



Task Force 4
Refuelling Growth: Clean Energy
and Green Transitions



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PRINCIPLES AND GUIDELINES FOR A JUST AND INCLUSIVE ENERGY TRANSITION

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Abstract






The G20 has emphasised the need to ensure an energy transition that is just, inclusive, and sustainable. The grouping adopted an energy transition strategy, the ‘Decade of Actions: Bali Energy Transition Roadmap’, during the Indonesian presidency in 2022. An important component of the Bali Roadmap is the ‘Presidency Troika’ action plan, under which the G20 is to adopt key principles and guidelines for a just and inclusive energy transition.

This policy brief outlines the principles and guidelines for a just and inclusive energy transition under four thematic areas while considering the unique challenges of the Global South countries. These include social and economic development, eliminating energy poverty, ensuring quality of life and sustainable lifestyle practices; employment and jobs, including ensuring gender equality and interest of the youth; financing a just and inclusive energy transition; and inclusive decision-making.



The Challenge



1



As the climate crisis deepens, there is a growing recognition among countries to phase down the consumption of fossil fuels in the coming decades to meet the Paris Agreement goals. However, it is also well recognised that transitioning from fossil fuels will have significant social and economic consequences for workers and local communities, and

implications for government revenue, jobs, and social sector investments.¹ Therefore, building a low-carbon economy requires developing measures to minimise disruptions in fossil fuel-dependent regions' economic and social systems, and ensuring a just and inclusive transition of the workers, local communities, and impacted regions.² In essence, a just transition is fundamental to realising climate ambitions.



The G20's Role



2



High-level policy deliberations on just transitions have gained momentum since the Paris Agreement in 2015. While experiences of the Global North have primarily shaped the discourse and agenda, the Glasgow Climate Pact³ adopted at the COP26 (2021) and the work programme on just transition agreed upon at COP27 (2022) necessitate the Global South's active participation and intervention in global just transition deliberations and negotiations.⁴

Energy transition has been a crucial agenda for the G20. Various presidencies have added to and refined the group's engagement on energy transition, particularly the Buenos Aires Leaders' Declaration (2018),⁵ the Osaka Leaders' Declaration (2019),⁶ the Rome Leaders' Declaration (2021),⁷ and the Bali Leaders' Declaration (2022).⁸ Under the Indonesian presidency, global clean energy transitions have been elevated to a 'G20 leader-level priority' and the 'Decade of Actions: Bali Energy Transition Roadmap' has been adopted in response. The Bali Roadmap aims to suggest ways for the discussions and work of the G20 Energy Transition

Working Group, climate, finance, and related G20 tracks on clean energy transition actions. It takes into consideration national circumstances and the needs and priorities of G20 members in their net-zero and low-emission development pathways by or around mid-century, and as per respective targets.⁹ The Bali Roadmap includes three components:¹⁰

- The Bali Compact with principles for accelerating clean energy transitions.
- Three key priorities of actions—securing energy accessibility, scaling up smart and clean energy technologies, and advancing clean energy financing—over the short to medium term (through 2030).
- Presidency Troika action plan with milestones.

Among the various priorities identified under the Presidency Troika action plan, a crucial one is for the “G20 to adopt key principles and guidelines for just and inclusive energy transitions”.¹¹ These are intended to identify priority actions for the G20 on the following ‘priority areas’:

