New Frontiers in International Development Finance (NeF DeF):
Climate Finance for Equitable Transitions (CLiFT)

Financing Sustainable Just Energy Transitions: Challenges of the JETP Initiative

Contribution to the COP 30 Presidency Roadmap on the Transition Away from Fossil Fuels in a Just, Orderly and Equitable Manner

This contribution was submitted by:

- **Professor Celine Tan**, Professor of International Economic Law, Warwick Law School, University of Warwick, UK
- **Dr Anil Yilmaz Vastardis**, Senior Lecturer, Essex Law School. University of Essex, UK
- **Dr Gamze Erdem Türkelli**, Associate Research Professor in Public International Law, Human Rights and Sustainable Development, Faculty of Law, University of Antwerp, Belgium

Research used in the submission were also contributed by **Dr Basani Baloyi**, Programme Director, and **Ms Joan Stott**, Senior Programme Office, Institute for Economic Justice (IEJ, South Africa, **Mr Bhima Yudhistira**, Executive Director, Center of Economic and Law Studies (CELIOS), **Mr Shafic Osman**, PhD Candidate, London School of Economics (LSE) School of Law and **Ms Swasha Fernando**, Legal Counsel, Colombo, Sri Lanka.

Our submission is based on our multi-institutional, multi-stakeholder project **Equity and the Global Climate Finance Architecture: An Evaluation of the JETP Framework** (hereinafter known as the JETP Project) and draws on work conducted and papers published as part of this ongoing research as well as work conducted by the project partner organisations. The project is conducted under the auspices of the Climate Finance for Equitable Transitions (CLiFT) initiative aimed at exploring the climate finance supply chain within the context of the multilateral climate change regime, international financial architecture and the multi-layered landscape of international economic law.

The JETP project is funded by the British Academy and University of Warwick Policy Support Fund.

For further queries, please contact: jetp@warwick.ac.uk

Executive Summary

This contribution is a response to an invitation by the COP30 Presidency to submit inputs to the COP 30 Presidency Roadmap on the Transition Away from Fossil Fuels in a Just, Orderly and Equitable Manner.

The contribution examines the **Just Energy Transition Partnership (JETP) as a mechanism for financing and accelerating energy transitions** in developing countries. While JETPs have emerged as flagship initiatives by developed countries for supporting developing countries' energy transitions away from fossil fuels, this evidence identifies significant concerns regarding their **design**, **financing architecture**, and **implications** for achieving **global climate objectives**.

We set out **ten interconnected concerns** with the JETP model and its associated financial instruments that can undermine the efficacy of financing for just, orderly and equitable transitions away from fossil fuels:

1. **Limited financing commitments** relative to energy transition costs.
2. **Over-reliance on debt instruments** rather than grants, creating fiscal burdens.
3. **Market-led derisking approach** to catalyse private finance at the cost of public-led approaches to financing energy transitions.
4. **Questionable additionality of committed finance**, potentially diverting from other sustainable development needs.
5. **Extensive conditionality** attached to JETP financing, including policy and regulatory reforms that can undermine rather than progress climate action
6. **Inadequate focus on social and economic transition risks** and limited funding to mitigate these risks.
7. **JETPs confer substantial policy leverage to the members of the International Partners Group (IPG)** over host countries relative to financing provided and less commitment from the developed countries.
8. **Regulatory risks** emerging from policy and regulatory reforms and financial instrument design without corresponding reform to the international financial architecture (IFA).
9. **Legal risks from investment protection frameworks** that may constrain current and future climate action
10. **(In)compatibility with multilateral climate commitments** under the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement.

Our analysis reveals a critical tension: while JETPs claim to advance country ownership and locally developed policy processes, **the initiative remains premised on a donor-dominated aid framework rather than as a genuine implementation of international cooperation and developed countries' obligations under the UNFCCC**. This design means that strategic priorities of the JETPs and climate finance more generally are driven by the interests of developed countries, multilateral development banks (MDBs) and private financial institutions that constitute the IPG for each JETP rather than by stakeholders in JETP host countries. This can lead to a **loss of policy space** in developing countries and can **undermine the core principles of the multilateral climate regime** and **weaken climate action** globally.

JETPs go beyond the transfer of financial resources and involves legal, regulatory and policy reforms in developing countries and reshapes state engagement with markets and civil society. This means the JETP has wider implications for developing countries beyond access to climate

finance and can impact on local and national law and policymaking and their interactions in the broader global economy and international law.

We make **four sets of recommendations** for financing just, orderly and equitable energy transitions to **counter the risks of reliance on debt instruments and private finance;** to **counter legal and regulatory risks** arising from private investments; to **counter social and economic transition and governance risks**; and to **ensure compatibility with multilateral climate commitments**.

Energy financing platforms, such as JETPs, should function within the climate finance legal framework, respecting the obligations of developing countries and is developed in a holistic, inclusive and participatory manner **taking into account the sustainable development needs and human rights** of all stakeholders. Ultimately, financing just energy transitions must be **part of a broader package of reforms to the current system of global economic governance and international economic law**, including dealing with significant debt burdens of developing countries and substantially reforming the asymmetrical international investment regime.

1. Introduction: The JETP as a Climate Finance Modality

The Just Energy Transition Partnership initiative represents a strategic initiative by a group of developed countries to respond to the urgent financing gap for energy transition in developing countries while addressing the social and economic dislocations which may arise from such transition, including impacts on the labour force, energy access and sustainable development. Launched at COP26 in Glasgow in 2021 with South Africa as the first recipient,[1] the JETP initiative was expanded to Indonesia and Viet Nam in 2022 and Senegal in 2023.

The JETP is a form of 'country platform', a multi-stakeholder partnership coordinated by national governments to generate financial resources to deliver a set of country priorities on sustainable development, climate action or other public goods objectives and to coordinate the policy, regulatory and institutional support needed to achieve them.[2] In the case of the JETP, the aim is to mobilise international public and private financing to support the national decarbonisation of energy sectors through country coordination with an International Partners Group of bilateral donors, multilateral development banks (MDBs) and development finance institutions (DFIs) and private sector institutions, represented by the Glasgow Financial Alliance for Net Zero (GFANZ). IPG bilateral donors initially included the United States (US), United Kingdom (UK), Canada, Germany, Denmark, France, Italy, Norway, Japan. Switzerland, Canada, Spain and Netherlands.[3] The US withdrew from the initiative in 2025.[4]

The 'programmatic approach' adopted by country platforms is viewed as a more effective means of supporting medium- to long-term sustainable development interventions – such as clean energy transition – than the piecemeal project approach to energy infrastructure development adopted by traditional MDB/ DFI financing.[5] It is also seen as a means of scaling up private sector investment in energy transition and climate action through policy and regulatory reforms in host states to incentivise private capital and finance.[6]

2. The JETP Financing Architecture: Areas of Concern

JETPs have been welcomed as a more expedient mode of accelerating climate action and channelling climate finance to developing countries outside the more protracted negotiations under the under the multilateral climate regime.[7] However, questions remain as to whether this financing model is appropriate for developing countries and what are the implications of this climate finance framework on domestic pathways for 'just transition' and global climate action.

---

[1] UK (2025), 'Joint article on Just Energy Transition Partnerships', Foreign, Commonwealth and Development Office (FCDO),17 January 2025.
[2] Hadley, S et al (2022), 'Country Platforms for Climate Action? Something Borrowed, Something New?'. ODI Emerging Analysis, June 0222, ODI; Semebene, D et al (2022), 'Country Platforms and Delivery of Global Public Goods', CGD Policy Paper 249, January 2022, Centre for Global Development (CGD).
[3] The IPG for each JETP country can vary and some countries have only labelled the original group of countries as IPGs, For the purpose of this submission, the term IPG will be used to refer to all bilateral and multilateral donors/ lenders and the private sector financiers which have pledged finance to the JETPs.
[4] UK (2025), 'Joint Statement from the International Partners Group on the US Withdrawal from the Just Energy Transition Partnership in South Africa', FCDO,19 March 2025.
[5] Also see Group of Seven (G7) (2022), 'G7 Chair's Summary: Joining Forces to Accelerate Clean and Just Transition towards Climate Neutrality', 27 June 2022.
[6] Ibid.
[7] Stone L (2023), 'JETPs 101: Helping Emerging Economies Go from Coal to Clean', RMI, 25 May 2023,

A key takeaway from our research is that **JETPs are a promoting market-led green transition and enabling wide-ranging structural reforms** in host countries that can paradoxically **constrain the fiscal, policy and regulatory space** for countries to undertake nationally owned just energy transitions. At the same time, JETPs provide **little sustainability or security in financial commitments** fort such structural transformations in domestic economies and societies.

Our research has identified **ten key areas of concern** in relation to the financing of energy transitions in developing countries based on case studies of three JETPs currently progress – South Africa, Indonesia and Viet Nam.

2.1. Limited Financing Commitments

The **amount of financing** committed by the IPG and the GFANZ is **insufficient relative to the scale of investment** required under JETP plans. Finance committed by the IPG ranges from eight to 12 percent of the total costs of the transition plans for host states. Meanwhile, GFANZ commitments are uncosted and unclear beyond playing a convening role for private financial actors and general commitments to match funding to IPG commitments in Indonesia and Viet Nam.

