Discussion paper on

JUST TRANSITION FINANCE AND ITS ROLE IN THE BELÉM-ANTALYA JUST TRANSITION MECHANISM

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Executive Summary

Last November, at COP30, following years of mobilisation by trade unions and civil society, governments decided to develop a Just Transition Mechanism (JTM) to "enhance international cooperation, technical assistance, capacity-building and knowledge-sharing, and enable equitable, inclusive just transitions."[1] **This Discussion Paper discusses the necessity and vision for finance within its operationalisation.** The paper first explores the current landscape, challenges, and approaches to climate finance and Just Transition finance more specifically. While defining Just Transition finance remains an ongoing and contested discussion, there is real added value in seeking a common framing and shared principles that would allow proper allocation, scaling up and monitoring of resources to Just Transition policies and measures. In the context of the UNFCCC, a working definition of Just Transition finance is offered as: Just Transition finance is finance, coming primarily from public sources, above all grant-based, highly concessional and non-debt-creating, that supports the policies and measures needed to move economies away from extractive, carbon-intensive models while distributing costs and benefits fairly. It redresses rather than reproduces historical and contemporary inequities, treats affected workers and communities as rights-holders, and protects countries' fiscal and policy space to chart their own pathways. It cannot be separated from the structural barriers ("disenablers") in the international financial system, such as debt burdens, the high cost of capital and conditionalities, which determine whether finance can reach the ground at all.

The paper examines Just Transition finance through three registers:

- **Quantity (how much finance goes to Just Transition)** 79% of NDCs now reference Just Transition, but only 26% attach a financial figure to it. Needs estimates range from an "illustrative" USD 50 billion a year by 2035 to a "highly conservative" USD 420 billion a year, as no common tracker exists.
- **Quality (what type of finance goes to Just Transition and for whom)** The terms of finance often undermine its purpose. Over 90% of Just Energy Transition Partnership (JETP) finance is debt or contingent liabilities, with grants at 4%.[2] Almost three-quarters of international climate finance comes as loans, while developing countries paid a record USD 921 billion in net public debt interest in 2024.[3] De-risking approaches tend to socialise losses and mobilise less private capital than advertised. Even in the best-documented case, the EU Just Transition Fund, the social component of Just Transition finance is often underfunded.
- **Governance (who decides and who sets the rules for Just Transition)** Various actors (MDBs, climate funds, the IMF, DFIs, philanthropy) define the "just" part of the transition differently, with no shared reporting standard and no body providing coherence. Deals tend to be struck bilaterally, leaving recipient countries with limited ownership over how justice is defined in their own transitions and little accountability for following up and addressing these funding approaches.

A large volume of low-quality finance under extractive governance can deepen the dependency the transition is meant to end. This is why those three registers must advance together.

Building on those considerations, we then set out the role and contours of what finance-related provisions should look like under the to-be-established Just Transition Mechanism and within the UNFCCC finance-related tracks. From our perspective, the Mechanism's task should not be to manage a new fund alongside existing climate funds, but to facilitate climate

[1] See: https://unfccc.int/sites/default/files/resource/cma2025_L14_adv.pdf

[2] Celine Tan, 'Equity and the Global Climate Finance Architecture: An Evaluation of the Just Energy Transition Partnership (JETP) Framework', 2025 Sharm-el-Sheikh Dialogue, Rome, 6 September 2025, https://unfccc.int/documents/649570.

[3] UNCTAD, A World of Debt 2025 (UN Trade and Development, 2025), https://unctad.org/publication/world-of-debt.

finance in support of just transitions across multiple levels of governance, aligned with the implementation of UNFCCC mandates, and across climate finance providers and recipients.

Concretely, this means leveraging the JTM to **ensure that Just Transition planning, policies, and programming are both recognised as legitimate uses of existing mitigation, adaptation, and loss and damage finance while also requiring a dedicated funding stream when specific policies and measures fall through the cracks of existing financial categories.** Through appropriate governance, modalities and functions, the JTM could contribute to sufficient resources being allocated to Just Transition, help inform its framing further and improve the accountability of current and future financial streams going to Just Transition policies and measures. The Mechanism has been referred to by civil society as the BAM (first Belém Action Mechanism, then Belém-Antalya Mechanism), who first catalysed the idea of a Mechanism that was taken up by Parties. To honour the genesis and forthcoming establishment of the Mechanism, we use the JTM and BAM interchangeably through this paper.

The report recommends moving forward the Just Transition finance discussion through two complementary tracks:

Just Transition Finance in the new JT Mechanism/BAM:

- The inclusion of a **function** that speaks to the role the BAM will play in mobilising financial resources for Just Transition strategies, along with modalities to coordinate and align various actors involved in financing Just Transition.
- With the support of a **Resource Mobilisation Group** to be created **under the Mechanism,** ensure that the UNFCCC Financial institutions cover Just Transition finance, in line with agreed COP30 Principles.
- Set the standards and operating modalities for other external actors active on Just Transition.
- Ensure that the BAM features a specific modality to guarantee accountability for Just Transition finance, including in relation to existing transparency arrangements and financial reporting mandates.
- Work so that the BAM becomes a laboratory of what qualitative finance can look like in practice - generate learnings and good practices from BAM operations on channeling and scaling up Just Transition finance that would help inform and expand knowledge on qualitative climate finance.

Just Transition finance in the climate finance space:

- Just Transition and New Collective Quantified Goal implementation: recognise that the current climate finance goal and its targets insufficiently address Just Transition finance needs and therefore largely underestimate developing countries' financial requirements, both in terms of the cross-cutting nature of Just Transition as well as its dedicated funding needs.
- Standing Committee on Finance reports and methodologies to recognise, include and monitor Just Transition finance, both in terms of the cross cutting nature of Just Transition as well as its dedicated funding needs. This could be factored into upcoming Biennial Assessments, Needs Determination Report and NCQG review.
- Address disenablers and connect with the GST-1 decision, the NCQG decision (para 6), which speaks about the need to remove barriers and address disenablers faced by developing country Parties in financing climate action as well as the ongoing Veredas Dialogue on Article 2.1 of the Paris Agreement to establish a structured and organised discussion on those obstacles.

Introduction

Multilateral climate politics have come a long way since the early iterations of historical responsibilities, power, and justice in the 1980s, and further still since the Paris Agreement's preambular recognition of a "just transition of the workforce." A Just Transition **refers to the principle that the changes required to transform all production and consumption systems to protect the environment should distribute their costs and benefits equitably,** rather than reproduce the inequities that produced the problem in the first place. It is also a broader framework to ensure equity, social and environmental protection, and rights of people as society shifts towards a more sustainable economy.

The multiple and diverse nature of the transitions means that Just Transition will vary according to context. That said, and as a minimum, there is the acceptance that Just Transition implies a whole of the economy plan to respond to climate and social challenges together, that centers the needs and voices of workers and communities. To do so, international cooperation and changes in the way in which the global economic and political system is organised will be necessary.

Over the last decades, "just transitions" and related articulations have appeared in the mandates and strategy documents of UN organisations, multilateral development banks, climate funds, green finance taxonomies, and others. Yet, adopting and developing just transition practices and policies does not equate to an organising principle for climate finance, and still less to an increase in adequate financial instruments to support them. We argue that changing that requires attention to three registers at once: **quantity** (the quantum of climate finance that moves), **quality** (the kind of climate finance and on what terms), and **governance** (oversight of the mobilisation and provision of climate finance). Embedding just transition-related provisions into climate finance is critical to the success of both agendas.