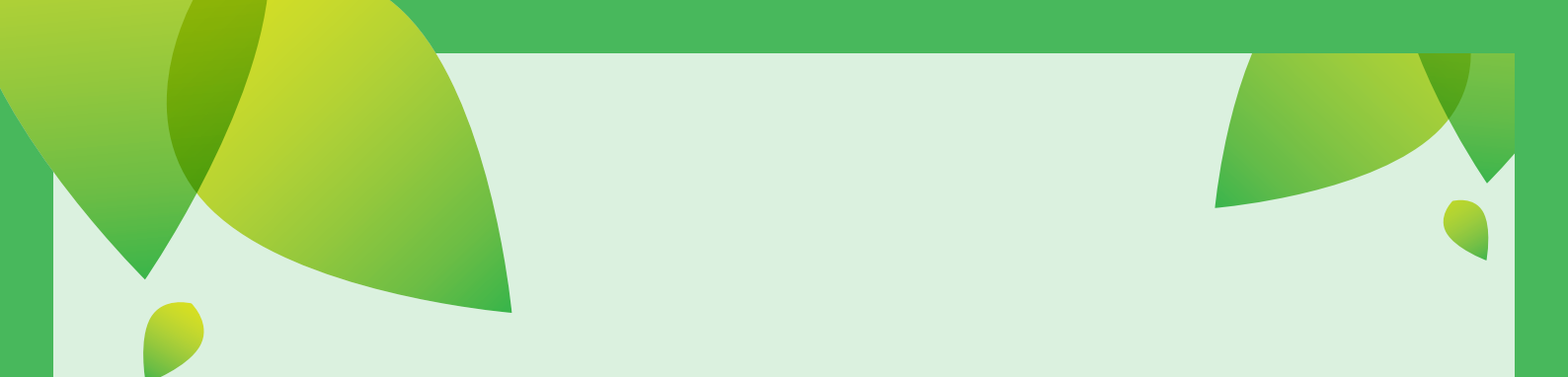
- Employment and jobs, social and economic development, and engaging the people in the transitions.
- Gender equality, behavioural aspects, and quality of life.
- Eliminating energy poverty and integrating younger generations in decision-making.

This policy brief is developed considering the priority areas for a just and inclusive energy transition as noted in the Bali Roadmap. The key principles and guidelines are outlined under the following thematic areas:

- Social and economic development, eliminating energy poverty, ensuring quality of life and sustainable lifestyle practices.

- Employment and jobs, including ensuring gender equality and interest of the youth.
- Financing a just and inclusive energy transition.
- Inclusive decision-making.


These principles and guidelines also focus on the unique transition challenges of the Global South countries. These include a large fossil fuel-dependent workforce (a majority of whom are informal), poor economic and social indicators of many fossil fuel-dependent regions, and large financial needs to support an accelerated energy transition while safeguarding energy security and the well-being of workers and communities.



Recommendations to the G20



3



The following section outlines the key principles for each of the thematic areas and corresponding guidelines for action that the G20 member countries may consider as per national circumstances and priorities.

The recommendations are based on a review of G20 Leaders' Declarations, deliberations of the ministerial and working group meetings,^{12,13} other relevant G20 documents,^{14,15} and guidelines and recommendations outlined by various organisations, including the International Labour

Organization,^{16,17,18} the European Commission,¹⁹ the International Energy Agency,^{20,21} the United Nations,^{22, 23 , 24} the Glasgow Financial Alliance for Net Zero,²⁵ the Multilateral Development Banks Group (MDB),²⁶ among others.

A due process of expert review and consultation was followed, including with stakeholders in the fossil fuel-dependent regions of India.

Social and economic development, eliminating energy poverty, ensuring quality of life, and sustainable lifestyle practices

Social and economic development of fossil fuel-dependent regions, including eliminating energy poverty, is critical for ensuring economic vitality and improving human development outcomes. The processes should also be environmentally responsible and ethical to minimise the environmental and ecological footprint of the new economy.

Principles


- Principle 1: Integrate just and inclusive energy transition in policies and plans of national and sub-national governments, including those related to energy, industry, welfare, and regional development.
- Principle 2: Compensate fossil fuel-dependent regions for the loss of industries, employment, and revenues. This can be done by offering support for economic diversification that

is environmentally and socially responsible, including promoting green energy and green industries.

- Principle 3: Promote repurposing of fossil fuel infrastructure and land for economic diversification.
- Principle 4: Invest in developing physical and social infrastructure in fossil fuel regions, including for climate change adaptation and disaster risk reduction, to strengthen community resilience and promote development.
- Principle 5: Integrate circular economy principles in economic and social investments to ensure green growth.
- Principle 6: Secure affordable clean energy access for all and address energy poverty to achieve a just and inclusive energy transition and fulfilment of Sustainable Development Goal 7.
- Principle 7: Promote sustainable lifestyle practices to complement a just and inclusive energy transition.

