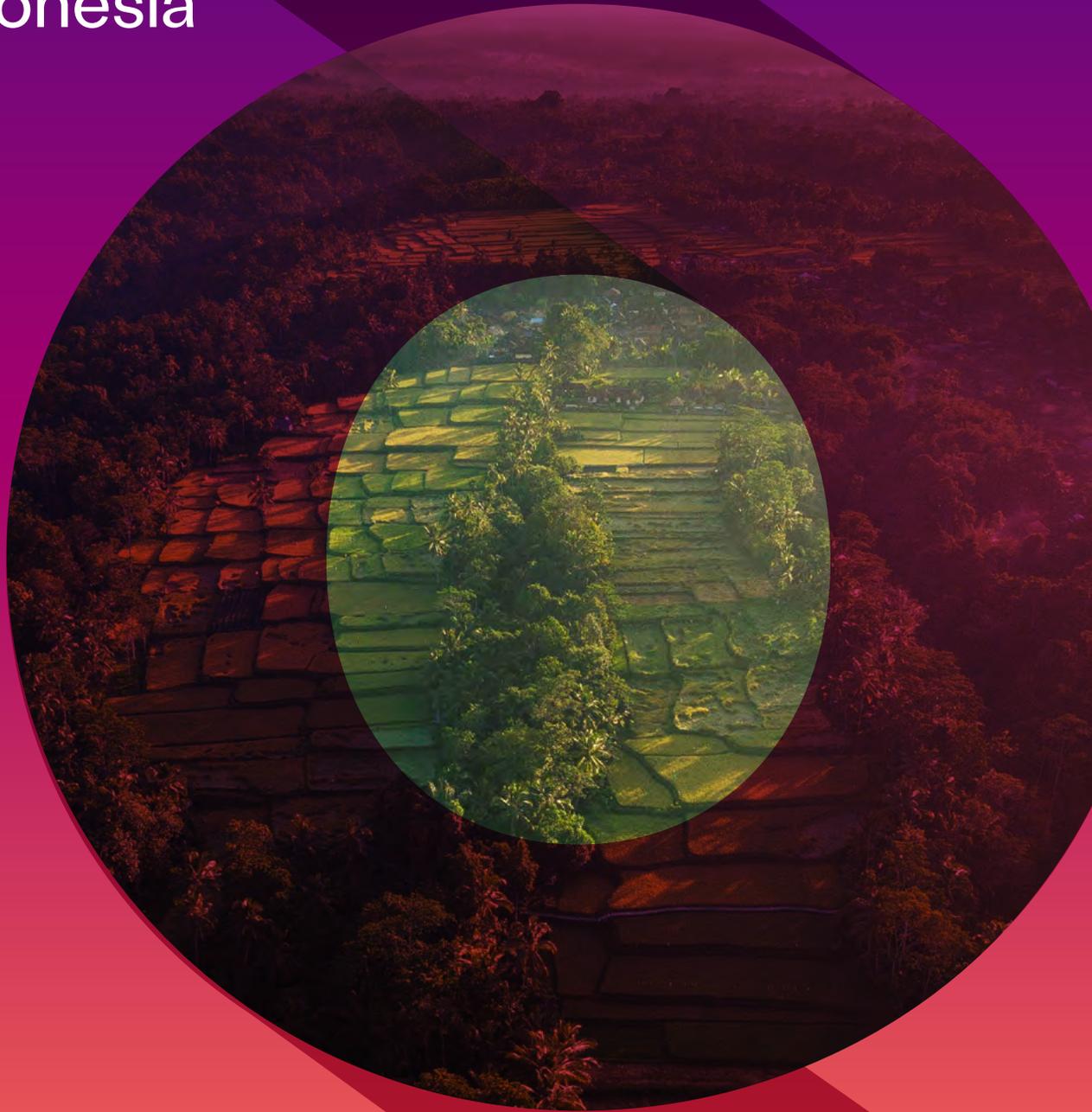


# Guidelines Advancing Just Transitions in Indonesia



## Colophon

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## Executive Summary

These *Guidelines for Advancing Just Transitions in Indonesia* are intended to help policymakers, business leaders, and civil society organisations (CSOs) to incorporate just transition principles into national and sub-national development agendas, supporting the creation of specific just transition policies. It includes a user-friendly list of actions for all stakeholders and a just transition checklist.

Given the significance of sectors like coal mining, coal-fired electricity generation and agriculture to livelihoods and the Indonesian economy, many people could be affected by efforts to reduce emissions. This challenge can be navigated by using just transition principles, which maximise opportunities while ensuring that no one is left behind.

Indonesia has committed to supporting a just transition in several national and international policies, such as the 2018 Silesia Declaration and Indonesia's 2021 Nationally Determined Contributions (NDCs). Moreover, the Ministry of Manpower has committed to address climate change and ensure a just transition (Bogor Declaration, 2019). At COP26, the Indonesian government announced a partnership with the Asian Development Bank to engage with the Energy Transition Mechanism, which is designed to support fair energy transitions in key countries. At the 2022 G20, the Just Energy Transition Partnership (JETP) between Indonesia and G7 countries was announced to mobilise an initial USD 20 billion in public and private financing for a just energy transitions in Indonesia and the Country Platform for Indonesia's Energy Transition Mechanism was launched.

### Learning from International Just Transitions

There are numerous frameworks and toolkits that provide support with planning and implementing a just transition, including stakeholder engagement (page 12). Decisionmakers engaged with planning just transitions can also learn from the experiences of other countries. While the context may not be identical, there are certain principles that remain consistent.

- **Delaying a just transition increases costs and social consequences.** The German coal industry declined rapidly starting in the 1950s, but it was not until 2018 that the government established a coal commission to support the transition. This led to increased costs and little support for those who lost their jobs early in the transition.

- **Include all stakeholders and manage competing interests.** In Alberta (Canada), local coalitions, government task forces, and funding programmes supported a transition away from coal mining from 2015 onwards. This approach included individuals, businesses, and First Nations (indigenous) groups in dialogue to plan the transition.
- **Local leadership is key.** Gothenburg (Sweden) the local municipality supported the city's transition from a shipyard centre to a knowledge-based economy. Centralised planning to restore the environment, social support, and investments in higher education supported this change.
- **Strong financial frameworks enable transitions.** In 2016, a coal-fired plant was slated for closure in Victoria (Australia). The local authority established an economic growth zone in the area to foster locally driven partnerships and incentivise investments to create almost a thousand jobs and retrain hundreds of workers.

### Principles for Ensuring a Just Transition in Indonesia

- 1. Define the scope of the transition and understand impacted stakeholders:** Stakeholders may include affected workers, impacted communities, enterprises in the value chain, and the wider public.
- 2. Develop evidence-based strategies for a just transition:** Access to reliable data is essential for developing an effective roadmap and strategy for a just transition, measuring progress, and evaluating the effectiveness of transition policies and programmes.
- 3. Design an effective governance model:** Effective, accountable and transparent management and coordination of efforts are key to ensuring fairness and inclusive participation, minimising negative economic and political impacts, and safeguarding the lives and livelihoods of the most vulnerable.
- 4. Decarbonise energy intensive industries:** Managing possible impacts on carbon-intensive sectors requires working with stakeholders across the value chain to support the shift to a low-carbon economy.
- 5. Pave the way for new opportunities:** Opportunities for positive impacts of transitions could include macro-economic benefits, such as diversifying economies or investment in low-carbon technologies.
- 6. Engage in social dialogue:** Social dialogues need to be enacted throughout the process of a just transition. This supports a more inclusive process to strike compromises between diverse

## Executive Summary

stakeholders and balance economic, social, and environmental objectives or competing interests.

### **Actions the Government can take to support a Just Transition in Indonesia**

- Establish a framework or commission to govern the just transition
- Create centralised and accessible database of affected workers to support local planning
- Develop indicators to monitor and evaluate the just transition
- Ensure policy coherence and institutional arrangements for a just transition.
- Integrate sustainable development and just transitions into macro/local economic and growth policies.
- Establish a national/regional plan strategy and fund for just transitions.
- Develop training programs, social security, and formal rights for vulnerable workers
- Promote equity and social inclusion ensuring that women, youth, and other marginalised groups have fair access to the opportunities generated in the just transition, and that inequalities are not worsened or replicated
- Enhance social dialogue at all stages of the process.
- Prepare the education system to support transition by creating or adding majors in new fields that are in accordance with the transition's direction and making universities front runners in research and technological development for the transition process.

### **Actions non-government actors can take to support a Just Transition in Indonesia**

- Raise awareness and provide guidance
- Actively share knowledge and best practices.
- Mobilise funding, support, and assistance, from international organizations and donors.
- Promote cooperation with government actors by developing, implementing and monitoring policies in accordance with national practices
- Promote positive labour provisions such as reskilling and collaborate with the government to implement tailored support for those affected.
- Enable social dialogue at all levels

### **Actions businesses can take to support a Just Transition in Indonesia**

- Create a map of those who will be affected by decarbonisation strategies, both internal and external to your business.
- Commit to respecting the rights of your employees
- Engage workers in dialogue, particularly around questions such as restructuring, decarbonisation plans, employment impacts, and the expansion of green operations.
- Make long-term business plans that integrate just transition principles
- Take action to carry out just transition plans across relevant business functions
- Partner with governments, employer organisations, regional/sectoral initiatives, and across supply chains for more coordinated action.
- Measure and report actions, challenges and impacts related to just transition

# 1. Introduction

Climate change disproportionately affects those in poverty and can exacerbate economic, gender, and other social inequalities. While generating net benefits for society, transitioning towards net zero emissions can create risks that will adversely affect workforces in sectors and regions relying on a carbon-intensive economy. Technical and economic changes that are not carefully managed through just transition policies and processes could increase localised hardship, worsen livelihood challenges and social inequality, reduce productivity, and create less-competitive markets.

The 2015 Paris Agreement highlights the imperatives of a **just transition and the creation of decent work** as essential dimensions of addressing climate change. A just transition presents many opportunities for creating decent, green jobs that can contribute significantly to poverty eradication and social inclusion, while achieving a low-carbon, environmentally sustainable economy that leaves no one behind. There is no 'one size fits all' approach to a just transition, and policies and programmes need to be designed in line with country-specific conditions. Like many other countries, Indonesia has started to formulate national plans for a just transition. While some important progress has been made, challenges still remain including translating international commitments into domestic policies and programmes, as well as ensuring their successful implementation.