1. Important aspects of Just Transition Finance

1.1 Framing Just Transition Finance

Transitions are radical, and inherently complex, uncertain, and long in the making.[4] **Defining Just Transition finance faces an immense, under-acknowledged tension.** In its *narrow* sense, Just Transition finance focuses on distributing the costs of decarbonisation and supporting fair access to its opportunities, such as green jobs, technology transfer, or industrial diversification. Policies and measures can range from labour protection, reskilling, social protection, environmental rehabilitation to economic diversification.

In a *broader* sense, it is finance that transforms economies away from extractive, carbon-intensive systems, stimulates new pathways for prosperity while redistributing power and resources, and protecting communities' sovereignty over development pathways. This could mean adopting plans to foster sovereign policy space for development or redress for colonial and structural adjustment harms.

Beyond these policies, based on contextual needs, the type and definition of Just Transition finance are likely to shift. In order to ensure the approach remains relevant, we can establish a set of working commitments. Just Transition finance should redress **rather than reproduce historical and contemporary inequities;** treat communities, workers, Indigenous Peoples most affected by the transition **as rights-holders and not consultative afterthoughts;** and ensure that the social and economic **costs** of climate solutions **are not be displaced onto those least responsible** for the crisis and with the least resources to bear it.

Asking not only where the money goes, but where it comes from, via what mechanisms, and in what contexts, allows this paper to interrogate the deeper scaffolding of the global financial system.

1.2 Three registers of climate finance: quantity, quality, governance

Three registers of climate finance need to be explored: **quantity** (how much finance moves), **quality** (what kind of money, on what terms), and **governance** (oversight of the mobilisation of finance and who can access it).

Finance towards the scale of needs is, functionally, a question of quantity: Whether enough money reaches activities that support a Just Transition. The adequacy of the type of finance itself is a question of quality and governance: on what terms does climate finance arrive, and who decides those terms.

In an ideal situation, we are seeking to grow the quantity of the right kind of resources to support just transitions in as many countries and territories as possible. And it is unlikely that any one can succeed without the others.

A large quantity of low-quality finance delivered under extractive governance can lead to a counter-productive transition, because debt-creating finance on external terms deepens the dependency the transition was meant to end. Quality and governance must work in tandem with quantity: they determine whether additional volume advances a just transition or entrenches the structure that produced the problem.

This report focuses on international and multilateral finance flows. Domestic sources for financing Just Transition are not explored beyond the characteristics that could usefully be replicated at the global level. For example, the fact that the EU JT mechanism successfully used public resources to support the social and economic dimension of its coal exit strategy in member countries should inform the discussion on what kinds of sources of financing can be mobilised for these approaches elsewhere.

[4] Daniël A. Lachman, 'A Survey and Review of Approaches to Study Transitions', *Energy Policy* 58 (July 2013): 269–76, https://doi.org/10.1016/j.enpol.2013.03.013.

Table 1 - Illustrative examples of just transition policies and measures, and where relevant their financing approaches (adapted from Chan et al., 2024 with additional examples from authors of this report).[5]

Type of policy/measure (non-exhaustive)	What it finances	Illustrative examples
Direct compensation & social protection	Direct cash transfers, fuel/tax rebates, coal phase-out compensation for workers	Ireland Budget 2022: The use of Carbon Tax Funds provided fuel allowance and compensation for low-income households to offset additional costs incurred through carbon tax.
Reskilling & labour market transition	Retraining programmes, active labour market policy, education reform for green-sector skills	Romania's National Energy and Climate Plan outlines training opportunities in the Jiu Valley training centre (coal region).
Institutional and governance architecture	Cross-departmental taskforces, just transition commissions, framework laws mainstreaming just transitions	South Africa, Canada, Scotland, Chile, Australia, Ireland, Philippines, Spain, among others, have established relevant governmental entities, institutions, or commissions focused on JT.
Participation, consultation & social dialogue	Tripartite negotiation structures, mandated consultation, permanent participation platforms	Spain's tripartite approach to the coal phase-out formalised accords among national ministries, regional and local administrations, unions and industry. Spain's Tripartite Just Transition Agreements seek to ensure commitment, stable resources, clear governance and co-ordination across all levels of government for each region, rather than relying on a piecemeal or project-by-project approach.
Regional and economic diversification	Sectoral transition strategies, regional revitalisation funds tied to industrial restructuring	South Africa's national Just Transition Framework outlines a vision where sectors to be addressed go beyond energy, with a focus on different 'spatial/regional' lenses.
Redress and restorative measures	Funds addressing historical harm, land and ecosystem restoration, redress for extractive-sector damage	Chile's National Strategy for a Just Socio-Ecological transition gives specific attention to ecosystem rehabilitation and reducing critical levels of pollution reached since 1950 in five prioritised regions.

[5] This table is extracted from a previous report, authored in 2024, which reviews 159 policies and laws across 61 countries and the EU that reference a just, fair, equitable and inclusive transition approaches. The policy examples provided were gathered at the time of research. Their categorisation is based on a text-based analysis of the policy articulation, and not an evaluation of the effects or impacts of their implementation. See more: https://researchonline.lse.ac.uk/id/eprint/129020/1/Mapping-justice-in-national-climate-action.pdf

2. Just Transition Finance landscape

2.1 Quantity: the question of 'how much'

Quantifying Just Transition across actors and instruments

Globally, climate finance flows surpassed USD 2 trillion for the first time in 2024. But this headline figure masks a slowdown, where annual growth fell from roughly 30% in 2021 to 2-3% in 2025, against modelled needs of close to USD 7.8 trillion a year by 2030.[6] Under the New Collective Quantified Goal, developed countries committed to take the lead in mobilising at least USD 300 billion a year by 2035, fits within a wider and non-binding aspiration to scale finance from all sources to USD 1.3 trillion. The aspirational figure sits well below the UNFCCC Standing Committee on Finance's estimate of developing country needs at USD 5 to 6.9 trillion over five years.

Recognising costs and financial needs of the transition requires accounting for the impacts on various actors and the corresponding need for — and sources of — Just Transition finance. Just Transition finance sits within - and cuts across - broader climate finance debates. Quantifying Just Transition costs remains difficult; definitions and methodologies vary, social and economic costs are inadequately recognised, and many models simply omit them.

In Nationally Determined Contributions (NDCs), references to Just Transition have surged: 79% of NDCs submitted by November 2025 explicitly reference "just transition" (a significant increase on prior cycles), 90% reference employment, and over three-quarters reference social inclusion and equity.[7] Most of these references concentrate on studies, analysis, skills development, and stakeholder engagement. Explicit resource allocation — a specific financial figure attached to a just transition measure, distinct from general references to financial need, or international cooperation requests — appears in just 26% of NDCs. Even amid a broader surge in just transition language and institutional intent, nearly three in four NDCs still attach no concrete figure to it.[8] Notably, this is not a technical limit: methodologies to cost social protection and adaptation are well developed[9], but NDC processes neither draw on them nor attempt the harder task of isolating the just transition-specific financial share of that need.