Guidelines for action

- Develop just transition policies and strategies to ensure a socially and environmentally responsible energy transition based on the unique characteristics of different countries, including the status of energy access and security.
- Support non-G20 countries in developing just transition policies and plans, including regional just transition investments plans.
- Develop investment policies, including fiscal instruments, to support economic diversification in fossil fuel regions, attract green investments (including in green energy, energy efficiency, and green industries), and avoid carbon lock-in.
- Develop policies and plans to support repurposing of land and infrastructure available within fossil fuel industries, including coal mines, oil and gas facilities, and thermal power plants for economic diversification and development.
- Enhance social and physical infrastructure investments to



improve community resilience, access to foundational education and skills, digital access, and delivery of basic services.

- Address energy poverty through a comprehensive approach towards all household energy needs and support investments in clean energy for improved developmental outcomes.
- Develop policies and enabling environments that promote behavioural change to foster sustainable lifestyle practices as part of the just transition process.
- Support innovations in production processes, building on traditional knowledge and values of conservation, to minimise environmental and ecological footprints during economic diversification.

Employment and jobs, including ensuring gender equality and interests of the youth

Addressing income loss within the workforce and local communities impacted by the transition and creating

employment opportunities for them is one of the main objectives of a just and inclusive energy transition. It is also essential to consider issues of gender equality and integrate the interests of the youth to ensure equal and adequate opportunities for them in a low-carbon economy.

Principles

- Principle 1: The energy transition process should include all impacted workers, including formal and informal workers, engaged in fossil fuel industries and value chains, and ensure improved socioeconomic outcomes for all.
- Principle 2: Address issues of migrant workers engaged in fossil fuel industries to ensure their participation in a low-carbon economy.
- Principle 3: Create alternative employment opportunities for impacted communities, especially indigenous and vulnerable groups, who are at a disadvantageous socio-economic position.
- Principle 4: Ensure equal employment opportunities, access

to green jobs, and equal pay for women.

- Principle 5: Maximise opportunities of formal employment for all, including women and the youth.
- Principle 6: Ensure the employability of both formal and informal workers in a low-carbon economy, through investments in education and workforce development programmes and by removing barriers to access.
- Principle 7: Enhance prospects for the youth in a low-carbon economy by improving access to foundational knowledge and skill development.
- Principle 8: A tripartite forum including workers and labour unions, industries, and government bodies should support just transition measures and ensure transparent decision-making.

Guidelines for action

- Support development of policies and plans based on existing labour markets and labour conditions in fossil fuel-dependent regions to address employment impacts of

the energy transition and to ensure well-paying and secure green jobs.

- Support development of sectoral job resilience and transition plans for sectors vulnerable to low-carbon transitions and climate change impacts.
- Support the most vulnerable communities by developing community transition plans and providing targeted assistance based on an intersectionality approach.
- Develop measures for equal access to skill acquisition for green jobs, especially for informal workers, women, youth, and other vulnerable groups.
- Promote gender-inclusive, just transition policies and plans to support formal employment, ensure equal pay, and promote equitable outcomes.
- Support investments in fossil fuel-dependent regions to improve access to affordable higher education and skill development, with targeted measures for the youth engaged in the fossil fuel industry.

- Modify labour laws to enhance security for formal and informal workers and maximise opportunities for formal engagement in a low-carbon economy.
- Modify company-specific laws (corporate laws) to support formal and informal workers.
- Support a tripartite forum including worker's representatives/labour unions, industries, and government bodies to develop workforce transition plans for all impacted workers.
- Develop fair and transparent dispute resolution mechanisms for all workers, including informal workers with limited access to such mechanisms.

Financing a just and inclusive energy transition

Developing appropriate mechanisms for financing just and inclusive energy transition measures is critical for mobilising necessary resources. Considering the political commitment and international cooperation required to ensure a financial flow, especially in the Global South, the support of the G20 will be essential.