These guidelines have been developed to help the government incorporate just transition principles into national and subnational development agendas,

and to help non-government actors (e.g., civil-society organisations and private businesses) shape the design and implementation of the country's just transition. They are intended as a high-level document with an emphasis on providing a conceptual understanding of the just transition, and aim to complement existing and more specific guidelines and best practices related to just transition, e.g. for investors, financial institutions and youth.

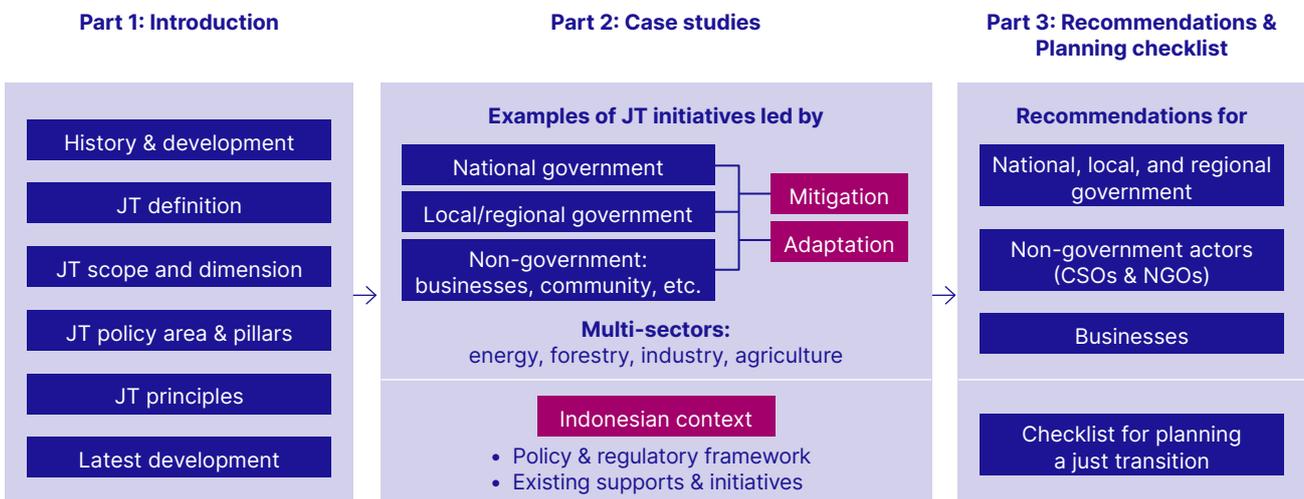
## The Structure of this Guide

The first part of this guide introduces the basic concept of the just transition and its applications. Part 2 presents case studies from around the world showcasing just transition initiatives led by national, local and regional governments and non-government actors (e.g., communities and businesses) as examples of how each stakeholder can play a role in designing and implementing a just transition. This part also offers a brief assessment of policy and regulatory frameworks relevant to just transition and a list of existing initiatives in Indonesia and support from various actors. Part 3 presents a set of recommendations for different types of stakeholders, followed by a checklist for planning a just transition. The structure and flow of these guidelines are illustrated in Figure 1.

These guidelines were developed from a desk review of relevant documents including existing guidelines and toolkits, grey literature and academic papers. Stakeholders were consulted for their feedback and input to enrich the information and finalise the document.

**Figure 1. Structure of the Guide**

Source: Author



# Part 1. The Just Transition Explained

## 1.1. History and Development

Originating as a trade-union demand, the notion of the just transition was incorporated in the 2015 Paris Agreement to signal the importance of minimising negative repercussions from climate policies and maximising their positive social impact for workers and communities. At COP24 in Katowice, Poland, 53 countries including Indonesia signed the Solidarity and Just Transition Silesia Declaration, which recognises the importance of factoring in the needs of workers and communities when shifting to a zero-carbon economy. At COP26 (2021) in Glasgow, more than 30 nations, including core coal-producing countries, signed the Just Transition Declaration. Recently, the concept of a just transition has gained traction with other stakeholders, including investors and the banking sector. Figure 2 illustrates the key just transition milestones.

## 1.2. Commonly Adopted Definitions

Use of Just Transition concepts and terminology have grown increased rapidly in recent decades. However, there is no standard definition, and the concept is not used in a universally similar manner. Debate and disagreement mostly revolve around its scope and application. The scope of the beneficiaries

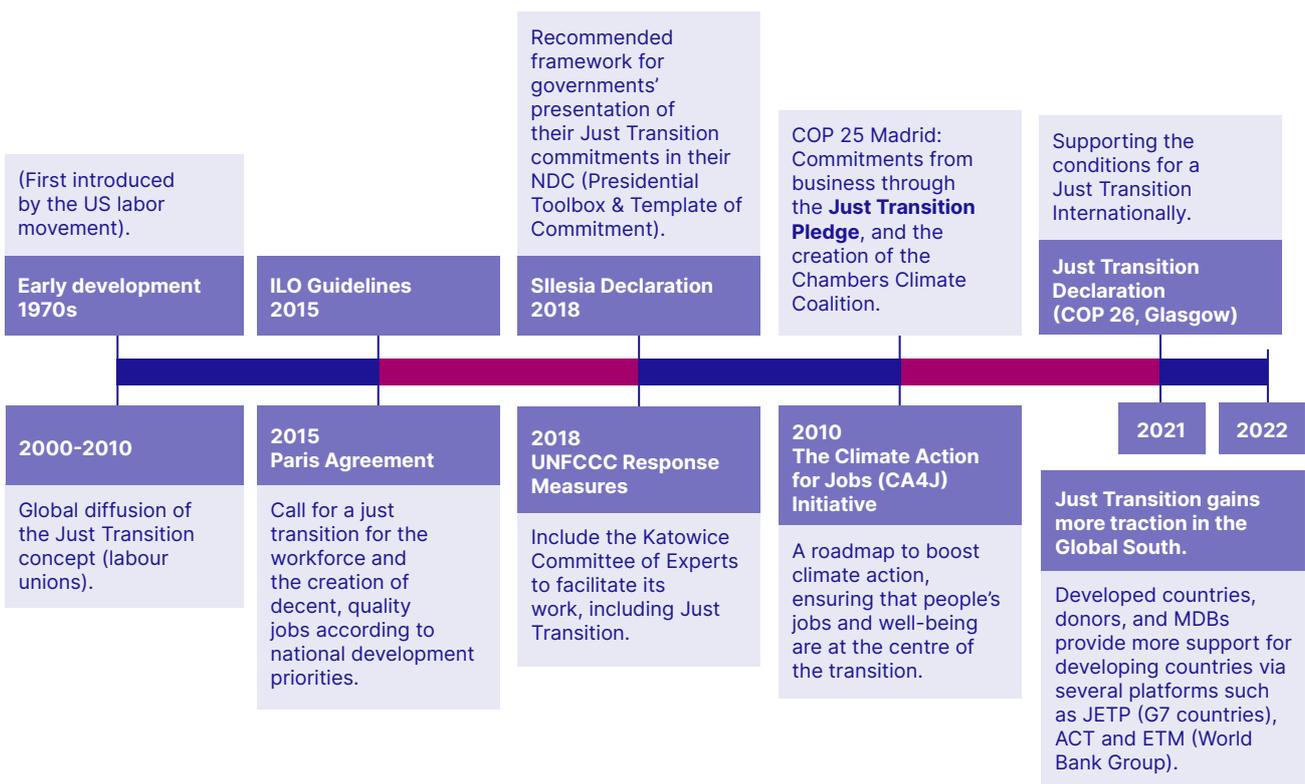
considered in a just transition can range from workers to society at large, including all directly and indirectly vulnerable stakeholders. Action for a just transition can be applied in three dimensions of transitional justice: procedural, distributive and restorative (see Table 1). For many stakeholders, the ILO's Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for All (2015) is the accepted baseline for understanding the just transition concept:

### Definition of Just Transition

A Just Transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities, and leaving no one behind. It is a process towards an environmentally sustainable economy, which “needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty” (ILO, 2015).

**Figure 2. Key historical just transition milestones**

Source: Author



## Part 1. The Just Transition Explained

**Inter- and intra-country equity.** In the past couple of years, the concept of the just transition has gained more traction across the Global South. For example, Indonesia is currently developing a country platform for its Energy Transition Mechanism. In 2022, South Africa produced its Just Transition Blueprint for Workers, and India set up a Just Transition Centre to develop knowledge, foster peer learning, and exchange best practices. With these developments, the just transition concept has broadened to include the importance of equity between countries, particularly between the Global North and South, as well as within countries. In Indonesia, the term ‘just and affordable transition’ is widely known, with ‘affordable’ geared towards equity between countries. Inter-country equity issues revolve around the urgent need to reduce greenhouse gas (GHG) emissions and the impacts of climate change, which most impact those who are least able to cope with or adapt to these changes. Many countries in the Global South contribute comparatively little to the world’s GHG emissions, and thus it is particularly important that the Global North take the lead in reducing its emissions and transitions to a lower-carbon economy.

**Indicators of a just transition.** There is currently no formal set of measurements for assessing a just transition. Given its varied impacts and the cross-cutting nature of the responses needed to address its challenges, measuring the progress of a just transition may require a diverse combination of indicators. [The European Commission’s Directorate-General Environment 2021 report, Measuring a Just Transition](#)

[in the EU in the Context of the 8th Environment Action Programme: An Assessment of Existing Indicators and Gaps at the Socio-environmental Nexus, with Suggestions for the Way Forward](#), proposes new, composite indicators, such as a transition performance index and a leave-no-one-behind index, but details of their structure and operationalisation have not yet been developed. Atteridge and Strambo (2020) suggest that indicators of the progress of just transitions should go beyond those of net job creation and regional economic growth and relate more to the types of jobs created, who has access to them, and broader community resilience and innovation levels.

