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Political declaration of the Just Energy Transition Partnership

ESRG
ENERGY SYSTEMS RESEARCH GROUP
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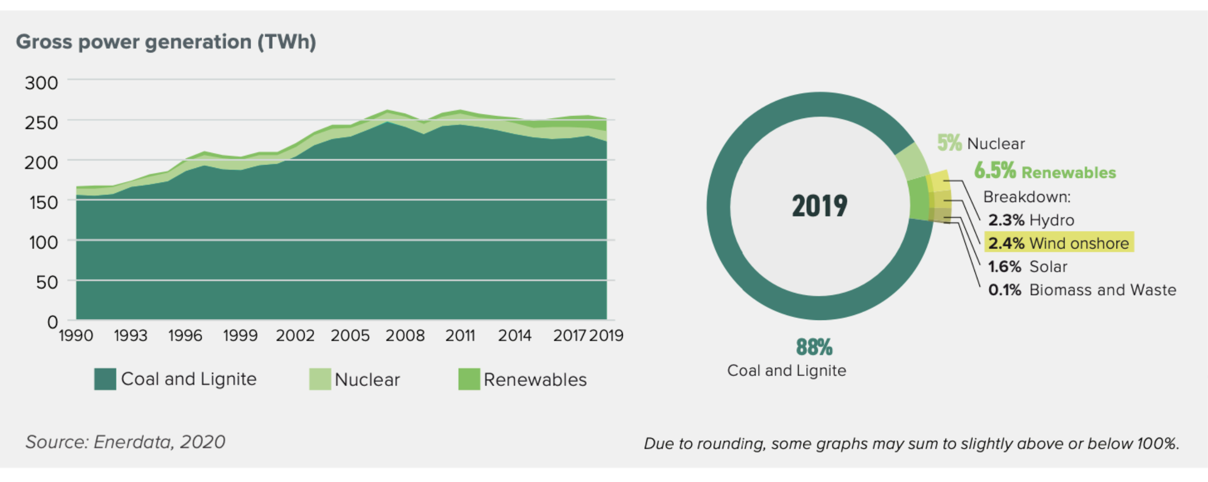
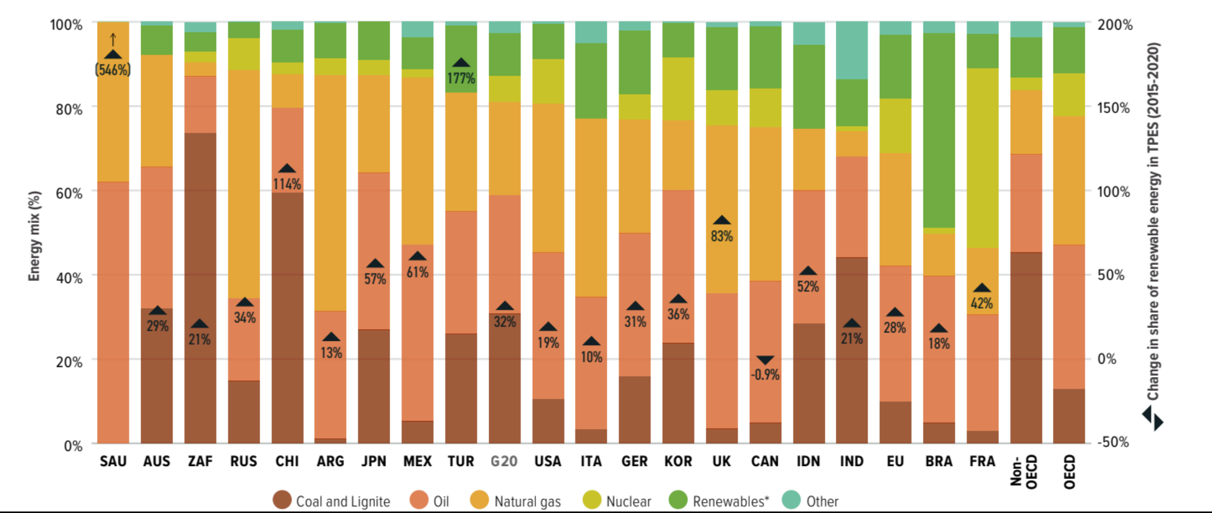
Climate Transparency

TRAJECTS
Transnational Centre for Just Transitions in Energy, Climate & Sustainability

Why just transition?

