Date: January 25, 2023

To G20 sustainable finance working group (SFWG),

Signatories to this open-letter provide their insights on how the Brazilian G20 presidency can fast track efforts towards a just transition for workers, local communities, rights holders and businesses impacted by a low-carbon transition. We highlight the importance of inclusive just transition frameworks, planning, funding, monitoring and evaluation from G20 governments and how these can inform the SFWG and the better integration of just transition in the G20 finance track. These efforts are vital to drive a just energy transformation that ensures the implementation of the Paris Agreement.

Momentum towards a just transition has never been as high on the international agenda as it is to date. Recently, COP28 saw the emergence of a just transition work programme and high-level ministerial dialogue. The ILO’s just transition guidelines were also reaffirmed during the 111th international labour conference in June 2023. Similarly, the previous Indian G20 presidency highlighted the need for inclusive and sustainable development that encompasses just transition. These efforts emphasized the importance of international cooperation, decent work, social dialogue, respect for human and labour rights and the involvement of local communities in just transition processes. The importance of financing a just transition has also gained attention as evidenced by initiatives from Multilateral Development Banks (MDBs), GFANZ and the launch of Just Energy Transition Partnerships (JETPs). The 2024 G20 presidency presents a unique opportunity to build on this work while addressing some of the just transition gaps that currently remain.

As organisations that assess and work with the public and private sectors, including companies, financial institutions, and governments, we provide the following four key recommendations to the SFWG. These recommendations can inform progress that needs to be made in the G20 finance track. They can also assist the SFWG in reviewing progress across the five pillars part of its transition finance framework.

1. **G20 finance ministers and central bank governors can play a decisive role in scaling finance aligned with just transition principles and in enacting a conducive policy environment across multiple economic sectors and the international financial system**

G20 finance ministers and central bank governors can set the tone for just transition implementation. They can do so in the way they design budgets, fiscal policy, ensure policy coherence for a just transition and interface with MDBs. In doing so, this will further ensure the delivery of pillar four of the SFWG transition finance framework. As an example, G20 governments spent USD 1.4 trillion in public funds in 2022 on fossil fuels with higher funding still going to environmentally harmful subsidies. This funding could be repurposed towards energy efficiency, renewable energy, and other measures to support a people-centred and equitable clean energy transition. This funding would also be particularly beneficial to deliver financing commitments and accelerate the energy transition in emerging markets. The issuing of sovereign bonds with proceeds and guarantees channelled towards just transition related activities is another means of scaling public finance for a just transition.

The SFWG can also play a key role in creating an international policy environment that facilitates a more equitable distribution of global transition finance. It can do so by pushing for action on the recommendation that the G20 create an Independent Advisory Group to report regularly to finance ministers about progress in implementing the 2023 Triple Agenda MDB roadmap. This would support principle 18 of pillar 4 of the SFWG transition finance framework.

The wider enabling policy environment is also key in driving corporate performance and ensuring multi-stakeholder partnerships, for example, with employer and business member organisations and unions. Coalitions such as the Coalition of Finance Ministers for Climate Action can further support G20 finance ministers in coordinating a whole of government and whole of economy approach to just transition. G20 finance ministers can also play a role in better including just transition costs, impacts and needs in country Nationally Determined
Contribution (NDC) plans and wider country planification. In turn by aligning public financial flows with a just transition, and providing an enabling policy environment, this can further contribute to the de-risking and scaling of private finance for a just transition. Such planning is also beneficial for the workforce to have the skills needed to take advantage of emerging and mature green industries.