### 1.3. Scope and Dimension

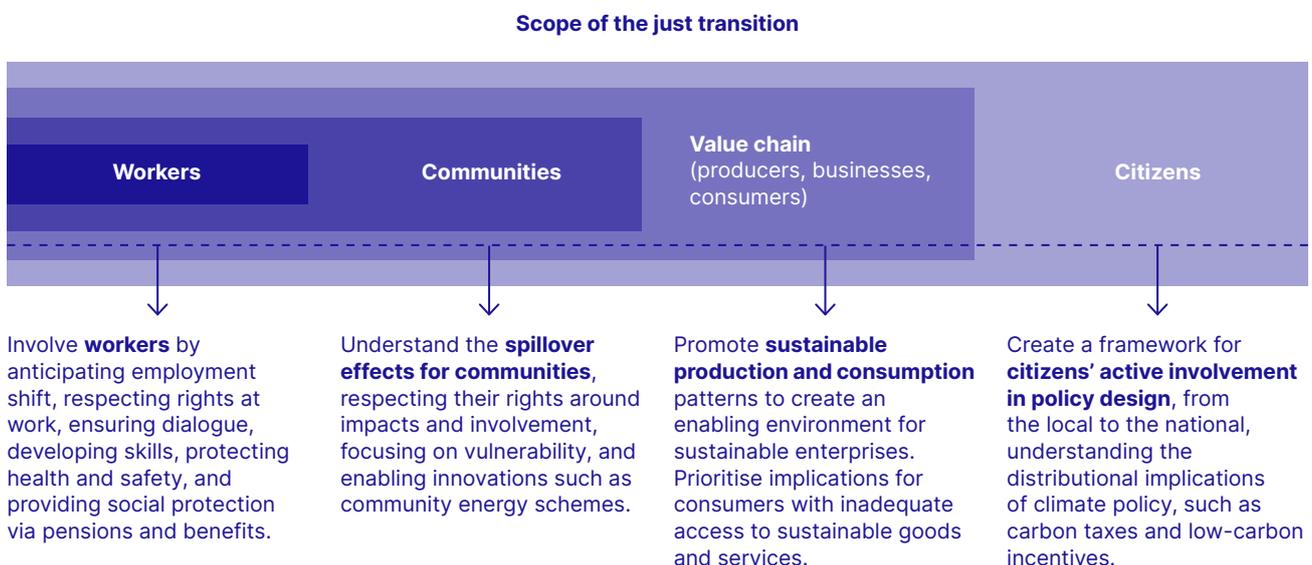
The just transition starts from the perspectives of affected workers, but its scope goes much further to include communities, value chains – consumers, producers, and businesses including small and medium enterprises – and broader citizens. A well-designed just transition needs to consider all the socio-economic aspects of emission-reduction and sustainable-development policies in order to address the overall consequences of economic change, as illustrated in Figure 3.

Building on the above, the Just Transition Research Collaborative (JTRC) identifies four approaches promoting different stakeholders, as shown in Figure 4.

The application of actions in a just transition can involve **procedural, distributive** and **restorative**

**Figure 3. Scope of the Just Transition**

Source: Author’s elaboration, based on (Robins & Rydge, 2019)



## Part 1. The Just Transition Explained

**justice.** Procedural or participatory justice focuses on facilitating an inclusive process such as participation in the decision-making process; distributive justice deals with the distribution of risks and responsibilities, addressing the direct impacts

of the transition process; and restorative justice considers the remediation of damage to individuals, communities and the environment, providing a framework for rectifying or improving such situations (Montmasson-Clair, 2021).

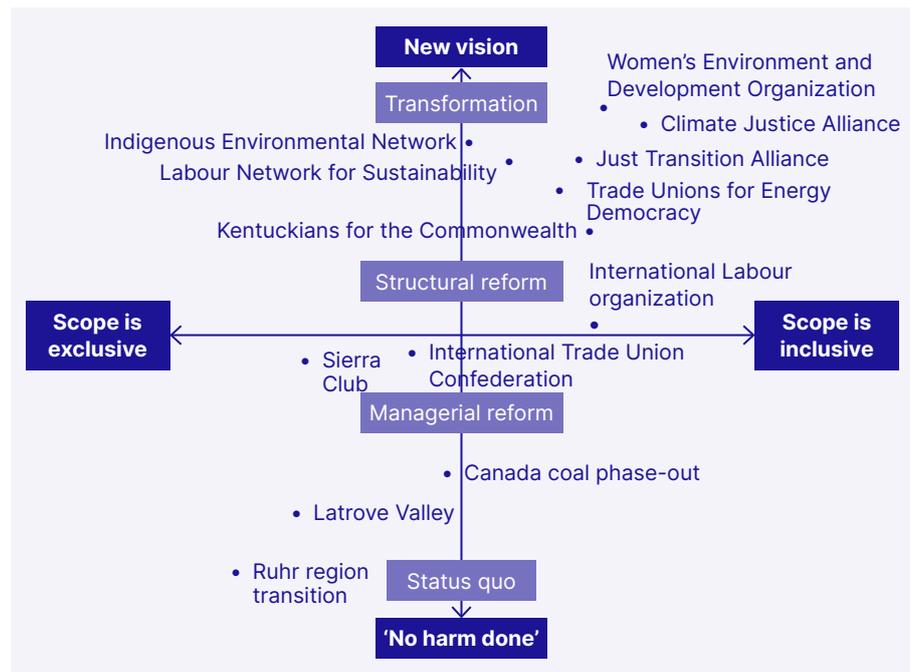
**Figure 4. Mapping the Just Transition Approach**

Source: Wuppertal Institute (2022). Just Transition Toolbox for coal regions

**Status quo transitions:** Led mainly by businesses and corporations, it focuses on the potential benefits for businesses and consumers and replacing 'old' with 'new' jobs. 'Just' is mainly understood as a transition that creates new employment, with fewer considerations of other factors.

**Managerial reform transitions** aim to accomplish greater equity and justice within the existing economic and political system. Certain rules and standards are expected to be changed and new ones can be created, but not by carrying out fundamental reforms.

**Structural reform transitions** aim to make deeper changes at the decision-making level by including more stakeholders than the traditional tripartite of dialogue partners. It calls for modified governance structures that expand citizen participation to better address inequalities and injustices.



**Transformative transitions:** In addition to deep structural reforms or overhauls of existing economic and political systems, it also promotes alternative pathways that aim to overcome problems like racism, patriarchy, and classism.

**Table 1. Dimensions of justice in just transition**

Source: (Montmasson-Clair, 2021)

Dimension	Key features	Examples
<b>Procedural</b>	<ul style="list-style-type: none"> <li>• Voice</li> <li>• Dignity and respect</li> <li>• Neutrality &amp; transparency</li> <li>• Trustworthiness</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing public engagement</li> <li>• Community/grassroots forums</li> <li>• Support for the participation of vulnerable stakeholders</li> <li>• Mix of open, direct and representative democracy</li> </ul>
<b>Distributive</b>	<ul style="list-style-type: none"> <li>• Labour market policies (passive and active)</li> <li>• Industry policy (functional and selective)</li> <li>• Social protection (contributory and non-contributory)</li> </ul>	<ul style="list-style-type: none"> <li>• Minimum wage policy, standards on working condition</li> <li>• Retraining/ reskilling and job placement schemes, voluntary early retirement package, business development support</li> <li>• Industrial finance, empowerment policies, sectoral roadmaps</li> <li>• Unemployment insurance, universal basic income, subsidies, social transfers</li> </ul>
<b>Restorative</b>	<ul style="list-style-type: none"> <li>• Socio-economic empowerment</li> <li>• Socio-cultural restoration</li> <li>• Environmental restoration</li> </ul>	<ul style="list-style-type: none"> <li>• Improved access to housing and public services</li> <li>• (Mining) land rehabilitation, environmental protection</li> <li>• Non-predatory use of land</li> <li>• Social ownership of assets</li> </ul>

## Part 1. The Just Transition Explained

Some just transition initiatives may also need to consider **inter-generational justice**, i.e. establishing the interests of future generations, especially in a planned, long-term transition that starts early. The impacts of this type of transition will be felt by the next generations of the current workers and communities, with the latter most likely retired by the time the transition takes effect.

Some vulnerable groups in the communities such as indigenous people, women, and youth have different types of needs, which, along with their voices, are often excluded or neglected. To ensure that a transition is just and inclusive, it is essential to understand and recognise the specific needs associated with changes that could occur as part of the planned transition (**recognition justice**).

### 1.4. Policy Areas and Pillars of Action

The ILO proposes three policy pillars at the foundation of a just transition: **macroeconomic and sectoral, employment, and social**. It also identifies several policy areas in which to ensure the adequate development of a political framework for a just transition at the environmental, social, and economic levels. Figure 5 presents the interactions between these policy pillars and areas for a just transition.

**Informal workers.** Much of the labour market in developing countries (Global South) is informal, and a just transition must therefore recognise the diversity of working conditions and working statuses, including those of informal workers. Strategies for engaging meaningfully with informal workers during the transition are needed. This implies expanding the concept of ‘tripartite dialogue’, promoted by organisations such as the ILO, so that all workers are represented, regardless of whether they are members of an organised labour union or not.

**Social dialogue** is a mechanism for ensuring a more inclusive process that strikes compromises to balance economic, social, and environmental objectives among stakeholders with different interests, and is therefore key to a just transition. Social dialogue takes many different forms, including bipartite (labour or trade unions and management or employers’ organisations), tripartite (governments, employers’ and workers’ organisations), or multipartite. Social dialogue activities can be used to negotiate, consult, and exchange information between parties, as described in Figure 6.

There is no ‘one size fits all’ model of social dialogue that can be readily exported from one country to

**Figure 5. The interaction between policy pillars and policy areas for a just transition**

Source: Adapted from (Ferrer Márquez, Gil, & López Maeztu, 2019)



## Part 1. The Just Transition Explained

another. Adapting social dialogue to the national situation is key to ensuring local ownership of the just transition process. Table 2 presents social dialogue guidelines and best practice that can be used as a benchmark.

**Good governance.** Governance and its mechanisms – the ways in which various actors and stakeholders interact, cooperate and participate in decision-making for the design and implementation of the transition plan – are central in a just transition.

Effective, accountable and transparent management and coordination of efforts is essential to ensure fairness and inclusive participation, minimise negative economic and political impacts, and safeguard the lives and livelihoods of the most vulnerable. The European Commission's Governance of Transitions: Design of Governance Structures and Stakeholder Engagement Processes for Coal Regions In Transition toolkit can be used as a benchmark when designing a governance mechanism.<sup>1</sup>

**Figure 6. Social dialogue activities**

Source: (AMFORI, 2020; ILO, n.d.)



