



JUST TRANSITION FINANCE

MOBILISING INSTITUTIONAL CAPITAL TO
DELIVER A NET ZERO WORLD WHERE
NO-ONE IS LEFT BEHIND



ACTIONS FOR ECOSYSTEM BUILDERS





Actions for ecosystem builders

Fulfilling the UN Sustainable Development Goals (SDGs) and transitioning to a world of Net Zero carbon emissions at the pace required – and in a way that’s just and inclusive for all – requires trillions in capital every year.

A global transition to Net Zero that is inclusive and socially beneficial – i.e. a Just Transition – can only be achieved with a fundamental shift in financing. This summary highlights key actions that ecosystem builders including National Advisory Boards (NABs) on impact investment can take to help achieve a global Just Transition, based on the findings of the Impact Taskforce’s report, [‘Mobilising institutional capital towards the SDGs and a Just Transition’](#). The Impact Taskforce’s recommendations build on consultations with over 170 finance, policy and thought leaders representing over 110 organisations in 38 countries.

WHAT IS A ‘JUST TRANSITION’ – AND WHY DOES IT MATTER?

The climate crisis is one of the defining challenges of our time. But there is growing consensus that a single focus on achieving net zero emissions is not enough.



To be successful, climate action also needs to address the socio-economic impacts of moving to Net Zero – from potential job losses to rising household energy prices.



It needs to be recognised that the impacts of climate change tend to disproportionately affect those in poverty and can exacerbate existing inequalities.



To gain support and avoid social tensions or unrest, the transition to Net Zero needs to be fair – and seen to be fair – across regions and across the socio-economic spectrum.

A JUST TRANSITION NEEDS TO CONSIDER:

1

Different climate transition and planet preservation strategies across sectors.

2

Geographic disparities, needs and priorities at international, regional and national levels.

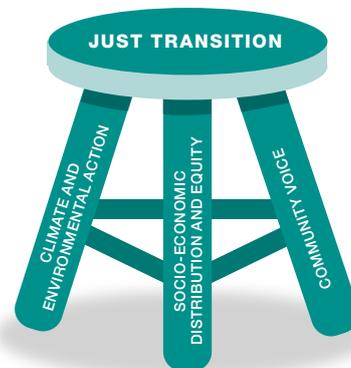
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Affected, underserved and marginalised communities, households, workers and enterprises.

THE THREE JUST TRANSITION ELEMENTS

Given the considerations above, there are three critical drivers of a Just Transition applicable across geographies, sectors, policies and investments. To be aligned with a Just Transition, actions should:

- Advance Climate and Environmental Action
- *AND* Improve Socio-economic Distribution and Equity
- *AND* Increase Community Voice





Why ecosystem builders are key to the Just Transition

- Attracting the trillions in private institutional capital that's needed to help fund a Just Transition to Net Zero will require systemic change in global financial markets, delivered through concerted, focused action by all market participants
- Ecosystem builders can provide the convening and coordination needed to move markets from a sole focus on (often short-term) financial gain to using capital to deliver long-term social and environmental change, both at a national level and globally
- By engaging with the investment community, government, and civil society around a Just Transition, ecosystem builders can build momentum around joint Just Transition approaches and investment activity across sectors and geographies
- As the Just Transition needs to be place-based, local ecosystem builders including NABs can help to ensure that Just Transition interventions reflect the actual needs and opportunities of their local markets

What ecosystem builders can do to advance a Just Transition

ACTION 1: BUILD MOMENTUM TO ACHIEVE THE SDGs AND A JUST TRANSITION, BASED ON A COMMON UNDERSTANDING OF THE JUST TRANSITION

Achieving the SDGs and a Just Transition requires simultaneous and coordinated change. Ecosystem builders can help drive momentum and overcome traditional patterns of sequential change and waiting for others by acting as a convener for the multiple actors – local and international – who need to act together to finance a Just Transition.

