JUST ENERGY TRANSITION PARTNERSHIPS

UNION OF JUSTICE

MARKET CAPTURE *OR* CLIMATE JUSTICE?

Exec Summary

The Just Energy Transition Partnerships (JETPs) were launched at COP26 in 2021, with the inaugural Partnership between South Africa and the International Partners Group (IPG), a rotating group of financiers from developed nations, including the US, UK, European Union, and others. Since then, two more Partnerships were signed in 2022 with Indonesia and Vietnam at the G20 summit and COP27, respectively, while a smaller Partnership was agreed with Senegal at the 2023 Paris Summit for a New Global Financing Pact.

With their prominent presence at major international climate and finance gatherings, the Partnerships have been promoted by IPG members as a new paragon for climate-centred development projects in the Global South, particularly through their emphasis on pursuing a worker-oriented 'Just Transition' while phasing out fossil fuel reliance.

Despite the self-promotion, the JETPs have proved controversial within hosting countries, with the inaugural host South Africa being wracked by political tensions threatening to unravel the Partnership. Flashpoints of criticism have centred on the JETPs' adherence to neoliberal orthodoxy - including being financed primarily through loans over grants, operating through public-private partnerships delivered by Western Development Finance Institutions, and coming with conditions demanding that host countries liberalise and privatise aspects of their energy sectors.

The clear drive towards privatisation in the JETPs has been condemned by civil society organisations in South Africa for undermining energy security and state sovereignty, as well as for threatening the livelihoods of workers in the coal belt, whose fate under the Partnerships has remained uncertain - yet these critiques are rarely afforded attention in European coverage.

In **Just Energy Transition Partnerships: Market Capture or Climate Justice?** we trace the details and debates within South Africa over their JETP. The emerging picture of the JETPs fits with a wider trend of international climate policies being progressively captured by market interests and international finance. This serves as an example of the new 'Wall Street Consensus' paradigm[1] of 'development as derisking', whereby the role of the state in development is narrowed to an agent of guaranteeing, protecting and burdening the risk of financialised investment.

Therefore, the JETPs are an explicit counterweight to more radical climate justice models which centre on a more interventionary role of the state, while also resubordinating countries of the Global South to financial and business interests in the Global North. We offer an alternative outline of nine core principles for a more equitable climate development model centred on Just Energy Transitions, based on the tenets of **A More Just Deal for the Global South, A Democratic Transition** and **Defending Energy Sovereignty and Energy Security,** which we encourage European civil society and workers organisations to support and organise around.

What are the Just Energy Transition Partnerships (JETPs)?

→ Just Energy Transition Partnerships (JETPs) are climate-centred development frameworks in the form of financing packages tied to fossil fuel transition objectives in accordance with 'Just Transition' goals.

The Partnerships are struck between countries in the Global South - thus far including South Africa, Vietnam, Indonesia, and Senegal - and the 'International Partners Group' (IPG), a rotating group of developed countries - including the US, UK, EU, Canada, France, Japan and/or others - which pledge to secure financing for the JETPs

→ They were introduced at the COP26 meeting held in Glasgow in 2021, where South Africa signed its provisional 'Political Agreement' with the IPG, followed up at COP27 with the signing of its Just Energy Transition Investment Plan (JET-IP) mapping out its implementation strategy[2].

Vietnam and Indonesia signed up at COP27 and the G20 summit, respectively, while Senegal signed up at the 2023 Paris Summit for a New Global Financing Pact.

India and Nigeria have been touted as future hosts, although the Indian Government has indicated resistance to the terms of the JETPs.

→ The financing offers presented by the IPG consist predominantly of loans, along with a mix of grants, guarantees, and technical assistance delivered through state lending banks, development finance institutions (DFIs) and other agencies.

The JETPs are 'start-up' financing, whereby initial public finance is intended to act as catalytic funding to attract private capital investment for energy transition.

In the case of the Indonesia and Vietnam JETPs, that private sector investment is expected to be facilitated by the Glasgow Financial Alliance for Net Zero (GFANZ) working group, an umbrella alliance comprising 500 banks, asset managers, financial service providers and other financial institutions that have committed to supporting 'net zero' objectives.

→ South Africa's JETP offer amounted to $8.5 billion over the course of 3-5 years;

Vietnam's offer was for $15.5 billion ($7.75 billion of public sector finance from the IPG, and $7.75 billion in private finance mobilised by the GFANZ working group)[3].

Indonesia's offer was for $20 billion ($10 billion from the IPG, and $10 billion via the GFANZ working group)[4].

Senegal's offer amounted to €2.5 billion (around $2.7 billion)[5].

→ After signing the JETP Political Agreements, host countries are expected to consult with national stakeholders, such as civil society and the private sector, to develop their implementation and funding plans alongside the IPG partners and the JETP Secretariat. Controversies have arisen regarding the extent and openness of these consultation processes, particularly in the case of South Africa's investment plan.