**Table 2. Social dialogue guidelines and best practices**

Source: Author

Framework/ tool/ guide	Institution	Note
<a href="#">National Tripartite Social Dialogue: An ILO guide for improved governance</a>	ILO (2013)	A guide for tripartite social dialogue at the policy level in line with international labour standards and good comparative practice
<a href="#">Social Dialogue Handbook: Step-by-step Guidance</a>	AMFORI (2020)	Guidance on the implementation of social dialogues to advance the cause of women's empowerment and create gender equality
<a href="#">Social Dialogue: Finding a Common Voice</a>	ILO (n.d.)	Explanation of social dialogue, its enabling conditions and different forms, and the roles of different stakeholders.
<a href="#">Facilitating social dialogue under the OECD Guidelines for Multinational Enterprises</a>	OECD (2018)	A guide for businesses to meet social conditions in their operations and supply chains.
<a href="#">Achieving Decent Work and Inclusive Growth: the Business Case for Social Dialogue</a>	ILO & OECD (n.d.)	Provides seven key insights on social dialogue and case studies for each.

1. The toolkit can be accessed in the following link [https://ec.europa.eu/energy/sites/default/files/documents/governance\\_of\\_transitions\\_toolkit\\_-\\_platform\\_for\\_coal\\_regions\\_in\\_transition.pdf](https://ec.europa.eu/energy/sites/default/files/documents/governance_of_transitions_toolkit_-_platform_for_coal_regions_in_transition.pdf)

# Part 1. The Just Transition Explained

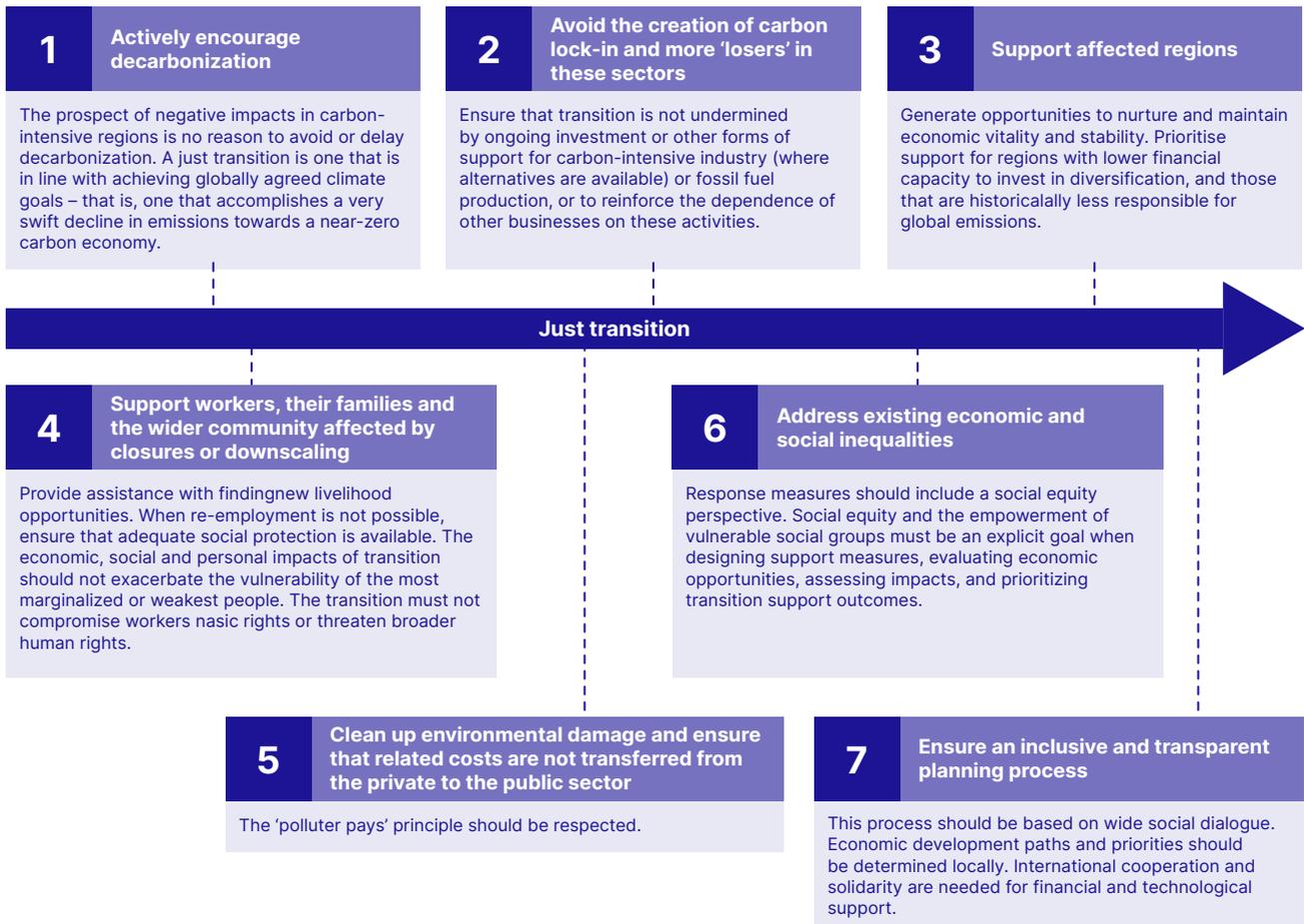
## 1.5. Principles

The principles of just transition provide a framework to make a reality out of the concept of just transition. As previously discussed under Scope and Dimension, they highlight how a just transition involves not only compensation and employment measures for

affected workers but also the broader dimensions of environmental protection and restoration, the diversification of economic activities, and socio-economic inequity and inclusion. These principles should be pursued in parallel rather than selectively (Atteridge & Strambo, 2020).

**Figure 7. The principles of just transition**

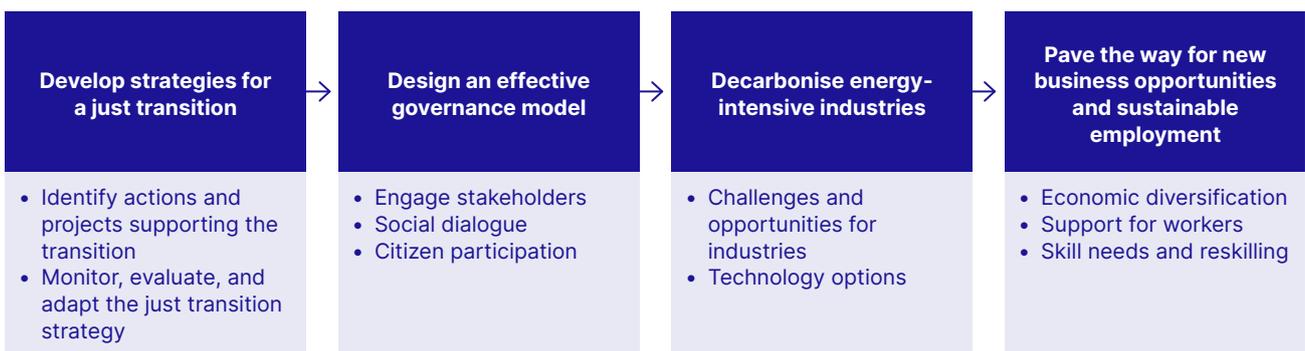
Source: (Atteridge & Strambo, 2020)



Based on its concept, principles, and pillars of action, just transition can be pursued as follows:

**Figure 8. The just transition processes**

Source: Adapted from Wuppertal Institute (2022).



## Part 1. The Just Transition Explained

**Access to reliable information.** Access to reliable data and statistics, e.g. the number of workers and companies in a specific sector that will be affected by a transition plan, is essential when developing an effective just transition roadmap and strategy, measuring its progress, and providing information about the effectiveness of transition policies and programmes. It also helps to ensure transparency and accountability in the transition process. As access to reliable data and information is often lacking in developing countries, an effort to improve data and statistical capacity is one of the preconditions for a just transition.

### 1.6. Latest Developments

Several institutions have developed frameworks, guidelines, and initiatives across multiple sectors related to just transitions. Table 3 summarises frameworks and initiatives that can be used as benchmarks when developing and/or incorporating a just transition into policies and programmes in Indonesia, including for investors, companies, and youth:

**Table 3. Existing frameworks, guides and tools for just transition**

Source: Author

Framework/ tool/ guide	Institution	Note
<b>Generic multi-sector</b>		
<a href="#">ILO's Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All</a>	ILO (2015)	Non-binding practical orientation for governments, with a user manual (see below)
<a href="#">User manual for the ILO's Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All</a>	ILO (2021)	More detailed instruction on and explanation of the 2015 ILO's Guidelines for a Just Transition
Just Transition Toolbox	CIF (2022)	Highlights common components of a typical planning process and presents resources (tools, methods, and case studies)
<a href="#">EBRD Just Transition Initiative</a>	EBRD	Support for EBRD regions affected by the green transition through available financing investment
<a href="#">EU Just Transition Mechanism</a>	EU	Single access point for JT support and knowledge including funding, regulations and initiatives
<a href="#">India Just Transition Centre</a>	iForest	Newly established platform for JT through multi-stakeholder engagement
<b>Energy sector, especially coal</b>		
<a href="#">Just Transition Toolbox for Coal Regions</a>	Wuppertal Institute (2022)	Overview of practical learning and concepts in coal transition
<a href="#">Toolkit: Transition Strategies. How to Design Effective Strategies for Coal Regions in Transition</a>	EU (2020)	Guidance on how to develop a transition strategy for coal regions
<a href="#">The World Bank's 3x3 Matrix (governance, people and communities, and infrastructure): A Tested Methodology for Coal Transition</a>	World Bank (2021)	Comprehensive framework supporting coal mine closure that has been used for case studies in Europe
<a href="#">IRENA Collaborative Framework on Just and Inclusive Energy Transitions</a>	IRENA	Under development. General principles and modalities adopted in May 2021

