



Energy transition : promises and challenges of JETP

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Just Energy Transition Partnerships at two: doctrine, executions and way forward

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2023-11-20

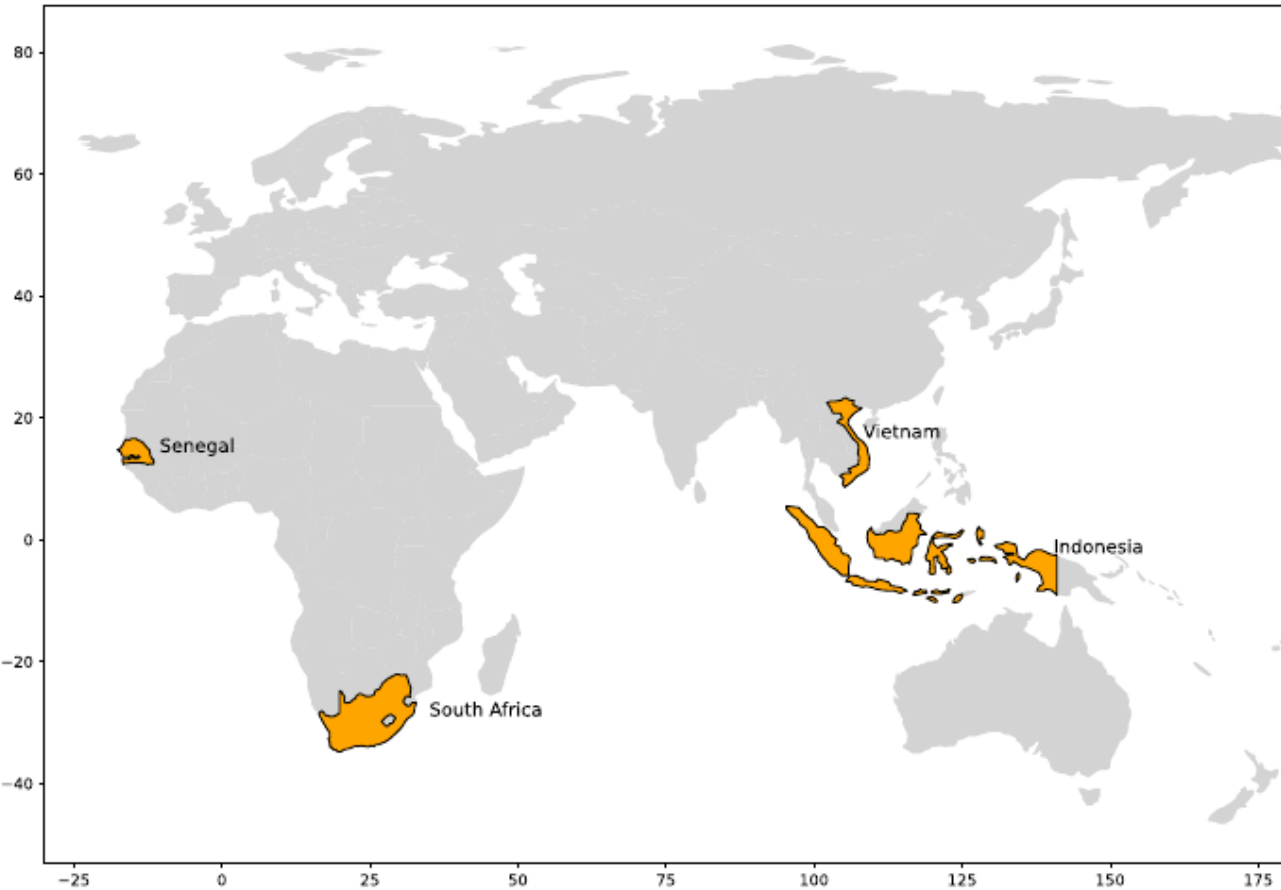


Figure 1: JETP pilot countries.

Since COP26, four Just Energy Transition Partnerships (JETP) political declarations have promised to mobilize billions of dollars to stimulate the energy transition in emerging markets

It is too early to judge the success of these four pilot partnerships. Implementation revealed many challenges, including the risk of being used for geopolitical purposes, hidden conditions, loss of confidence, and excessive debt.

To mitigate these risks, JETPs should report results under the Paris Agreement transparency mechanisms, adopt widely accepted social and environmental standards, and reduce the share of sovereign debt in the package of measures while increasing the share of private finance.

1. History context : UNFCCC Financial mechanisms

- Shared but differentiated responsibility principle → Global Environmental Facility (1992), Adaptation Fund (2001), Green Climate Fund (not World Bank managed)...
- Funds are small (GCF = \$10 bn) and complex to access.
- Their impact on GHG emissions is low (reduction < 0.5 % world total).
- Clean Development Mechanism collapsed in 2011, after mobilizing ~\$10 bn essentially in China, India, South Korea and Brazil.

Paris Agreement opens to poly-centric approaches

A JETPs is a *country platform*. Small donors coalition, existing institutions.

