

Implementing just transitions

Takeaways from South Africa

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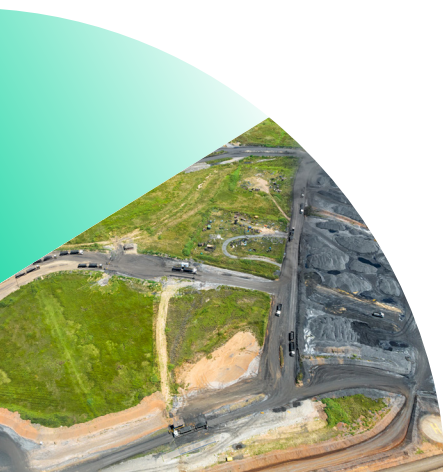
Key messages

- South Africa is a global leader in just transition planning and is now embarking on the crucial phase of policy implementation. In this new political phase, the country faces both the intensification of existing challenges and the emergence of new ones.
- A key issue is the discrepancy between the just transition ambitions and priorities of actors operating mainly at the national level and those operating primarily at a subnational level.
- Limited subnational institutional capacity and the inadequacy of conventional financing mechanisms are two major challenges to implementing the just transition.
- Transparent decision-making is crucial in selecting beneficiaries and allocating resources in just transition projects and would bolster their public legitimacy.

Introduction

Transitioning away from coal is essential for mitigating the impacts of climate change and limiting global warming to well below 2°C degrees above pre-industrial level, as outlined in the Paris Agreement. This transition portends considerable challenges for coal-producing regions and countries, due to their dependence on the coal industry for regional employment, local economic activity, and public budgets, and in some cases, for electricity generation, too. Within this context, the concept of just transition has gained considerable attention globally, as a tool to seek the involvement of all relevant stakeholders to shape transition efforts. The aim of the just transition is to ensure that the costs and benefits of the transition are distributed fairly, and that vulnerable stakeholders are left better off after the transition, especially in terms of improved employment prospects and reduced exposure to pollution.

Among lower- and middle-income economies, South Africa stands out with a long history in just transition planning. The roots for just transition thinking were set in the 2010s, when trade unions introduced the concept of just transition to national climate policy discussions. Since then, just transition thinking has become central to energy and broader development policies and politics. For instance, the country developed a Just Transition Framework to guide just transition policymaking and resource allocation in 2022. In 2021, it initiated a Just Energy Transition Partnership



Coal mine, South Africa
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(JETP) with France, Germany, the UK, the EU, and the US, which aims to support South Africa's transition away from coal and towards a low-carbon economy. This led to the publication of a Just Energy Transition Investment Plan (JET IP) for the years 2023 to 2027, followed by a JET Implementation Plan in December 2023.

As the country embarks in efforts to implement just transition plans through a series of projects and investments, some challenges intensify, while new ones emerge. This policy brief highlights some of these challenges to inform future policy, investments, on-the-ground projects and research efforts in South Africa, and to offer insights for just transition researchers and practitioners in other countries that have started such endeavours, so they can anticipate some of these issues. It is mainly based on two reports elaborated in the project *Just transitions from coal in Colombia, Indonesia and South Africa* (Patel & Maimele, 2024; Strambo et al., 2024).

Implementing just transitions: old and new challenges

Firstly, as described in Montmasson-Clair (2021) and Strambo et al. (2024), the concept of just transition has become mainstream in South Africa, and now serves as an anchor point for fostering a wide range of economic and political visions. While some use it as a catalyst for transformative change, others have employed it to primarily advance decarbonization without upholding socio-economic justice principles, or even to entrench the political and economic status quo (see Figure 1).