Just Transition finance similarly faces a definitional, methodological, and accounting challenge, leading to various estimates of needs and provision. The Independent High-Level Expert Group puts just transition needs at USD 50 billion a year by 2035. This figure is explicitly "illustrative" and varies across reports, with the authors calling for shared taxonomies and metrics to help countries cost their Just Transition plans, emphasising the current standardisation gap. Oil Change International's review of major energy transition finance models finds only one global estimate quantifies the justice component at all — the Civil Society Equity Review's USD 420 billion a year figure,[10] flagged by the authors as "highly conservative", with possible costs up to USD 4.1 trillion and limited to fossil fuel phase-out policies and plans.[11]

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[6] Climate Policy Initiative (2026), Global Landscape of Climate Finance 2026

[7] International Labour Organization, Mapping Just Transition in NDC 3.0: Global Trends; Insights from 123 Countries (Geneva: ILO, 2025), 3, https://doi.org/10.54394/IXID1689

[8] International Labour Organization, Mapping Just Transition in NDC 3.0: Global Trends; Insights from 123 Countries (Geneva: ILO, 2025), 3, https://doi.org/10.54394/IXID1689

[9] Umberto Cattaneo et al., Financing Gap for Universal Social Protection: Global, Regional and National Estimates and Strategies for Creating Fiscal Space, ILO Working Paper 113 (Geneva: International Labour Organization, 2024), 15, https://doi.org/10.54394/FGPM3913.

[10] Civil Society Equity Review (2023), An Equitable Phaseout of Fossil Fuel Extraction, Civil Society Equity Review Coalition, p. 22, https://www.equityreview.org/extraction-equity-2023

[11] Oil Change International, *"Private Fantasies, Public Realities"* (June 2025). p.11 https://oilchange.org/wp-content/uploads/2025/06/Just_Transition_Report_Private-Fantasies-Public-Realities.pdf

Outside the UNFCCC, Just Transition financing equally lacks a centralised accounting framework. Just Energy Transition Partnerships (JETPs) represent approximately USD 46.6 billion in total commitments, with only a marginal share directed to specifically "just" components rather than broader energy infrastructure. And, as explained below, most JETP finance is debt rather than grants (see Box 1). These figures also predate a material contradiction: The United States withdrew from the JETP Partners Group for South Africa, Indonesia, and Vietnam in March 2025, part of a wider US retreat from multilateral climate finance.[12]

Box 1 : The hidden injustice of the 'Just' Energy Transition Partnerships

Following GFANZ's commitment to mobilise additional finance, Just Energy Transition Partnerships were hailed as promising for closing the financing gap. However, despite using country platforms coordinated by national governments, the type of finance reaching the recipient countries is mostly determined by the International Partners Group (IPG). Of the finance pledged to South Africa, Indonesia, and Vietnam, grants account for 4%; concessional loans for 53%, commercial loans for 25%, and guarantees for 13%.[13] Debt and contingent liabilities together exceed 90% of the package. Finance labelled "just transition" therefore adds to the debt stock and fiscal exposure of countries whose binding constraint is already fiscal space.

Beyond the issue of debt and concessionality of finance, the JETPs also revealed a larger Just Transition challenge of power and unequal relations between donors and recipient countries. First, donor countries exerted heavy influence over which projects and strategies were funded, which skewed towards "clean" infrastructure projects that had clear, quantifiable metrics because they were more easily compatible with existing corporate and banking frameworks. This top-down selection sidelined social elements: questions of energy access, affordability, and poverty alleviation, which were not thoroughly addressed within these frameworks.[14] Second, the JETPs had overall low additionality in new climate finance commitments, as most of the funds were pre-committed under older, existing bilateral or multilateral aid programs.[15] This contradicts Article 4.3 of the UNFCCC, which states that financial resources should be "new and additional" to development assistance and other financial flows for sustainable development purposes. Lastly, ensuring genuinely equitable outcomes of JETPs would also require managing the broader macroeconomic impacts of transitions to an entire national economy, as the decline of public revenues from traditional sectors in energy production can directly affect provisions of essential services and social protection. This, in turn, can further constrain rights-based, sustainable development and resilience.

[12] US Withdraws from Just Energy Transition Partnership with SA," SAnews, South African Government News Agency, March 7, 2025, https://www.sanews.gov.za/south-africa/us-withdraws-just-energy-transition-partnership-sa.

[13] Celine Tan, Gamze Erdem Türkelli and Anil Yilmaz-Vastardis, *Financing Sustainable Just Energy Transitions: Challenges and Ways Forward*, T20 Policy Brief, Task Force 02 (Sustainable Climate Action and Inclusive Just Energy Transitions), G20 Brasil / T20, 2024

[14] Anna Fünfgeld and Jörg Wischermann, 'Why Just Energy Transition Partnerships Are Not Enough', *German Institute for Global and Area Studies*, 2024, https://www.giga-hamburg.de/en/publications/giga-focus/why-just-energy-transition-partnerships-are-not-enough.

[15] Gamze Erdem Turkelli and Anil Yilmaz Vastardis, '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', New Frontiers in International Development Finance, 2026, https://repository.uantwerpen.be/desktop/irua.

Multilateral Development Banks (MDBs) and country-led initiatives also lack the nuanced data we need to better understand ongoing Just Transition Finance efforts and gaps. The World Bank's own Just Transition for All initiative acknowledges that green finance instruments "focus primarily on the environmental dimensions… and tend to neglect the social aspects."[16] While the Bank only developed its Just Transition activity taxonomy in 2024, its headline figure—over USD 3 billion provided since 1995 to support coal-related closures and safeguard affected workers and communities—is reported as a single cumulative sum, with no public breakdown of just transition-specific costs.[17] The EU's Just Transition Fund (EJTF) (which provides €19.7 billion in EU financing and was expected to leverage approximately €7.3 billion in national co-financing, bringing the total to around €27 billion[18]) is a partial exception, as the regulation requires disaggregated fund distributions across economic, environmental, and social categories. But even so, an independent analysis confirms that Just Transition costing is institutionally achievable: the social category consistently received substantially less funding than economic and environmental allocations, showing the "just" component underweighted even in the best-documented case available.[19] As an example, Bulgaria allocated about €652.4 million (58.6%) to environmental policies, €461.1 million (41.4%) to economic policies, and nothing to the defined social-policy category[20] while Estonia allocated approximately €340 million, with 66% economic, 15% environmental and 19% to social policies.[21]

Limits and caveats of quantification premises

While a quantum figure can give us a sense of the scale of the needs and where investments should flow as a priority, **it is important to note its limitations and caveats.**

First, methodologies vary across sources, and the sectoral scope of "Just Transition" itself is contested. Reviews of major energy models find that costs for worker social protection, retraining, economic diversification, site restoration, and participatory dialogue are missing entirely. Discrepancies in data quality and availability complicate regional or country-comparative calculations.[22] Most transitions in other sectors have not even been evaluated - the transitions in the agriculture/food sector, the social and economic transitions related to handling the impacts of climate change, the transitions seeking to build clean industrial capacity away from commodity-based models.

Second, quantification also erases the informal and care economy — roughly 60% of the global workforce is informal and invisible to the employment statistics underlying most costing models[23], a gap the NDC Partnership itself names as a direct cause of the shortfall.[24]

[16] World Bank, *"Just Transition for All: The World Bank Group's Support to Countries Transitioning Away from Coal"* — https://www.worldbank.org/en/topic/extractiveindustries/justtransition

[17] World Bank, *"Bringing clarity to the 'just' in Just Coal Transition"* — https://blogs.worldbank.org/en/energy/workers-and-communities-affected-by-the-shift-away-from-coal

[18] CEE Bankwatch Network, "Just Transition," section "Following the Money from the Just Transition Fund," accessed September 29, 2026, https://bankwatch.org/project/just-transition and European Commission, "Just Transition Fund," accessed September 29, 2026, https://commission.europa.eu/funding-and-tenders/find-funding/eu-funding-programmes/just-transition-fund_en.