## Part 1. The Just Transition Explained

Framework/ tool/ guide	Institution	Note
<b>Energy sector, especially coal</b>		
<a href="#">South Africa Just Transition Blueprint for Workers for the Coal-Energy Value Chain, Agriculture, and Transport</a>	COSATU (2022)	Provides policy, collective bargaining, and other tools for unions to ensure that workers can drive the agenda of a radical transformation of the economy
<a href="#">The Global Commission on People-Centred Clean Energy Transitions</a>	IEA	Indonesia's MEMR is a member
Indonesia's Country Platform for Energy Transition Mechanism (ETM)	ADB (2022)	Under development as part of the ADB's support for Indonesia, the Philippines, and Vietnam
A Toolkit for a Just Transition with the People	ENGAGER (2021)	Guide to addressing structural injustices in a transition
<b>Investors, financial institutions, and the private sector</b>		
<a href="#">Climate Change and the Just Transition: A Guide for Investor Action</a>	Grantham Institute (2018)	Guide for investors and finance sector to incorporate JT
<a href="#">Just Transition Finance Tool for banking and investing activities</a>	ILO (2022)	Practical guidance for financial institutions on integrating Just Transition considerations into their strategies and operations
<a href="#">Just Transition: A Business Guide (From the Just Transition Centre and the B Team)</a>	ITUC (2018)	Guide for companies to ensure a just transition for the company
<a href="#">Introduction to Just Transition: A Business Brief</a>	UN Global Compact (2022)	Introduces the role of business support in a just transition
<b>Marginalised groups</b>		
<a href="#">Youth for a Just Transition: A toolkit for Youth Participation in the Just Transition Fund</a>	EU (2021)	Guide to youth participation in the EU's Just Transition Fund
<b>Other sectors: agriculture, forestry, garments &amp; textiles</b>		
<a href="#">Just Rural Transition</a>		Just transition initiatives in climate adaptation, particularly in the agriculture and forestry sectors
A 'Just Transition Toolkit' for textile and garment supply chain in Asia	ILO (2021)	Specific advice on just transition in the garment sector for social partners and industry stakeholder groups

## Part 2. Case Studies & Indonesian Context

### 2.1. Case studies from around the world

There is growing concern and interest around the world about integrating just transition principles into climate action to achieve low-carbon development while also ensuring poverty alleviation and social inclusion. Many countries have started to apply just transition principles to their climate-related interventions, policies, strategies and programmes. Just transition initiatives can be instituted as a **top-down approach** by the government with or as a **bottom-up approach**, for instance by affected workers, local organisations and private entities in the community. The case studies presented in this section show how national, regional and local governments and private businesses and actors can initiate or play a role in a just transition process.

#### 2.1.1. Just transition led by national government

##### 1. Germany: Transition from coal in the Ruhr and Lusatia regions

###### GERMANY – Energy transition (coal)

**Transition period:** 1950s - 2018

**Location:** The whole of Germany, including the Ruhr in the West and Lusatia in the East

**Coal production:** the Ruhr 123 million tonnes (1957), Lusatia 171,2 million tonnes (2017)

**Affected workers since the 1950s:** 600,000

**Transition policy:** social dialogue, funding, task force (commission), multilevel governance, infrastructure improvement, phasing out of coal mines, support for workers.

###### Key features

- **Important elements:** a clear transition vision, stakeholder engagement, social dialogue, strong government commitment, a dedicated governing body (the German Coal Commission), a financing mechanism (Just Transition Fund)
- **Scope:** mainly workers, but the local community is also considered (status quo transition)
- **Dimensions of justice:** procedural and distributive
- **Lessons learned:** prolonging transition significantly increased costs and social consequences

In the late 1950s, German coal mining was in crisis. It became cheaper to import coal rather than produce it domestically, and nuclear power plants were becoming more common. The government subsidised the more expensive domestic coal to keep mines operational, but it was a case of managing a decline rather than enabling a transition. Over the next 60 years, the number of people working in coal mining fell from just over 600,000 to around 15,000. As the climate crisis intensifies, coal phaseouts have become an essential means of reducing national GHG emissions, posing a new threat to the region and creating another wave of industrial change.

To manage the transition, the federal government launched the German Coal Commission consisting of federal and regional government officials, unions, and industry representatives. The Commission organised dialogues on the vision of transition – how a socially acceptable phaseout of coal would look – and on policies for the workers, offering financial and logistical support, training programmes and career advice. The result was a commitment to phasing out lignite by 2038 and setting up a dedicated €40 billion Just Transition Fund that includes the Lusatia region.

The German example highlights the importance of a clear vision of a transition, strong stakeholder engagement, social dialogue, effective coordination via an institutionalised body – the German Coal Commission – strong government commitment and a dedicated financing mechanism, the Just Transition Fund. The scope of the transition is mainly workers, although communities are also considered. In this way, it falls into the category of a status quo transition.

This case saw the adoption of procedural and distributive justice through the active participation of various stakeholders including the affected workers in dialogue on the design of a transition mechanism and type of support for them. Despite many positive outcomes, this case also shows that prolonging the coal transition and planning it reactively rather than proactively can have huge financial and social consequences. In addition to the money the government spent on subsidising domestic coal for decades, the economic performance of Germany's coal regions is lower than that of the rest of the country, and many people living in these areas feel disconnected.

## Part 2. Case Studies & Indonesian Context

### 2. Canada: Transition from fossil fuels in Alberta

#### **CANADA – Energy transition (fossil fuels)**

**Transition period:** 2018 - present

**Location:** across Canada, including Alberta province

**Coal production:** 25 - 30 million tons (Alberta)

**Affected workers:** 3100 (Alberta in 2017)

**Transition policy:** commitment to phasing out coal, Just Transition Task Force, federal budget for transition initiatives, training support and skills enhancement programme, early retirement for older workers, access to business loans, investment in clean technology development and deployment

#### **Key features**

- **Important elements:** political will, government commitment, stakeholder engagement, social dialogue, citizen participation, a dedicated governing body, a financing mechanism
- **Scope:** workers, local communities, businesses (value chain) - managerial/ structural reform transitions
- **Dimensions of justice:** procedural, distributive, and restorative

Alberta is a Canadian province rich in natural gas, coal, minerals, oil, and the famous oil sands or tar sands that elicited a modern-day gold rush in the 1970s as the worldwide oil crisis brought investment into the region. In 2018, Canada announced its commitment to phasing out coal-based electricity by 2030, which will reduce its total CO<sub>2</sub> emissions by roughly 10 per cent. The plan was supported by both the Conservative and the Liberal Parties due to the impact of coal on both the environment and health, as well as coal-based power generation's decline.

In 2015, long before the federal government announced its plans, the New Democratic Party (NDP) in Alberta had ambitious ideas about pushing forward a just transition by decarbonising the ageing and expensive coal sector. The NDP published its Climate Leadership Plan to phase out coal-powered electricity, which led to the establishment of the Coal Transition Coalition representing the voices of affected workers. Simultaneously, the government established a dedicated Coal Community Transition

Fund for communities and coal workers (Coal Workforce Transition Program).

Workers in Alberta's oil sands were determined to play a part in creating a positive future for themselves and their families. They created a four-pillared approach involving collaboration, vision, training and advocacy to support transition policies. They developed projects and programmes for upskilling and sought to retrofit, repurpose and reuse fossil-fuel-generating facilities as green energy facilities wherever possible. Alberta's transition process is one of the most comprehensive policy packages for implementing a just transition, and the national government has taken it as a model for further just transitions.

In 2018, the Canadian government established the Task Force for Just Transition for Canadian Coal Power Workers and Communities to investigate the possible impacts of a coal transition and make recommendations about supporting affected workers and communities. Subsequently, using the 2018 federal budget, it set up the CAD35 million Canada Coal Transition Initiative (CCTI), a five-year strategic fund to support skills development and economic diversification to assist workers and communities adapting to a green economy. This can be viewed as scaling-up Alberta's energy transition to the national level.

The Canadian example emphasises the inclusion of all scopes and dimensions of the just transition including procedural, distributive, and restorative justice. The transition aimed to support not only the affected workers but also businesses and broader communities, including Canada's First Nations. Stakeholders beyond the tripartite dialogue partners were actively involved and participated in the entire transition process, showing strong social dialogue and the adoption of procedural justice. The big lesson from this case was that the government initially failed to recognise that business interests and workers' interests were not necessarily aligned. Balancing the needs of different stakeholders and managing the timing to fulfil them is essential. In Canada's case, once the companies received their payout from the government, the unions and workers lost their leverage in the negotiations and planning.

## Part 2. Case Studies & Indonesian Context

### 2.1.2. Just transition led by Local Government

#### 3. Sweden & USA: Regeneration transition towards a knowledge-based economy

##### **SWEDEN & USA – Transition from heavy industry to a knowledge-based economy**

**Transition period:** 1970s

**Location:** Gothenburg and Pittsburgh

**Affected workers:** 45,000 (Gothenburg), 133,000 - 200,000 (Pittsburgh)

**Transition policy:** shipyard site regeneration, social protection (Gothenburg); shifting towards a knowledge-based economy (both)

##### **Key features**

- **Important elements:** local leadership and stakeholder engagement in managing existing assets and networks
- **Scope:** workers and local communities (Gothenburg) – structural reform transition; workers (Pittsburgh) – status quo transition
- **Dimensions of justice:** procedural and restorative (Gothenburg); restorative (Pittsburgh).

Gothenburg's shipyard, the world's biggest in the 1930s, suffered a demise in the 1970s with an estimated loss of 45,000 jobs. The city took a top-down approach to the loss, as the state and Gothenburg municipality bought the abandoned yard to regenerate it. Shipyard workers found new work in the car industry, and a robust social security network helped to facilitate the workers' transition. The site was gradually rebuilt and repurposed to house a branch of the Chalmers University of Technology, and the city's identity shifted towards a knowledge-based economy that attracted tech companies. The regenerated shipyard became a habitable urban landscape with flats, parks and offices. The transition was heavily steered by the municipality, and built on the consensus of all the political parties.

On the other side of the world, Pittsburgh 'the Steel City', was collapsing with an estimated loss of 133,000 jobs in the city and over 200,000 regionally, causing a debt crisis and the migration of up to one-third of its population. With no social security system, the city had a rockier transition than Gothenburg. In the absence of help from the federal government, local philanthropic foundations, university leaders

and local government stepped in to mitigate the damage. The city was transformed into a knowledge-based economy through investment in universities and medical centres such as the University of Pennsylvania and Carnegie Mellon University. The transition was a gradual process of collaboration, involving different stakeholders rather than a centralised planned effort. It emphasised improving environmental conditions in the city such as by cleaning up the rivers and creating recreation areas in place of the industrial landscape.