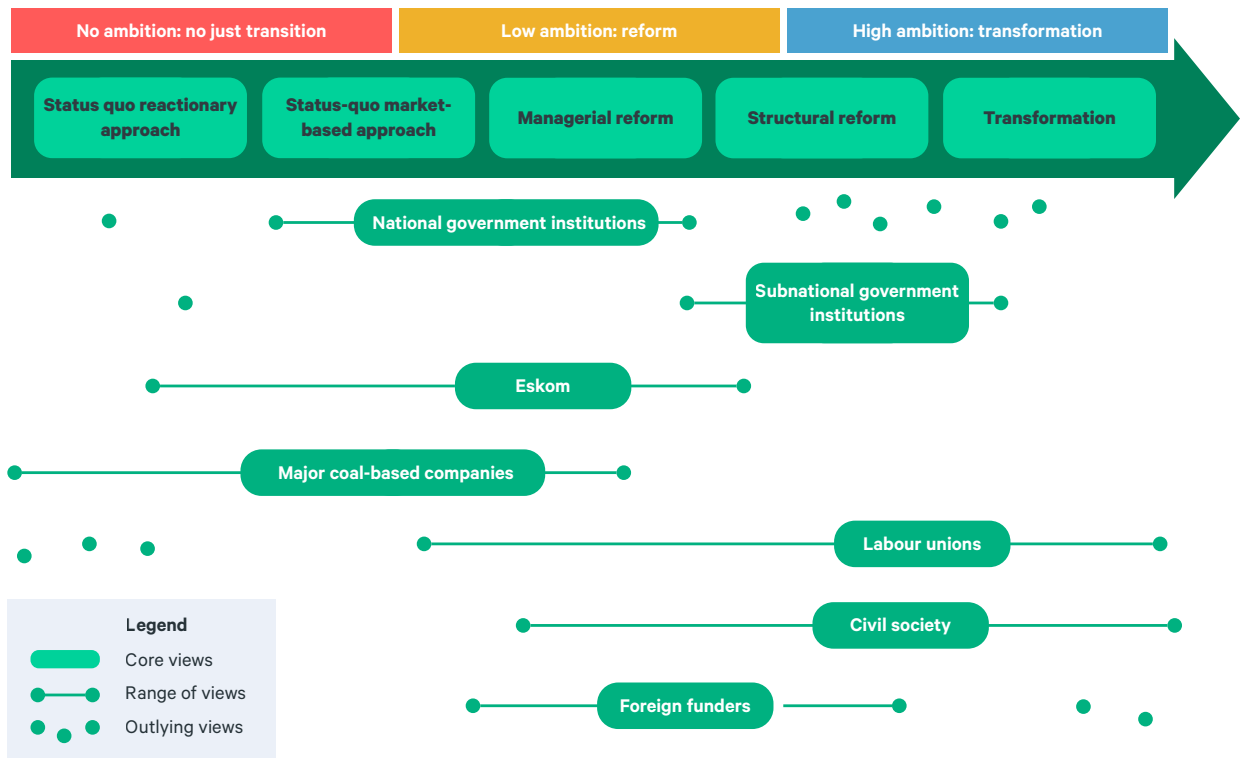
The orientation and extent of ambition in implementation plans has practical consequences, as goals are defined by actors that tend to favour lower ambition on the spectrum, such as national governmental entities, the state-owned energy company Eskom and foreign funders. Expectations from communities, local union members and subnational authorities in coal regions tend to be much more ambitious in comparison, resulting in a mismatch where just transition activities do not adequately address local priorities. This undercuts trust in the just transition process and even diminishes grassroots support for the energy transition altogether – ironically what the just transition seeks to avoid.¹ This misalignment gives rise to opposition by excluded stakeholders, especially those that stand to be significantly impacted in terms of economic decline, exacerbation of poor public service delivery, and the costs of seeking new employment, among other effects. This, in turn, reduces the incentives to participate meaningfully in just transition processes and projects. Furthermore, the stakeholders with sufficient political power can block decarbonization processes that they view as exclusionary, setting back both decarbonization and energy transition.

While national and international stakeholders' attention is primarily on dealing with primary energy transitions (mainly away from coal in South Africa), and associated socio-economic measures that can enable this change, local actors' priorities span a wider range of issues, such as employment security, access to basic services, poverty, climate adaptation, food security, and damage to public health and infrastructure from

¹ The counterargument that could be made by implementation actors is that stakeholder engagement is built into project and policy planning processes in South Africa, including with workers and affected communities. However, labour unions and community and environmental justice organizations question the legitimacy of these engagements, and whether their concerns are truly understood and addressed in policy plans. See PPC (2023), for example, for an illustration of this conflict in the JET IP process.

coal activity, among other developmental issues. Initial stages in just transition policy planning, such as the Just Transition Framework, recognize these priorities. However, they have somewhat fallen off the agenda in later stages of policy development, as powerful stakeholders (such as national policymakers, Eskom and foreign funders) have prioritized achieving emissions reductions and energy security in the wake of Eskom's profound financial and energy crisis. Addressing these issues on the ground is, however, essential to regain and sustain local support for just transitions, and therefore for ensuring the effectiveness of just transition project implementation.

Figure 1: Representation of stakeholders' views and ambition on just transition in South Africa.



Adapted from Montmasson-Clair (2021) in Strambo et al. (2024).

The gap between policy ambitions and implementation also manifests in the project development process. In some cases, project developers view just transition and social objectives as a “bolt-on” to projects, with a primary focus on pricing dynamics in production rather than just transition objectives (see Box 1). When considering the creation of new and sustainable low-carbon value chains, private developers face multiple technological constraints that make cost-competitiveness with incumbent technologies a key challenge. The just transition approaches and tools are then viewed as another cost constraint detrimental to projects’ profitability (Patel & Maimele, 2024). This highlights the challenges when moving from the policy conception stage to implementation.