[19] CEE Bankwatch Network, "Just Transition," section "Following the Money from the Just Transition Fund," accessed September 29, 2026, https://bankwatch.org/project/just-transition and European Commission, "Just Transition Fund," accessed September 29, 2026, https://commission.europa.eu/funding-and-tenders/find-funding/eu-funding-programmes/just-transition-fund_en.

[20] https://www.just-transition.info/wp-content/uploads/2024/04/2024_04_Following-the-money-Bulgaria.pdf

[21] https://www.just-transition.info/wp-content/uploads/2024/02/2023_12_Following-the-Money_Estonia.pdf

[22] Dahl, C., Squire, C., Cui., R. (2023). 'Policy Brief: International experience in a just coal workforce transition through fiscal support', Center for Global Sustainability at the University of Maryland.

[23] International Labour Office, Women and Men in the Informal Economy: A Statistical Picture, 3rd ed. (Geneva: ILO, 2018) p. v

[24] NDC Partnership (2025), *Ibid*., p.10-11

Thirdly, the contours of the justice components of the transition vary by context — reliance on extractive revenues, existing safety nets, labour protections: no single global figure can travel cleanly across countries.

Fourth, what determines whether finance advances a Just Transition is not the headline amount pledged, **but the terms on which capital reaches developing-country sovereigns.** Yet these terms are not set as a prerequisite in climate finance. Climate finance is measured as gross labelled flows: amounts tagged as climate-relevant. The measure does not subtract debt service, currency loss, or the risk premium. A country can be recorded as a recipient of climate finance in a year when it is a net exporter of capital through debt service.

Finally, and most importantly, **reducing 'justice' to a financing gap risks depoliticising what are fundamentally questions of power, ownership, and distribution** — narrowing debate to technical questions of financial allocation and feasibility rather than who holds decision-making authority.

2.2 Quality: What kind of money?

The challenge of meeting the scale of need is compounded by the quality of the finance: its terms, conditions, and structures of provision. Much of the debate around the quality of climate finance - including for Just Transition - centres on (1) the balance between public and private capital; (2) whether finance is concessional or grant-based, and for which recipients; and (3) why quality has proven so persistently hard to secure.

Public and private finance sources

Today, the dominant approach by finance providers is increasingly marked by using public or donor funds to absorb initial losses and financial uncertainties, in order to protect and make way for private investors.[25] This "de-risking approach" can create an asymmetrical risk-sharing model that effectively socialises the liability of project failure or financial losses onto taxpayers and recipient communities. A sound, structurally oriented Just Transition framework embedded in the existing finance architecture should require finance providers to take into account the inequities embedded within such an approach, not simply bypass it. **Without such a framework, finance mobilisation will continue to prioritise conformity with market expectations at the risk of deprioritising social outcomes.**

Approaches that seek to discipline capital and investments instead of de-risking them have proven to be effective in advancing Just Transition. When the Spanish government decides to dismantle coal-based power plants freeing up industrial soil and infrastructure, it is choosing to use precious public resources for territories and communities instead of subsidising energy utilities. The very intentional decision to use more than 800 million euros from EU funds (topped up by 334 million from the national government) to revitalise coal-dependent territories also shows the impact regulatory approaches can have over the -still unproven capacity of markets to organise a transition with justice at the center.[26]

Just Transitions inherently depend on long-term, reliable revenue streams to support community welfare, labour and skills transformation, environmental restoration, or public infrastructure. The structural expenses of these essential social outcomes struggle to meet the commercial risk-return profile or immediate liquidity that market capital demands. Moreover, leverage-ratio claims for mobilising private capital are inconsistent and, when measured rigorously, **considerably weaker than advertised.** One study finds that only 16% of USD 89.6 billion in 2021 climate-related development finance was mobilised for private capital,[27] broadly consistent with separate findings

[25] Daniela Gabor, "The Wall Street Consensus," Development and Change 52, no. 3 (2021): 429–59, https://doi.org/10.1111/dech.12645.

[26] https://irpp.org/wp-content/uploads/2025/11/Spains-Just-Transition-Strategy.pdf

[27] Sial F. (2024), *"Blended finance for climate action: Good value for money?,"* https://www.researchgate.net/publication/378068986

of a roughly 4:1 public-to-private blended finance ratio.[28] **Part of the challenge is also the loss of fiscal and policy space due to asymmetrical trade, investment terms, and financial conditionalities.** Without a properly resourced state with authority to deploy resources in a way it sees fit, social protection and safeguards against transition-related losses are not possible. This is further entrenched by a legacy of debt-driven development that has weakened public institutions and constrained the fiscal space in many developing countries.[29]

Many private finance instruments come with strings attached, as recipient nations are **pressured to break up and privatise their industries,** for example, their state-owned electricity monopolies in the context of the JETPs.[30] Furthermore, structural dependence on blended finance and Public-Private Partnerships (PPPs) to de-risk capital overlaps with investment treaty safeguards, resulting in "regulatory chill"—governments delaying climate regulation, notably to avoid investor-state disputes.[31]

Finally, **part of the problem is also definitional:** current framings of Just Transition-related risk and opportunity remain largely conceptual, and investors lack the practical tools and methodologies to fold them into standard decision-making.[32]

The mandate of public finance allows it to work across multi-decadal time horizons often required of a Just Transition, particularly when the transition entails structurally transforming economies that are deeply dependent on fossil fuel production or primary commodity exports. When private finance flees transition-induced volatility, public capital needs to provide the counter-cyclical stability that absorbs these economic shocks and protects policy space. Furthermore, effective public leadership remains pivotal in providing the policy vision that is necessary for economy-wide transitions; this includes the catalysing of new markets, directing and regulating private capital, and creating co-financing opportunities so that private capital is a force multiplier for just transition outcomes according to public priorities.[33]

Concessionality is a justice requirement.

Risk pricing is a structural driver of developing country debt distress, not an incidental feature of it (see Box 2).[34] Developing countries paid a record USD 921 billion in interest on public debt in 2024, up 10% in a single year; 3.4 billion people now live in countries spending more on interest than on health or education.[35] Despite this, almost three-quarters of international climate finance still comes as loans.[36] Financing Just Transition policies, strategies, and measures through debt-inducing instruments

[28] Oil Change International, *"Private Fantasies, Public Realities"* (June 2025). https://oilchange.org/wp-content/uploads/2025/06/Just_Transition_Report_Private-Fantasies-Public-Realities.pdf

[29] Wang J-A (2025) Headwinds and structural constraints: mapping forces challenging Just Transition Finance, p.13. London: Just Transition Finance Lab, London School of Economics and Political Science

[30] Daley, F., & Lawrie, C. (2026). Country platforms and constrained states: the Indonesian JET-P and the twilight of de-risking. New Political Economy, 1–25. https://doi.org/10.1080/13563467.2026.2666810

[31] Tan, C., Yılmaz Vastardis, A., Erdem Türkelli, G.(2023), "Evaluation of the Just Energy Transition Investment Plan (JET-IP)" https://warwick.ac.uk/fac/soc/law/research/projects/nefdef/climatefinance/policy-advocacy/clift_contribution_to_jet-ip_submission_final_30.03.23.pdf

[32] Judith Tyson and Arka Chanda, Mainstreaming Just Transition Finance: Lessons from Emerging Best Practice, policy brief (London: Just Transition Finance Lab, Grantham Research Institute on Climate Change and the Environment, London School of Economics and Political Science, June 2026), 1, https://doi.org/10.21953/researchonline.lse.ac.uk.00138973.