Both cases highlight the importance of local leadership and stakeholder engagement in managing existing assets and networks. They demonstrate the use of restorative justice, with both cities focusing on improving environmental conditions after the collapse of heavy industries. The Swedish example showcases stronger procedural justice due to stakeholder engagement and social dialogue compared to Pittsburgh. In Pittsburgh, engagement with the general public was not the main consideration, and retaining jobs and building new industries became local leadership's primary focus. In Gothenburg, the scope of the transition included affected workers and local communities, while the approach in Pittsburgh created or even exacerbated inequality and racial injustice.

#### 4. Australia: Transition from coal.

##### **AUSTRALIA – Energy sector (coal)**

**Transition period:** 2016 to present

**Location:** Latrobe Valley, Victoria

**Coal production:** 57,8 million tonnes (2013–2014)

**Affected workers:** 750 (2016)

**Transition policy:** Retraining, financial assistance for affected workers, worker transfer schemes, establishment of task forces, special economic zones

##### **Key features**

- **Important elements:** stakeholder engagement and social dialogue, a dedicated governing body, a financing mechanism, government commitment
- **Scope:** workers, communities, businesses, the value chain
- **Dimensions of justice:** procedural, distributive, and restorative

## Part 2. Case Studies & Indonesian Context

Coal dominates Australia's primary energy consumption, but the country has closed some of its coal power plants in the past decade and plans to source most of its national electricity supply from renewables in the future. It has set up various incentives through the Large-scale Renewable Energy Target and Small-scale Renewable Energy Scheme, a plan that initially faced opposition from coal workers, unions, and the communities involved. In 2016, for example, Engie, a multinational utility company, planned to close the Hazelwood mine and power station in the Latrobe Valley, Victoria as a part of the company's plan to shift to renewable energy.

In response, the government of Victoria established the Latrobe Valley Authority to foster a just transition. It is rooted in a bottom-up approach based on a locally-driven partnership with flexible funding and operational agreements with existing structures, such as labour unions and training organisations. The Authority established an economic growth zone, with incentives including a back-to-work scheme with payments to employers for taking on unemployed people, and incentives for new investment. Two dedicated funds were set up to provide support for businesses and jobs along the value chain that have been affected by the mine closures.

This case shows the dimensions of procedural and distributive justice, with strong engagement and social dialogue with various stakeholders used to design and implement the transition. A strong institutional framework and financial mechanism were also key components in the Australian case. Through the initiatives managed by the Latrobe Valley Authority, 962 jobs were created in 29 businesses, 852 people were retrained and employed through worker transfer schemes, and 86 business projects had government fees and charges reimbursed as of 2019. This case also highlights restorative justice. Facilities and services for energy production and consumption were improved. Funding was provided for 136 community projects to upgrade facilities and hold events, 1,430 workers and families were supported with transition services and advice, and more than 1,000 homes were retrofitted with energy efficiency upgrades and solar power.

### 2.1.3. Just Transition led by Investors, Labour Unions, Businesses and Communities

#### 5. The role of the investor

##### USA: Engaging with utility companies in North America

**Transition period:** 2018 - present

**Location:** North America

**Transition initiatives:** corporate engagement with investors to plan a just transition

##### Key features

- **Important elements:** corporate engagement enhanced investment for a just transition and drove improved practice
- **Scope:** workers and communities
- **Dimensions of justice:** procedural and distributive

On behalf of its institutional investor clients the Shareholder Association for Research and Education (SHARE) has approached four utility companies that are planning to close their coal-fired generating facilities in North America to inquire about their strategies for a just transition and asked them to discuss potential measures to mitigate the economic and social impacts of their closure and to engage in social dialogue with workers' representatives, local government, indigenous groups and other stakeholders.

SHARE's engagement process starts with research on transition plans, followed by consultation with labour unions and company officials to assess the potential economic impacts on workers and local communities, and alternative investment. Some of the key factors considered are new employment opportunities and/or preferential hiring at new facilities or operations that the company develops in the area; associated retraining and skills development; advocacy with local government; community benefit agreements; and transition funding where appropriate.

Investors can play a powerful role by generating a better understanding of corporate involvement in a just transition and driving improved practices. As asset owners and managers, they can help to shape the behaviour of boards of directors, with the just transition providing a useful way of communicating the importance of a joined-up approach to environmental, social, and governance factors.

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### 6. Germany: Labour-union-led transition in Schweinfurt

Germany's old industrial city of Schweinfurt has approximately 50,000 inhabitants and a strong automotive industry. The city has faced the challenge of decarbonisation with the accompanying structural changes affecting lives and working conditions. Responding to these challenges, in 2016 two labour unions, the Bavarian Metalworkers' Union, (IG Metall) and Friends of the Earth in Bavaria (BUND), collaborated on a project to create social and ecological industrial policy for the Schweinfurt area.

The project is expected to consider new regional mobility concepts and climate-friendly mobility options. Mobility days have been organised in Schweinfurt with the local utility company, the council of local automotive companies, and their management to encourage employees to use public transport and to develop the possibilities for improving public transport.

#### GERMANY – Schweinfurt's Automotive Industry

**Transition period:** 2016

**Location:** Schweinfurt

**Inhabitants:** 50,000

**Transition initiatives:** The provision of regional mobility options and a community-level initiative to create a social and ecological industrial policy

#### Key features

- **Important elements:** the influence of community groups on the creation of a social and ecological industrial policy for a just transition in the area
- **Scope:** workers and communities
- **Dimensions of justice:** procedural, distributive and restorative

Although the initiative is still in the making, it shows the labour unions taking the lead by proactively designing a just transition that considers the needs of the affected workers and local society. The labour union and citizens' participation demonstrate a strong procedural justice dimension. This community-led transition project is likely to create a far bigger impact and to have a greater possibility of implementation with local government support and intervention.

### 2.1.4. Other case studies

A growing number of publications on previous just transitions provide useful examples from which to learn. A large majority explore the transition in the energy, particularly coal, sector. However, examples in other sectors including industry and agriculture can also be found. Most of the documented case studies are in the Global North, although there are a few examples from the Global South, and with the recent development of just transition in developing countries such publications from the Global South are expected to increase. Annexe 1 provides further references that synthesise information on past transitions.

## 2.2. Just Transitions in the Indonesian Context

This section covers some of the key points and updates on Indonesia's journey towards a just transition, including the relevant policy and regulatory frameworks, several initiatives, and support from donors, research institutions and NGOs.

### 2.2.1. Policy Documents

#### Indonesia is a signatory to the 2018 Silesia Declaration

demonstrating its commitment to a just and equitable transition. Although limited in number, **several policy documents have already addressed just transition principles.** In its Updated Nationally Determined Contributions (NDC) 2021, the government reveals four critical components of the transition. Furthermore, the 2050 Long Term Strategy: Low Carbon & Climate Resilience (LTS-LCCR) document presents an intervention plan to address just transition issues. Just transition principles are identified as a cross-cutting approach in these two documents applied to all priority sectors for mitigation and adaptation.

#### Just Transition in Indonesia's policy documents Updated NDC, 2021:

'Capacity-building programs and activities on climate change are among a number of approaches to address just transition and decent work issues in mitigation and adaptation, including gender and inter-generational needs as well as the needs of vulnerable groups.' (p. 19).

#### Long Term Strategy: Low Carbon & Climate Resilience (LTS-LCCR), 2021:

'Just transition issues will be addressed in synergy with ongoing transition in the government's development priorities.' (p. 16).

#### Low Carbon Development Initiatives (LCDIs), 2021

'... targeted policies and investments are crucial to support a just transition and ensure that no one is left behind' ... 'Some of that revenue will be needed for social protection programs and other investments to ensure a just transition...' (pp. 47 and 53).

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**The Ministry of Manpower issued the Bogor Declaration in 2019, a tripartite commitment to respond to climate change and secure a just transition.** Government, employer and labour union representatives highlighted the importance of considering workers' rights in climate action, and agreed on four main points: principles for decent work and sustainable business; prioritisation of the Just Transition scheme in mitigation and adaptation policies; increased access to various sources of funding to protect the environment with a focus on tripartism; and the participation of the Tripartite Manpower element in various discussions on climate change-related activities.

### 2.2.2. Progress Update

#### Understanding and implementation of just transitions

- Just Transition has become increasingly popular in 2022. This is a change from few years ago, when it was little known by key policymakers. With Indonesia serving as the G20's chair in 2022, major policy forums are currently focused on achieving an inclusive and just transition with a special emphasis on the energy sector. Many governmental and non-governmental organisations, as well as the private sector, have been prompted by Indonesia's G20 presidency to launch new initiatives and align their strategic actions and programs with the transition agenda.<sup>2</sup>
  - Indonesia's just transition **has gradually moved away from securing international commitments toward the design and planning the transition**, which includes establishing the enabling conditions. However, the majority of stakeholders refer to it as a **"just energy transition," exclusively in the context of the energy sector**. Other sectors have not formally adopted just transition in their approach to mitigating and adapting to climate change, despite the fact that it can be applied broadly. Reflecting on positive developments in the energy sector, just transitions need to be incorporated into other priority sectors under the NDC.<sup>3</sup>
  - The actual transition in the energy sector itself has not yet taken place, although it is projected to happen in the coming years. **Just transition is still primarily a national level discussion and planning issue**. Although there is a growing
- understanding of just transition at the sub-national level (provincial and district), planning for a transition (e.g., identification of alternative revenue for local government, new economic activities for nearby communities and workers who may be affected, potential programs to support affected communities and workers during the transition process, etc.) is still very limited, and the urgency for a transition is still difficult to discern.