- i. Country-owned and led → Spirit of cooperation and targeted support.
- ii. Ambitious long-term view → towards carbon neutrality.
- iii. Catalytic use of public funds → Potential to be climate finance highways

2. Promises	South Africa	Indonesia	Vietnam	Senegal
Date JETP declared	November 2021	November 2022	December 2022	June 2023
International Partners Group	GBR, USA, FRA, DEU, EU (+DK, NL)	JPN, CAN, <i>DNK</i> , EU, DEU, FRA, <i>NOR</i> , ITA, GBR	EU, GBR, USA, JPN, DEU, FRA, ITA, CAN, <i>DNK</i> , <i>NOR</i>	FRA, DEU, UK, CAN, EU
Initial amount to be mobilized over the next 3 to 5 years	\$8.5 billion	<p>\$20 billion = \$10 billion by IPG + GFANZ Working Group members to mobilize and facilitate at least \$10 billion in private finance</p>	<p>> \$15.5 billion = \$7.75 billion of public sector finance on more attractive terms than VN could secure in the capital markets + GFANZ members at least \$7.75 billion</p>	<p>2.5 billion euros of new and additional financing by IPG members and multilateral development banks, aware of the need for a <u>long-term cooperation and partnership.</u></p>

	South Africa	Indonesia	Vietnam	Senegal
Objectives statement	<p>to support South Africa's pathway to low emissions and climate resilient development, to accelerate the just transition and the decarbonisation of the electricity system, and to develop new economic opportunities such as green hydrogen and electric vehicles amongst other interventions to support South Africa's shift towards a low carbon future.</p>	<p>to help Indonesia pursue an accelerated and ambitious just energy transition that [...] includes an ambitious power sector emissions reduction pathway and strategy based on the expansion of renewable energies and the phase down of on and off-grid coal-fired electricity generation; and the implementation of concrete actions achieving a just energy transition for workers and communities, particularly those most affected by an energy transition away from coal.</p>	<p>to support Việt Nam's low-emission and climate resilient development, as well as to support Việt Nam to accelerate the just transition and decarbonisation of the electricity system, and develop new economic opportunities to support Việt Nam's transition towards net zero future.</p>	<p>aimed at supporting and accelerating Senegal's drive towards clean energy sources that will enable inclusive and resilient development</p>

3. Results and effectiveness

- Political Declarations tools for rapid action
- Momentum to mobilize public and private sector

Do JETPs fit their design criteria ?

- i. Country-driven, specifically tailored = Yes
- ii. Large-scale finance = It depends
- iii. Catalytic for private finance = Not yet

Table 10. Financing needs of the JET IP for the period, 2023–2027

ZAR (US\$) billions	Electricity	NEV	GH ₂	Subtotal
Infrastructure	978	83	313	1 374
Planning and implementation capacity	2.14	2	5.5	9.9
Economic diversification and innovation	40.4	43	–	83.4
Social investment and inclusion	9.6	–	–	9.6
Skills development			2.7	2.7
Subtotal	1 030.4 (68.7)	128 (9)	319 (21)	
TOTAL				1 480 (98.7)

South Africa JET Implementation Plan

Needs \$98.7 bn

Pledges \$8.5 bn

Table 11. Allocation of US\$8.5 billion pledge for the period, 2023–2027

IPG US\$8.5 billion allocation, 2023–2027	Electricity	NEV	GH ₂
Infrastructure	6.9	0.2	0.5
Planning and implementation capacity	0.7		0.2
Skills development	0.012		
Economic diversification & innovation	0.022		
Social investment and inclusion	0.016		

(now \$11.6 billion
including Spain, Canada
and Switzerland pledges)

4. Implementation challenges

- Hidden conditions and tied aid
- Trust erosion, e.g. \$100bn per year pledge
- Climate finance should be new and additional aid
- Justice is a variable geometry concept
- External public debt toxicity

Table 12 – Indicative Breakdown of IPG Public Finance by Sources and Financial Instrument

USD million ⁴⁴	Total ⁴⁵ (\$mn)	Grants/TA	Concessional loans		Commercial DFI instruments ⁴⁶			
			Sovereign	Non-Sovereign	Equity	Guarantee	Loan	Split to be defined ⁴⁷
Canada	59.4	4.4	50.9	4.0				
Denmark	10.0	10.0						
EU	920.3	185.3	735.0					
France	525.0	1.31		523.7				
Germany	671.7	62.7	399.0				210.0	
Italy	528.0						264.0	264.0
Japan	342.4	2.4					340.0	
Norway	251.1	1.1			250.0			
UK	304.3	4.3			50.0	200.0 ⁴⁸	50.0	
US	1050.0	50.0			10.0	40.0	950.0	
ADB	2100.0		1000.0				1100.0	
FMO	315						315	
Other	1000.0						1000.0	
Sub-Total								
Public Finance	8077.2 ⁴⁹	321.51	2184.9	527.7	310.0	240.0	4229.0	264.0

JETP Vietnam Resource Mobilisation Plan

Total pledges \$8.1 bn

\$0.3 bn Grants / technical assistance

\$2.7 bn Concessional loans

\$4.2 bn Commercial loans

balance is equity & guarantees

5. Mitigating risks

- Trust → Annual monitoring using grant-equivalent metrics
- Tied aid → Listing projects and awarded companies
- Justice → South-South collaboration on ESR minima for JETP projects
- Debt → Rebalance public:private finance. Catalytic means 1:10 not 1:1

Conclusion and Way forward

- Urgent need for significant climate finance flows → Mobilizing existing Official Development Assistance idea of *Country Platform* is worth trying.
- Four JETPs ongoing with promising start
- Scaling up (e.g. India) is desirable, but too early to declare success
- The keys : transparency and effectiveness to catalyse private finance

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