Financing Just Transitions – Priorities Emerging from the SCF Forum
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The strategic importance of financing just transitions is already moving from high-level commitment to first generation activities from governments as well as public and private financial institutions. For me, the Forum highlighted seven priorities for effectively financing just transitions as a strategy for speeding the implementation of the Paris Agreement and the Sustainable Development Goals, not least in terms of creating decent work for all, reducing inequality and eradicating poverty.

1. **Mindset: Delivering just transition across the financial ecosystem:** The just transition means a shift in the conventional mindset about financing climate action to one that is people-centred. Acting on the social opportunities and social risks of net-zero and resilience for workers, communities and other affected stakeholders needs to take place across the financial ecosystem, both public and private, domestic and international. Financing just transitions also has to happen at all levels from the international financial architecture down to individual firms and workplaces. It therefore fits as part of the imperative to deliver article 2.i.c of the Paris Agreement and the COP27 Sharm El-Sheikh cover text recognition of the need to transforming the financial system to mobilise investment.

2. **Planning: Making just transitions a core part of national financial planning** Achieving a just transition needs to be nationally determined. It is a cross-cutting priority for national finance ministries particularly in terms of macro-economic and fiscal policies to ensure that the distributional dimensions of climate action are addressed. It is essential that this is joined-up so that the imperative of financing the just transition is fully incorporated within NDCs and long-term strategies for climate action. A whole economy approach is needed for the transition out of high-carbon activities as well as the transition into net-zero activities in ways that brings climate resilience. This should cover all sectors, including energy, industry, mining, transport, agriculture and land use and the built environment. Within countries, the place-based dimension of financing just transitions will also be key. Across national financial planning, expanding fiscal space to deliver the social and employment dimension of net zero and resilience is central.

3. **Assessment: Comprehensive assessment is the basis for effective financing** Effective financing of just transitions depends on granular assessment of social and employment requirements. Just transition needs assessments should be developed and carried out as part of climate action planning to understand the workplace development, social protection, regional diversification and other priorities to ensure that labour standards and human rights are respected in net-zero and resilient development. The assessments should estimate the finance that will be required to implement these actions and identify the sources (public, private, domestic, international). These just transition assessments can use existing methodologies developed by UN agencies and national bodies, and need to be applied at the country and sectoral levels given the diversity of conditions across the world.

4. **Governance: Ensuring that the financing of just transitions has integrity and impact**
   Effective and credible action for financing just transitions has to be rooted in clear standards, founded on the ILO's Guidelines, fundamental labour standards and human rights agreements. Integrity matters for just transition financing not only to avoid greenwashing but also to overcome the risk of justice-washing. Shared approaches to just transition in different parts of the financial system can help to ensure integrity (for example, the MDB principles). Social dialogue and participation of affected stakeholders is a central to this governance of finance, actively involving workers, communities, women, indigenous peoples and youth at all stages. New institutional mechanisms may be needed to bring participation, such as just transition committees at the workplace level through national just transition commissions and global sector task forces. Transparency is a vital tool for governance and this means disclosure from real economy firms and financial institutions on their just transition commitments, processes and outcomes for people.

5. **Instruments: Just transition needs to be integrated into investment decisions**
   Ultimately, just transition needs to shape the quantity and quality of capital allocated for investments in climate action by the public and private sectors. This can involve the establishment of dedicated just transition funds and mechanisms as well as the incorporation of just transition factors into core financial frameworks (such as net-zero plans from real economy firms and financial institutions). Particular attention is needed to make the links between just transitions and financial inclusion, notably for MSMEs and the informal economy in developing countries: the role of central banks could be significant here.

6. **International: Increased just transition financial cooperation and support is needed**
   Authentic just transition financing is rooted in nationally determined needs, but it can also be strengthened through increased international cooperation and support. International public climate finance is a crucial way of expanding the fiscal space of developing countries. The four Just Energy Transition Partnerships have the potential of showing how article 2.i.c, article 9 and the just transition can come together in reality with the right level of concessionality. Beyond this, just transition needs to be mainstreamed into the international financial architecture, into international climate finance mechanisms (such as GEF, GCF) as well as voluntary initiatives (such as GFANZ). It is also important to make sure that international just transition financing is sequenced with green incentives and trade-related climate measures (such as US IRA and the EU CBAM) to avoid risks for jobs and livelihoods. Locking just transition into the reporting standards of the ISSB will be another way of mainstreaming just transition into routine decisions across the corporate sector and financial system.

7. **Momentum: The value added contribution of a focus on financing just transitions**
   The SCF Forum added real value by sharing experience and uncovering priorities from Parties and Non Party Stakeholders. The SCF can now build on this by including the just transition as a cross-cutting theme in its future activities (including its Biennial Assessments), as well as feeding the financial perspective into the Just Transition Work Programme to be agreed at COP28 to maximise the synergies and complementarities across the UNFCCC.