#### New Initiatives and development

- **The Coalition of Finance Ministers for Climate Action** emphasizes the importance of mainstreaming climate concerns into economic and financial policy, and stresses the vital role of finance ministries in addressing the climate crisis. This includes Indonesia's Ministry of Finance as an active member. Within the Ministry, the phrase "just and inexpensive transition" is commonly used today, particularly when addressing inter-country equity (between Global North and the Global South).
- **The Ministry of Energy and Mineral Resources joined the IEA Global Commission on People-Centred Clean Energy Transitions** in 2021. This commission examines questions of affordability and fairness as well as the social and economic impacts of clean energy transitions on people and communities.
- **To create an Energy Transition Mechanism, the Indonesian government partnered with the Asian Development Bank at COP 26. (ETM)**. This initiative quickly developed into an Indonesian just-transition development platform within one year. Indonesia's ETM Country Platform (ETM-CP) was launched in 2022 in conjunction with the country's G20 presidency. The ETM-CP is designed to serve as a framework for the mobilisation of various types of funding to enable it to upgrade the energy infrastructure and accelerate the clean energy transition to net zero emissions in a just and affordable way.
- In addition to **the ETM-CP, the G20 summit in November 2022 saw the announcement of the Just Energy Transition Partnership (JETP) between Indonesia and the G7 nations**. To support the achievement of future ambitious climate and energy targets, this partnership's overall goal is to mobilise an initial USD 20 billion in public and

2. Several companies such as the state-owned electricity company and state-owned coal mining companies have started to set up new unit to prepare for an energy transition such as renewable energy division or product diversification.

3. The Indonesian NDC identified five priority sectors for mitigation, namely energy, forestry and land use, agriculture, waste, and Industrial Processes and Product Use (IPPU).

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private financing over a three- to five-year period using a combination of grants, concessional loans, market-rate loans, guarantees, and private investment (Dlouhy and Sink, 2022; Jong, 2022; European Commission, 2022). The launch of Indonesia's JETP built on the momentum created by the other JETPs at COP27 in Egypt, which included the advancement of South Africa's JETP and a promise to begin a new JETP with Vietnam.

### Framework and management systems

- The Indonesian Updated NDC in 2021 and 2050 LTS-LCCR identifies just transition principles as a cross-cutting approach, applicable to all priority sectors for mitigation and adaptation. However, **there is currently no institutional or financial framework in place for a thorough (cross-sectoral) just transition.** Given the recent developments in the energy sector, where the government is working to establish a framework for a just energy transition, **a just transition's approach is likely to be sector-based rather than an all-encompassing change to the economy.** It does not, however, exclude the idea that the country may create a thorough just transition commission for a single economy-wide transformation, similar to what South Africa did.<sup>4</sup>
- In order to plan for a just transition, **reliable data must be available and accessible.** At the moment, this is lacking. Just transition planning is less likely to be successful without (accurate) data. There is currently no one entity that could offer accurate information on the number of workers that would be affected by a coal/energy transition. For instance, various organizations that keep track of the number of coal employees reported varying numbers. Furthermore, because certain organizations rely on voluntary reporting by the companies, the credibility of these statistics is questionable. Additionally, obtaining access to data is not an easy and straightforward process because the request process is difficult and the turnaround time is lengthy.
- It is still necessary to develop **indicators for monitoring, reporting, and verification (MRV) mechanisms for a just transition in Indonesia.** Indicators of just transitions' progress should ideally go beyond net job creation and regional economic growth. A variety of indicators from

several issue areas may need to be established to measure progress and achievement of a just transition due to the cross-cutting nature of transitions. According to Atteridge and Strambo (2020), indicators should focus on the types of jobs that are created, who has access to them, and the levels of innovation and resilience in the broader community.

### Coordination among stakeholders

- Many actors, including donors, continue to view **staff rotation and a lack of coordination across government agencies and divisions within an agency as one of the major obstacles to developing a successful just transition strategy.** In order to promote synergy, it is imperative that government entities with responsibility for workers, the informal economy, women, and marginalized groups—such as the Ministry of Manpower, the Ministry of Women Empowerment and Child Protection, and the Ministry of Tourism and Creative Economy—be significantly more involved in the development of Indonesia's just transition plan.
- **The current Ministry of Manpower programs, such as the Employment and Social Security Program of BPJS and the Triple Skilling Programme (skilling, up-skilling, and re-skilling), can be used to support various just transition action plans** in Indonesia, including those in the energy sector, with improved inter-ministerial coordination. The impacted workers and communities may benefit from the vocational training program run by Indonesia's vocational schools (Balai Latihan Kerja or BLK), which can assist them in developing new skills and transitioning to different job markets. The efficiency of the program would be improved by cooperation the private sector where workers are being projected to find new jobs.

### Inter-generational justice consideration

- In addition, a just transition must also consider future workers (the current generation who are still in school and will enter the future labor market). Therefore, it is essential to **make adjustments in the direction of the current curricula for higher education as well as for vocational high schools in order to guarantee that the next generation will have decent jobs that are aligned with the**

4. For comparison, in South Africa, the government has prepared a [just transition framework](#) which sets out guiding principles, and key policy actions, among others. Subsequently, sector-based transition strategies are also being developed, even though currently it is still limited to the energy sector.

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**direction of the future labor market.** Universities and vocational high schools should start providing more courses on clean and renewable energy, for instance, and train their faculty members to teach these subjects.<sup>5</sup>

### Labour union

- The **Confederation of All Indonesian Trade Unions (Konfederasi Serikat Buruh Seluruh Indonesia, or KSBSI), has been actively pushing for just transitions.** The KSBSI and its ten affiliated confederations petitioned the government in 2021 through the Ministry of Manpower, requesting the creation of a tripartite or tripartite-plus just-transition committee with at least representatives from the government, industry, and trade unions; the creation of a special unit at the Ministry of Manpower for just transition issues; and an active role on the part of the Ministry to promote bipartite dialogue in the workplace to reduce labour disputes.

### 2.2.3. Financing Just Transitions in Indonesia

- In order to ensure that a planned transition would be just, equitable, and inclusive, many stakeholders have emphasised the importance of addressing social aspects in addition to environmental and economic factors. In comparison to the technical and market parts of transition, such as developing technologies and infrastructures for new and renewable energy, **the financing needs for the social components of just transition are typically underdeveloped.**<sup>6</sup>
- Because switching from coal to clean energy was declared a national priority, the energy sector also receives the vast majority of donor support (e.g., the Energy Transition Mechanism supported by the Asian Development Bank for the phase-out of the coal-fired power plants, the Just Energy Transition Partnership or JETP from IPG of G-7 countries and GFANZ members, and the Coal Asia Platform of the World Banks). **Indonesia's recently established country platform for the Energy Transition Mechanism (ETM-CP) is a leading initiative for financing the nation's just transition** (See Annexe 2).
- Indonesia is expected to spend **USD 4,195 million under the Climate Investment Funds (CIF) Accelerating Coal Transition (ACT) Program,** which is built on the three pillars of: governance, people and communities, and infrastructure, for a just energy transition, focusing on the closure and repurposing of coal-fired power plants.<sup>7</sup>
- **A dedicated, formal coordinating body (such as a just transition commission) is required to coordinate and record all support from governmental and non-governmental actors,** in light of the recent increase in enthusiasm from diverse actors, including donors and investors, to contribute to a just transition process in the energy sector. This entity, which would serve as a point of contact for all partners willing to support the just energy transition plan, might be incorporated into the ETM Country Platform. To reduce overlap or duplication of effort and to optimise synergy among various initiatives, it should also map out (e.g., establish a database) all partners with their activities (both current and future plans).
- Many donors are still planning their prospective support for Indonesia's just energy transition agenda at this moment. For the coordinating body to effectively communicate with and deliver messages to multiple audiences, including donors and development partners, it would be beneficial to have **a defined communication plan.** The plan should outline specific activities (to address the many social, economic, and environmental components of transition), their implementation schedules, any funding or capacity gaps, and the types of support required from prospective donors and partners.
- **Donors should focus on the following areas to support Indonesia's just transition agenda:**
  - Providing technical support for developing and improving a national framework and governing body for a just transition (e.g. under ETM country platform or just transition commissions)
  - Creating accessible databases, specifically to document workers who might be impacted by a transition (direct, indirect, current, and future workers by sector and sub-sector)

5. Currently, there is a very small number of higher educations in Indonesia that has a program in renewable or clean energy. Programs in the extractive industry such as mining and petroleum (oil and gas) are much more established still quite popular.

6. For example, the Indonesian government has come up with a cost estimation to achieve its NDC target of USD 365 billion to reduce 29% of its carbon emissions by 2030, or USD 479 billion for a 41% reduction of carbon emissions by 2030 (BBC, 2021; Green Growth, 2021). The government budget will only cover 34% of the estimated total costs and is planning to close the financing gap through various mechanisms, particularly through private sector participation.

7. The proposed investment plan for just energy transition focusing on phasing down Indonesia's CFPP and development of renewable energy is available at [https://fiskal.kemenkeu.go.id/docs/CIF-INDONESIA\\_ACT\\_IP-Proposal.pdf](https://fiskal.kemenkeu.go.id/docs/CIF-INDONESIA_ACT_IP-Proposal.pdf)

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- Supplying tailored, focused technical assistance for the provincial and district governments to map out and identify new economic activities, alternative income sources, and avenues of support for communities and employees during the transition.
- Building the capacity of key stakeholders (local and national), for example, through knowledge sharing and short courses (domestically and internationally).
- Assistance in adjusting educational programs for future generations by collaborating with universities and technical colleges, especially on new subjects (sectors to transition into), such as renewable/clean energy.

### 2.2.4. Sectoral Relevance

**Just transition elements have been considered, although only implicitly, in the sectoral policy landscape.** Mitigation efforts in the energy sector have focused on accelerating the implementation of renewable energy and increasing energy efficiency, but details of labour-related programmes remain limited. In the forestry sector, various initiatives involving communities have been implemented, but similarly these do not specifically address the just transition. Table 4 presents several elements of sectoral policies, programmes and regulations that consider social inclusion and inequality and which can be enhanced to ensure a just transition in Indonesia.

