesia for the next six months to develop a concrete plan for investment, financing, and technical assistance to achieve new climate targets and reduce GHG emissions. As per primary projections, this long-term partnership aims to mobilize an initial US\$20 billion in public and private financing over a period of 3 to 5 years, and Indonesia will receive the funds through a mix of grants, concessional loans, guarantees, and private investments (European Commission, 2022b). Out of the funding IPG seeks to mobilize, the European Union and member states intend to raise around US\$2.5 billion. Glasgow Financial Alliance for Net Zero (GFANZ) group seeks to raise US\$10 billion. The European Union’s contribution of around 1 billion euros would be made via the European Investment Bank (EIB) to support projects contributing towards decarbonizing Indonesia’s power system through the development and integration of renewable energy.

Table 1: South Africa’s JETPs Plan

Quoted US\$98 billion (over the course of the next 5 years) IPG currently mobilized – US\$8.5 billion	
US\$2.6 billion	Climate Investment Funds Accelerating Coal Transition Investment Plan (CIF ACT)
US\$1 billion	France
US\$1 billion	Germany
US\$1 billion	US
US\$1 billion	EU
US\$1.8 billion	UK

Source: European Commission (2022a)

In December 2022, *Vietnam* became the third country to announce a JETP with the IPG to garner financing for supporting its just and sustainable energy transition. For Vietnam, IPG consisted of the European Union, the US, the UK, Japan, Germany, France, Italy, Denmark, and Norway. The declaration recognized the need for long-term and sustainable support from international partners in the areas of finance, technology, and capacity-building to support Vietnam in the implementation of its NDCs and reach its target of achieving net zero emissions by 2050. The tentative plan seeks to mobilize US\$15.5 billion over the next 3 to 5 years through a combination of financial instruments under which IPG members will mobilize US\$7.75 billion of public sector finance (European Commission, 2022c). In a leap towards consolidated private financing, the remaining US\$7.75 billion will be facilitated and mobilized by private entities under the umbrella of the GFANZ Working Group. Working alongside IPG, Vietnam is formulating a JETP Resource Mobilization Plan (JETP - RMP) to be finalized tentatively by November 2023.

Table 2: Existing JETPs

JETP Beneficiary Country	IPG/Donors	Amount to be Mobilized*	Key Actions
South Africa	United Kingdom (UK), France, Germany, the United States (US), and the European Union (EU)	US\$ 8.5 Billion	Decommissioning and repurposing coal power plants, alternative employment in coal mining areas, accelerated deployment of renewable energy, integration of renewable energy (particularly solar energy) into the existing energy grid, cooperation with local authorities and between public and private sectors, participation of civil societies and youth, green economy, development of a climate finance mapping and tracking tool, localization potential for solar PV and storage value chains, on-lending to eligible onshore wind and solar photovoltaic projects, sustainable aviation fuel, green LFG value chain, decarbonize the South African Economy, development of green hydrogen (European Commission, 2022a).
Indonesia	US, Japan, Canada, Denmark, France, Germany, Italy, Norway, and UK GFANZ Working Group: Bank of America, Citi, Deutsche Bank, HSBC, Macquarie, MUFG, and Standard Chartered.	US\$ 20 Billion	Early retirement coal power plant, expanding the green label to loans for coal power plants used by industries making sustainable products, such as batteries for electric vehicles, upgrading its electricity grid to connect more renewable power to its network, cap and peak power sector's carbon emissions at 290 million metric tonne by 2030 (Nangoy and Vu, 2023)
Vietnam	EU, UK, US, Japan, Germany, France, Italy, Canada, Denmark, and Norway. GFANZ Working Group: Bank of America, Citi, Deutsche Bank, HSBC, Macquarie Group, Mizuho, MUFG, Prudential PLC, Shinhan, SMBC, Standard Chartered.	US\$ 15.5 billion	Switch from coal to renewable energy and new energy sources such as green hydrogen and ammonia, cap the total installed capacity of coal-fired power plants at 30.13 GW by 2030 from 25.3 GW at the end of 2022, terminate coal-fired power projects, shut down existing aging facilities, development of electric vehicles, policies for carbon credit trading, complete the National Marine Spatial Planning to facilitate offshore wind development, building a smart grid that can better integrate renewable sources (Nangoy and Vu, 2023).
Senegal	France, Germany, the EU, the UK, and Canada	US\$ 2.7 Billion	Increasing the share of electricity generated by renewable energy to 40% by 2030, clean energy infrastructure, energy transition, electrification of transport, industry and the housing sector, long-term low emission development strategies (LT-LEDS), Integrated Low-Cost Electricity Plan (Sarr et al., 2023).