At time of writing, IPG and other bilateral and MDB commitments to South Africa amount to around USD 13.7 billion (after US withdrawal), representing around 14 percent of the USD 98.7 billion required to finance South Africa's JETP Investment Plan (JETP-IP).[8] In Indonesia**,** IPG commitments total an estimated USD 11.4 billion, representing 12 percent of the USD 97 billion required to meet the country's energy transition plan, with another USD 10 billion ostensibly to be mobilised from the private sector.[9] In Viet Nam, total IPG pledges amount to USD 7.5 billion with GFANZ committing , representing approximately six percent of the over USD 100 billion required to finance the energy transition plans.[10]

This funding gap raises fundamental questions about JETP **feasibility and effectiveness as a climate finance mobilisation mechanism**. It is especially concerning given significant cuts to overseas development aid (ODA) – the source of most climate finance – across IPG countries. Latest figures from the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) shows a historic decline in ODA, amounting to USD 174.3 billion, in 2025, a 23.1 percent decrease from 2024 and representing the largest annual contraction in ODA flows on record and coming on top of a a nine percent drop in 2024.[11] Five of the largest DAC providers – Germany, the United States, the United Kingdom, Japan and France

[8] South Africa (2022), 'South Africa's just Energy Transition Investment Plan (JET IP) for the Initial period 2023- 2027', The Presidency of the Republic of South Africa, Section 6; South Africa (2025), 'South Africa's Just Energy Transition Project Management Unit Acknowledges the United States' Withdrawal from the Just Energy Transition Partnership', Press Release, 6 March 2025; UK (2025), '12-month Just Energy Transition Partnership leaders' update 2025', 9 December 2025.
[9] Indonesia (2023), 'Comprehensive Investment and Policy Plan 2023', Section 7; Indonesia (2025), 'JETP Progress Report 2025', section 4; Antara (2025), 'Minister confirms US$3.1 billion from JETP funds available for project', 5 December 2025.
[10] Viet Nam (2023), 'Resource Mobilisation Plan: Implementing Viet Nam's Just Energy Transition Partnership (JETP)', November 2023; FCDO (2025), 'Statement: UK and EU welcome Viet Nam JETP Progress', Press Release 29 May 2025.
[11] OECD (2026), 'A Historic Decline in Foreign Aid: Preliminary 2025 ODA Data', 9 April 2026; OECD (2025),'Cuts in Official Development Assistance: OECD Projections for 2025 and the Near Term', 26 June 2025.

(all members of the IPG except the US) – accounted for over 95 percent of the total decline in ODA.[12] ODA reductions will impact availability of climate finance, such as in the UK where the decrease in ODA from 0.5 percent of GNI to 0.3 percent GNI in 2025 and 2026 has meant it will only allocate USD 6 billion to international climate finance over the next three years, a significant drop from its previous commitment of GBP 11.6 billion (USD 15.3 billion) from 2021 – 2026.[13]

Progress in disbursing pledged commitments has also been slow. Four years on from the launch of the South African JETP and three years from the launch of the Indonesian and Viet Nam JETPs, only a relatively small amount of pledged financing has been disbursed or allocated so far. In South Africa, around 35 to 40 percent of the total pledges (approximately USD 3.8 billion) has been allocated to JETP projects or programmes[14] while in Indonesia, around 14 percent of the total USD 21.4 billion (around USD 3.1 billion) have been reported to have been mobilised from public and private sources with another USD 5.5 million under negotiation.[15] In Viet Nam, the total mobilised is reported to be USD 7 billion in July 2025 from public and private sources.[16]

This slow progress has been attributed to a variety of factors, including the lack of coordination between different domestic and international stakeholders and financiers, fragmented and complex governance of the financing architecture, unsuitability of financing instruments to domestic pathways for energy transition, regulatory bottlenecks and renegotiation delays following the US withdrawal from the initiative.[17]The complex landscape means host countries are having to navigate a heterogenous set of funders and financiers 'with their own priorities and operating procedures' and 'beholden to their own interests and political mandates'.[18]

2.2. Over-Reliance on Debt Instruments

The JETP is heavily reliant on debt instruments to finance energy transition. Most JETP finance will be delivered in the form of loans, concessional or market-based, or guarantees. In both the South African Just Energy Transition Investment Plan (JET-IP) and the Indonesian Comprehensive Investment and Policy Plan (CIPP), the current IPG offer consists primarily of concessional loans and commercial loans and guarantees.[19] For all three countries in our study, it is estimated that almost 80 percent of IPG commitments are pledged in the form of concessional or non-concessional loans (see figure 1 below).

Reliance on loans, even official loans on concessional terms, will **impact on developing countries' fiscal position and debt sustainability** while reliance on commercial finance can increase **contingent liabilities on the state** (for state-guaranteed loans) and expose countries

[12] OECD (2025), ibid.
[13] Gabbatis, J (2026), 'Analysis: UK is 'Halving' its Climate Finance for Developing Countries', *Carbon Brief*, 27 March 2026.
[14] UK (2025), note 4, Annex 1: IPG Spend Update 2025.
[15] Antara (2025), 'Minister Confirms US$3.1 billion from JETP Funds Available for Project', 5 December 2025.
[16] The Investor (2025), 'Vietnam Mobilizes over $7 bln for Just Energy Transition', 8 July 2025.
[17] Independent Commission on Aid Impact (ICAI) (2025), 'UK Aid for Energy Transition', 5 November 2025, p 30 – 31, Selvaraju, S, Pratiwi, A I, Sabogal, L and Ahlgren, V (2025), 'Just Energy Transition Partnership Grants and Country Platforms Lessons from Indonesia and South Africa', Policy Report, LSE Grantham Institute on Climate Change and the Environment Just Transition Finance Lab, November 2025, p 8 – 9.
[18] Csandi, A and Helmeci, D (2025), 'The Just Energy Transition Partnership Crossroads', Carnegie Endowment for International Peace, 20 October 2025, p 7.
[19] South Africa (2022) and Indonesia (2023), note 8 and 9.

to **volatility in international financial markets**. The changing profile of external debt from official sector finance to private finance can heighten the **legal risks** of disorderly sovereign debt defaults in the absence of appropriate mechanism to deal with private creditors.[20]

In many cases, debt is being contracted under the JETPs to enable regulatory and policy reforms, such as to facilitate private sector investments before any investment projects have been committed. For example, South Africa has contracted a series of policy-based loans with the International Bank for Reconstruction and Development (IBRD), France's Agence Française de Développement (AFD) and Germnay's Kreditanstalt für Wiederaufbau (KfW), to fund reforms associated with the implementation of its JETP-IP, including the restructuring of energy grids and electricity regulatory reforms.[21] These reforms form part of the broader approach of the JETP framework to create 'enabling' policy and regulatory environments to mobilise private sector and foreign direct investment to finance the energy transition (see section 2.3 below).

