



CHANGE THE SYSTEM, NOT THE CLIMATE: What is wrong with the Just Energy Transition Partnership (JETP)?

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What is the JETP?

Countries around the world are facing the challenge of decarbonising their economies - and many are struggling to raise the funds needed for doing so. This is where the Just Energy Transition Partnership (JETP) comes in.

The partnership is an agreement between South Africa and Northern governments[↑] such as Britain, France, Germany, the United States as well as the European Union[↑] (EU).[1] It was struck in November 2021 at the UN Climate Change Conference in Glasgow. As things stand, South Africa is the thirteenth-highest emitter of carbon in the world, and 87 per cent of its electricity production comes from burning coal. Between 2023 and 2027, South Africa will receive financial support from the international partner governments – all in all, \$8.5bn. The money is supposed to help the country transition to a low-carbon economy based on renewable energy. According to the South African government, the funds will be used to shut down coal-fired power plants and to roll out renewables, in order to get the transmission grid ready for the use of renewables. Additionally, the money will be spent to help the car industry shift to electric vehicles and kick-start the move towards a green hydrogen economy.

The JETP is hailed by leading politicians across the globe as a game changer in climate finance and a template for how Northern and Southern governments[↑] can cooperate to tackle the climate crisis. The New York Times calls it a ‘breakthrough for the world’. Since November 2021, the Northern countries have also struck JETP agreements with Indonesia and Vietnam, and there are talks underway with India and Senegal. It looks as though JETP agreements will affect a lot of countries sooner or later. This is why it is worth having a closer look.

This pamphlet has emerged out of a discussion process involving activists and critical social scientists from South Africa and Germany, who got together in Johannesburg in February 2023. We want to explain what the JETP is, and why we think that it does not live up to the expectations. In fact, we argue that **JETP is unlikely to achieve what it sets out to do**, and it is likely to have **harmful side-effects**. In other words, it is not a model for a just energy transition. We need to find other ways to tackle the climate crisis and for the Global North to pay its climate debt[↑]!

[1] Terms marked with an upward arrow (↑) are explained in the glossary, which can be found below.

What's the matter with the JETP?

Decarbonisation is going to change economies drastically – and it will impact the livelihoods of people. The downside is that a lot of jobs in coal mining and at coal-fired power plants will be lost and that introducing renewables requires sizable investments at first. High upfront costs for building new wind and solar farms, battery storage and electricity grids will have to be covered by someone. And it will be necessary to pour money into retraining people to work in the renewable energy sector.

The upside is that the energy transition promises significant benefits for the people over the medium term. These do not just consist of carbon reductions, but also of clean air, a stable and affordable energy supply and decent new jobs in the low-carbon economy. The everyday experience of South Africans shows this. Contrary to the claims of those in power, burning fossil fuels does not lead to energy security. **Right now, 'load shedding' is constantly disrupting people's lives,** and people from

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marginalised backgrounds are most affected. **'Load shedding'** is an understated expression for planned power cuts that take place on a daily basis at the moment and last several hours. The state-owned energy supplier ESKOM¹ justifies switching off power with its inability to produce enough

energy to meet demand.[2] And no power means no light and no use of electrical appliances, which compromises people's safety, health, well-being and, in some cases, survival. The energy crisis in South Africa has become so dire that President Cyril Ramaphosa declared a national state of disaster in February 2023.

In order to tackle the energy crisis in an equitable manner, **both the JETP and the South African government refer to the need for a 'just transition'**. This concept, which was coined by the global labour movement and has since been misappropriated by elites, signifies that no workers and communities should be left behind in the transition away from fossil fuels. Accordingly, the JETP is presented as a key step towards a just transition in South Africa.