**Over the time horizon of the next 3–5 years from the date of entering the JETPs.*

Source: European Commission (2022a, 2022b, 2022c, 2023)

Senegal, post negotiations led by France and Germany, joined the partnership wagon in 2023 and announced its JETP with the IPG that included the United Kingdom, Canada, and the European Union, besides France and Germany. The partnership will focus on accelerating the deployment of renewable energies to push its share in installed capacity to 40% of Senegal's electricity mix by 2030 and developing a long-term low GHG emission development strategy (LTS) by 2024. Senegal will submit its renewed climate ambition to the UNFCCC, and its new NDC shall be reflected in its new energy strategy. The IPG members, along with multilateral development banks, will mobilize 2.5 billion euros for an initial period of 3 to 5 years to support Vietnam's energy transition needs (European Commission, 2023). IPG members will also work closely with the Senegal government in a working group to formulate an energy investment plan by 2024.

4. JETPs: A Critical Review

The G7 member countries were able to initiate discussions around financing and quickly strike partnerships with almost all the countries targeted in the first round. However, India showcased staunch reluctance towards consolidating any such partnership. India has several strategic and economic concerns regarding a potential energy partnership with international partners. India's power ministry has argued that coal cannot be singled out as the only polluting fuel. The country's stance has been that other fossil fuels need to be included. Large and developing economies that are largely dependent on coal – more than 70% of India's electricity is generated through it (Climate Home News, 2023). Coal might be the dominant fuel in Asia, but Western countries that are dependent on shale, natural gas, and oil also contribute significantly towards GHG emissions. India would not agree to a debt-based partnership overseen by the G7 partners till the time the terms of transition towards renewable sources and phasing down coal are not based on recognizing the principle of differentiated needs and responsibilities of the Global South.

India's reluctance with JETPs and the performance of existing partnerships highlights a series of concerns regarding the capability of these plans to support just transitions in developing economies. First, the financial support offered by the IPGs – ranging between US\$8 and US\$20 billion – to countries through existing JETPs is not sufficient for financing clean energy transition in developing countries. The recent G20 New Delhi Leaders' Declaration also estimated that the developing countries would need financial investment amounting to US\$ 4 trillion per year for clean energy technologies by 2030 to reach net zero emissions by 2050. In

its investment plan, South Africa identified US\$ 98 billion in financial requirements over the next five years, but IPG has committed to mobilize US\$ 8.5 billion over the next 3 to 5 years currently. The Indonesian government also recently mentioned its frustration with the inadequacy of funding pledged for its decarbonization efforts. It said, ‘Indonesia is pushing for a greater proportion of grants in the JETP funding; it currently amounts to \$160 million, which is less than 1% of the total funding needed for a sustainable transition’ (Jong, 2023).

Second, while it is too early to assess the success of JETPs as most of the beneficiary countries are still in the stage of developing their investment plans, most of the financial support offered has been in the form of loans rather than grants, which have the potential of adding to countries’ existing debt. South Africa’s JETP Investment Plan corroborates this argument; grants and technical assistance make up a minute percentage (slightly below 4%), while concessional loans make up most of the commitments (63%), which are followed by commercial loans and guarantees (18% and 15%, respectively) (Suharsono and Maulidia, 2023). Similarly, in the case of Indonesia, according to the official documents, only US\$160 million out of the JETP commitments worth US\$20 billion is estimated to be offered to the Indonesian government as grants, and the remaining amount will be in the form of either concessional or commercial loans (Ferri, 2023).