Principles

- Principle 1: Developed countries should support developing countries in achieving a just and inclusive energy transition through public finance and by creating enabling environments for private investments.
- Principle 2: Implementation of transition measures should not increase the debt burden of developing countries, especially heavily indebted countries.
- Principle 3: Countries should mobilise domestic resources through converging social resilience, economic development, and energy transition programmes, and by using public finance to catalyse private sector investments.
- Principle 4: Public sector financial institutions should integrate just transition principles in their strategies for development and welfare financing.
- Principle 5: All financial institutions should integrate just transition principles in their net-zero plans.

- Principle 6: Financial institutions should provide support for the accelerated phase out of high-emitting physical assets. They can simultaneously invest in greener alternatives so that energy access and security are not compromised.
- Principle 7: MDBs should commit to financing just and inclusive energy transition measures and innovate on mechanisms to achieve the same, such as risk-informed financing and blended finance.
- Principle 8: Financial institutions should design investments in collaboration with stakeholders of fossil fuel-dependent regions.

enabling environments for private investments.

- Support the development of a just and inclusive energy transition finance taxonomy, which countries may modify to suit local investment needs.
- Conduct region-specific assessments to identify costs and financial requirements for a just and inclusive energy transition and mobilise and allocate resources.
- Develop policies and fiscal instruments, such as carbon pricing, tax credits, and tax exemptions for green energy and green industry development in fossil fuel-dependent regions.

Guidelines for action

- Incorporate principles of just and inclusive energy transition in the G20's climate finance and energy transition finance approach.
- Develop a just and inclusive energy transition finance platform to provide financial support to emerging economies of the G20 and non-G20 developing countries through public finance, including grants and concessional loans. G20 can further support the creation of
- Develop policies and programmes to provide grants and interest-free or low-interest loans to support structural development and welfare measures in fossil fuel-dependent regions.
- Embed just and inclusive energy transition considerations in investment portfolios and due diligence processes of financial institutions.

- Reform the functioning of the disclosure frameworks of MDBs and the International Sustainability Standards Board to ensure consistency and credibility of approaches for just transition financing.
- Financial institutions should assess the risks and opportunities of just energy transition investments by engaging in meaningful social dialogue with various stakeholders, particularly in fossil fuel-dependent regions.

Inclusive decision-making

Inclusive decision-making is fundamental to ensuring the energy transition is just and sensitive to the interests and viewpoints of various stakeholders. The process should ensure meaningful participation of all stakeholders in planning and monitoring just and inclusive energy transition measures.

Principles

- Principle 1: Support participatory decision-making processes, including social dialogue, to reach consensus among various stakeholders on strategies and plans for a just and inclusive energy transition.
- Principle 2: Create scope for meaningful engagement of all workers, particularly informal workers, who are not represented by any unions or agencies.
- Principle 3: Ensure equal participation of women at all levels of the decision-making process and promote women's leadership.
- Principle 4: Ensure meaningful participation of the youth in the decision-making process to capture their voices and aspirations.
- Principle 5: Ensure all stakeholders have access to information for informed and transparent decision-making.
- Principle 6: Develop institutions and mechanisms and build capacity of sub-national governments and other concerned stakeholders. This will help plan and implement a just and inclusive energy transition.




Guidelines on action

- Develop effective governance and institutional mechanisms to ensure the participation of stakeholders to develop plans and design implementation measures for a just and inclusive energy transition.
- Develop a formal process of engagement with various stakeholders to ensure meaningful dialogue and informed decision-making.
- Create a formal grievance redressal and dispute resolution mechanism to ensure timely response and corrective action on all matters related to just and inclusive transition of workers and communities.
- Strengthen public accountability mechanisms to build people's trust and ensure their long-term commitment.
- Develop and implement capacity-building programmes for regional and local governments to ensure just transition planning and inclusive decision-making.
- Develop and implement capacity building and engagement plans for all stakeholders to meaningfully participate in the just energy transition process.
- Integrate financial provisions for stakeholder capacity building in just energy transition plans. Implement capacity building and engagement plans for all stakeholders.

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