[33] Systems Change Lab. (2024). 'Scale up public investment for climate and nature'. Accessible at: https://systemschangelab.org/finance/scale-public-investment-climate-and-nature

[34] UNCTAD (2025), *"Global public debt hit a record $102 trillion in 2024, striking developing countries hardest"* — https://unctad.org/news/global-public-debt-hit-record-102-trillion-2024-striking-developing-countries-hardest

[35] UNCTAD (2025), *"Developing countries face record-high public debt burdens. Now is the time for reform"* — https://unctad.org/news/developing-countries-face-record-high-public-debt-burdens-now-time-reform

[36] OECD (2026), *Climate Finance Provided and Mobilised by Developed Countries in 2013-2024,* Climate Finance and the USD 100 Billion Goal, OECD Publishing, Paris, https://doi.org/10.1787/ab5eb9ad-en.

compounds this problem rather than solving it, because these measures typically lack the revenue streams necessary to service debt obligations to creditors. This adds a further layer of burden to an already inequitable debt crisis. New, additional, grant-based and concessional finance is therefore essential to break this vicious circle.

Transparency and accountability

Even when climate finance flows, communities often cannot see where it goes or hold anyone accountable if it causes harm. Public finance carries no inherent safeguard against debt-generating instruments, as the JETP model demonstrates, and even public, "just transition-labelled" money is not automatically accountable to the people it is meant to serve.

These failures are part of an interlocking system where de-risking approaches mask the stagnant flows behind loans; **fragmented governance turns**

Box 2 - Debt as a structural barrier to Just Transition

The high cost of debt creates a net transfer of wealth from the Global South to the North. UNDP estimates that the subjectivity of sovereign credit ratings costs African countries up to USD 74.5 billion, roughly USD 28 billion in excess interest and USD 46 billion in forgone lending.[37] African sovereigns pay around 9% on US-dollar bonds, and roughly 80% of rated African countries are graded high-risk, with only Botswana and Mauritius at investment grade.[38] Between 2019 and 2023, African governments spent on average seven times more on debt service than on infrastructure, and interest payments now exceed infrastructure spending in 15 countries.[39] Every percentage point of that premium means budget is diverted away from grids, adaptation and worker protection towards creditors, and because the accounting records only gross inflows, none of it registers as a cost of the transition.

Not all debts behave the same way. Official and bilateral debt, including those contracted under JETPs with bilaterals, is easier to restructure than commercial debt, which is held by dispersed bondholders with diversity and complexity in contract terms and conditions and structuring of loan agreements. Reliance on loans, even with official loans on concessional terms, can implicate a developing country's debt sustainability and overall fiscal position. Dependency on commercial loans can increase countries' exposure to international financial market volatility, particularly in the absence of viable mechanisms to work out the debt owed to private creditors. Moreover, altering the terms of commercial debt often requires triggering collective action clauses and creditor clauses that require longer, more complex timelines.[40]

As such, finance delivered as debt, priced at a premium that reflects perception as much as fundamentals, and channelled through instruments that defer repayment rather than restructure can deepen the dependency the transition is meant to end.

[37] United Nations Development Programme, Lowering the Cost of Borrowing in Africa: The Role of Sovereign Credit Ratings, UNDP Policy Brief (with the Brookings Institution), New York, April 2023.

[38] OECD, Africa Capital Markets Report 2025, OECD Capital Market Series, OECD Publishing, Paris, 2025, https://doi.org/10.1787/7d26e1d3-en.

[39] African Union Commission and OECD, Africa's Development Dynamics 2025: Infrastructure, Growth and Transformation (Addis Ababa: AUC; Paris: OECD Publishing, 2025), https://doi.org/10.1787/c2b40285-en.

[40] Stephen Connelly et al., 'UK Parliament Responses to Deal with Sovereign Debt Crises: Proposals for Legislative Reform', GLOBE Centre & CBLP, February 2024, https://warwick.ac.uk/fac/soc/law/research/centres/globe/policy-briefs/uk_parliament_responses_to_deal_with_sovereign_debt_crises_proposals_for_legislative_reform.pdf.

participation into a box-ticking exercise, and transparency regimes are captured by investor interests over community accountability.[41] Fixing any one of these independently (e.g. better instruments, more grants, better disclosure) will not fix the others. What is needed is a shift in the way in which resources are governed.

2.3 Governance: On whose terms?

Current context, challenges and gaps

Even the most sophisticated instrument remains contingent on the broader institutional architecture. Currently, Just Transition Finance occupies a fragmented landscape of funds, development banks, and philanthropic initiatives, lacking a centralised oversight body to ensure systemic coherence. This section examines its governance and evaluates the existing gaps and challenges.

As we stated throughout, **Just Transition and its financing are already happening, albeit on fragmented terrain.** Actors in this landscape apply their own definition of what "just" spending means, and there is no shared reporting standard nor common practices across any of them. This problem complicates accounting and governance. Deals are typically negotiated bilaterally, country by country and donor by donor, which places a real administrative burden on recipient governments and leaves them with limited leverage or ownership over how justice gets defined in their own transition.[42] More broadly, the mainstream climate finance narrative, organised around closing a technocratic 'finance gap' through blended finance and de-risking, privileges Global North, private and corporate interests over Global South and community-centred ones in shaping which policy options even register as viable.[43] Some researchers extend this into a broader "green colonialism" critique,[44] arguing that justice-framed finance mechanisms can preserve external control over decision-making and terms of engagement even as funds flow — a pattern visible, for example, in JETPs' combination of a justice labelling with donor-designed, debt-heavy structures and limited recipient-country authority over design (see above).

Beyond supporting national strategies, a Global Just transition requires a well-funded and coordinated policy architecture that enables global economies to decarbonise justly, equitably shares the costs associated with climate change, and ensures that those most affected by shifts are first in line to receive support in handling the transition. As shown in previous sections, while concepts of justice are increasingly woven into various initiatives, **a significant architectural gap remains in translating these ideals into reality.**

A cautionary precedent is the Loss and Damage architecture, where multiple bodies exist without a single oversight mandate.[45] The same risk applies here: without a common framework for financial actors working on Just Transition, efforts may hinder the effective channelling of resources to where they are most needed. Also, each actor treats issues like debt, trade, and technology access in isolation, and no hub connects them to address these barriers together.

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[41] Wang J-A (2025) Headwinds and structural constraints: mapping forces challenging Just Transition Finance. London: Just Transition Finance Lab, London School of Economics and Political Science

[42] For example, recent academic work on Indonesia's JETP illustrates what this can produce in practice: a case study in the broader failure of derisking models to shift private capital at scale, where the deal instead entrenched elite capture and left the Indonesian state structurally constrained in shaping its own transition. See Daley, F. & Lawrie, C. (2026), Ibid.

[43] Tan, C. & Gilbert, P. (2026), "Unsettling Epistemologies of Climate Finance for Critical Just Transitions," Developing Economics https://developingeconomics.org/2026/08/25/unsettling-epistemologies-of-climate-finance-for-critical-just-transitions/

[44] Miriam Lang, Mary Ann Manahan, and Breno Bringel, eds., The Geopolitics of Green Colonialism: Global Justice and Ecosocial Transitions (London: Pluto Press, 2024), [page], https://doi.org/10.2307/jj.12865310.