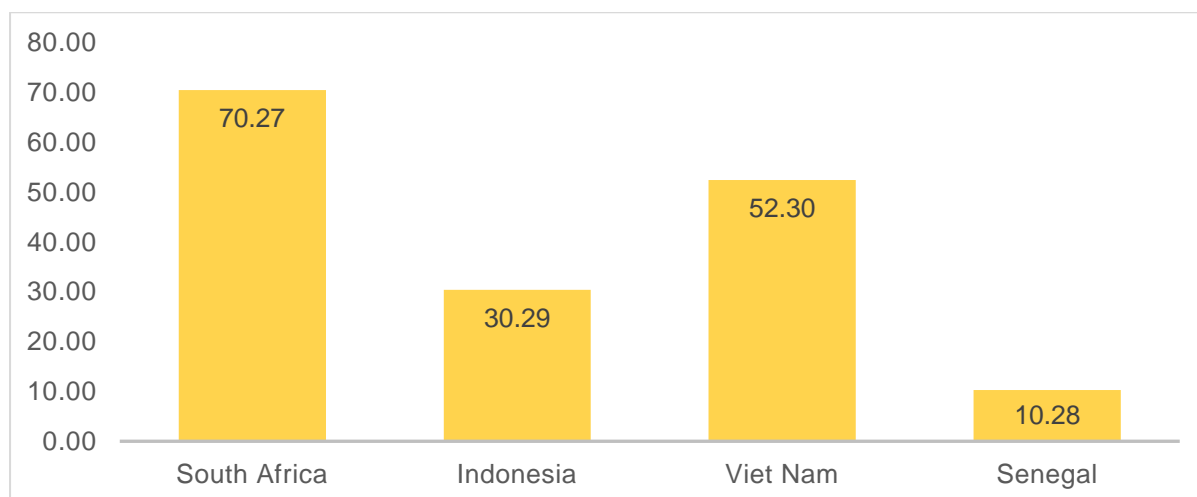
Third, sustainable energy transition has been the cornerstone of these partnerships but defining ‘just’ transition and adopting policies aimed at rehabilitating the most affected communities exists as one of the major challenges for these ambitious targets. While a uniform definition is absent, the International Labour Organization (ILO) defines just transition to be one that is as ‘fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind’ (Lee, 2022). Post the first plan, the G7 countries sped up the process of announcing more partnerships without coordinated planning or considering the requirements of the host country itself, making the initiative and the process appear to be based on a top-down approach (Chambers, 2023). There is a stark contrast between the rehabilitation needs of the most vulnerable sections in the recipient countries and the broad approach of the donors. For instance, as of 2019, up to 200,000 formal workers¹ (amounting to 1% of the total formal employment in South Africa) were engaged in coal mines, coal power plants, and coal transport

¹ The figures are only for formal sector workers. Coal industry also employes vast number of informal or contractual workforce.

(WRI, 2021). Despite its intention, South Africa will find it challenging to provide economic relief and rehabilitate the coal workers impacted by the transition and shutdown of plants.

Fourth, existing partnerships focus more on the supply side rather than considering the demand side. JETPs have not factored in the contradiction and are currently incapable of diversifying the energy supply to reliably meet the baseload demand, especially during peak hours in the recipient countries. Based on the World Energy Balances Highlights by IEA, Figure 1 depicts the percentage of coal in the total energy supply in 2021 in the four JETP countries. Figure 2 showcases that in the recipient countries of JETP funding, most of the coal consumption is attributed to the industries. Especially in the case of South Africa, the majority of 64% of coal-based energy is used by its industries, the remaining 18% is used for residential consumption, 9% by commercial and public services, and the remaining 9% by other sectors. In the case of Indonesia, captive coal power plants in private industries are not expected to be included in its JETP investment plan (Suroyo et al., 2023). However, the key actions suggested or undertaken under these partnerships focus on aspects such as decommissioning or early retirement of coal power plants, development of green hydrogen, and investment in electric vehicles. For instance, India has already invested in and built substantial renewable energy capacity in the past decade, but the challenge is integrating wind or solar capacity with the grid (Rashmi, 2022).