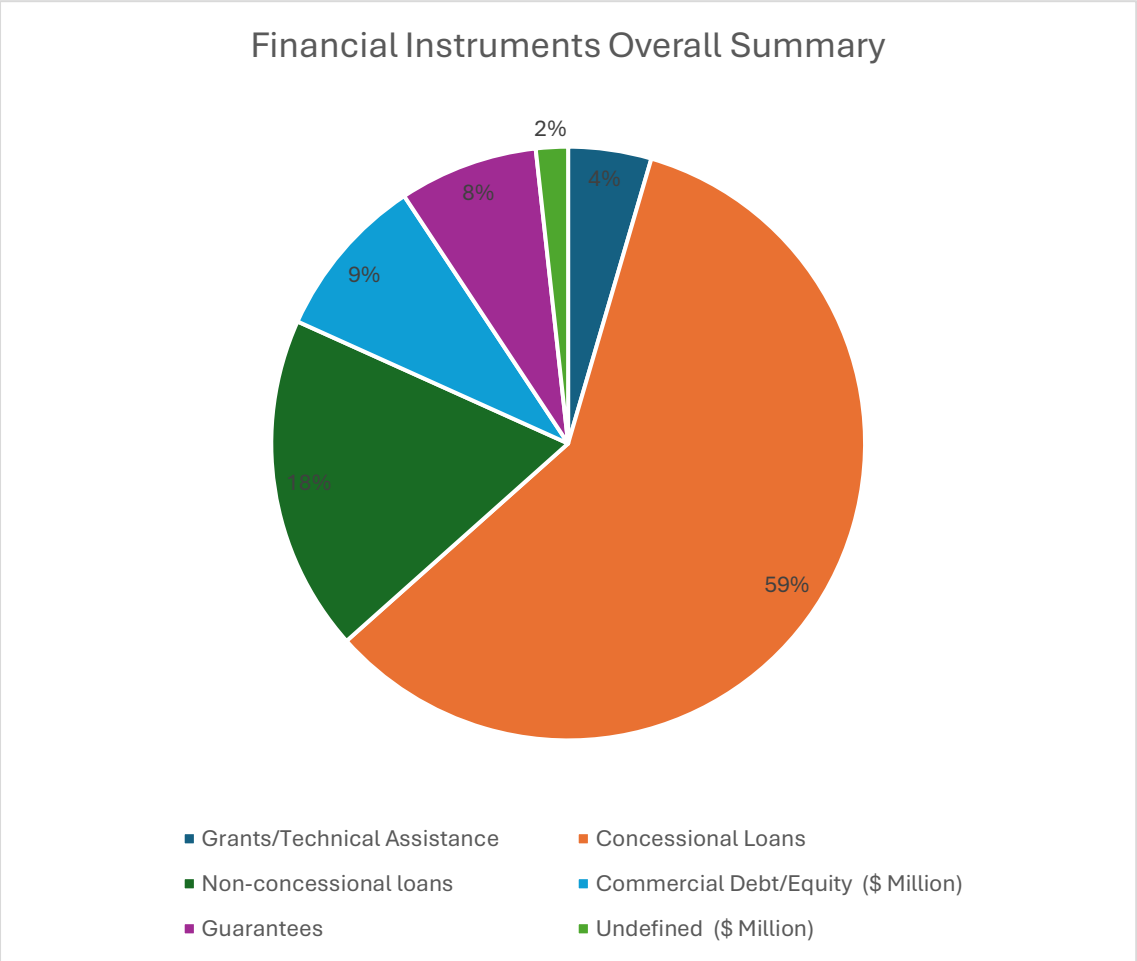

Figure 1: Financial Instruments Summary of South Africa, Indonesia and Viet Nam IPG Commitments
Source: JETP Project Preliminary Data Snapshot of JETP, May 2025

[20] Connelly, S, Patricio Ferreira Lima, K and Tan, C (2024), 'UK Parliament Responses to Deal with Sovereign Debt Crises: Proposals for Legislative Reform' GLOBE Centre and CBLP Briefing Paper, February 2024; Tan, C (2922), 'Private Investments, Public Goods: Regulating Markets for Sustainable Development', *European Business Organization Law Review*, Vol 23, No 1.See further section 2.8.
[21] See for example, Mdutyana, L, Ramburth, K and Makoga, S W (2025), 'International Financial Institution Lending: Problems and Solutions', IEJ, Policy Brief, May 2025.

Research from South Africa by the Institute for Economic Justice demonstrates two types of risk with foreign loans, including loans contracted to finance the JET-IP. First, while the risk of a foreign debt default is limited by a domestic cap on foreign debt and a foreign reserve buffer,[22] 'the rand's volatility and the 'long-term nominal decline heighten the uncertainty of computing repayment costs' and can lead to **higher costs of servicing foreign-currency denominated loans**.[23] Second, the dependence on international interest rates, such as the Euribor interest rate linked to the rates in South Africa's AFD and KfW JETP-IP loans, carries **interest rate risks** 'outside the control of the South African state' if interest rate rises in response to increases by central banks of major economies.[24] These loan structures are also seen in the Indonesian energy sector, raising similar concerns over the currency risks associated with USD-linked loan structures under renewable energy power purchase agreements (PPAs) where the state-owned electricity company, Perushaan Listrik Negera (PLN) bears the cost of exchange rate volatility since revenue is collected at regulated local currency rates.[25]

These external pressures are compounded where debt is owed to private entities under project finance agreements entered into as part of the broader market-based approach, using public private partnerships (PPPs) as vehicles for new renewable energy projects under the JETPs (see section 2.4 below). Specifically, the design of energy projects under a privatised PPP model creates obligations on **states to guarantee revenue streams** from projects to repay private financiers under PPP agreements. This reliance on private debt to fund energy transition projects means that changes in the external environment of debt due to the aforementioned currency and/or interest rate risks places pressure on the service provider to increase user fees in response to shocks and crises.[26]

At the same time, the limited amount of grant funding has been the subject of much critique of JETP financing. Our research shows that, on average, grants and technical assistance make up an average of four percent of IPG commitments across the three countries surveyed. Most of these grants are focused on feasibility studies and training, project preparation and policy and regulatory reforms linked to MDB and DFI programmatic or project lending, much of this associated with the de-risking approach discussed in section 2.3 below.[27] Only a limited amount of grant finance has been allocated to the 'justice' element of the energy transition, including expenditures related to managing and mitigating the social and economic impacts discussed in section 2.6.

2.3. Market-led Derisking Approach

A key JETP feature is the focus on mobilising private sector finance. This means financing delivered through grants and technical assistance, blended finance and policy-based lending are aimed at: (a) creating **enabling environments** for mobilising private capital, including regulatory reforms supported by technical assistance and capacity building programmes; and (b) creating **'bankable' pipelines of investable projects** for energy transition through financial

[22] Currently set at 15 percent of all outstanding government debt (see ibid, p 6).
[23] Ibid, pp 6 – 7.
[24] Ibid.
[25] Selvaraju et al (2025), note 17.
[26] Baloyi, B and Krinsky, J (2022), 'Towards a Just Energy Transition: A Framework for Understanding the Just Energy Transition Partnership on South Africa's Just Transition', Climate Finance Policy Brief Series No 1, IEJ, November 2022, p 8.
[27] Selvaraju et al (2025), note 17.

incentives, such as guarantees via credit enhancement facilities, and the use of concessional capital to de-risk private investments.

JETP host countries are further encouraged to undertake measures to enhance their ability to raise debt financing through the capital markets through regulatory and policy reforms to create 'enabling environments' for private sector capital. This includes development of carbon exchanges, financial sector reforms (to develop markets for sustainable investments), development of derivative financial instruments and credit enhancement facilities as well as liberalisation of capital markets to enable greater financialisation of the energy sector.[28]

The effect of these reforms is to reconstitute the state's role in the energy sector (and the economy more broadly) and reduce its function to facilitating private finance's entry and ensuring profit margins in the energy transition process through the aforementioned regulatory, policy and institutional reforms. This phenomenon has been termed the 'Wall Street Consensus' where 'the state participates in the production of investibility through monetary, fiscal and regulatory derisking interventions'.[29]

Here, the state is expected to shore up investor profits regardless of the underlying performance of the investment project or asset, including through instruments such as **state-backed loan guarantees** to independent power producers (IPPs), **blended finance** where state entities and development finance institutions (DFIs) take on more financial risk to lower the cost of debt to commercial investors, **demand guarantees** and other **contractual 'lock-ins'** where the state will pay a set revenue to IPPs over a lifecycle regardless of demand and technological innovations that will lower the cost of renewable energy production over the project lifecycle.[30]

In developing countries, where a de-risking strategy is decoupled from broader industrial policies and which is tied to the removal of the state's policy and regulatory space for driving investment and contingent of foreign private finance, the impact is to undermine just, equitable and sustainable energy transitions.

This 'de-risking' approach often prioritises investor protection and the prioritisation of commercial profit over host state or community interests. This **focus on 'de-risking' private finance using official or state-backed resources can be a costly exercise and less financially sustainable than direct funding** of transition projects, especially where these involve foreign investments.[31] For example, PPPs can prove expensive to administer with high termination costs and questionable operational efficiencies compared to direct public procurement. Even developed countries with substantial technical and legal expertise have struggled to manage these complex, long-term contracts effectively.[32]

Additionally, aside from contributing further to national debts (see section 2.2 above), 'financialised utilities can substantially **inflate user costs** in order to ensure stable revenue

[28] Mdutyana et al (2025, note 20; see also World Bank (2025). 'Repowering Energy Systems for Energy Transition PforR Program (P514521)', Program Information Document, Prepared on 9 December 2025, Report No PIDPC00220, para 11.
[29] Gabor, D and Sylla, N S (2023), 'Derisking Developmentalism: A Tale of Green Hydrogen', *Development and Change*, Vol 54, No 5.
[30] Baloyi, B and Krinsky, J (2022), note 26, pp 4 – 7.
[31] Ibid.
[32] See National Audit Office (NAO) (2018), 'PF1 and PF2', Report by the Comptroller and Auditor General, HM Treasury, HC 718 Session 2017–2019 18 January 2018.

streams to support short-term speculation'[33] in countries where energy access of poor communities is of concern. The short-term approach of a private financialised model of energy transition also endangers long-term green transition and sustainable development by funding short-term projects that are attractive to international financial markets.[34]

This financialised approach is also taken in relation to the proposed early retirement of coal-fired power plants (CFPPs) under the JETPs, notably the now failed flagship pilot retirement of CFPP Cirebon-1[35] in West Java, Indonesia. Instead of the traditional 'acquire and retire' model of state-led energy transition in which the government purchases the power plant for decommissioning, the financialised model under the JETP (financed by the Asian Development Bank (ADB)'s Energy Transition Mechanism (ETM)) would operate under a 'refinance and accelerate' retirement model.[36] The refinanced debt would be derisked through a concessional loan and a syndicated commercial sustainability-linked loan (SLL) for sale to investors keen on environmental, social and governance (ESG) debt products or through novel issuance of transition or 'coal-to-clean' carbon credits that will loop transition projects into international financial and carbon markets with the attendant risks discussed in section 2.8 below.[37]

Grants and technical assistance are focused on developing 'expertise' to enable these financialised initiatives. In Indonesia, USD 32.1 million had been ringfenced for the Energy Transition Mechanism Partnership Trust (ETMPTF) managed by the ADB and Germany's International Climate Finance (IKI) to supports project preparation, regulatory frameworks and knowledge generation linked to early retirement of coal-fired power plants and clean energy replacement, including the failed pilot project at Cirebon-1.[38] In other words, **grants are being deployed to cushion the impact of energy transition on private investors rather than on mitigating transition costs on workers and local communities**.

