

Task Force 02

**SUSTAINABLE CLIMATE ACTION AND INCLUSIVE JUST ENERGY TRANSITIONS**

## Driving Effective and Equitable Public Private Sector Partnerships for a Just Transition Across G20 Countries

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## Abstract

In this policy brief IDDRI and WBA explore how G20 countries can enhance the level of public-private collaboration for a just transition in a way that reduces inequalities both within and across countries. The brief builds on existing research conducted by both organisations and proposes specific policy recommendations to the G20. Research from WBA includes an assessment of 308 company just transition plans across multiple economic sectors. It also includes examples of public-private just transition partnerships and a review of how unions, business member organisations and governments can collaborate to drive corporate action. From IDDRI this includes country case studies, in particular lessons learned from current JETPs, IDDRI's Deep Decarbonisation Pathways Initiative and work conducted in Latin America, the Caribbean and Africa to support national policymaking.

This brief builds on this work and delves deeper into the policy mechanisms that can ensure public-private partnerships for a just transition are conducted effectively and equitably. These partnerships are crucial to support international cooperation and build on the strengths of the public and private sectors to deliver a just transition. The brief further provides an assessment of the enabling conditions needed to deliver effective just transition planning, including the need to build greater societal ownership across different stakeholder groups. In particular, the brief reviews national and sectoral pathways (including NDCs and LT-LETDs) that address just transition. In doing so it analyses how these pathways could better support country planification efforts while building links with expectations from the private sector. A key conclusion is the requirement to adopt a needs-based, sector-driven and forward looking approach, which is found to be a major safeguard to align private sector actions with the current climate and development challenges.

## Diagnosis of the Issue

Public-private partnerships (PPP) and international cooperation play a crucial role in advancing a just transition. The Brazilian G20 presidency can advance such efforts and link to past work. This includes outcomes from the India G20 presidency, work part of the G20 transition finance framework and other G20 initiatives such as the Global Infrastructure Facility. Yet, in scaling PPPs, robust governance and safeguard mechanisms are needed to ensure the accountability of the private sector. This is important so that PPPs respond to domestic socio-economic priorities and steps are put in place to implement national pathways that tackle the climate emergency. Three components to ensure PPPs are effective and equitable include developing (1) multi-stakeholder coalitions that facilitate social dialogue between a wide range of stakeholders (2) enacting enabling public policies to drive corporate action and (3) tracking progress to ensure the transition is just in its design and outcomes (WBA, 2023). Multi-stakeholder coalitions can help understand power asymmetries that may exist and the expectations of different stakeholders in delivering a just transition. Across the G20 a number of such partnerships exist and could be scaled up (TERI, 2020).<sup>1</sup> Tracking progress with indicators is also a way to evaluate how the private sector is delivering on a just transition (UNRISD, 2023). The World Benchmarking Alliance (WBA) through its just transition methodology is an example which showcases how 308 companies across multiple sectors are delivering on a just transition (WBA, 2021). See table 1 below for an overview of

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<sup>1</sup> The Responsible Energy Initiative in India is an example, which engages with multiple stakeholders including the private sector in ramping up renewable energy in a way that does not have adverse social and human right impacts.

how these companies fare on different aspects of a just transition. These indicators can reveal where gaps exist (such as just transition planning) and help design public policies that can in turn improve corporate action.

**TABLE 1. Level of company readiness on just transition across indicators<sup>2</sup>**

Depth of just transition integration	Social dialogue and stakeholder engagement	Planning for a just transition	Green and decent job creation	Retaining and re-and/or upskilling	Social protection and social impact management	Advocacy for policies and regulation supporting a just transition
Companies that meet at least one of four elements	26.4%	6.2%	32.6%	53.7%	7.2%	5.9%
Companies that meet two to three of the four elements	7.2%	2.3%	15%	21.5%	2.9%	1.3%
Companies that meet all four elements	2%	0%	0%	0%	0%	0.3%

Just Energy Transition Partnerships (JETPs) are a form of PPP driven so far by a small group of donor countries. As other PPPs, JETPs seek to align targets and actions across different stakeholders, including leveraging a larger scale of investments, which are expected to be private. JETPs represent a specific effort to identify how and where the public and private funds should be invested to trigger systems change, particularly against a backdrop of costly and socially difficult transitions.

<sup>2</sup> The colour coding in this table shows visually the level of readiness with three categories: red the lowest (0-25%) with a darker shading when readiness is below 5%, yellow the medium (26-50%) and green the highest (51-100%).

Despite being intrinsically host-country led, implementation to date has raised concerns over the absence of real progress on the Just part of the JETPs (Rockefeller Foundation and Environmental Defence Fund, 2024; Sarr, 2023). This may be caused by the absence of specific objectives for the social and justice dimensions of the deals. If these partnerships are narrowly interpreted as financial deals, this also reflects the lack of return of investment provided by the “just” aspects (UNCTAD, n.d). This diagnosis points to the need to understand JETPs as a trigger for a more systematic transformation of national socio-economic systems. Based on DDP Initiative work related to JETP design in South Africa, Senegal and Indonesia, integration, governance and in-country capacities are critical for supporting long-term transformations (DDP, 2023a; DDP, 2023b). In turn these are needed to meet development and climate goals, respond to the shortcomings of past PPP practices and support G20 Presidency efforts to enhance the social dimension of energy transitions (IDDRI, 2023).