The second challenge relates to limited institutional capacities at the subnational level, such as dependence on coal revenues and restricted finances, capacity gaps, limited access to data and information, and challenges in service delivery and infrastructure. Combined with other structural barriers for subnational participation,

such as the centralization of energy and mining policymaking, this lack of institutional capacities constrains the ability of more local entities to actively engage in just transition planning. The nature of policymaking in South Africa historically has not been designed to give local and provincial actors strong agency and leverage in national policy discussions.

As the policy process moves into the implementation phase, addressing this capacity gap becomes even more urgent to ensure effective execution of just transition projects, as well as sustained benefits in the mid and long term. The oversight of vital components like economic development and service delivery makes the provincial and local governments in the Mpumalanga Province – South Africa’s most coal-dependent region – pivotal in implementing just transitions. Addressing the subnational institutional capacity gap requires better coordination between national and subnational authorities, as well as reforming administrative procedures and strengthening their financial capabilities.

A third key challenge is the unsuitability of current financing rules and practices to support transformative just transition projects that seek to enable systemic change. Such projects are often small, high-risk, based on novel technologies and project design approaches, and require multi-layered funding and the involvement of a wider range of stakeholders. While innovation within the existing financial system is necessary to reduce risk and enable more conventional just transition projects, transformative just transition projects require even more fundamental changes to the financing ecosystem. Among others, this includes increasing the use of blended finance and de-risking activities, as well as establishing flexible structures to accommodate non-traditional partners and adapting decision-making processes beyond conventional financial metrics to prioritize broader social and environmental impacts (Lowitt, 2021).

Moreover, implementing just transition projects raises a new question: that of how to “pick winners”, or how to select sectors, technologies, companies, geographies and individuals that will directly benefit from projects and investments, amid limited resources. Who decides the location, scope, and eligibility criteria for just transition projects and investments, and how can these resources avoid being co-opted by a select few and diverted from their intended recipients? This is of particular concern in South Africa, where regulatory agencies are commonly corrupted by the industries they regulate (PARI, 2022). This underlines the need for transparent decision-making, particularly regarding project design and selection, to ensure their legitimacy and to sustain societal support for the just transition.

Finally, South Africa’s experience with just transition policy planning and implementation also highlights the difficult balance between top-down and bottom-up approaches. Here, procedural justice emerges as a key factor to success, addressing imbalances in agency and influence resulting from entrenched socio-economic inequalities by promoting continuous public engagement in later stages of policy processes, including project design, monitoring, evaluation, and learning.

BOX 1. GREEN HYDROGEN AND JUST TRANSITION IN SOUTH AFRICA

In South Africa, government and industry have promoted green hydrogen as a potential new low-carbon value chain to assist in South Africa's just transition by absorbing displaced coal workers and creating new economic activities in coal regions.

The domestic ambition has resulted in several public-private partnerships to test the uses for green hydrogen (e.g. heavy-duty transport, aviation fuel, green ammonia) and production. In 2022, the Minister of Public Works and Infrastructure announced nine green hydrogen projects as strategic infrastructure projects, which include a mix of green hydrogen production, downstream test cases and projects with an export focus.

These projects also include just transition elements, but the initial excitement and ambition has been tempered by economic constraints and other concerns. To date, engagements with project developers have indicated the following constraints and challenges (Patel & Maimele, 2024):

1. Project developers tend to be experts in green hydrogen and the just transition components are typically deferred until after the project's feasibility has been established.
 2. Green hydrogen is already more expensive to produce than the incumbent grey hydrogen produced from fossil fuels, and incorporating additional just transition elements in projects is seen as increasing costs even further, reducing viability.
 3. Just transition measures such as employing people from surrounding communities, retraining and reskilling are initiated at a very small scale, only more widely applied if test cases work.
 4. Communities are sceptical, or even fearful, of green hydrogen technology, reducing the buy-in from stakeholders.
 5. Project developers face time and cost constraints around how many communities and stakeholders can be consulted within the radius of a project.
 6. While green hydrogen is touted as a means of providing communities with greater access to electricity and potable water, several regulatory and practical challenges must be navigated between project developers and local and provincial governments, thereby delaying the delivery of these services, and bringing into question the feasibility of these just transition benefits.
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Conclusion

The case of South Africa highlights both the progress made and the challenges encountered in implementing just transition policies. While significant advancements have been made, particularly in developing frameworks and partnerships to guide transition efforts, the path to a truly just transition is fraught with complexities.

The South African case highlights how just transitions are fundamentally about the dominant model of economic development and who benefits from it. As such, stakeholders have come to use it to advocate and legitimize very different political and economic visions, with the risk that the concept loses its transformative potential.

In essence, the choice of beneficiaries and the alignment of implementation projects with local priorities play a critical role in generating local support for the transition, on which the effectiveness and long-term sustainability of the transition depend. So do transparent and inclusive decision-making processes throughout the whole policy cycle. As just transition policies move into the implementation phase, the need to address historical institutional and financial constraints becomes increasingly urgent, as failed implementation ultimately reinforces resistance to transition.

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