2.4. Questionable Additionality of Committed Finance

Article 4.3 of the UNFCCC provides that financial resources for climate action have to be '**new and additional**' which means that the financial resources provided to developing countries by developed countries for climate action, including mitigation through energy transition, should be additional to ODA and other financial flows for other sustainable development purposes. There are **question marks** over whether the financing committed by the IPG under the JETPs is 'new and additional' for **three reasons**.

First, a significant proportion of the funding committed by the IPG is for **pre-existing projects.** The JETPs were heralded as novel platforms for generating fresh resources for energy transition but early on in their launch, concerns were already raised about the repurposing of existing IPG

[33] Mdutyana (2022), note 21, p 3.
[34] Ibid, pp 4 – 7; also Gabor and Sylla, note 29.
[35] Jon, H N (2026), 'Indonesia Backs Away from Coal Exit Test Case Amid Financial and Political Pushback', *Mongaba*y,15 January 2026.
[36] Mak, W and Vinelli, A (2024), 'Navigating Transition Finance: An Action List', CFA Institute Research and Policy Centre, March 2024.
[37] Bogner, L (2025), *Spaces of Green: Legal Expertise in the International Political Economy of Climate Finance*, PhD Thesis, Roskilde University, Denmark, 24 November 2025, chapter 5; Monetary Authority of Singapore (MAS) and McKinsey (2023), 'Accelerating the Early Retirement of Coal-Fired Power Plants through Carbon Credits', Working Paper, September 2023.
[38] Selvaraju et al (2025),note 17, p 14. See also Hasan, K (2024), 'Manfaat kesehatan dan ekonomi dari pensiun dini pembangkit listrik batubara pertama di bawah JETP Indonesia', Press Release, 20 June 2024, Centre for Research on Energy and Clean Air (CREA).

commitments within the JET investment plans, with over half of Indonesia commitments and 20 percent of Viet Nam commitments identified as earmarked expenditure that pre-dated the drafting of JETP investment plans.[39] Notably, flagship CFPP retirement projects under the JETPs, such as the decommissioning of CFPPs in South Africa under the Climate Investment Fund (CIF) Accelerated Coal Transition (ACT) programme and the aforementioned early retirement of Cirebon-1 in Indonesia under the ETM, were structured as pilot projects for the respective schemes prior to the launch of JETPs. This means that the JETPs were established as less than a mechanism for mobilising new resources but to coordinate existing funding instruments. This retroactive counting of projects in headline IPG commitments blurs the boundaries between the JETPs functioning as coordination vehicles for pre-existing deals and genuine climate finance additionality.[40]

Second, most of the committed IPG funds come from the **official development assistance (ODA)** budget, a practice that is common and widespread across all developed countries, including IPG members, which has repercussions for climate and non-climate finance. Recent figures from the United Nations Conference on Trade and Development (UNCTAD) demonstrated that 'only a limited share of ODA is clearly additional to existing ODA commitments' and that climate finance 'is not being layered on top of [ODA] but is increasingly provided at the expense of non-climate ODA'.[41]

The UK's JETP commitments, for example. are mostly derived from the ODA-funded International Climate Finance (ICF). This represents reallocation rather than new financing. With the drastic cut to ODA discussed in section 2.1 above, reallocating ODA toward climate finance necessarily reduces resources available for other development priorities, such as education, healthcare and poverty reduction.[42] The deployment of increasingly scarce ODA towards energy transition projects in high-emitting middle-income countries, such as South Africa, Indonesia and Viet Nam, at the expense of supporting other climate needs, such as adaptation and energy access in lower income countries,[43] have generated concerns about global coordination on just transitions and the operationalisation of the principle of common but differentiated responsibilities (CBDR) (see section 2.1.0 below).

Finally, JETP commitments include a significant **use of guarantees** which are predicated on the identification of viable projects or uptake of loans and the funding will not be forthcoming if these do not materialise. Guarantees do not attract any upfront costs to aid / government/ DFI budgets which is why they are attractive to providers although they could incur liabilities if JETP countries fail to service their debt to the lenders or there is a loss of value to the guaranteed asset. They have become popular in the delivery of development and climate finance over the past decade and include both project-level guarantees to private investors (to cover a range of

[39] Hauber, G (2023), 'Financing the JETP: Making Sense of the Packages', Institute for Energy Economics and Financial Analysis (IEEFA), 22 December, 2023; Karg, A, Gupta, J and Che, y (2025), 'Just Energy Transition Partnerships: An Inclusive Climate Finance Approach?', *Energy Research and Social Science*, Vol 125.
[40] South Africa (2022) and Indonesia (2023), note 8 and 9; also Roberts-Davis, T L (2025), 'Not Fit for Purpose: ADB's Energy Transition Mechanism', NGO Forum on ADB, March 2025; Fair Finance and Friends of the Earth (FOE) Japan (2023), 'Problems with First Use of ADB Energy Transition Mechanism', Fair Finance Guide, Japan, February 2023.
[41] UNCTAD (2026), 'Beyond Creative Accounting: Restoring Trust in the Climate Finance Regime', UNCTAD, 12 March 2026.
[42] See ICAI (2024), 'UK Aid's International Climate Finance Commitments', December 2024.
[43] ICAI (2025), 'UK Aid for Energy Transition', note 17, p 29.

risks including political, commercial, credit or currency risks) as well as sovereign loan guarantees (to cover potential default of sovereigns).[44]

The UK is a major proponent of guarantees along with the US, before its withdrawal. Our data from three JETP countries show that guarantees and equity investments make up almost 60 percent of the UK's pledges compared to only 40 percent for concessional loans and one percent in grants.[45] Across all four JETPs, the UK has committed slightly over USD 3 billion (GBP 2.3 billion) in guarantees.[46] The largest financial component of the UK's financial pledges under the JETPs are loan guarantees to MDBs – the International Bank for Reconstruction and Development (IBRD) and the African Development Bank (AfDB) – to guarantee any loans extended to Indonesia and South Africa respectively to finance their JETP investment plans that go beyond their respective country lending limits with the MDBs.[47] Neither country has taken up these loans for different reasons[48] but it should also be observed here that these guarantees primarily serve to shield MDB balance sheets and safeguard their capital adequacy and credit ratings rather than to provide additional finance to the JETP countries by transferring the risk of the additional loan exposures (if taken up) to the UK.[49]

2.5. Extensive Conditionality

Substantial JETP financing is conditional on host states adopting specific regulatory, policy, and legal reforms. This **transforms climate finance from an instrument of support into an instrument of policy leverage, with implications for developing countries' policy autonomy**. Sectoral and structural adjustments are viewed as necessary under JETP investment plans to create the aforementioned enabling environments and generate bankable pipelines of investable projects (see section 2.3) for private capital. These conditionalities are often policy, regulatory and institutional reforms aimed at clearing the ground for operationalising the aforementioned market-based approach to energy transition and setting up domestic frameworks for effective mobilisation of private finance for the JETP energy transition blueprints.

For example, GFANZ's Viet Nam commitment stressed that private finance mobilisation was conditional on: (a) continued policy and enabling environment improvements locally and internationally; (b) the availability and deployment of catalytic public finance to derisk and crowd-in private finance; and (c) a robust pipeline of competitively tendered projects. [50] Meanwhile, a joint statement by the South Africa JET Project Management Unit and the IPG on their 12-month JETP update stated that the IPG welcomed 'key policy and market developments over the past year' with '[p]rogress on energy sector reforms, renewable energy investment, private sector participation in transmission, and improvements in distribution

[44] Sial, F and C P Chandrasekhar (2024), 'Guaranteeing the future? The Role of Guarantees in Development and Climate Finance', European Network on Debt and Development (Eurodad), 26 November 2024.
[45]Project data dashboard sourced from South Africa (2022), Indonesia (2023) and Viet Nam, note 8, 9 and 10 above.
[46] ICAI (2025), note 17, p 29.
[47] Up to GBP 750 million for Indonesia and GBP 975 million for South Africa (see ibid, p 14).
[48] Indonesian authorities did not see IBRD/ World Bank lending as sufficiently competitive while the borrowing powers of the South African state-owned electricity company, Eskom, are limited in how much they can borrow due to high debt levels (ICAI, 2025, note 17, p 30).
[49] See for example, AfDB (2022), 'African Development Bank, United Kingdom and London Market Insurers Enter New Risk Transfer Partnership for Climate Action', 20 October 2022.
[50] GFANZ (2022), 'GFANZ Establishes Working Group to Support Capital Mobilization for the Viet Nam Just Energy Transition Partnership', 14 December 2022.

infrastructure' demonstrating that South Africa's Just Energy Transition (JET) continues on a positive trajectory' and one that is 'aligning domestic policy with international and private finance'.[51]