Figure 1: Coal as a percentage of total energy supply in 2021 in JETP countries (%)



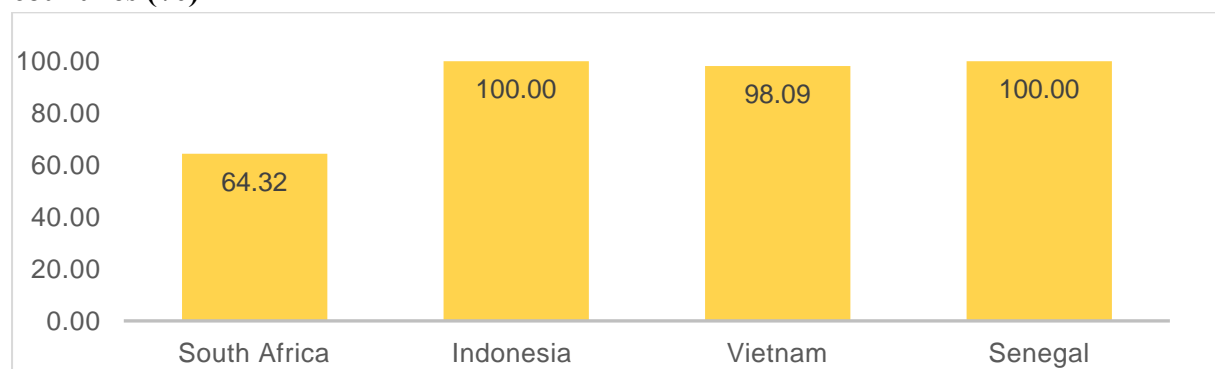
Note: For Vietnam, data for 2020 was available.

Source: IEA (2023), *World Energy Balances Highlights (2023)*

For developing economies, the transition plans also do not factor in the specific demands of sectors beyond the spectrum of big industries and coal consumption in micro, small and medium enterprises (MSMEs). Considering MSMEs will involve other measures such as service delivery models and financing models.

To manage intermittency from renewable energy sources, along with large-scale deployment of renewable energy, viable energy storage alternatives will be needed to meet peak demand. While these are significant steps, they merely supplement the decarbonization efforts of the industrial sector without addressing the core demand – the plans do not focus on the need for technological support and critical minerals in accordance with the growth in energy demands. For this, along with the deployment of existing clean energy technologies, investment in research and development is also needed.

Figure 2: Coal as a percentage of energy consumption in the industry in 2021 in JETP countries (%)



Source: IEA (2023), *World Energy Balances Highlights (2023)*

Lastly, JETPs have been pitched as a novel direct financing mechanism supported by the developed economies, but is there a need for a minilateral² grouping when other international climate finance mechanisms already exist? Policymakers often defend minilateral climate forums as they provide greater flexibility and scope for direct negotiations whereas multilateral forums fail to generate consensus given the international power asymmetries. Minilateralism also provides an opportunity for countries with diverse value systems, which might not have aligned historically in other strategic areas, to collaborate on issues such as energy transition – a case in point being the US as an IPG member for investing in Indonesia and Vietnam. However, critics argue that minilateral initiatives such as JETP can achieve limited success, as

² Minilaterals are smaller groupings of states focused on shared interests rather than on shared values and often supplement the process of achieving the objectives of treaties that have already been negotiated at the multilateral forums.

it does not offer any concessional benefits, setting it apart from the existing multilateral efforts. Multilateral initiatives such as the Green Climate Fund, established by 194 parties to the UNFCCC in 2010, aim to financially support and allocate resources towards low-emission and climate-resilient projects, particularly in least developed countries (LDCs), small island developing states, and African countries. Specifically on energy transitions, initiatives by the multilateral development banks such as the International Finance Corporation (IFC), Climate Investment Funds (CIF), and Energy Transition Mechanism by the Asian Development Bank are a few of the other existing multilateral financing mechanisms. Countries also enter into bilateral financial agreements and technological partnerships targeting clean energy and decarbonization. India established a Green Growth Equity Fund with the UK in 2017, where private sector investment was to be utilized to invest in green infrastructure and renewable energy projects in India (PIB, 2017). Recently, Japan has joined hands with India to establish a US\$600 million climate fund focused on investing in sustainable and low-emission strategies (Economic Times, 2023). Even though JETPs can be a significant climate finance mechanism, the existing plans lack a targeted approach that suits the ground realities of the countries in the Global South.

5. Key Recommendations

Transitioning towards clean energy and renewable sources is a significant measure to restrict GHG emissions and meet the climate goals set out in the Paris Agreement. However, the existing mechanisms, especially partnerships such as JETPs, have little to offer concerning recognizing the specific needs of the Global South to support sustainable energy transitions. A few of the recommendations from the perspective of the developing economies to make the partnerships holistic include the following:

- The current public cum private financing model adopted by JETPs is not sustainable in the long run. The primary focus on loans rather than on grants and the lack of concessional loans for developing economies make JETPs a non-starter for most countries in the Global South. Moreover, there is a mismatch between the funds that have been committed and the actual financial needs of the coal-dependent economies for transitioning towards clean energy. In most cases to date, even the funds that have been promised are not released on time for supporting clean energy transitions.