But how is the JETP supposed to work? Recently, the South African government has rolled out its Just Energy Investment Plan (JET IP). The plan describes what the government strategy is when it comes to decarbonising the economy, and how it is going to use the JETP money. The idea is that the latter is going to kickstart the JET IP. Without upgrading the South African grid, for example, producing renewable energy will not be viable. The government says that it will spend the funds in a manner that will make it attractive for owners of capital to invest in renewables. But there are questions over which kind of investors will benefit from the funds, how transparent bidding processes will be, and whether the new or refurbished sites of energy production will really be 'green'. And considering that ESKOM is already highly indebted, there is a danger that JETP money will be misused to service old loans.

Attracting additional investment is necessary because according to the government, the JETP will only cover 12 percent of what is needed in the next five years to decarbonise South Africa. But even if all goes to plan (and there is no guarantee that it will!), **the government admits that there will be a funding shortfall** of 44 percent or \$43bn. In other words, the money from the Northern countries is nowhere near enough. With just this money at hand, **the transition to renewables in South Africa will be limited.**

In addition to this, only three per cent of the overall JETP money comes in the form of grants¹.

Everything else is loans¹ which will have to be paid back eventually. Furthermore, the lending institutions, whether they are private banks and financial institutions¹ or public banks¹, will usually offer loans that are denominated in 'hard' Northern currencies and charge interest. Given that the exchange rate of the South African Rand has always fluctuated strongly against the US-Dollar and the Euro, global exchange

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[2] In addition to 'load shedding', ESKOM also imposes 'load reduction', which consists in localised power cuts that allegedly aim to prevent grids from overloading, in particular in areas where people have taken connecting to them into their own hands and thus do not pay for their electricity. Energy justice activists, for example, the Soweto Electricity Crisis Committee, see 'load reductions' as a form of 'energy racism' because Black working-class communities are worst affected.

rates will also affect the JETP. If the Rand were to fall again, the government would have to find additional funds to service its debt. And obviously, the money needed to pay back the loans has to come from somewhere. Of course, the government could use money made from renewable energy by ESKOM or hike taxes on private-sector firms producing green energy. But this means that less money is available for the companies affected to cover day-to-day costs, most importantly wages, and to reinvest. This creates incentives to increase energy costs for consumers and decrease wage costs. The government could also choose to cut expenditure, which would mean that public services are bound to suffer. None of this is compatible with the aim of a just transition. Alternatively, it could take up new debt to pay for old debt. This usually increases the overall debt burden and simply defers the challenge of paying back loans into the future.

Indeed, the loan model ensures that South Africa remains in a position of dependency vis-à-vis its lenders, and workers in the country have to produce wealth that is then transferred to the North to settle debts. This is not a partnership between equals to tackle a global crisis together, but a **relationship marked by green colonialism**. Northern dominance and control remain in place. And it is **unjust**. Today, carbon emissions per person are more than twelve times higher in North America and more than six times higher in Europe than in Sub-Saharan Africa. The climate crisis has been caused by Northern countries, which means that it is only just that they pay for the damage they have caused. “We were the ones whose blood, sweat and tears financed the industrial revolution”, Mia Mottley, the Prime Minister of Barbados, recently said. “Are we now to face double jeopardy by having to pay the cost as a result of those greenhouse gases from the industrial revolution? That is fundamentally unfair.” Instead of acknowledging the responsibility of Northern countries for the climate crisis, the JETP **has turned the crisis into a business opportunity for northern investors!** In a nutshell, the JETP is in fact an **unjust, non-transition debt scheme** that mostly benefits investors from the global North.

How have climate activists and trade unionists responded?

There have been widespread calls from social movements¹, trade unions¹, NGOs¹ and other progressive forces for a people-driven, just energy transition from below, which advances systemic transformation. These calls were fuelled by the ongoing lack of transparency around the JETP and its scant engagement and consultation with civil society, labour and other stakeholders - despite the claim that the JETP is informed by the idea of a ‘just transition’.