Ecosystem builders can help drive a clear and shared understanding by all market actors as to what constitutes a Just Transition. To support this, the Impact Taskforce identified three critical Elements of a Just Transition, applicable across all geographies, sectors, policies and investments: advance Climate and Environmental Action; improve Socio-economic Distribution and Equity; and increase Community Voice.

Ecosystem builders are invited to raise awareness of [the Impact Taskforce's recommendations](#) on the Just Transition among their stakeholders. The Taskforce's report details the actions that each Just Transition Element involves and what each category of actor can do to achieve them.



ACTION 2: PROACTIVELY IDENTIFY OPPORTUNITIES TO INTEGRATE THE JUST TRANSITION ELEMENTS

NABs and other ecosystem builders are well-placed to identify opportunities to integrate a Just Transition approach in their local context, based on a deep understanding of local needs and opportunities, and encourage focused action by local players to achieve this.

For example, ecosystem builders can:

- Help investors move beyond a siloed focus on climate/environmental or social considerations and integrate them, alongside giving a voice to communities affected by investments, in line with the three Just Transition Elements
- Work with their local policymakers to increase their understanding of the need for the inclusion of the three Just Transition Elements in policies aiming to attract private investment
- Support the development of an ecosystem of intermediaries committed to help investors allocate capital to investments aligned with a Just Transition, and encourage exchange of good practices in this regard

ACTION 3: DEMONSTRATE BEST IN-CLASS JUST TRANSITION INVESTMENTS

Expanding the volume and pace of capital towards a Just Transition requires all parties to know where the money is flowing and what is happening as a result of capital being invested. NABs and other ecosystem builders can encourage collective commitment, consistency and transparency by:

- Collecting data among their local market players
- Providing examples of what 'best-in-class' Just Transition investments look like in practice
- Publishing results of investment activity detailing how targeted SDG and Just Transition outcomes are being achieved
- Sharing performance and other data to help improve the flow of reliable information to support creation of follow-on funds



Examples of Just Transition investments

There are multiple examples of investments aligned with a Just Transition already on the market. Detailed case studies of select investment propositions, as well as further examples of investments on the market, are available [here](#).

Asset class hierarchy		Vehicle	Case study	Examples	
Alternatives	Private equity	Private equity (Note: Forestry included herein, however, often included in real assets depending on investor allocation buckets)	Private equity fund (direct)	LeapFrog: Emerging Consumer Fund III	<ul style="list-style-type: none"> • DPI: African Development Partners III • New Forests: Tropical Asia Forest Fund • TPG: Rise Fund II
			Fund of funds	N/A	<ul style="list-style-type: none"> • AllianzGI: AfricaGrow Fund • Credit Suisse: Climate Innovation Fund
	Private debt	Private debt	Private debt fund	Ninety One: Africa Credit Opportunities Fund 2	<ul style="list-style-type: none"> • FMO/NNIP: Emerging Markets Loans Fund • BlueOrchard: InsuResilience Investment Fund • Triodos IM: Triodos Microfinance Fund
				responsAbility: Access to Clean Power Fund	
	Real assets	Real estate	Real estate fund	Actis: Energy Fund 4	<ul style="list-style-type: none"> • Ninety One: Emerging Africa Infrastructure Fund • Africa Finance Corporation: Infrastructure Climate Resilient Fund
				IHS: IHS Fund II SA	
Fixed income		Bonds	Bond fund	<ul style="list-style-type: none"> • BlueOrchard: Schroder International Selection Fund, BlueOrchard Emerging Markets Climate Bond fund (CBF) • Amundi/IFC: Amundi Planet Emerging Green One • IFC: Masala bond programme (Note: Alternative structure) 	

All actors in global financial markets are invited to work together to achieve a Just Transition, and design and deliver financial solutions that fund the necessary social and environmental actions in the urgent timelines now required. By taking the actions listed here, ecosystem builders can provide the coordination and momentum needed to mobilise capital to the investment solutions that can help build a more sustainable and inclusive world for all.

For other Just Transition Finance Action Summaries in this series and case studies of financing vehicles that can help deliver a Just Transition, visit www.impactinvest.org/just-transition-finance/