- Existing JETPs suffer from a lack of interconnection between the energy demand and the supply side. The investment plans are based on a top-down approach where a similar model is being replicated across countries with no differentiation between needs based on their specific dependence on coal. To encourage a transition towards cleaner energy, along with financial support, a specific sectoral focus is needed based on the needs of specific countries, for instance, the need to provide critical minerals to MSMEs. Additionally, in sectors where the transition is difficult due to structural or financial reasons, the decarbonization needs of those sectors should be prioritized and addressed. Further, there is also a need to invest in breakthrough technologies.
- ‘Just Transitions’ form the crux of these partnerships, but in developing countries, it is largely the middle class and poor population who consume coal-based energy through different sources and will bear the direct effect of any proposed transition. Along with being consumers, a considerable number of people are also employed by these coal-dependent power plants and industries. It is not only crucial to define ‘just transition’, but there needs to be a concrete framework to provide for the requirements of the concerned population to build a ‘green economy’.

In this context, it is thus relevant to reconsider the legitimacy and significance of JETPs as a funding mechanism for supporting energy transitions. In its current form, JETPs lack a sustainable approach and cannot adequately support equitable long-term outcomes in developing countries. UNFCCC (2023) did acknowledge the drawbacks of the current understanding of energy transitions and, as a welcome development, made the decision to establish the Work Programme on Just Transition (JTWP) at COP27. JTWP, whose implementation will continue till 2027, argues that any ‘transition to a low-emission, the climate-resilient economy should reduce structural, socio-economic and technological inequalities within countries and between developed and developing countries while ensuring that such transition pathways do not widen existing gaps between countries or hamper developmental pathways.’ If JETP seeks to succeed as a minilateral initiative towards financing just transitions, it needs to follow a more holistic approach that falls in line with and supplements the mechanisms and commitments already existing in multilateral mechanisms on climate finance.

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Notes

World Sustainable Development Summit

The World Sustainable Development Summit (WSDS) is the annual flagship Track II initiative organized by The Energy and Resources Institute (TERI). Instituted in 2001, the Summit series has a legacy of over two decades for making ‘sustainable development’ a globally shared goal. The only independently convened international Summit on sustainable development and environment, based in the Global South, WSDS strives to provide long-term solutions for the benefit of global communities by assembling the world’s most enlightened leaders and thinkers on a single platform. Over the years, the Summit series has witnessed the participation of 54 Heads of State and Government, 103 Ministers, 13 Nobel Laureates, 1888 Business Leaders, 2745 Speakers, and 38,280 Delegates.

Act4Earth

Act4Earth initiative was launched at the valedictory session of WSDS 2022. Building on the discussions of WSDS, this initiative seeks to continuously engage with stakeholders through research and dialogue. Act4Earth initiative has two components: **COP Compass** and **SDG Charter**. The COP Compass will seek to inspire and mobilize leadership at all levels, for inclusive transitions through ambitious and informed policies and measures which will enable paradigm shifts – towards meeting the UNFCCC and Paris goals through mitigation, adaptation and means of implementation. The SDG Charter will seek to identify gaps and suggest ways for strengthening and mainstreaming sustainable development in policy agendas for enhanced environmental, social, and economic outcomes.

Just Energy Transition Partnerships, Climate Action and Minilateralism

In recent years, citing the limited success rate of global climate agreements in generating consensus and to develop a more targeted approach in achieving goals, Minilateralism has steadily emerged as an alternate approach in climate geopolitics. Just Energy Transition Partnerships (JETPs), officially launched at COP26 in Glasgow in 2021, is one such minilateral initiative, later supported majorly by the G7 countries among other stakeholders which seeks to facilitate the process of energy transitions in developing countries and achieving their climate goals. The paper argues that if JETPs seek to succeed as a minilateral initiative towards financing just transitions, it needs to follow a more holistic approach which falls in line with and existing multilateral climate finance mechanisms.

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