

Policy Dialogue on Just Energy Transitions

Key findings on identifying pathways to prosperity post fossil fuels

BACKGROUND

There is an emerging consensus on the need to “transition away from fossil fuels”, as highlighted in the historic agreement by countries at COP28. This transition is driven not only by a desire to tackle the climate crisis, but also by concerns around the geopolitical risks, economic costs, and health and environmental impacts of continued oil and gas dependency. Additionally, clean energy markets present growing economic opportunities. How to navigate this path in a just, orderly, and equitable manner remains a challenge as countries seek to manage trade-offs and balance short- and long-term objectives.

The “***Policy Dialogue for Just Energy Transitions: Identifying Pathways to Prosperity Post Fossil Fuels***” was held from **September 8 to 12, 2024** in Salzburg, Austria. This program brought together policymakers, decisionmakers, and leading researchers from ten oil and gas producing countries as well as representatives from international organizations. They shared evidence-based approaches to the transition from fossil fuel dependent economies to inclusive, equitable, and sustainable systems.

During the program, participants discussed the key challenges of enacting a just energy transition process in their countries, such as aligning economic development with climate mitigation, considering energy versus economic diversification, energy inefficiency, and the consequences of differentiated national pathways. They also explored possible windows of opportunity to achieve prosperity post fossil fuels; these include potential diversification options, tax measures and enabling policy environments to finance the transition, international collaboration and partnerships, novel or adapted indicators to measure just transitions, as well as broad stakeholder engagement and participation. Although strong similarities exist between oil and gas producing countries, there are also key differences that influence the appropriate domestic transition pathway.

KEY FINDINGS ON ENABLING JUST TRANSITIONS FROM OIL AND GAS

A just energy transition is part of broader “just economic diversification” efforts.

- For many producer countries, a just energy transition comprises one part of a broader effort to create more resilient and diversified economies and reduce dependency on oil and gas exports and revenues.
- Economic diversification poses a greater challenge for many countries than energy diversification and requires international technical and financial support to leapfrog carbon-intensive industries and develop the new skills and expertise required to expand into emerging (green) economic sectors.
- The growing prevalence of trade protectionist policies in Global North countries provides additional barriers to economic diversification by redirecting global investment flows and setting punitive standards without the necessary capacity development support.

- Comprehensive, coordinated, and country-led industrial policy can help identify and develop potential diversification options relevant to the specific country context. This is relevant both within the energy sector, such as in hydrogen and critical raw materials, as well as in other sectors such as manufacturing, services, agriculture, and tourism.

Fossil-fueled development pathways jeopardize the fulfilment of the Sustainable Development Goals.

- Research shows that continuing with fossil-fueled development pathways jeopardizes progress towards all 17 Sustainable Development Goals.
- Stakeholders from Nigeria and Ghana highlighted that profits from production and exploration of oil and gas have not led to improved energy access or reductions in energy poverty and inequality. However, there have been exceptions in Ghana, where revenues from oil production have been used to provide free secondary school education.
- The costs of inaction are not adequately considered when calculating just energy transition pathways and additional research is needed on this topic.
- Estimates of the costs of inaction by Climate Policy Initiative show that there are many social and economic costs associated with business-as-usual pathways. These include impacts on productivity, damage to assets and infrastructure, as well as the costs of loss of biodiversity and nature and of increased conflict and migration. These costs outweigh those associated with a 1.5°C pathway and continue to rise as action is delayed.

Incoming importer transition strategies have significant implications for many oil and gas producers.

- In response to the decision at COP28 to “transition away from fossil fuels”, major oil and gas importers are designing fossil fuel decline management strategies. This has major implications for many oil and gas producing countries, as it will result in increased competition for reducing fossil fuel demand.
- Strategic and political decisions will need to be made on the specific markets from which importing countries receive their reduced amount of oil and gas. The EU, for example, projects to reduce its oil and gas consumption by approximately 80% by 2040.
- To facilitate a global just transition, major consumers must ensure that their transition strategies are not only market-driven but also consider the impact on and capacity of exporter countries to adapt to the specific criteria.
- Without legitimate and proactive consideration of global fossil fuel demand scenarios, many new and existing oil and gas producing countries face the prospect of being locked out of the global fossil fuel market, resulting in domestic GDP losses as well as the associated costs of stranded assets and communities.
- Bilateral and multilateral dialogue between and amongst oil and gas producers and consumers is essential to equitably manage the consequences of fossil fuel decline management strategies.

Coordinated fiscal measures can promote decarbonization and help negotiate consumer transition strategies.

- Fiscal policy instruments, such as a carbon tax on upstream oil and gas production, as pioneered by Norway, could be implemented by other oil and gas producer countries to promote the decarbonization of domestic oil production while improving their competitiveness in future global markets.
- An upstream emissions tax offers a less politically sensitive option when compared to other tax policies. These funds could be used varyingly, to support or subsidize low-carbon activities, or alternatively, to alleviate the socioeconomic impacts of the transition.

- International coordination of measures amongst producer countries could help to address potential revenue losses from incoming carbon border adjustment mechanisms while providing leverage to negotiate with major oil and gas importers on the strategies for fossil fuel decline management.
- Brazil, as the host of the G20 and COP30, could coordinate with like-minded producer countries to lead such an agenda. Further details are included in the in-country briefing.

Enabling policy environments can help mobilize private finance.

- Given the constraints on national and sub-national budgets, a large percentage of the investments required for a Paris Agreement-aligned just transition will need to come from private sources.
- Emerging and developing countries face multiple barriers to unlocking private finance. Many of these barriers are associated with the architecture of the existing international financial system, which does not effectively support or incentivize climate and transition financing, particularly in these geographies.
- Enabling domestic policy environments can help to attract private finance and engage the international and domestic private sectors whose role in the just energy transition is still not well understood.
- Kenya has achieved a certain degree of success in mobilizing private finance for both climate mitigation and adaptation efforts. It has implemented a robust climate policy, legal and institutional frameworks, including strong climate finance management systems, and improved national and sub-national coordination. Requirements for matching funding from local budgets have been a key innovation for increasing the confidence of domestic and international investors.