Beyond JETPs, IDDRI’s research finds that innovations in international cooperation are required to create adequate conditions for countries to scale up their ambition and trigger effective action. This innovation lies in promoting a needs-based, sector-driven approach that is solutions-oriented and forward-looking (IDDRI and DDP, 2023). When applied to sectors such iron and steel production, it becomes evident that conventionally envisaged cooperation through climate finance and technology transfer are necessary but insufficient. Additional areas of cooperation, such for H-DRI in green steel making are vital to support the prosperous future of key industries aligned with national development and climate goals in developing countries. Many of these areas of cooperation serve as pointers on how G20 can incentivize private sector involvement while ensuring the delivery of just transitions.

## Recommendations

Investing in effectively building in-country capacity -this is by working on, or being led by, an agenda set by those in capacity needs is a necessary condition to advance just transition planning (Sokona, 2021). The analysis of existing JETPs also highlights that insufficient access to in-country technical, planning, and modelling capacity is a key barrier to enhance the Just dimensions. **Supporting the mobilization over time of in-country technical and institutional capacities** to establish transition roadmaps articulating climate constraints with social and economic dimensions is a core condition for enhanced cooperation between public and private actors.

Promoting just transitions also requires integrating sectoral roadmaps into a systemic approach that identifies the interplay between actions in the hands of different stakeholders. This can guide efficient coordination between public and private actors. Starting from this acknowledgment, LT-LEDS development, encouraged by the UNFCCC, has a significant role in giving coherence to the implementation of climate policies at the national level. LT-LEDS are country-driven and can provide information for the early identification of investment decisions and measures that facilitate a just transition. As such, LT-LEDS can ultimately guide the establishment of multi-level governance arrangements and mechanisms suited to organize the partnerships between public and private actors. Based on today's experience, factors to enhance LT-LEDS effectiveness are known. For instance, a study shows in most cases countries do not include a strategy to mobilize the private sector and the participation of the private sector and state owned companies remains weak (Calfucoy et al, 2022). Likewise, this study found that LT-LEDS are often not recognized as a development strategy. Their content further exceeds the scope of action of the ministries of environment (often leading such

an effort) in terms of powers and implementation capacity. This generates tension in the allocation of responsibilities and governing duties for LT-LEDS implementation unless line ministries are also actively involved in the process.

**G20 countries should show leadership on LT-LEDS development and highlight the importance to organize these LT-LEDS process in a way that involves the private sector to establish well-coordinated partnerships in support of national transitions.**

For the JETPs more specifically, G20 could promote the connection between JETPs and LT-LEDS. This builds on the diagnosis that JETPs alone cannot support effectively the Just components if they are not integrated in a more systemic vision at the country level. **G20 could therefore call for future JETP-deals to include a close link to LT-LEDS processes, following the Senegalese case** (Gunfaus and Waisman, 2023). The current G20 presidency has the opportunity to develop an institutional body or working group for LT-LEDS development. This body can develop the necessary legitimacy to lead discussions on the type of development that countries seek to achieve, focusing on transformational action instead of only developing environmental policy.

In addition to the efforts for building national capacities, G20 is also expected to enhance the coordination of supply and demand needs. Encouraging country platforms is an avenue for G20 countries to do so. Many actors are keen to support the establishment of country platforms as part of the MDB reform agenda. As a nationally owned institutional venue, country platforms can bring together domestic policy makers, international investors and technical experts (ODI, 2022). In relation to scaling up the JETP model, G20 could agree to broaden the base of current donor countries , as well as calling MDBs to coordinate the demand of JETP-type deals. The wider enabling policy

environment is also critical to drive private sector action on just transition. More specifically, **country NDCs and LT-LEDS can make explicit references to the need for company just transition plans and aspects of direct relevance to corporate action on just transition.**

This includes green skills and training, economic diversification, social protection and social dialogue. For an overview of how these aspects are currently reflected in G20 NDCs and LT-LEDS see table 2 below. Table 2 shows that there are discrepancies in how just transition is reflected in NDCs and LT-LEDS. The emphasis is also more on green jobs and skills than identifying economic diversification pathways and linking just transition to social protection and social dialogue. This point emphasises the need to conceive LT-LEDS as a cross-cutting development strategy. This is aligned to the Brazilian G20 presidency concept for just energy transition (G20, 2024). This includes “going beyond the necessary retraining of the workforce made redundant by the phasing down to exploring how to adapt paths of development to new, more challenging circumstances, where emissions are no longer an option”.