2. The identification of regions most at risk across G20 members coupled with place-based investments can support the SWFG in driving decent green job creation and community benefits in regions most affected

As the SFWG advises the 2024 G20 finance ministers and central bank governors, it is essential that just transition investments reach the regions and communities most impacted by the transition. This also aligns with pillars one and five of the SFWG transition finance framework. There can indeed be an important regional and international mismatch between regions and countries where green job creation will take place and those that risk being left behind in the transition, such as those where energy and emission intensive assets are located. It is further critical to ensure just transition policies respond to local community needs, that these stakeholders are meaningfully included, by means of a social dialogue in the design and outcome of policy decisions. Rights CoLab, along with organisations in the impact investor community, published a report that highlights the importance of placed based investments, the integration of climate justice considerations, and having impacted local communities centre stage of just transition discussions. Similarly, other research has been conducted in the UK on the social and economic benefits of place-based investments. The SFWG should also promote transparency and consultation best practices in transition finance mechanisms such as JETPs as an essential component of addressing power and information asymmetries in order to advance just transition goals.

3. Stronger measurement and disclosure on the delivery of the “just” part of just transition – nationally and internationally is crucial and can enable the SFWG to meet key pillars and principles at the core of its transition finance framework

Just transition indicators can ensure the better integration of just transition across the G20’s pillars and principles at the core of its transition finance framework. In particular, they can support the SFWG in implementing pillars two and five on assessing and mitigating negative social and economic impact of transition activities and investments. In order to develop such indicators, the SFWG can build on existing tools and methodologies developed to date. At a company level, this includes a better understanding of how businesses are integrating just transition, and whether existing policies and skills programs are effective.

Given the importance of this topic, in November 2023 the World Benchmarking Alliance (WBA) convened, along with other organisations, a just transition working group on how to track just transition progress. This working group, builds on existing work from its members, including an assessment of how 340 companies across multiple sectors are implementing a just transition and a guide for company action. It seeks to inform the development of just transition pathways for companies and the better integration of just transition in existing climate standards. Other organisations have also developed their own methodologies and indicators to track just transition progress at a sectoral and state (national/subnational) level. As an example, the Katowice Committee of Experts on the Impacts of Implementation of Response Measures (KCI), a UNFCCC body working on just transition, is finalising a report which will showcase ways to track just transition progress both for governments and companies including a differentiation between process and outcome indicators.

However, measuring progress towards achieving a just transition with indicators should not just be a reporting exercise. It is essential to drive the allocation of transition finance in a way that is socially just and a means of improving the design and outcomes of just transition policies from governments and non-state actors. Indicators are also important at a subnational level to understand how communities are adapting, particularly in regions where energy and emission intensive assets may be concentrated and transition impacts felt the most. In the G20, it is noteworthy that some governments such as South Africa have included monitoring and evaluation as

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1 By 2024, WBA will have assessed 450 companies, including heavy industries, of which about 70% are based in G20 countries.
2 This includes hard to abate heavy industry sectors and infrastructure that can concentrate energy intensive smaller assets.
part of their just energy transition investment and implementation plans. Similarly, other governments such as the UK have included just transition in the design process of their transition plan disclosure requirements.

4. **Knowledge exchange, capacity building and peer to peer learning can ensure just transition planning is coordinated across the SFWG and G20 working groups**

International cooperation is critical in delivering a just transition that is aligned with the delivery of pillar four and five of the SFWG transition finance framework. Within the G20 there is an opportunity for collaboration not only between finance ministers but also across G20 working groups. Given the cross-cutting nature of just transition and the need for cross-ministerial collaboration, this is vital to success. The just energy transition in coal regions knowledge hub is an example of existing platforms that support these efforts by convening experts in the field and in disseminating insights and knowledge. The Just Transition Resource Platform is another example that provides companies with tools and resources to understand and implement a just transition. Similar platforms on just transition finance, the role of indicators and enabling policies could be supported by the SFWG. WBA’s latest research with the Council for Inclusive Capitalism and the Grantham Research Institute also shows existing examples of just transition public-private partnerships of relevance to the G20. The SFWG can further identify and drive such partnerships across G20 members in a way that supports knowledge exchange and capacity building for governments and non-state actors.

Signatories to this open-letter stand ready to work with the G20 SFWG to further streamline just transition considerations in the G20’s transition finance framework and to support the implementation of just transition as part of the Brazilian G20 presidency.

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Shift

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