South Africa's Just Energy Transition Partnership

→ In 2021, the IPG pledged ~$8.5 billion to South Africa's JETP. Various other countries contributed to supplement the package, or to indirectly support the implementation or overall aims of the Partnership.

The full breakdown can be found in **Table A.**

The South African JET-IP outlines the three priority sectors in the JETP:

Electricity sector reforms

→ Phasing out the use of coal-fired plants, which provide the majority of South Africa's electricity, as well as decommissioning and repurposing coal plants.

This also includes progressing plans for breaking up - or 'unbundling' - Eskom, South Africa's state-owned energy utility into separate units, and allowing a vastly increased role for independent power producers (IPPs) in power production.

Electric Vehicles

→ Building up South Africa's Electric Vehicle sector, including manufacturing and encouraging greater domestic use.

Green Hydrogen

→ Investing in South Africa to become a major exporter of 'Green Hydrogen' (GH2), a new technology that involves splitting water into hydrogen through the use of renewable energy.

The European Union has placed the expansion of GH2 at the heart of its decarbonisation plans and identified African countries as key future producers as part of these plans[6].

→ 90% ($7.65 billion) of the IPG finance package is allocated towards the electricity sector reforms in the JETP, largely concerning electricity infrastructure, while financing directed towards 'Just Transition'-related priority areas is minimal.

A mere $12 million (0.14%) of the IPG financing was allocated to Skills Development, $16 million (0.19%) to Social Investment and Inclusion, and $22 million (0.26%) to Economic Diversification and Innovation. The Plan notes South Africa's aspirations to secure future grants and/or private funding towards such objectives.

→ Moreover, the South African Government calculates the total cost of a Just Energy Transition at 1.48 trillion Rand ($98.7 billion), dwarfing the $8.5 billion IPG pledge.

The Investment Plan made it clear that South Africa would court private finance in order to follow through on the JETP objectives, including the Just Transition goals, and that it would achieve this through policy and legislative changes to increase private sector confidence and enable their activity in the energy sector.

→ In May 2023, the South African Government moved towards postponing the decommissioning of coal-fired plants to help alleviate chronic rolling blackouts in the country[8], delaying a cornerstone of the JETP

Table A:
Breakdown of the South Africa financing offer

		Country/Entity (IPG finance pledge)					
		United Kingdom ($1.824 billion)	**France** ($1.0025 billion)	**Germany** ($0.968 billion)	**European Union / European Investment Bank** ($1.035 billion)	**United States** ($1.02015 billion)	**Climate Investment Funds (ACT)** ($2.6 billion)
Financing instrument	**Loans/Guarantees**	**$1.3 billion**	**$1 billion**	**$770 million**	**$1 billion**	**$1 billion**	**$500 million** (Intended to leverage further $2.1 billion in loans)
	Grants & Technical Assistance	**$24 million**	**$2.5 million**	**$198 million**	**$35 million**	**$20.15 million**	
	Other	**$500 million** partnerships					
	Additional Financing (outside of IPG pledge)			**€395 million (Euros)** towards JETP implementation	**€200 million (Euros)** loan for onshore wind and solar photovoltaic projects	**$45 million** concessional funding through Power Africa	
				€30 million (Euros) towards development of Sustainable Aviation Fuel	**$1 billion** green hydrogen fund jointly launched by Denmark, the Netherlands and South Africa	**$1.3 million** technical assistance grant from US Trade and Development Agency to Eskom	
				€5 million (Euros) towards a Green landfill gas (LFG) value chain			

Critiques of the Just Energy Transition Partnerships

→ The JETP has become bitterly contested in South Africa.

The South African Government expressed its discomfort at the predominance of loans in the IPG package[9], while the ruling ANC-led Government has been beset by divisions over the JETP and the role of coal in South Africa's economy - with its Minister of Mineral Resources and Energy pointedly telling Germany's Vice Chancellor that South Africans *'didn't want to be the West's guinea pig for the global energy transition'*[10].