For example, the Presidential Climate Commission (PCC) - the body tasked to develop, frame and implement South Africa’s Just Transition framework - has raised concerns about the lack of transparency of the process. The PCC has also criticised the JETP for its failure to engage with the public. It has highlighted that this undermines the principle of procedural justice¹, which is crucial for the South African or any other just transition framework.

In addition, the Congress of South African Trade Unions (COSATU) has raised concerns about the neo-colonial interests of donor governments. After all, the JETP relies heavily on debt and prioritises a market-centric approach to finance the energy transition. This market-centric endeavour guarantees profits for the financial elite and will reproduce injustices and deepen socioeconomic inequalities. There were also concerns raised that decarbonisation is accompanied by privatisation drives in the energy sector, which are likely to result in additional job losses. Progressive voices in the public debate on the JETP have thus demanded to place a just transition for workers and communities front and centre and focus on the need for social dialogue, transparency, climate reparations and debt cancellation. These demands are sound and justifiable and point to **the pressing need for mobilisation from below** that will challenge the way in which power and resources are distributed, regulated and controlled.

A path forward

A just transition that deserves its name would require mass movements around the globe that demand abandoning the JETP model, moving beyond an imperialist capitalist-driven energy transition and radically changing North-South relations. Such a mass movement would have to be based on a broad alliance of climate activists and trade unions.

Both groups have ample experience in mobilising people, making socioeconomic and political issues visible and taking collective action in different settings. What is difficult is that there is often no unifying element between them. But they need to come together because they both have a stake in a proper 'just transition' agenda and they both have unique contributions to make concerning a mass movement for climate justice. Climate activists have detailed knowledge of the climate crisis, and how it needs to be addressed. They make far-reaching demands to protect the planet and criticise 'compromises' that threaten the survival of humankind. Trade unions and labour activists organise workers. This matters because they are able to disrupt capital accumulation if they act in concert, which is necessary for ground-breaking change that goes against the interests of capital.

Money made available by rich countries in the North is important to finance a just transition in South Africa and elsewhere in the South. Yet, it should not come in the form of loans in hard currency that create new financial dependencies. Instead, **Northern countries should pay reparations for colonial plunder and settle their 'climate debt'**. Climate justice activists use this concept to point out that the North owes the South - not the other way around. Without the super-exploitation of workers and the

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appropriation and destruction of nature in the former colonies, it would have been impossible to industrialise the North - and industrialisation was the main cause of climate change. Consequently, it is the responsibility of Northern countries to pay for climate-related damage in the South as well as allow

Southern countries to leave fossil fuels in the ground. Furthermore, the existing debt that the South owes to the Global North is illegitimate and should be cancelled. This would allow Southern countries to regain sovereignty and embark on a form of just transition that deserves its name.

As we have discussed, the JETP entrenches financial dependencies that amount to a form of neocolonialism¹. And South Africa, Indonesia and Vietnam are just the beginning. The JETP model will be extended to other countries. India and Colombia are already in the spotlight of G7¹ countries. This creates the urgency to start a conversation with climate justice activists around the world, in particular in the Northern and Southern countries involved in JETP agreements, on how to fight for climate justice and a just transition. There are some lessons learned from the JETP with South Africa that we would like to share with our comrades abroad:

1

We need to reclaim our language. 'Just transition' and 'just energy transition' were terms that emerged from the global labour movement. They referred to the need to leave no one behind in energy transitions, not the workers, and not communities that still depend on fossil fuels. Today, they have been misappropriated by those in favour of the JETP - and they mean very little, as the agreement shows. **We need to push for a just transition that deserves its name!**

2

The public in South Africa was shut out from the JETP negotiations. **We need a fundamentally different political process - one that is marked by accountability, transparency and consultation,** and that is accompanied by a mass education drive that focuses on energy issues. Without democratisation and strong democratic institutions, a just transition will not be possible. **Nothing for us without us!**

3

So far, government agendas in South Africa and elsewhere are not geared towards introducing socially-owned, renewable energy. We need a U-turn in industrial and social policy that focuses all efforts on starting a just transition process. For this purpose, it is necessary to ensure that there is no privatisation of energy production when we shift to renewables and that **energy, water, air and public spaces are and remain in the hands of the people!**

4

International sanctions have contributed to bringing down Apartheid, the oppressive, racist regime in South Africa in place until the early 1990s. We need to learn a lesson from history and demand **climate sanctions against super polluters**, be they countries or companies!