Across the three JETPs surveyed in our research, a common set of conditionalities emerge. They are aimed primarily at: (1) **restructuring energy markets** in JETP countries, including the unbundling of power grids and creating a market architecture for IPPs for renewable energy generation; (2) introducing **financial sector reforms** and strengthening financial markets to enable new and innovative modalities of financing energy transition, such as creating new taxonomies of financial securities, such as 'transition' finance, and (3) **reforming administrative, regulatory and procurement systems** to enable faster approvals of projects, and accelerate project approvals and use of derisking instruments to catalyse private finance.[52]

Under the South African JETP, extensive regulatory reforms are being undertaken to restructure and liberalise South Africa's electricity market through the creation of the South African Wholesale Electricity Market (SAWEM), including changes to rules, codes, standards and secondary legislation' to build market capacity, unbundle the state-owned utility company, Eskom, and establish market tariff and trading rules. These reforms are contained in conditionalities related to policy-based loans from the World Bank or bilateral agencies, notably AFD and KfW, including general budget support loans as well as JETP-related loans, such as the recently announced World Bank programme for results (PforR) financing instrument which links disbursements of funding directly to specific results, including reforms that support the development of PPP structures and incentivise private investments under the mobilisation approach discussed in the previous section.[53]

Only a relatively small share of JETP conditionalities are aimed at managing and mitigating social and economic risks of energy transition, reflecting the corresponding small amount of JETP financing ringfenced for such expenditures and the low prioritization of such elements in the operationalisation of JETPs more generally (see section 2.6). Again, for example, in South Africa, under the World Bank PforR, the plan to support workforce transition remains unconfirmed and vague compared to the more developed, detailed and granular plans for private sector mobilisation and establishment of PPPs for energy transition projects.[54]

Policy conditionalities embedded in JETP-related finance risk **narrowing policy and regulatory space** in JETP countries by tying much needed transition finance with wide ranging structural reforms in the power and financial sectors**. Financing conditionalities can restrict governments' ability to determine the pace, scale and nature of energy transition**, constraining policy choices based on national processes rather than private investor preferences, thereby undermining JETP principles of country ownership and public participation. This can lock countries into broader structural and financial arrangements that are difficult to reverse, even if domestic political interests or development strategies evolve, and they reduce the scope for policy and regulatory experimentation in energy transitions, a process

[51] UK (2026), 'Leaders Mark Progress on Policy Reforms, Investment for SA's JETP', British High Commission Pretoria, 14 January 2026.
[52] South Africa (2022), note 8; Indonesia (2023), note 9 and Viet Nam (2023) note 10; UK (2025), note 8.
[53] See Mdutyana et al (2025), note 2; Credit Facility Agreement between AFD and South Africa, 4 November 2022, AFD Agreement No CZA1220 01 P (on file with the authors); and World Bank (2025). 'Repowering Energy Systems for Energy Transition PforR Program (P514521)', Program Information Document, Prepared on 9 December 2025, Report No PIDPC00220.
[54] World Bank (2005), ibid.

that is inherently novel and unpredictable, and generates further regulatory and legal risks (see sections 2.7 and 2.8 below).

Regulatory and policy reforms undertaken to accelerate energy transition as part of the JETP but which are not adequately financed by developed countries can also be considered as 'green conditionality' or mitigation 'through the back door' because they embed mitigation action in developing countries within terms of a donor-driven, asymmetrical financial package rather than as part of a negotiated agreement under the supervision of the parties to the UNFCCC. Mitigation-based financial conditionality, particularly where finance is debt-based and non-concessional, undermines the principle of common but differentiated responsibility and respective capabilities (CBDR-RC), the cornerstone principle of the multilateral climate regime, that recognises the historical responsibility of developed countries and its attendant financial obligations (see section 2.10).

2.6. Inadequate Focus on Social and Economic Transition Risks

While one of the JETP aims is to ensure that the energy transition does not undermine social and economic development needs in JETP countries, **emphasis has fallen on financing large-scale infrastructure and regulatory reform rather than preventing and mitigating community dislocations and developing social and environmental safeguards** needed to ensure respect for the rights of communities impacted by the JETPs.

The JETPs rely on a risk-based governance framework that treats the energy transition akin to commercial investments whose risks can be managed on a project-by-project basis as opposed to a structural socioeconomic transformation that necessitates a holistic rights-based governance and safeguards framework not only at the project level but at the broader society and economy level. Additionally, social and economic risks are narrowly defined in the JETPs as risks only to communities directly and immediately impacted by energy transition projects, such as communities in coal-mining regions. By focusing on a narrow segment of the population impacted such as workers in the mining sector, it excludes rights-holders most prone to being marginalised within the population such as women, children, persons with disabilities, older persons and indigenous peoples.

The narrow conceptualisation of social and economic risks also obfuscates the broader macroeconomic and fiscal risks of energy transition with considerable potential impacts on the broader population through impacts on the national economy. For instance, declining public revenues from traditional energy production sources may curtail host countries' expenditure on public services, such as healthcare and education, exacerbating the structural economic challenges faced by many developing countries today. Without a holistic, cross-sectoral approach to decarbonisation, finance and investment plans under the JETP may undermine rather than support just energy transitions.

The focus on private financing and limited grant funding constrains host countries' capacity to support impacted communities, including workers and local businesses. Past experience, such as during the COVID-19 pandemic, has demonstrated that private investors do not typically fund social programmes, essential services or social safety nets that have no prospect of commercial returns.[55]

[55] See for example, Lisinge-Fotabon, E (2022), 'Funding Those with the Greatest Need', SDG Action, 22 April 2022.

In this context, reliance on private finance can further **exacerbate existing gaps in project finance safeguards and compromise limited recourse available to communities displaced or harmed by project operations**. Accountability becomes more challenging in a financing landscape where multilateral and bilateral DFIs, commercial lenders and other private financiers are involved in different capacities in projects. Safeguard frameworks and accountability procedures in this fragmented landscape lack harmonisation and create obstacles for affected communities to access redress and remedy.[56] There is greater opacity surrounding private sector-led development projects compared to those undertaken by the public sector through an official sector grant or loan (for example, through an MDB).

Private sector financing through DFIs and project modalities involving PPPs tend to have weaker transparency and information disclosure policies than their public counterparts on grounds of commercial sensitivity or client confidentiality.[57] They also present unique challenges for community participation and access to information, both at the pre-project consultation and consent stage and at the later grievance/complaint stage.[58] Despite the headline focus on 'justice' in the JETPs, there is no concerted commitments from host states nor the IPGs to develop harmonised social and environmental safeguards within the framework of the JETPs.

These gaps are compounded by the minimisation within JETPs of the environmental and social costs associated with the large-scale infrastructure projects planned under the JETPs as well the mining of raw materials, such as critical minerals, that will accompany the energy transition domestically and internationally. Research in Indonesia on geothermal projects, including the Blawan-Ijen geothermal power plant project in East Java, financed by the US Development Finance Corporation (DFC) and other MDBs as part of the Indonesian CIPP, have not provided adequate social and environmental safeguards for affected communities. These include inadequate consultation with local communities, including Indigenous communities, displacement of communities from their land and insufficient environmental impact assessment and mitigation.[59]

Meanwhile, **policy and regulatory reforms** undertaken as part of the JETP process can also **undermine existing environmental and social safeguards**. For instance, South Africa has introduced a streamlined land use approval process for JETP projects that were reduced to 30 days from 90 days[60] and environmental approvals are waived for low environmental impact projects.[61] However, rushing through land allocations and waiving environmental approvals might undermine local community concerns and rights, which may in turn trigger community resistance against renewable energy projects. In turn, lack of community consent for infrastructure projects has, in the past, resulted in delays or cancellations which can trigger

[56] Erdem Türkelli, G (2025), 'Bilateral Development Finance Institutions, Business and Extraterritorial Human Rights Obligations', in Bhuiyan, J H and Islam, R (eds), *Business, Human Rights and Sustainable Development*, p 231.
[57] Vervynckt, M (2015), 'An Assessment of Transparency and Accountability Mechanisms at the European Investment Bank and the International Finance Corporation', Eurodad, 30 September 2015.
[58] Tan, C, Erdem Türkelli, G and Jebechii Sego, J (2023), 'Call for Input on 'Development Finance Institutions and Human Rights', Working Group on the Issue of Human Rights and Transnational Corporations and Other Business Enterprises, UN Human Rights Council: Submission by researchers on the New Frontiers in International Development Finance (NeF DeF) Project', 3 March 2023.
[59] Utomo, W T and Husnudin, M (2025), 'Mining False Solutions: Unpacking the JETP Debate in the Ijen Geothermal Project', CELIOS.
[60] South Africa (2023), 'Just Energy Transition Implementation Plan 2023-2027', p 41.
[61] OECD (2025), 'OECD Economic Surveys: South Africa 2025', Volume 2025/14, p115.

investor disputes and investment treaty claims, (see section 2.9) undermining just transition objectives.