[45] Loss and Damage Collaboration, "What Is at Stake under the Third Review of the Warsaw International Mechanism for Loss and Damage," accessed September 29, 2026, https://www.lossanddamagecollaboration.org/resources/what-is-at-stake-under-the-third-review-of-the-warsaw-international-mechanism-for-loss-and-damage.

Table 2 below offers an illustrative summary of this fragmented landscape.

Actor	Current JT engagement	Fragmentation challenges
Multilateral Development Banks (MDBs)	Five high-level Just Transition principles adopted in 2021 by 7 banks,[46] but each bank tailors its own approach.[47] (E.g. EBRD has a dedicated Just Transition initiative,[48] WB has coal-specific taxonomy, IDB and AfDB fold JT in general climate lending with no standalone product).	A shared framework has not led to a shared standard; it can weaken the overall underlying ambition. (The World Bank retired its flagship climate finance target under US pressure in June 2026).[49]
National Development Banks	Provide USD36-37 bn/year for renewables already; could add USD28 bn more by redirecting existing fossil fuel finance.[50]	Domestically owned and accountable, but largely absent from the JT landscape.
Multilateral climate funds (Adaptation Fund, GCF, GEF, FRLD)	No JT projects supported to date; GCF's Independent Evaluation Unit produced a 2024 evidence review.	One study reviewed all mitigation and cross-cutting finance for the GCF and the CIF, and found that only 2.8% (USD630 million over more than a decade) has gone to what could be seen as Just Transition policies. Research further claims that only 1.9% of the GCF and CIF mitigation/cross-cutting projects it assessed met Just Transition criteria: 10 of 178 GCF projects (5.6%) and 2 of 466 CIF projects (0.4%).[52]
Climate Investment Fund	CIF has a dedicated JT program with a planning toolbox and learning platform.[51]	
International Monetary Fund (IMF)	Analytically engaged with JT since 2022[53] but not yet translated into practice. The Resilience and Sustainability Trust, which recycles Special Drawing Rights into climate financing, is the closest instrument in principle.	JT is not a direct lending category; the Fund's own evaluators find gaps in integrating climate into core programmes, and civil society reviewers argue IMF programmes still prioritise debt repayment and austerity over climate adaptation.[54] Methodologies usually neglect JT altogether.[55] Institutional leanings toward market-driven privatisation and fiscal austerity measures frequently erode the core principles of a just transition in practice.

DFIs and bilateral aid	Fund JT-relevant work, largely without a JT label.	Grant-based bilateral aid and climate finance are increasingly scarce.
Philanthropy	Philanthropies and philanthropic initiatives have developed their own strategies around Just Transition. Bloomberg Philanthropies, ClimateWorks, Laudes Foundation, Quadrature, Growald, Ford. Some closer to governmental agendas, others more community-based.	Millions deployed to support Just Transition, although overall lack of visibility on impact, priorities and convergence with other efforts.[56]

[46] The World Bank, AfDB, ADB, AIIB, EBRD, EIB and IDB

[47] MDB Just Transition High-Level Principles (October 2021). https://www.eib.org/attachments/documents/mdb-just-transition-high-level-principles-en.pdf

[48] European Bank for Reconstruction and Development, Multilateral Development Banks: Supporting the Aims of a Just Transition – An Initial Stocktake, technical paper prepared to support the work of the MDB Paris Alignment Working Group on Just Transition (London: EBRD, October 2020), https://www.ebrd.com/content/dam/ebrd_dxp/assets/pdfs/green-economy-transition/just-transition/MDB-support-for-a-just-transition-technical-paper.pdf.

[49] World Bank (2026), "Update on the World Bank Group Climate Change Action Plan"

[50] Oil Change International (2026), "Untapped Potential: National Development Banks Can Anchor Just Energy Transitions". https://oilchange.org/publications/untapped-potential-national-development-banks-can-anchor-just-energy-transition/

[51] Climate Investment Funds, "Just Transition," accessed September 29, 2026, https://www.cif.org/topics/just-transition

[52] ActionAid International, *Climate Finance for Just Transition: How the Finance Flows* (3 November 2025). https://actionaid.org/sites/default/files/publications/ClimateFinance_JustTransition_HowTheFinanceFlows_31.10.25_FINAL.pdf

[53] Black, S., Chateau, J., Jaumotte, F., Parry, I.W.H., Schwerhoff, G., Thube, S.D., Zhunussova, K. (2022), "Getting on Track to Net Zero: Accelerating a Global Just Transition in This Decade," IMF Staff Climate Note 2022/010. https://doi.org/10.5089/9798400223877.066

[54] Recourse, "New IEO evaluation of IMF climate work" (June 2026). https://re-course.org/newsupdates/ieo-evaluation-of-imf-climate-work/; underlying evaluation: IMF Independent Evaluation Office, "The IMF and Climate Change" (2026).

[55] Ragosa G., Tomei J., Mulugetta Y. (2026), Climate, power, and structural reforms: the political economy of international financial institutions and climate-resilient development, World Development Perspectives, Volume 41

[56] ClimateWorks Foundation, "Just Transition" program page. https://www.climateworks.org/programs/just-transition/; IKEA Foundation and ClimateWorks Foundation, "New Initiative Centers Community Voices at the Heart of the Global South Energy Transition" (19 September 2023). https://www.climateworks.org/press-release/new-initiative-centers-community-voices-at-the-heart-of-the-global-south-energy-transition/

GEAPP launch figures: Energy Digital, "Global Energy Alliance 'to unlock $100 billion in financing'" (COP26, 2021). https://energydigital.com/sustainability/global-energy-alliance-unlock-dollar100-billion-financing; current trajectory: Ecofin Agency, "Global Energy Alliance to Raise $7.5B for Clean Energy in Emerging Markets" (2025). https://www.ecofinagency.com/news/2409-48957-global-energy-alliance-to-raise-7-5b-for-clean-energy-in-emerging-markets

3. Locating Just Transition Finance under the UNFCCC and beyond

3.1 Just Transition Finance in the Just Transition Mechanism

At COP27 in 2022, the Just Transition Work Programme (JTWP) marked a real shift toward implementing just transition pathways and opening dialogue on integrating social justice into climate plans. By COP30 in 2025 there was consensus that moving from planning to action needed a concrete institutional home. That culminated at COP30 in Belém, where Parties agreed to develop a Just Transition Mechanism (JTM). For a coalition of civil society and trade unions, the upcoming mechanism is called the Belém-Antalya Mechanism (BAM) and features a number of essential functions and modalities to accelerate Just Transition globally.[57]

The BAM is designed as a permanent delivery platform under the Paris Agreement. It can serve both as a central UNFCCC hub to coordinate and scale up just transition efforts, and as a formal space for meaningful participation by workers, communities and Indigenous Peoples.[58] Its core functions are still being defined, but are expected to include knowledge-generation, technical assistance, and mobilising and channelling non-debt-creating finance to developing countries.[59]

Taking into account the context described above, **the modalities under which the Mechanism could address the quantitative, qualitative and governance gaps** associated with Just Transition Finance are of vital importance:

- The scope and purpose of the JT Mechanism has to be dictated by the principles and agreements reached at COP30, including those on finance and the structural disenablers.
- The role the mechanism will play in mobilising technical and financial support for Just Transition strategies needs to be captured as a function of the mechanism and is fundamental. Past experiences show that the financing question must be explicitly handled in the scope of a new institution.
- As a delivery institution, the JT Mechanism can not limit itself to dialogues. Innovating in terms of the modalities through which it addresses JT Finance will be key. An example for materialising this would be to create a JT Resource Mobilisation Group, which would explore ways in which the quantity, quality and governance of JT funding could be advanced.