Country platforms provide a model for future international collaborations.

- Lessons learned from the Just Energy Transition Partnerships in Indonesia, Vietnam, and South Africa indicate that a new model of international partnerships is needed moving forward.
- Country platforms offer a promising alternative. They should be centered around clear, yet ambitious, climate and development objectives and have country-driven as opposed to donor-driven processes, improving whole of government buy-in and speeding up implementation.
- A successful example was launched by Egypt during their COP27 presidency: The Country Platform for the Nexus of Water, Food and Energy (NWFE). This approach has been successful in mobilizing finance, including additional finance, worth a total of \$14.7 billion (as of November 2023) from bilateral and multilateral development partners, as well as the private sector. The NWFE also utilizes a range of innovative financing tools such as debt swaps, guarantees, concessional loans, grants, and private investments.
- Future country platforms should ensure early engagement of multilateral development banks with deep in-country expertise.

Education and capacity building programs can support energy efficiency and sustainable consumer behavior.

- The Global Renewables and Energy Efficiency Pledge highlights the pivotal role of energy efficiency in global climate action. Launched at COP28 and currently signed by 133 countries, it commits to the tripling of renewable energy and the doubling of energy efficiency by 2030.
- Improving energy efficiency not only helps to reduce domestic fossil fuel consumption but also supports integration and investment in renewable energy sources.

- Efforts to improve energy efficiency remain a challenge. The experiences of Trinidad and Tobago and Azerbaijan show how subsidized electricity tariffs have enabled unsustainable energy consumption practices across the domestic, commercial, and industrial sectors. Further details are outlined in the in-country briefings.
- Artificially low energy tariffs hinder clean energy deployment, as they create an unequal playing field for the integration of renewable energy sources into the domestic energy mix.
- Targeted education and capacity building programs for citizens and businesses can help them understand and improve energy efficiency practices. This could compensate for potential increases to electricity tariffs required to support a just energy transition.

New narratives around shared prosperity need to shift existing perspectives and enable a globally just transition.

- Narratives are an impactful tool for policymaking and collective action. They can shift the existing dynamic and build a clearer understanding of a globally just transition.
- A narrative of “shared prosperity and a globally just transition” must be based on strong principles that are endorsed particularly by leaders from the Global South.
- Tailored strategies are needed to mobilize priority sectors and stakeholders, such as private, public, and civil society sectors, and build a coalition of actors that agree to champion the narrative.
- For policymakers, a multi-tiered approach is needed to achieve impact in international policy processes, such as the COPs. Mobilizing different levels of government allows for consistent messaging across high level speeches and within negotiation processes. A strong technical argument to support the overarching narrative also provides valuable negotiating data for policymakers.
- For civil society, young adults and university students are a priority target group since they have long-term potential to carry the narrative forward. Celebrities and influencers can help spread the message throughout this demographic.
- For the private sector, the objective is to translate the pathway to shared prosperity into a value-added argument and create alliances amongst businesses that support collective action.

A TOOLBOX FOR ENSURING JUST TRANSITION PATHWAYS

- A toolbox was developed by participants which highlights the critical questions that need to be considered to ensure a domestic just transition pathway from oil and gas:
 1. What policies are currently in place? What information is known about the current and future needs, including from a technological and workforce standpoint?
 2. How were existing policy documents developed? Were they country-led or donor-led? To what extent were impacted groups included in the decision-making process? Procedural and recognitional justice are key dimensions of a just transition. However, identifying legitimate stakeholders to create a jointly bottom-up and top-down approach can be a challenge.
 3. What does a just energy future look like? What does each country want to achieve and by when? Scenario-based tools can model different possible options. The back casting methodology, as used in the [Oil & Gas Transitions](#) project with Norwegian stakeholders, can help envision a just transition pathway to different energy futures.

4. Inevitably, there may be gaps in available data and existing governance structures and planning instruments. How can these gaps be addressed? What are the roles and responsibilities of different actors?
5. A robust monitoring and evaluation process should be used to track progress of the just transition pathway. Existing data sources such as national and subnational statistics may capture metrics relevant for just transitions, but other indicators may need to be developed or adapted depending on the specific sector or country. How is this information disseminated amongst stakeholders? This influences engagement and buy-in for the domestic just transition process.

Charting a route to prosperity post fossil fuels is a long-term evolving process. This first convening at Salzburg Global lays the foundations for a multiannual policy dialogue where participants can continue building trust, tackling challenges, and engaging with a range of stakeholders in this critical conversation.

More information on these key findings and how they apply to specific country contexts can be found in the international briefing as well as in the five in-country briefings produced by national researchers for Azerbaijan, Brazil, Ghana, Nigeria, and Trinidad and Tobago. The in-country briefings highlight the context-specific dilemmas and opportunities and provide actionable policy recommendations to support progress on a domestic just energy transition.

[OVERVIEW OF INTERNATIONAL
OIL AND GAS TRANSITIONS](#)

[AZERBAIJAN: CASE STUDY AND
POLICY RECOMMENDATIONS](#)

[NIGERIA: CASE STUDY AND
POLICY RECOMMENDATIONS](#)

[GHANA: CASE STUDY AND
POLICY RECOMMENDATIONS](#)

[TRINIDAD AND TOBAGO:
CASE STUDY AND POLICY
RECOMMENDATIONS](#)

[BRAZIL: CASE STUDY AND
POLICY RECOMMENDATIONS](#)