- South Africa has the most coal-intensive economy of the G20, depending on coal for 87% of its electricity.
- In Eskom it has a debt- and crisis-ridden utility struggling with rapidly evolving power sector economics.
- The country has enormous socio-economic [development]() challenges and mass unemployment.
- High dependency on coal in mining regions and degradation of land, air, and water resources limits alternatives





Climate Transparency

A first of its kind, $8.5bn offer that provides:

- An opportunity for SA to delineate its own needs and shape the investments and finance packages to support climate action
- A mechanism for middle-income countries to access much-needed concessional finance – where a rapid transition would otherwise not be possible on the basis of commercial finance
- Potential pathway to sustainability for coal dependent SOE’s such as Eskom
- The Declaration:
- Promises to deliver a long-term engagement, with the current offer for the first 3-5 years
- is strong on the need for protecting workers and communities and a decent work agenda, putting a just transition at its centre
- Includes power sector decarbonization, economic diversification into green hydrogen and electric mobility

- The exact shape and form that the final country offer will take is not yet known
- Nor are detailed investment needs and packages – CIF ACT process recently started
- South Africa and international partners will work together over 12 months to articulate the detail of the JETP
- Energy transitions are contested, and country partnerships do not magically make those contestations disappear
- Inclusion of just transition and economic diversification is key
- Unions are concerned about job losses in coal and other sectors, and that there is not yet a financed just transition implementation plan
- Strong pushback against faster coal phase out than current IRP
- Communities want alternatives to coal
- Civil society have flagged risks around terms, ambition, and financing fossil fuels

What did it take to get here?

- Built on years of analytical work amongst local think tanks and within Eskom, including the creation of Eskom's Just Energy Transition Office to manage coal plant closures
- Eskom proposed a JET Financing Facility based around new generation opportunities and coal plant repurposing
- In run up to COP, the Presidency presented an intergovernmental plan based on broader mitigation needs at Presidential Climate Commission
- In parallel, sectoral, national, and provincial Just Transition policy development
- Enabled by 2021 NDC update

The Just Energy Transition Partnership: a model for others?

Ramaphosa says $8.5bn just transition partnership could become model for others

President Cyril Ramaphosa

South Africa secured $8.5 billion to transition away from coal. It'll be a test case.

Developing nations have long said they need aid from wealthy countries to shift to renewable energy. South Africa may show how that would work in practice.

ANALYSIS

South Africa's Coal Deal Is a New Model for Climate Progress

The agreement is the most impressive thing to come out of the COP26 climate summit.

Perhaps - but need to see delivery and details

Scale

- While $8.5bn is significant, the overall needs for mitigation, adaptation and just transition for 1.5C is far greater.
- Estimates ranging from $30bn for Eskom to $60bn for power sector investment to 2030.
- Almost $1bn is needed in grants for the coal worker related aspects of JT alone, let alone industrial policy interventions, SMME development, etc.

Delivery of new and additional finance

- Developed countries have historically failed to deliver on their climate finance promises and responsibilities, with much of it disbursed as loans rather than the necessary grants.
- Donors are now on the hook to deliver $8.5bn, which should be new and additional.

Terms

- The quality of finance flows is as important as the scale. Much of the $8.5bn will need to be as a grant or highly concessional finance, with publicly available terms.
- Additional debt for an already debt-laden utility would hinder rather than help the transition.
- Just Transition finance must plug holes for innovative or new sectors that existing **financial instruments** don't service.
- Technical assistance is essential but is insufficient alone.
- How will it fund key social needs – energy access, worker transition, etc?

A model for some but not a replacement

- Country deals can't replace multilateral finance commitments or capitalisation of MDBs
- One on one deals are not a replacement for meeting existing commitments, including for more and better adaptation funding.
- But they do offer a mechanism for high-emitting developing countries to pivot towards a new development path.

Thank you

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