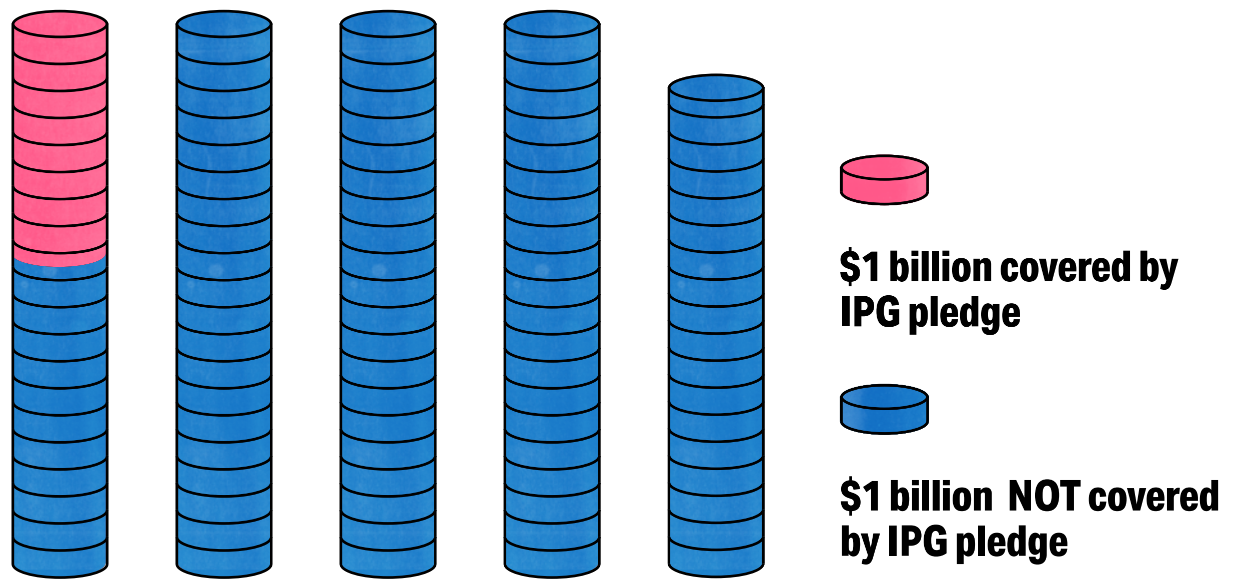
On the national stage, Julius Malema, leader of South Africa's third largest party, the Economic Freedom Fighters (EFF), called on party members to work with coal communities and workers to build opposition to the JETP.

→ Trade unions, including the powerful NUMSA (National Union of Metalworkers of South Africa) and the government-allied COSATU (Congress of South African Trade Unions) confederation have also criticised the JETP.

Their critiques centre on the lack of transparency over the Partnership, whose details were hammered out primarily between government bodies and the IPG with little-to-no meaningful consultation with organised labour.

Fears that coal belt workers made redundant will not be absorbed by jobs in the new 'green energy' sector have also grown. This is exacerbated by the government's lack of openness, leaving NUMSA General Secretary Irvin Jim to condemn the JETP as 'perverting' and constituting a 'violation of the principles' of Just Transition[11].

Figure 1
IPG pledge compared to total Just Energy Transition cost estimated by the South African Government (in $ billions)



→ Moreover, the plans to effectively begin privatising Eskom through unbundling, and expanding private energy, are condemned for handing over crucial state functions to the private sector, thereby threatening to undermine fuel subsidies, raise energy costs, and increase fuel poverty for South Africa's poorest.

South African civil society organisations have critiqued the Eskom plans as neoliberal solutions to structural under-resourcing of the utility, while a spokesperson for NUMSA has described them as 'destroying [Eskom'] future' and arguing that the 'South African Government has been reading from the playbook of the World Bank and other international financial institutions who have been driving an agenda of neoliberalism and privatisation'[12].

→ Beyond the specificities of the South African context, the JETP model has been criticised for its reliance on a model of financialisation, loans, and privatisation and for essentially being a market and finance-led approach that merely pays lip service to workers' needs.

IPG financing itself comes with conditions to restructure government policies to enable greater private participation in the energy sector and to build market confidence.

The requirement for hosts to reorganise their energy sectors for private sector penetration has disturbing echoes of World Bank and IMF-led Structural Adjustment Policies, through which countries of the Global South are forced to liberalise and open up their state-led economies for globalised capital as a condition of loans.

→ 90% of the $8.5 billion for South Africa comes in the form of loans, with the financing being disbursed largely through Western development finance institutions, including USAID, the US' Development Finance Corporation, British International Investment and France's AFD (Agence Française de Développement).

In line with the emphasis on Public-Private Partnerships that characterise the JETP, these development agencies are designed explicitly to engage and promote private sector participation in development projects - a number of them having been criticised for their overt ideological tilt towards free market principles.

→ The JETPs represent the worlds of international development, international finance, and climate policy at a historical inflection point, which is reflected in the seemingly contradictory mix of explicitly climate-centric demands and calls for Just Transition in the JETPs, popularised by the 2016 Paris Agreement, alongside old neoliberal orthodoxies of public-private partnership, energy liberalisation, and private sector-led approaches to development.

Moreover, as Dr Basani Baloyi and Jezri Krinsky of South Africa's Institute for Economic Justice point out in their briefing paper on South Africa's Just Energy Transition, the JETPs reflect the emerging 'Wall Street Consensus' which '*recognises that the climate crisis impinges on the stability of the global financial system but seeks an alternative to a more interventionist 'green developmental state'... [and] seeks ways to exploit the climate crisis for profitable opportunities that benefit financial markets and financial institutions'*[13].