2.7. JETPs Confer Substantial Policy Leverage to the IPG

The relatively **small amounts of public finance** committed by the IPG and conditional pledges by GFANZ contrast with the **extensive policy reforms** that are required. As discussed in section 2.5, official sector loans – such as policy lending from the MDBs and bilateral agencies – come with extensive conditionalities that entail sweeping reforms to the energy and financial sectors of JETP countries to operationalise a specific pathway to energy transition premised on a private sector-led, short-term and financialised approach to decarbonisation that can endanger longer-term green development.[62]

While country platforms, like JETPs, can coordinate alignment between donor/ developed countries' strategic priorities and national transition pathways, the **consolidated architecture can flatten the heterogeneity in approaches and coalesce policy and practice around preferred dominant policy and technical pathways to energy transition**. These approaches can and do decouple energy transition from strategies to develop more inclusive and equitable transformative pathways to low-carbon, climate resilient economies and societies. Additionally, it also enables multiple donors, MDBs and private financiers to leverage and steer country transition investment plans and enable restructuring of energy, financial and other economic sectors in a coordinated way that can displace local social and economic priorities.[63]

Our research also demonstrates the **close interconnections between the policy conditionalities** in JETP-linked loans from MDBs and bilateral donor agencies and DFIs and the linkages between JETP loans and non-JETP loans. For example, two JETP-linked loans to South Africa from the French AFD and the German KfW (discussed in section 2.2) contained prior actions (a form of conditionality) draw their conditions from a World Bank Development Policy Operation (DPO) COVID-19-related loan which includes measures by the South African government to clearing regulatory hurdles, passing enabling legislation, and financing public infrastructure to crowd in private investment, including for energy transition.[64]

At the same time, the **focus of the JETPs have disproportionately been placed on host state commitments rather than IPG and GFANZ commitments**. Although billed as a 'partnership', there are no levers to ensure financing pledges are met by the IPG. This was evident from the US withdrawal from the initiative and climate finance arrangements more generally as well as the significant cuts to ODA budgets (and therefore climate finance) in OECD DAC countries (see section 2.1 above). The operationalisation of JETPs is therefore incredibly politically contingent and dependent on the strategic and commercial priorities of the IPG, MDBs, DFIs and GFANZ members. The latter coalition has seen a wave of departures, including high-profile financial institutions, from its affiliated coalitions, such as the Net Zero Banking Alliance (NZBA), in early 2025 following political and legal pressures in the US, and have restructured its operational structure following this exodus of members.[65]

Concerns have also been raised over the **fragmented, donor-driven and 'deal-by-deal**

[62] Baloyi, B and Krinsky, J (2022), note 25, p 4.
[63] Baloyi and Krinsky (2025), note 25; Selvaraju et al (2025), note 17.
[64] Preliminary JETP Project research; see also Mdutyana, L, Ramburuth, K and Makoga, S W (2025), 'International Financial Institution Lending: Problems and Solutions', IEJ Policy Brief, May 2025.
[65] Nelson, M (2025), 'GFANZ Restructures and Shifts Focus as More Firms Leave Sub-Alliances', PA Future, 7 January 2025.

approach' of financing and policy prescriptions under the JETP that 'risks overburdening domestic systems through donor-driven mandates and technocratic oversight, thereby placing 'significant political and administrative strain on recipient countries'.[66] A significant proportion of resourcing, including grant finance, has already been utilised establishing JETP secretariats within the host countries and developing processes that do not necessarily cohere with pre-existing domestic processes for economic policymaking and layers on additional institutional processes within capacity-strapped countries. Additionally, the short-term nature of the grant financed projects to date that will not result in long-term investments or social transformations needed to enable a just transition for workers and communities that are at the heart of the JETP initiative.[67]

Further, there are also concerns raised over the **allocation of grants** where funding has been allocated to organisations, private corporations, and implementing agencies based **outside the host state**, including funding for technical assistance for regulatory and policy reforms. For example, a recent investigation revealed that 65 percent of the grant funding for the South Africa JETP so far as been allocated to private corporations or agencies based outside South Africa and less than a quarter of funds have gone to local agencies and organisations.[68] This not only undermines the principle of country ownership which is ostensibly underpins country platforms such as the JETPs, it also means these projects are driven by donor funding cycles and lack institutional longevity and sustainability as well as being poorly embedded in local communities and domestic civil society.[69]

2.8. Financial Regulatory Risks

Reliance on debt instruments – official and commercial – and private investments generates under the JETP generate significant financial, regulatory and legal risks for the host countries. The emphasis on developing a market-based approach to energy transition backed by private finance from domestic and international capital markets inserts JETP countries into the transnational circuits of international financial system and increases sovereign debt as well as financial stability risks for the state. Commercial financing instruments specifically increase the state's debt risks because: (a) they form **contingent liabilities on the state** if backed by state guarantees or funded through blended finance instruments; (b) contractual **terms** of these arrangements may stipulate **high financial exit costs** for state parties; and (c) they **heighten the state's exposure to volatility** in international financial markets.

Existing systemic regulatory gaps in the global financial system mean that the turn to private debt instruments will increase JETP countries' vulnerability to the speculative and pro-cyclical nature of financial markets and to external currency shocks and monetary policy decision-making outside the control of JETP countries. This is compounded by the rapid liberalisation of financial sectors to incentivise private capital as discussed in section 2.3 above. **Deployment of 'innovative' financial instruments** – thematic bonds, sustainability-linked bonds and loans, credit enhancement facilities, such as guarantees– to finance energy transition without domestic regulatory safeguards and without reforms to the international financial architecture **generate new transmission nodes for financial instability** within developing countries and within the global financial system.

---

[66] Selvaraju et al (2025), ibid, p 9.
[67] Ibid.
[68] Open Secrets (2025), 'The Climate Consultants: How Management Consultants Cash n on the Climate Crisis', June 2025, see also Mdutyana (2025), note 20.
[69] Selvaraju et al (2025), note 24.

Without systemic reform of the current international financial architecture, including changes to the fragmented sovereign debt regime, **reliance on private finance and bond finance in particular, creates significant legal and regulatory risks on top of financial risks** which can impact on the viability of JETP projects and programmes.[70] Recent experience with developing country debt restructuring processes have demonstrated the reluctance and/or refusal of private creditors to engage in multilateral negotiations, prolonging access to financing and debt restructuring.[71] The rapid proliferation of 'green' financial instruments and securities have not been accompanied by legal reforms that systemically mitigate the risks of sovereign vulnerability to debt and financial crises. While there have been some contractual innovations in debt agreements, such as climate debt pause clauses that suspend debt stock and./or service repayments during a natural disaster, these do not address systemic sovereign debt concerns arising from the absence of a multilateral sovereign debt restructuring framework.[72]

Increased dependence on external private investors governed by regulatory frameworks (including corporate governance or financial conduct rules) in external jurisdictions mean that **failures of regulation in these external jurisdictions** (such as banking supervisory failures in the investors' home state) may create **contagion and spillover impacts** on investments located in JETP countries. Changes in the regulatory system in developed countries (such as pension fund, securities or capital requirements regulations) may also impact on investor behaviour and the value and security of investments abroad. The withdrawal of large financial institutions from the NZBA (see section 2.7 above) is an example of how investor appetite for 'green' or sustainable financial products can be curtailed by politically-driven regulatory changes.

At the same time, as more financial institutions seek to integrate climate risk assessments into investment decisions, developing countries, especially climate vulnerable countries, are facing increase in borrowing costs on international capital markets, thereby increasing debt burdens and impacting on countries ability to attract capital for energy transition.[73] While less vulnerable than many other developing countries, especially low-income countries and small-island states (SIDS), the three middle-income JETP countries remain exposed to the so-called '**climate premium**' that treat physical and transition risks as financial risks affecting a country's repayment that can result in higher borrowing costs on international capital markets for sovereigns as well as private entities.[74] As financial institutions in the global north price in transition risks due to climate policy and regulatory requirements, they raise compliance costs for developing countries needing to access such finance and assigning such risks to countries without adequate finance can and does 'amount to climate conditionality by another name'.[75]

---

[70] Tan, C (2022), 'Private Investments, Public Goods: Regulating Markets for Sustainable Development', *European Business Organization Law Review*, Vol 23, No 1 and Tan, C (2022), 'Regulating Financial Markets for Sustainable Development Investments', 'Regulating Financial Markets for Sustainable Development Investments', NeF DeF Policy Brief Series No 3, September 2022.
[71] Connelly et al (2022), note 19.
[72] Park, S K and Samples, R (2024), 'The Sovereign Climate Debt Trap and Natural Disaster Clauses', *American Business Law Journal*, Vol 61. No 4.
[73] Aren, M-L (2023), 'Climate Justice and Debt: Exploring Regulatory Complexities in the Global Climate Finance Architecture Inhibiting Finance Flows for Africa's Climate Action' in Gathii, J T, Majekolagbe, A and Tamala, N (eds), *Transforming Climate Finance in An Era of Sovereign Debt Distress*, Sheria House Publishing; Woolfenden, T (2023), 'The Debt-Fossil Fuel Trap: Why Debt is a Barrier to Fossil Fuel Phase-Out and What We Can Do About It', July 2023, Debt Justice et al.
[74] Shrivastava, S and Jena, L P (2026), 'How Credit Ratings Can Undermine Climate Finance for the Global South', IEEFA, 30 January 2026; Roston, E (2026), 'Climate Risk Threatens Credit Ratings for Dozens of Countries', *Bloomberg*, 9 February 2026.
[75] Shrivastava, S and Jena, L P (2026), ibid.