3.2 Just Transition as cross-cutting practice and a dedicated climate finance stream

We need to utilise the Mechanism to create a political space in which Just Transition becomes a more recognisable category within existing circles of climate finance providers, including finance ministries, MDBs, and climate funds boards. This means guaranteeing two things: ensuring both mainstreaming Just Transition components across existing climate finance categories **(Just Transition Finance as cross-cutting)**, developing a funding category for Just Transition policies and measures that are not covered under

[57] https://unfccc.int/sites/default/files/resource/cma2025_L14_adv.pdf

[58] Climate Action Network International (2026), "Submission: Views on the Process for Operationalisation of a Just Transition Mechanism," https://climatenetwork.org/resource/submission-views-on-the-process-for-operationalisation-of-a-just-transition-mechanism/.

[59] BAM paper

Box 3. A Just Transition Mechanism: an ecosystem of institutions delivering implementation

The decision at COP30 to develop a Just Transition Mechanism, rather than a network, committee or fund - all options considered but not selected - reflects the needs of the Just Transition community. Efforts are fragmented, but there is enthusiasm and willingness to contribute to a global effort, provided each actor has an appropriate space in which to contribute. A mechanism housed within the UNFCCC can provide these different spaces, preserving the government-led nature of climate negotiations while enabling other actors to contribute through practical action and cooperation.

The BAM - the most ambitious, civil society-inspired proposal for the Just Transition Mechanism - requires a layered structure. All layers would work towards implementing Just Transition, each with its own responsibilities, membership rules and ways of working.

At this stage in our ongoing discussions with Parties and civil society partners, we propose that the BAM put Just Transition into practice through three layers, each essential and dependent on the others:

Layer A - A Just Transition Assembly, open and inclusive, bringing together those making Just Transition happen on the ground. The Assembly shares practical experience, identifies needs and provides insights to inform the work of the other layers. It also contributes key resources (people, capacity, knowledge) to initiatives under the BAM, including the resource mobilisation group and matchmaking activities. The Assembly meets quarterly online and at least once a year in person. While it has no formal decision-making authority, its power, influence and legitimacy come from its inclusivity, capacity and knowledge. Its work is guided by, and responds to, the newly constituted body, committee or institutional arrangement described below.

Layer B - A new UNFCCC body/institutional arrangement. A new body is needed to give the mechanism stable governance and ensure it works within UNFCCC processes. It must have balanced representation from developed countries, developing countries, observers and non-party stakeholders. This body will establish and prioritise workstreams for the Assembly and its members, guiding where they focus their efforts, develop resources and provide support. It will also identify issues ready for negotiation at COP through the contact group (see below) and provide strategic direction to the mechanism. The body will meet monthly online and at least once a year in person, with support from a Secretariat. This arrangement will give the mechanism the flexibility to launch initiatives that support implementation without requiring every technical activity to be discussed at COP. A very important feature of this body will be its Resource development/mobilisation group.

Layer C - An agenda item/Contact group on BAM. Future Just Transition discussions in the UNFCCC must be based on realities, experiences and needs on the ground. The previous two layers would help build a shared international approach to Just Transition based on practitioners' work. When the governing body considers a topic or approach ready to seek international agreement, it would bring it to the contact group through the Just Transition Mechanism's reporting process, for negotiation and agreement by Parties through the usual UNFCCC process.

mitigation, adaptation or Loss and Damage and that require a specific and additional finance stream **(dedicated Just Transition Finance).**

Negotiations deadlock?

Just Transition Finance and the need to scale up resources to fund Just Transition globally lack recognition in the multilateral climate space, whether looking at the Just Transition tracks or the negotiations on matters related to finance. Even modest steps, like the adoption of the Just Transition Mechanism at COP30 and its foundational principles, are met with strong opposition, notably on the questions of dedicated means of implementation.

This happens despite the fact that developed and developing countries collectively recognise the need to invest in Just Transition and the fact that direct public finance has increasingly been channelled towards Just Transition policies and measures, as shown above.

This lack of recognition and the absence of sufficient space to discuss Just Transition Finance and its connection with the UNFCCC climate finance architecture hinders greater coordination and consensus on a global Just Transition agenda, particularly in moving from recognising the importance of Just Transition to implementing it across scales. This situation also overlooks the need to discuss the structural barriers to the transition (also called 'disenablers'), embedded in the current international monetary and financial system that must be a core part of the Just Transition Finance discussion.

Making Just Transition identifiable and therefore eligible

Just Transition falls through the cracks of existing UNFCCC climate finance dynamics, which are broadly categorised into mitigation, adaptation, and Loss and Damage financing. Mitigation finance tends to be organised around emissions accounting. Adaptation finance is organised around reducing climate vulnerability and helping existing systems recover from shocks.[60] Loss and Damage finance responds to observable, realised harm.

None of these categories currently embeds Just Transition considerations as eligibility criteria in how projects are appraised and approved, moving it beyond a labelling exercise. As shown above, Just Transition entails diverse accounts of change ranging from labour protection, social protection, environmental rehabilitation, to economic diversification, none of which are negligible, and none of which are currently well served by mitigation, adaptation, or Loss and Damage finance on their own terms.

Making Just Transition a recognisable and eligible aspect of climate finance means attuning to (1) the localised effects of transition on communities whose land, labour, and livelihood are being reorganised by transition projects, and (2) the broader economy-wide transition needs from countries charting a pathway away from fossil-based or other commodity dependent models into more diversified, prosperous economies.

The **Mechanism is an opportunity to absorb these diverse Just Transition concerns within the existing UNFCCC climate finance framework,** and to do so in a way that makes the Just Transition identifiable, recognisable, and, as such, eligible for climate finance.

3.3 A BAM that can fill current gaps, support coordination and accelerate implementation

BAM's ambition rests on three things at once. It is meant to be **action-oriented:** the instrument that turns the principles won at COP30[61] into a coherent, ambitious, and actionable framework under the UNFCCC and the Paris Agreement by identifying barriers, creating enabling conditions, and providing

[60] This example comes from this research: Arınç Onat Kılıç, "Seychelles Blue Bond: Indebting Ecological Restructuring of Fisheries," Marine Policy 163 (2024): 106144, https://doi.org/10.1016/j.marpol.2024.106144.

[61] Climate Action Network International, (2026), *Ibid.*

Box 4 - The Inclusion of disenablers of climate finance, inhibitors of just transitions

Climate finance **"disenablers"** are structural, institutional, and political-economic barriers that restrict, misalign, or block the flow of capital towards mitigation, adaptation, or loss and damage efforts. The profound and chronic implications of disenablers can increase the exposure of already vulnerable regions and sectors to climate impacts and volatility, and, if left unaddressed, they can prevent the transition from being financed at all.

Disenablers can be broadly categorised as (1) institutional, (2) regulatory, and (3) macroeconomic/political.