A more equitable framework

→ Despite the flourish with which they were announced a mere year and a half ago, the Just Energy Transition Partnerships have not lived up to their promise. Closer interactions with the ideals have shown that they reinforce damaging and discredited models of development and privatisationfor host countries.

→ Transformative, radical, and forward-thinking approaches to Just Transition/Just Energy Transitions have been formulated within South African civil society, with many of their principles and insights on key issues being generalisable to other contexts, such as the Congress of South African Trade Unions' *Just Transition Blueprint for Workers*[14], the South African Institute for Economic Justice,[15] and the Eskom Research Reference Group's *Eskom Transformed* report.[16]

Yet with the JETPs being shaped and determined first and foremost by the interests of the private sector and international finance, these alternatives have been crowded out and sidelined in favour of business-as-usual approaches.

→ As such, the model currently offered by the JETPs is entirely untenable, and a new approach is needed to support truly democratic Just Transitions, while also supporting energy sovereignty in countries of the Global South.

To this end, we offer the following outline of nine core principles for a more equitable climate development model centred on Just Energy Transitions, formulated around the tenets of **A More Just Deal for the Global South, A Democratic Transition,** and **Defending Energy Sovereignty and Energy**

1.

Climate reparations, not climate profiteering

Just Energy Transitions should be financed through grants and public financing wherever possible, under the framework of climate reparations. Any loan and/or private financing should be delivered at concessional rates with long maturation periods. Debt forgiveness, along with the cancellation of odious debt incurred by multilateral and bilateral finance institutions/agreements, should be prioritised.

Climate development should be determined according to the needs/priorities of the population in host countries, rather than shaped by Development Finance Institutions for the benefit of their respective national industries and businesses.

2.

Stop Green SAPs: Protecting public ownership over privatisation

Countries of the Global South should not be used as guinea pigs for Wall Street Consensus-style financialised development, and host countries should not be compelled to enforce Structural Adjustment-style conditions of liberalisation and privatisation.

Energy sovereignty and energy security for host countries should be the cornerstone of Just Energy Transitions, to preserve and bolster their capacity to respond to climate-induced shocks and crises affecting their populations - rather than fragmenting energy between private hands.

Therefore the preservation and democratisation of energy utilities and renewable energy sectors should be prioritised over profit-driven privatised or part-privatised models.

Host countries' attempts to advance alternative development models and exercise resource sovereignty should be respected, including the nationalisation or export controls of raw materials used for renewable sectors.

3.

Open and transparent approaches to the 'Just Transition'

Host governments must map out and commit to plans for absorbing labour into renewable energy sectors, rather than leaving it as a matter for industry to determine.

They should be transparent about labour which cannot be absorbed, and be clear about alternative pathways for the training, re-skilling, and re-deployment of workers outside of those sectors.

'Just Transition'-related aspects of transition plans should be publicly financed.

4.

Well-protected post-transition employment

A jobs guarantee mechanism should be put in place, post-transition employment should consist of good, well-protected, and unionised jobs overseen by robust state mechanisms for monitoring and enforcing labour standards in new renewable energy sectors.

Communities impacted by the transition away from fossil fuels should also be protected and supported by guaranteed state welfare measures.

5.

Proper participation, not token representation

To preserve the spirit of a proper Just Transition, trade unions and civil s ociety should be centrally involved in the development, implementation, and oversight of transition plans - not merely given token representation during consultations.

6.

Detering private sector lobbying

Records and reports of stakeholder consultation for Just Energy Transitions, especially those with private sector representatives, should be made public. Registers of interest should be published for government representatives involved in the development or consultations around transition plans.

7.

Affordable energy for all

Energy subsidies should be locked-in to ensure that no parts of the population are excluded from or priced out of renewable energy consumption. Independent Power Producers should be bound and regulated by local laws, not given special treatment, have contracts made public and commit to subsidising energy for poor communities.

8.

Development without dependency

Technology transfers should be made available to host countries, and Intellectual Property rights should be relaxed to enable a collective, collaborative approach to climate technologies.

9.

Cooperation over competition

Geopolitical rivalries should not take precedence over the need for genuine international cooperation on climate matters, nor should Just Energy Transitions be used as a mechanism to buy acquiescence from Southern nations.

The principle of common but differentiated responsibility to climate should be central to any future Just Energy Transitions, rather than outsourcing responsibility to Southern nations alone.

Endnotes

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Union of Justice is a European, independent, people of colour (POC) led organisation dedicated to racial justice and climate justice. We empower those most affected by equipping them with the skills and knowledge needed to make a difference. Additionally, we conduct and promote research as well as campaign to create a Europe and a world that is equitable, just and sustainable.

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