5

The JETP locks South Africa in a position of dependency and debt and is a form of green colonialism. Northern governments need to **remove the debt trap by cancelling odious colonial debt, and they need to settle the climate debt** owed to the South by the North. We need to overcome global fossil capitalism, which is constantly expanding and destroying the planet, and move towards a world order based on social and environmental justice.

6

Let us **build a global mass movement for a just transition uniting workers and climate activists**. Leave coal in the hole, leave oil in the soil! For de-centralised, community-based, socially-owned, affordable, clean energy and a transition that brings social and environmental justice.



A banner from the Debt For Climate demonstration in Berlin on Feb 27, 2023. The day marked 70 years since the London Agreement cancelled half of Germany's foreign debt. Activists are now pushing to cancel the Global South's debt, arguing that it is a form of climate action that is plunging countries in the Global South into debt. This will not shift to climate-friendly economies or enable these countries to protect themselves from global warming.

GLOSSARY

Climate Debt. The concept of ‘climate debt’ refers to the fact that Northern countries have caused massive damage to the global climate through carbon emissions, and that they are in debt to countries with lower emissions. It highlights that they are responsible for covering the costs of the climate crisis.

Debt is an economic relationship between two or more parties. In its most simple form, debt emerges if two parties enter a loan agreement: The lender transfers money (or other material resources) to the borrower on the condition that the latter returns the money (or the other resources) at a later point. As long as this has not happened, the borrower (or debtor) is in a relationship of debt to the lender. Usually, the borrower is charged a fee by the lender, which is called interest, and which is added to the sum owed to the lender. Importantly, governments borrow money from banks or individuals and thus incur debt. They do so to cover public expenditure.

Eskom is the state-owned, main energy provider in South Africa, and the largest producer of electricity in all of the African continent. In 2019, the company emitted 42 per cent of the greenhouse gases in South Africa, that is, the gases that contribute to climate change. Eskom owns 14 coal-fired power plants, which produce approximately 80 percent of the electricity generated in the country. The company is notorious for corruption.

The European Union (EU) is a confederation of 27 member states that plays an important role in European and global efforts to tackle climate change. Under the ‘European Green Deal’, it has committed itself to reducing net carbon emissions to zero by 2050. Critics argue that the plan is not ambitious enough and that the EU is unlikely to meet its obligation under the Paris Agreement to keep the rise in global temperature well below two degrees Celsius. Similar to the Northern national governments, the EU presents JETP as a reflection of its commitment to mitigate climate change and support Southern countries. But it refrains from discussing global dependency and the fact that Northern banks and financial companies benefit materially from the agreements.

The G7 and G20. The group of seven and the group of twenty are informal networks of governments (and the EU) that are important for the global economy. In contrast to the G20, the G7 consists exclusively of Northern countries. At the annual G7 and G20 summits, JETP agreements are frequently discussed.

Grant. A grant is a sum of money transferred from one party to another for a defined purpose. Beneficiaries of grants usually do not incur debt, but they may have to fulfil certain conditions to be eligible - and they may have to pay back the money if they do not meet their obligations. In this case, a grant turns into debt.

Interest. See debt.

Loan. See debt.

Northern governments. Various Northern governments are signatories to JETP agreements, among them those of big economies such as France, Germany, the US and the UK. From time to time, they acknowledge the responsibility of Northern countries for causing climate change. Accordingly, they present the JETP agreements as reflecting their seriousness about tackling the climate crisis and helping Southern countries. What they do not discuss is how the agreements leave the economic dependency of Southern on Northern countries intact, and how Northern investors make money through loans extended to Southern countries under the agreements.