- **Institutional disenablers** include onerous, fragmented application processes that strain applicants' institutional bandwidth, and high compliance and verification costs for small project developers, and institutions with less capacity. For example, the accreditation process with the Green Climate Fund alone can take entities several years.
- **Regulatory disenablers** include shifting regulatory goalposts that disrupt the proactive, consistent support needed to boost green industries, or the absence of concrete measures that set a baseline and open the door to regulatory arbitrage (such as uneven or misaligned just transitions or rights-based principles in climate finance entities).
- **Macroeconomic/political disenablers are structural constraints of the international monetary and financial system,** including the exclusion of climate and development financing needs from mainstream debt sustainability analyses, the maintenance of high domestic interest rates in many countries in the Global South for local currency stabilisation, which can entrench economic vulnerability, and the prevalence of biased and inflated judgements by credit rating agencies that drive the cost of capital.[62]

The COP30 decision gives Parties an explicit mandate to bring disenablers inside the Just Transition Mechanism's remit. Paragraph 12/CMA.7 "recalls the importance of continued efforts to support just transitions through measures that avoid exacerbating debt burdens and create fiscal space," notes that developing country Parties "may lack the institutional and financial capacity to achieve just transitions on their own," and calls for "scaling up new and additional grant-based, highly concessional finance and non-debt instruments." Read together, the JTM's task is not only to move higher quality and better-governed finance, but to help dismantle the barriers that determine whether finance can reach the ground.

These disenablers **directly** lead to unjust transitions, making the transition prohibitively costly, strangling fiscal and policy space, and forcing Global South economies to shoulder the financial burdens of global transitions. There is a distinct need to bring them inside the Mechanism's mandate, rather than leaving them as an external condition to be worked around, and doing so can strengthen alignment between the Mechanism and climate finance negotiations, including the New Collective Quantified Goal and the Veredas Dialogue on Article 2.1c of the Paris Agreement.

[62] UNCTAD (2025), Credit rating agencies, developing countries and bias - Policy review. Available at https://unctad.org/publication/credit-rating-agencies-developing-countries-and-bias

international support to realise a global Just Transition for workers, communities, and countries. It is meant to be **visionary and practical:** a bridge between high-level political decision-making and the practical realities of implementing Just Transition on the ground. It is also meant to be **innovative** in a specific institutional sense: a balanced governance architecture that keeps decision-makers accountable to practitioners, while grounding political negotiation in lived experience rather than leaving that negotiation to unfold removed from the people it affects.

This three-part vision directly informs how the BAM navigates the fragmented climate finance landscape. While mobilising resources through UNFCCC climate funds remains the priority, the mechanism also serves a critical **alignment and coordination** function for actors operating outside the UNFCCC. Given the significant, albeit uncoordinated, capital these institutions have already deployed, the BAM acts as a necessary link to ensure such flows adhere to fundamental justice benchmarks. It is not intended to compete as a standalone fund, but rather to function as the **accountable governance hub** that current financial architectures persistently fail to provide.

That role can be read in four ways, in ascending order of ambition — and each maps onto one of the three commitments above.

- **Coordination:** based on a mapping of what already exists, the BAM could track who is doing what, and feed recommendations on future partnerships. This function is most consistent with what Parties have agreed to so far, and it is what a Resource Mobilisation Group is explicitly designed to operationalise.
- **Standard-setting:** pushing different financial actors to build common Just Transition criteria, following the principles agreed at COP30, into their existing funding guidance and eligibility rules, rather than each defining "just" independently, as they do today.
- **Financial accountability:** BAM's founding principles suggest an ambition to hold existing financial instruments to account for the documented participation and transparency failures, as well as potential harms caused by the projects. This particular role would also ensure increased transparency and accountability for the money channeled, delivered and ultimately accounted for as Just Transition Finance, which would lay an adequate foundation for Just Transition to be recognised and tracked in the climate finance flows. This function would also provide data and inform parallel finance processes (such as the mandated reports produced by the Standing Committee on Finance).
- **Resource Mobilisation Group:** Moving all of the above into a concrete space, scaling up finance in line with COP30 commitments and Just Transition needs. This Group will map available support sources and emerging funding gaps, inform the new Body/Institutional Arrangement on financial realities and needs and propose strategic partnerships between financial actors, contributing countries and Just Transition practitioners.

The BAM will ensure that Just Transition policies and measures are recognised, financed, and monitored under existing UNFCCC finance frameworks while simultaneously providing an accountable governance structure to coordinate disparate external financial architectures.

Box 5 - Resource mobilisation group

In our vision for BAM, the mechanism provides a home for Just Transition work. It supports implementation through guidance, resources and technical capacity, while using international cooperation and dialogue to remove the barriers to Just Transition.

The resource mobilisation group is central to BAM becoming a delivery mechanism for Just Transition. It would

- Map Just Transition funding at all levels including through the convening of actors identified in section 2.3 fostering a governance of Just Transition finance that is more coordinated, efficient and shared across priorities and geographies.
- Improve its quality - notably by drawing from existing Just Transition funding experiences and practices and generate robust learnings on what kinds of finance is needed for different aspects of Just Transition strategies.
- Increase the public finance available for Just Transition strategies - by identifying and quantifying better the finance gaps and their specific requirement, allocating public resources to key Just Transition policies and measures, ensuring that existing funding take into account the cross-cutting nature of Just Transition while also guaranteeing additional and dedicated resources for specific policies and measures that would otherwise not be funded.

With all those potential avenues, the Resource Mobilization Group could be a defining delivery feature of the BAM, by making finance for Just Transition accessible, effective and anchored in robust principles and standards adopted at the highest level. Through its innovative governance structure and modalities, the BAM seeks to move away from the traditional climate discussions and generate real progress that matches the reality of the work on the ground, at all levels.

4. Recommendations for COP31 and Beyond

COP31 needs to establish the Just Transition Mechanism. This gives us a real opportunity to make progress on the governance of Just Transition Finance, and through this, securing the quantity and quality of resources.

Concretely, this could be done through:

- The inclusion of a function that speaks to the role the BAM will play in mobilising financial resources for Just Transition strategies, along with modalities to coordinate and align various actors involved in financing Just Transition.

- With the support of a Resource Mobilisation Group to be created under the Mechanism, ensure that the UNFCCC Financial institutions cover Just Transition Finance, in line with agreed COP30 Principles.

- Set the standards and operating modalities for other external actors active on Just Transition.

- Ensure that the BAM features a specific modality to guarantee accountability for Just Transition Finance, including in relation to existing transparency arrangements and financial reporting mandates.

- Work so that the BAM becomes a laboratory of what qualitative finance can look like in practice - generate learnings and good practices from BAM operations on channeling and scaling up Just Transition Finance that would help inform and expanding knowledge on qualitative climate finance.

In addition, Just Transition Finance discussions also need to be taken forward in the climate finance space:

- NCQG implementation: recognise that the current climate finance goal and its targets insufficiently address Just Transition Finance needs and therefore largely underestimate developing countries' financial requirements, both in terms of the cross cutting nature of Just Transition as well as its dedicated funding needs.

- SCF reports and methodologies to recognise, include and monitor Just Transition Finance, both in terms of the cross-cutting nature of Just Transition as well as its dedicated funding needs. This could be factored into upcoming Biennial Assessments, Needs Determination Report and NCQG review.

- Addressing disenablers and connect this work with the GST-1 decision, the NCQG decision (para 6), which speaks about the need to remove barriers and address disenablers faced by developing country Parties in financing climate action, as well as the ongoing Veredas Dialogue on Article 2.1c of the Paris Agreement, to establish a structured and organised discussion on those obstacles under the Just Transition Work Program, following COP30 decision on the matter (para 12).