2.9. Legal Risks from Investment Protection Frameworks

Key policy reforms under each JETP focus on the creation of enabling regulatory and financial environments for scaling up renewable energy generation and reforms geared to moving away from reliance on coal fired energy production. International legal frameworks that promote and protect foreign investments run in parallel to national implementation of JETPs. These legal frameworks include investment treaties (including economic partnership agreements with investment chapters), domestic investment promotion laws and investment contracts.[76] Investment law commitments by developing states may pose significant legal risks, including regulatory chill and legal disputes that make energy transition more costly. Regulatory chill describes situations where governments refrain from or postpone regulating due to potential or actual threats of investment disputes and exposure to significant financial burdens for breaches of investment protection standards.[77]

Our research identifies three main concerns emanating from the potential impact of investment law obligations of host states on JETP commitments:(a) **creation of enabling environments** through regulatory reform to incentivise clean energy investments and the **potential impact of investment law obligations on future regulatory space of states in adjusting such regulations to evolving needs**; (b) **liabilities that may emerge from early retirement of coal power plants** owned and operated by private investors and the use of public funds to compensate investors for early coal-retirement; (c) **governance structures created under JETPs to drive reform and transformations and the potential frictions between different policy goals driven by different actors** which may exacerbate concerns a and b above.

Investment treaties and contracts typically guarantee economic rights of foreign investors and safeguard against interference from regulatory changes that diminish value of investments, even where such regulatory reforms are in furtherance of public interest. Any regulatory reforms introduced, and incentive schemes developed to mobilise private investment in clean energy under the JETPs could potentially form the basis of an investor's legitimate expectations that it will benefit from the regulatory regime and incentive programme throughout the life cycle of its project.[78]

When governments amend the terms of or trigger early retirement or cancellation of projects in the energy sector for public policy reasons, this may **give rise to investor-state disputes**. This could pose risks for JETP countries who are still expanding their coal capacity, such as Indonesia. In its 2025 JETP Progress Report, Indonesia has reported that its 'net-capacity for on-grid and captive power capacity is set to grow further … over 2025 to 2034, an additional 6.3 GW of on-grid coal capacity is in the development pipeline'.[79] This planned coal project expansion might pose further risks from treaties, leaving little room for adjustments to meet climate goals.

[76] Boute, A (2025), 'Phasing Out Coal Investment Contracts: Does Just Transition Finance Legitimize Unjust Compensation?' *ICSID Review: Foreign Investment Law Journal*, Volume 40, Issue 2, 315–340.
[77] Tienhaara, K and Cotula, L (2020), 'Raising the Cost of Climate Action? Investor-State Dispute Settlement and Compensation for Stranded Fossil Fuel Assets', Institute for Environment and Development (IIED) Land, Investment and Rights Series, October 2020,
[78] Yilmaz Vastradis, A (2026), 'Just Energy Transition Partnerships, 'Green' Investments and Investment Treaties', March 2026, CLiFT Climate Finance Briefing Series #4, March 2026.
[79] Indonesia (2025), 'Just Energy Transition Partnership Indonesia: Progress Report 2025', 25 October 2025.

Even projects at an early development stage, despite not yet being active, may give rise to investment treaty claims if they do not proceed as expected by the investor.[80] Additionally, the issuance of thematic bonds, such as green or sustainability-linked sovereign bonds, to finance energy transition can also attract liability under investment law as portfolio investments and securities have been considered protected investments under investment treaties by arbitral tribunals.[81]

All three JETP countries we surveyed have investment treaties in force which may be relied on by investors to challenge climate or just transition policies as they evolve. South Africa has terminated most of its investment treaties, but it does still have investment treaties with some states within the European Union (EU), such as Sweden, Finland and the Czech Republic. It is also possible for investors from these home states to incorporate investment vehicles in South Africa's existing bilateral investment treaty (BIT) partner states in order to benefit from investment treaty protections, a practice known as 'treaty shopping'.[82] South Africa currently has 12 BITs in force.[83] From these, 11 treaties contain all the standard investment treaty protections (fair and equitable treatment, full protection and security, protection against direct and indirect expropriation) and refer to dispute settlement by international arbitration.

In terms of the CFPP retirement, South Africa does not face investment treaty risks as the plants are owned and operated by the state-owned provider Eskom, but it may face investment law risks going forward as it is unbundling and privatising certain elements of its electricity sector and developing a market for private renewable energy investments. The enabling environments created for attracting such investments may require adjustments in the future and if such adjustments give rise to profit reductions or hinder project approvals, foreign investors might rely on applicable investment treaties to seek compensation.

International investment protections may act as a **hindrance to green transition policies**.[84] The risks are most acute for fossil fuel asset stranding, but a recent wave of investment treaty claims by renewable energy investors against several EU countries illustrate that international investment treaty and contract commitments may **interfere with policy space on renewable energy policies**, when changes to policy undermine investor profit margins.[85] When crafting climate finance frameworks, countries should consider the restrictive impact of investment law on all aspects of decarbonisation measures.

2.10. (In)Compatibility with Multilateral Climate Commitments

Operating outside the UNFCCC and Paris Agreement and supervision of the Conference of Parties (COP), JETPs may **conflict with multilateral climate regime commitments** and **undermine the coherence of the global climate response** and **create accountability gaps**, furthering eroding international environmental law. Policy and regulatory fragmentation will

[80] *Rockhopper Italia SpA, Rockhopper Mediterranean Ltd, and Rockhopper Exploration Plc v Italian Republic,* ICSID Case No ARB/17/14.
[81] *Abaclat and Others v Argentine Republic*, ICSID Case No ARB/07/5.
[82] Yilmaz Vastardis, A (2020), *The Nationality of Corporate Investors under International Investment Law*, London: Hart Publishing.
[83] These include BITs with Zimbabwe, Nigeria, Czech Republic, Russian Federation, Finland, Senegal, Sweden, Mauritius, China, Iran, Cuba and the Republic of Korea.
[84] IPCC (2022), 'Climate Change 2022: Impacts, Adaptation and Vulnerability', chapter 14, pp 1505 – 1506.
[85] Yilmaz Vastardis, A (2025),' A Just and Equitable Transition in the Shadow of Investment Treaties', *Investment Treaty News*, 27 January 2025, , International Institute for Sustainable Development (IISD).

likely impede coordinated action on climate action and financing outside the UNFCCC may undermine commitments and negotiations in the multilateral climate regime. As discussed above, the extensive conditionalities associated with JETP finance can constitute 'mitigation through the back door', whereby developing countries who are least responsible for the climate crisis, are shouldering the burden of energy transition without adequate resourcing while developed countries fail to meet their mitigation targets.

This **undermines and dilutes the CBDR-RC principle** which provides that developing countries' commitments to undertake mitigation measures is dependent on developed countries meeting their commitments to provide financial resources and technology transfer to developing countries, reflecting the historical responsibility of developed countries for carbon emissions.[86] The modalities of phasing down CFPPs and financing such coal phase-outs under the JETPs also raises significant questions about the equitable distribution of resources and responsibility under the JETP framework. The contracting of debt to transition is inequitable for developing countries already saddled with debt and constraints over energy access and energy security.

ODA diversion to climate finance **undermines the principle of 'additionality'** of climate finance and can impact on the mobilisation of resources to meet other Sustainable Development Goals (SDGs) (see section 2.4 above). There is also a risk that strategic priorities will be driven by the IPG and the private sector while interventions to create enabling environments for private investments can accelerate the loss of policy and regulatory autonomy in developing countries and undermine sustainable development pathways.

While the aim of the JETP is to enable countries to mobilise finance in support of their Nationally Determined Contributions (NDCs), there are question marks over how much autonomy developing countries will have in aligning their domestic priorities with donor/ investor commitments and action. Despite rhetorical commitments to country ownership, the JETP remains premised on a donor-dominated aid framework. The IPG determines strategic priorities, mobilisation targets, and conditions for financing. Developing countries participate in their own financing arrangements but lack veto power or meaningful control over priorities. This reproduces the power dynamics of traditional development assistance within the climate finance architecture.

Moreover, the three JETP countries have organised their economies and societies around fossil flue production, including coal, originally bankrolled by IPG members, MDBs and DFIs. Debt was contracted to build CFPPs, such as Cirebon-1 in Indonesia, only for further debt to be contracted to phase out and decommission such power plants. In the case of early retirement of CFPPs, the rationale of incurring further debt to compensate foreign investors can reinforce inter- and intragenerational inequities contrary to principles of the multilateral climate regime.[87] The focus on energy transition within JETP countries can also detract from financing and policy planning around adaptation and responding to loss and damage caused by climate change. For example, Indonesia has faced devastating humanitarian and economic losses from cyclones and flooding[88] while Viet Nam has been experiencing serious heatwaves[89] in recent years caused by climate change.