Public Banks are banks owned by governments or the state, and thus are subject to agendas like fostering domestic and international economic development. Public banks are vehicles that are used by Northern governments for paying grants to other Southern governments or companies. If they are backed by states with strong economies, they can usually borrow money at cheaper rates than private banks. This also means that they can issue loans to other governments or state-owned enterprises at rates lower than the market price. Such loans also form part of JETP agreements. Importantly, these loans still have to be paid back at an interest rate, which means that public banks profit from them.

Private Banks and Financial Institutions. Banks that are privately owned extend loans at market prices with the sole aim of turning a profit. Market rates are often prohibitively high for governments and companies in the South. Consequently, JETP agreements contain provisions for Northern governments to guarantee loans to Southern debtors, which means that they have to settle the debt if the latter fail to do so. Consequently, the banks offer those loans at cheaper rates because the guarantee reduces their risk. Credit guarantees of this type amount to subsidies by Northern governments (and Northern taxpayers) to private-sector companies.

Neocolonialism. From the 15th century, European powers started to expand their empires across the globe; by the early 20th century, they controlled most of the world because they had subjugated territories and people abroad. Governments, businesses and populations in European countries benefited from the super-exploitation of workers and the appropriation and destruction of nature in the colonies; the global system of colonial rule broke down after World War II thanks to the resistance of liberation movements. Neocolonialism is a present-day economic and political strategy that seeks to reestablish and fortify relations of dependency of Southern countries (and their populations) on Northern countries and Northern capital.

Non-Governmental Organisations (NGOs) are political organisations that specialise in a specific field or topic. They differ in their aims and strategies. Some see their role as advising governments and modifying the latter's agendas to some degree in line with social or environmental concerns; others see their task as offering a form of radical critique and building movements capable of challenging the status quo. Of course, a lot of organisations fall somewhere between these two poles. Consequently, some NGOs have commented critically on certain aspects of JETPs or have said that more needs to be done. Others have gone much further and have tried to build oppositional platforms and have demanded a radical social-economic transformation of our mode of production and consumption as a solution to the climate crisis.

Procedural justice means that legally enshrined processes that are allocating resources between social groups or are creating a burden on them are fair and transparent. If important groups affected by processes of energy transition are not heard or represented or if their demands are ignored, these processes cannot be seen as being just.

Social Movements are mobilisations of people to make collective economic or political demands. These demands usually focus on a specific issue, for example, combating the climate crisis, defending reproductive rights or protesting against an authoritarian government. They differ from political parties insofar as their agenda is usually more limited in terms of the areas covered, and their forms of organisations are less formal, that is, less based on clearly defined rules and more built on networks that emerge spontaneously. Accordingly, the climate justice movement, the green movement and the labour movement are social movements.

Southern governments. Governments in the South are under pressure to address the climate crisis but have limited funds. Many southern economies are extractive and depend on fossil fuels. This creates a situation of dependency vis-à-vis capital and Northern countries, which is why Southern governments tend to strike agreements on unfavourable terms like the JETP and present them as resulting from successful negotiations with Northern governments.

Trade Unions are organisations of workers that emerge out of labour movements. Usually, they have more clearly defined rules and procedures than spontaneous, network-like movements of workers. Primarily, they negotiate (or aim to negotiate) the terms and conditions of the labour contracts with an employer by making demands on behalf of all their members. This is also called collective bargaining and is a way of somewhat redressing the power imbalance between employers and individual workers. Accordingly, unions claim to represent the interests of workers - within one worksite, one company, one (or several) industries, or across the entire working class. Some unions are also occupational unions. Once employers and governments recognise unions as representatives of workers, they often also act as go-betweens. They advance the interests of their members but also try to bring them in line with the interests of their employers.

FURTHER READING

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