**TABLE 2 - G20 Integration of just transition in NDCs and LT-LEDS of relevance to company action<sup>3</sup>**

Topic	NDC	LT-LEDS
<b>Explicit reference to just transition</b>		
Explicit reference to just transition	40%	60%
<b>Explicit reference to company just transition plan</b>	0%	0%
<b>Reference to thematic topics of relevance to company just transition plans</b>		
Economic diversification	15%	10%
Jobs or employment	45%	75%
Skills and training	40%	60%
Social protection	10%	10%
Inequality	30%	25%
Stakeholder engagement and broader dialogues	35%	60%
Social dialogue	5%	0%
Gender	50%	30%
Youth	50%	25%
Poverty	35%	50%

Source: (UNFCCC and KCI, forthcoming)

In addition to NDCs and LT-LEDS, G20 countries can reinforce just transition planning from companies by developing enabling public policies that can strengthen public-private sector collaboration on just transition. While there is no one size fits all, these can include supporting the integration of just transition in procurement, fiscal policy and national/sub-national skills development programs (Krawchenko et al, 2021). In

<sup>3</sup> The integration of just transition is measured looking both as explicit references to just transition and wider topics of relevance to corporate action on just transition. Colour coding: red= low integration (0-25%), yellow=average integration (25-50%), green= high integration (50-100%).

addition to JETPs, some PPPs on just transition already exist and are increasingly emerging within the G20. As such, it is important to assess how these are faring in different regards such as leveraging private finance, inclusive stakeholder engagement, building clear expectations for real economy companies and wider multi-level governance. Examples in G20 include Brazil's 2023 ecological restoration plan as well as more implicit inclusion of just transition related conditionalities in climate incentives such as the US Inflation Reduction Act. Finally, when assessing PPPs on just transition it is important to do so at a national and sub-national/regional level given the localised nature of just transition. The cross-cutting nature of just transition, also means that just transition should be integrated in workforce/economic/regional development and industry 4.0 strategies amongst others (Krawchenko et al, 2021). It is also important these strategies are embedded at a cross-ministerial level and proactive in nature, identifying transition impacts and enabling policies ahead of the transition.


## Scenario of Outcomes

This policy brief has highlighted two important areas to advance effective and equitable PPPs for a just transition within and across G20 countries. Firstly, the brief has shown the importance of robust governance mechanisms. Secondly the brief has outlined why safeguard mechanisms are needed to ensure the accountability of the private sector in delivering a just transition.

The first area includes the importance of developing enabling public policies to support just transition implementation, including its integration in country NDCs and LT LEDS.

- However, for G20 countries contradictions emerge in this respect, such as the extent to which just transition is currently integrated in NDCs and LT LEDS. On this matter, the Brazilian G20 presidency can lead by example, creating a first mover coalition to support the more robust integration of just transition in country NDCs and LT LEDS. This integration should move beyond solely green job creation and reflect a cross cutting development strategy to just transition with links to sectoral and company just transition plans which is currently lacking in most G20 countries. There is further an opportunity to link such efforts to the revision of country NDCs expected in 2025 and the UNFCCC just transition work programme. The troika of G20 presidencies between India, Brazil and South Africa further presents an opportunity to advance on this topic and create synergies with the UNFCCC mission 1.5C and the troika of COP Presidencies.

- Similarly, while in addition to JETPs some G20 countries have started to develop forms of PPPs for a just transition, wider efforts would be needed to assess any policy incoherences at a national level that would act as barriers to advancing a just transition and supporting corporate action. A review of the ways in which fiscal policy, procurement and country development strategies address or not just transition needs would be




important in this respect. Enabling public policies that integrate just transition including as part of country platforms can coordinate the demand for just transition finance. In turn this can channel just transition funds into investable projects that meet national just transition priorities.

- Beyond domestic institutional barriers, there are opportunities to advance international cooperation on a just transition that supports a reduction in inequalities between G20 countries. Supporting green industrial policy collaboration such as for green steel production would be one example of how to respond to such challenges, creating local value added in developing countries while advancing global decarbonisation goals.

There are several ways in which the G20 can further advance corporate action on just transition while putting in place sufficient safeguards to ensure the private sector remains accountable.

- One of the challenges with JETPs and other forms of PPPs for just transition is to define the objectives for the “just” dimension of such partnerships. The role of just transition assessments and tracking progress tools both at the policy design and implementation phases is key. In the G20 at a company level this brief has shown a number of areas where companies can improve their level of readiness on just transition such as just transition planning, policy engagement and social protection. These are all areas where policy makers can play an important role in designing incentives and regulations that will support the better integration of just transition in PPPs and the scaling of just transition related finance. The G20 can further link JETPs and wider PPPs on just transition to international efforts as part of the UNFCCC and the NCQG on climate



finance. In particular for the NCQG the G20 can support the quantification of just transition finance needs.

- It is also important to assess how PPPs that advance just transition goals scale just transition related finance in regions where it is most needed. There can indeed be an important regional mismatch between regions that stand to benefit from the low carbon transition and those that will be affected socio economically and where energy and emission intensive assets may be located. Here current gaps exist in mapping such regions at risk in G20 countries and there is a further gap still in knowing the scale of finance needed to ensure a just transition in those regions at a more granular level.

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