[86] See Article 4 of the UNFCCC and Articles 2.2 and 9 of Paris Agreement.
[87] Boute (2025), note 72.
[88] BBC (2025).' Death Toll from Devastating Indonesia Floods Passes 900', 7 December 2025.
[89] *The Straits Times* (2025), 'Record Heatwave Blasts Northern Vietnam', 5 August 2025, updated 7 August 2025.

3. Recommendations

Recent war and conflict in the Middle East have highlighted the social and economic vulnerabilities of developing countries dependent on a fossil fuel energy supply chains and sudden and disorderly transitions from a global energy disruption.[90] Just energy transitions require that **global energy transitions** must ensure that the **process of decarbonisation does not create or exacerbate social and economic inequalities within and among countries**. Financing of energy transitions should be in line with provisions of the UNFCCC and Paris Agreement. Energy transition and climate change mitigation more broadly must be designed and financed in a way that preserves opportunities for countries to **meet countries' sustainable development needs and address the transition risks for economies and local communities**.

Finance for energy transition should not be fragmented across different platforms and entities, nor should it be premised on strategic interests of developed countries and commercial interests of private investors over and above global collective interests on climate action and local community social, economic, and other human rights. Climate finance should be **guided by multilaterally agreed principles**, including the principles of **equity**, **CBDR-RC**, **additionality**, **predictability** and **country ownership**.

We recommend the following policy measures[91] to ensure that energy transition financing platforms, such as the JETPs, function within the climate finance legal framework, respecting the obligations of developing countries and is developed in a **holistic, inclusive and participatory manne**r taking into account the **sustainable development needs and human rights** of all stakeholders. Ultimately, financing just energy transitions must be part of a broader package of reforms to the current system of global economic governance and international economic law, including dealing with significant debt burdens of developing countries and substantially reforming the asymmetrical international investment regime.

3.1. To Counter the Risk of Reliance on Debt Instruments and Private Finance

Developing countries have differing needs, circumstances, priorities and vulnerabilities in relation to energy transition and climate resilience. Projects and programmes for financing a just transition should be prioritised and designed according to domestic and local needs and **should not primarily be driven by investor or donor priorities**.

For new investments in the renewable energy sector, contracts and/or terms of licencing should be designed to ensure that the host country has adequate policy space to set domestically driven national development and energy transition policies. Policymakers should consider both the **financial impact of the contracting of further debt** to fund the energy transitions and the **legal risks associated with contracting debt with different classes of private creditors**, the terms of the debt and the jurisdiction governing debt contracts. An increased dependence on external debt will not only impact on countries' debt sustainability but also increase their vulnerability to regulatory changes in the jurisdictions the debts are contracted in.

---

[90] UNCTAD (2026), 'Strait of Hormuz Disruptions: Implications for Global Trade and Development', 10 March 2026, UNCTAD.

[91] These recommendations are drawn from Tan, C, Erdem Turkelli, G and Yilmaz Vastardis, A (2024), 'Financing Sustainable Just Transitions: Challenges and Ways Forward', T20 Policy Brief, Task Force 2: Sustainable Climate Action and Inclusive Just Energy Transitions, G20 Brasil 2024.

	1. Institute debt sustainability assessments and debt audits to accompany each energy transition investment plan.
	2. Channel more finance through sovereign finance to host states who can decide what is best to finance, supporting country ownership of just transitions and aligning plans with national development priorities.
	3. Undertake assessments of bilateral and multilateral financial commitments that are contingent on legal, regulatory and policy reforms to ascertain broader social and economic impacts of conditionalities and ensure they progress rather than hinder climate action.
	4. While there is an imperative to diversify sources of financing, financial instruments and terms of financing must align with national climate action plans and SDG pathways.

3.2. To Counter the Legal and Regulatory Risks from Private Investments

Legal, regulatory, and policy reforms linked to financing instruments, such as development policy loans from MDBs or bilateral aid agencies, must be **evaluated against the broader risks to the financial system and fiscal position of host governments**. The additional financial risks arising from the broadening of the funding base to private actors PPPs via DFIs and philanthropic funding should be considered in determining the financial risk and liabilities incurred by host countries.

There is also potential for regulatory chill where governments refrain from or postpone regulating due to potential or actual threats of investment disputes and exposure to significant financial burdens for breaches of investment treaty standards. Host states should diligently assess their investment treaty obligations and reform their investment governance frameworks to ensure (1) they **retain adequate policy space for further reforms** and (2) that the **risks of future policy evolution** that may result in the reduction of investor returns are **not solely shouldered by the public**.

	5. Prioritise official financing to states and public entities opposed to blended finance and guarantees for private investors, whose appetite for investment is not guaranteed.
	6. Organise financing in a framework of genuine partnerships that gives policy space back to host countries.
	7. Incorporate appropriate risk assessments to identify potential liabilities that may emerge from the host countries' investment treaty and contract commitments to foreign investors, in the context of energy transition.
	8. Design and Implement energy transition investments with investment law risks in mind in terms of (a) financing allocated to the cost of fossil fuel phase-out, and (b) incentive offers and guarantees of regulatory stability to future renewable energy investors and other 'green' investments.

3.3. To Counter Social and Economic Transition and Governance Risks

Without a holistic, cross-sectoral approach to decarbonisation, finance and investment plans may undermine rather than support just energy transitions. There is a risk that a financing agenda that is oriented to private interests can subordinate countries' priorities to the interests and priorities of private investors without the necessary social, economic and environmental safeguards to facilitate a just and equitable energy transition for communities. It is important that the **financial criteria for prioritisation of investment decisions for energy transitions carry equal weight with the social and economic considerations for just transition outcomes**. Financing social and economic transitions and enhancing adaptative capacities of communities and countries are as crucial as financing infrastructure and policy and regulatory change.

	9. Host states should require the application of a human rights and environmental due diligence (HREDD) framework to assess social and economic transition risks and prospective impacts before, throughout and after transition investments, including on the parts of the population who are prone to marginalisation.
	10. Projects should ensure free, prior and informed consultations with and consent by local communities to make social and environmental safeguards and standards effective.
	11. Financiers and investors should ensure that adequate and effective environmental and social safeguards and standards are in place for all reasonably foreseeable adverse impacts from financed projects on communities and the environment.
	12. Provide adequate and long-term financing to minimize adverse social and economic impacts and ensure sustainability, including access to adequate remedies for adversely affected persons.

3.4. To Ensure Compatibility with Multilateral Climate Commitments

Financing for energy transitions should **respect the agreed principles of the multilateral climate regime**, in particular CBDR-RC and finance be new, additional and predictable as per the obligations under the UNFCCC. These initiatives should be designed mindful of considerations of debt sustainability, cost-effectiveness, harmonisation of climate action with social and economic impacts of low-carbon transition and should guarantee the establishment of governance and safeguards to manage risks of the transition programme.

	13. Ensure that the financial arrangements conform to commitments of all parties, including the host state and the developed countries, who are signatories to the UNFCCC and the Paris Agreement. Ideally, channel finance via funds established under the UNFCCC/ Paris Agreement.
	14. Ensure that energy transition financing is 'new and additional' in line with obligations under Articles 4.3 and 4.4 of the UNFCCC and Article 9.1 of the Paris Agreement and supports 'country-owned strategies' within a transparent and predictable financial support framework in line with Article 9.3 and 9.7 of the Paris Agreement.

15. Ensure that funds provided to host countries for just energy transitions do not divert ODA spending in other SDG areas, such as health and education.

4. Conclusion

JETPs represent an important attempt to mobilise finance for energy transitions in developing countries and one that recognizes the social and economic impacts of such transitions and the need to mitigate them. Their inception reflects recognition of the scale of financing required for such transitions and the need for innovative coordination mechanisms. However, our analysis reveals substantive concerns regarding the current design and financing architecture of JETPs. These concerns are not operational or technical issues. They raise fundamental questions as to whether JETPs and country platforms more broadly, can effectively advance climate action in a just and equitable manner consistent with multilateral climate commitments.

JETPs go goes beyond the transfer of financial resources and involves legal, regulatory and policy reforms in developing countries and reshapes state engagement with markets and civil society. This means the JETP has wider implications for developing countries beyond access to climate finance and can impact on local and national law and policymaking and their interactions in the broader global economy and international law.

The JETP finance and investment approach can generate significant social and economic transition and governance risks that can compromise the climate objectives of the initiative and developing countries' human rights and environmental obligations. There is a risk that a financing agenda that is oriented to private can **subordinate countries' priorities to the interests and priorities of private investors without the necessarily social, economic and environmental safeguards** to facilitate a just and equitable energy transition for countries and communities.

Key to our concerns is the fundamental tension which exists between the JETP's premise of justice, equity, country ownership and participation and its embeddedness within a donor-dominated aid framework in which strategic priorities are driven by the interests of developed countries, multilateral institutions, and private financiers. This inevitably constrains developing countries' ability to determine nationally owned pathways to energy transition that reflect their own development priorities, social and economic circumstances, and democratic preferences. There is a need for a rethink of the strategic aims of the JETPs and country platforms as modalities for mobilising and delivering climate finance.