**Table 4. Policies, programmes and regulations that include social inclusion and inequality**

Source: Author

Sector	Elements of policies, programmes and regulations that include social inclusion and inequality
Energy	<ul style="list-style-type: none"> <li>• The National Energy Plan or Rencana Umum Energi Nasional (RUEN) of 2017 implicitly addresses JT under justice (Art. 1), employment (Art. 6.h &amp; Art. 7), social impact, and worker safety (Art. 19).</li> <li>• Distribution of electricity sources such as solar panels to local communities for communities without access to clean energy.</li> <li>• Energy management and energy auditor skill certification programme (labour skill transition).</li> <li>• Requirements of local content in the Draft Laws of new and renewable energy.</li> <li>• Ministerial decree on guidelines for companies in implementing community development and empowerment programmes both during mining and post-mining.</li> </ul>
Forestry and land use	<ul style="list-style-type: none"> <li>• Several programs involve communities in the forestry protection efforts such as Program Kampung Iklim, Hutan Desa, Masyarakat Peduli Api, and Desa Peduli Gambut.</li> <li>• REDD+ and PES programmes involve local and indigenous communities.</li> <li>• HR requirement on Presidential Instruction (3/2020) to improve forest and land fire control.</li> <li>• Various forest-fire control organisations including Manggala Agni and Brigade Pengendalian Kebakaran Hutan dan Lahan offer empowerment and partnership programmes.</li> </ul>
Industrial Processes and Product Use (IPPU)	<ul style="list-style-type: none"> <li>• Development of green industry, e.g. Law No. 3/2014 specifies requirements for the green industry.</li> <li>• Provision of fiscal (e.g. tax) and non-fiscal (e.g. award) incentives to promote green industry, encouraging the creation of more employment opportunities.</li> <li>• Requirement on local/domestic content, regulated by Law No. 3/2014 on Industry, Law No. 11/2020 on Job Creation, Government Regulation No. 29/2018 and Ministry of Industry Regulation No. 54/2012 jo. 05/2017.</li> <li>• One Village One Product to facilitate the development and utilisation of community creativity and innovation, empowering local wisdoms through the development of small and medium industries.</li> </ul>
Waste	<ul style="list-style-type: none"> <li>• The Waste Bank programme includes community participation and people's potential income generators.</li> <li>• Collaborative work with the energy sector to produce energy from waste.</li> <li>• Laws No. 18/2008 provides incentives to reduce waste, and compensation for communities negatively impacted by waste management.</li> </ul>
Agriculture	<ul style="list-style-type: none"> <li>• Climate-smart agriculture practices and initiatives at different sites across Indonesia, e.g. Climate shelter or Saung Iklim for smallholder farmers.</li> <li>• Sustainable and inclusive agriculture value chain development for farmers' cooperatives and marginalised women farmers.</li> </ul>

## Part 3. Recommendations

### 3.1. For National and Local Governments

#### Macroeconomic and sectoral pillar (social and economic development)

##### Ensure policy coherence and institutional arrangements for a just transition:

1. Align national and local development plans and programmes (NDC, LTS-LCCR, RAN/RAD-GRK, RAN/RAD-API) with commitment to climate action.
2. Integrate provisions for a just transition into national and local development agendas
3. Mainstream sustainable development across all areas, including cooperation and coordination between employment authorities and their counterparts across various sectors.
4. Promote effective coordination and close collaboration between relevant institutions to establish policies and programmes that can adapt to fiscal and political change.
5. Establish and strengthen institutional and technical capacity, such as providing technical assistance to local governments to map out just transition plans.

##### Integrate sustainable development and JT into macro/local economic and growth policy:

1. Conduct a country/regional assessment of employment and the social and economic impacts of the climate transition, and evaluate green job potential.
2. Encourage pro-poor and pro-climate economic investment in regions and communities undergoing transition (e.g. invest in building low-emission infrastructure that creates decent jobs)
3. Establish strategies for the diversification of local economies
4. Catalyse new economic opportunities and encourage sustainable production and consumption (i.e. fiscal policy, public procurement, and investment policy)

##### Establish national and regional plans, strategies and funds for a just transition

1. Develop a national framework and governing body for a just transition in Indonesia
2. Create centralised and accessible database of workers who may be affected by the just transition to support local planning
3. Develop indicators to monitor and evaluate the just transition and adjust strategies as necessary.

#### Employment pillar (decent jobs and worker protection)

- Develop tailored support for workers, communities and regions with a focus on retraining, reskilling and formalising work for vulnerable workers
- Promote and establish adequate social protection systems, i.e., healthcare, income security, and social services
- Promote and establish an adequate system to ensure rights at work and in employment
- Promote effective coordination on ensuring social protection between national and local governments, including sharing data and developing training programmes
- Enhance the resilience of businesses with special attention to MSMEs, including cooperatives, and the informal sector
- Collaborate with businesses to design and implement effective training programmes for affected workers and communities

#### Social pillar (equity, social inclusion and fairness)

- Incorporate consideration of gender, equality and social inclusion in all policies and programmes
- Ensure fair distribution of transition benefits and avoid the risk of disproportionate negative impacts on vulnerable populations
- Ensure inclusive and participatory decision-making processes that include women, youth, disadvantaged and marginalised communities, and indigenous peoples

#### People's active participation (social dialogue)

- Actively promote and engage in multi-stakeholder social dialogue at all stages of the policy process to forge consensus on transition pathways
- Promote the creation, development and formalisation of dialogue mechanisms and structures
- Enhance impact through collaboration, knowledge-sharing and exchange of best practices
- Become a public role model through low-carbon activity such as using renewable energy in public buildings, electrical vehicles for public officers

## Part 3. Recommendations

### 3.2. For non-government actors

#### Macroeconomic and sectoral pillar (social and economic development):

- Actively share knowledge and best practice regarding environmentally sustainable macroeconomic and sectoral policies and just transition
- Mobilise funding, support, and assistance facilitated by international organisations and donors
- Support the commercialisation and dissemination of green technology and knowhow
- Promote cooperation:
  - at the national level with authorities, developing, implementing, and monitoring policies in accordance with national practices
  - at the local level with local authorities, employers, trade unions and research and training institutions cooperating to effectively integrate measures for a just transition to local sustainable economic development
  - among businesses and enterprises, moving economic activity and business models away from harmful activities, setting a concrete plan for emission cuts, and ensuring that companies' climate-related disclosures include employment risks and their just transition plans to address them.

#### Employment pillar (decent jobs and worker protection)

- Promote the inclusion of specific environmental and labour provisions, e.g. reskilling and redeployment, through collective bargaining and agreement
- Collaborate with government and the private sector to develop and implement tailored support for affected workers and local communities
- Assist businesses, particularly MSMEs, in their engagement with governments and training providers to upgrade the management and skills of their current workforce and anticipate future occupational profiles and skill needs

#### Social pillar (equity, social inclusion and fairness)

- Actively share knowledge and best practice regarding gender, equality, and social inclusion
- Actively participate in addressing and remediating socio-environmental ills arising from economic activities as well as the social impacts associated with the transition.

#### People's active participation (social dialogue)

- Raise awareness and understanding and provide members/staff with guidance on sustainable development, just transition, decent work, and green jobs through, for example, campaigns, training and education, research and media outreach
- Play an active role in the formulation, implementation and monitoring of national and local sustainable development policies
- Articulate the pivotal role of employers' and workers' organisations in bringing about social, economic, and environmental sustainability with decent work and social inclusion
- Promote the active participation of members/staff in social dialogue at all levels

## Part 3. Recommendations

### 3.3. For companies

The following recommendation shows the way companies plan and implement a just transition.

Source: [UN Global Compact, 2022.](#)

Priority actions	Advancing Decent Work Employment - Rights at work - Social Dialogue - Social Protection	Promoting Social Inclusion Opportunities - Access to resources - Voice - Respect for rights
Make a map	Creating a map for internal engagement on just transition.	
Set a foundation	Setting a foundation through robust policies and practices to respect rights at work and other human rights.	
	<p>Respect <b>rights at work</b></p> <ul style="list-style-type: none"> <li>the freedom of association and right to collective bargaining</li> <li>the elimination of child labour, forced labour, and discrimination</li> <li>a healthy and safe workplace</li> </ul> <p>Promote gender equality and diversity, equity and inclusion in the workforce</p>	<ul style="list-style-type: none"> <li>Respect human rights and eliminate involvement in human rights abuses,</li> <li>Align with international principles of responsible business conduct</li> </ul>
Engage	<p>Engage worker organisations in social dialogue, especially in</p> <ul style="list-style-type: none"> <li>Plans around restructuring and stranded assets</li> <li>Decarbonisation strategies</li> <li>Strategies with large employment impacts</li> <li>Expansion of green operations</li> </ul>	<ul style="list-style-type: none"> <li>Mainstream equitable and robust stakeholder engagement with all affected groups in business planning, especially as the net-zero transition brings new markets, new supply chains, new stakeholders</li> <li>Ensure principles of equitable and inclusive participation are respected</li> </ul>
Plan	Making long-term business plans that integrate just transition principles	
	<ul style="list-style-type: none"> <li>Integrate employment impact assessments, prioritising job creation and reskilling/upskilling</li> <li>Formalise employment of workers in the informal economy/sectors</li> <li>Leverage footprint to advance decent work across supply chains</li> </ul>	<ul style="list-style-type: none"> <li>Protect vulnerable groups and maximise benefits to local communities</li> <li>Integrate place-based socio-economic impact assessments</li> <li>Support equitable customer access to safe, low-carbon products</li> </ul>
Take action	<b>Taking actions to carry out just transition plans</b> across relevant business functions, integrating ongoing social dialogue, and carrying out due diligence of human rights and environmental impacts and their linkages.	
Partner	Partnering with governments, employer organisations, regional/sectoral initiatives, and across supply chains for more coordinated action.	
Learn - integrate - communicate	<ul style="list-style-type: none"> <li>Identify metrics (indicators) for transition.</li> <li>Measuring and reporting actions, challenges and impacts related to just transition, to promote learning, cooperation, and accountability.</li> </ul>	

## Part 3. Recommendations

### 3.4. Just Transition Planning Checklist

The following checklist presents the essential elements for consideration when planning a just transition:

#### Foundation

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- Understand the concept.** Ensure that the key stakeholders have a basic conceptual understanding of the just transition, e.g., through awareness-raising and knowledge- and information-sharing programmes.

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  - Define the territory or area,** through selection criteria, e.g.:
    - The existence of a dominant carbon intensive industry
    - A significant percentage of the population employed in the above in this industry
    - Local economy directly or indirectly dependent on this industry

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  - Know the potential**
    - Gather data and information (e.g., demographic, labour, business environment) to assess the economic, social, and territorial impacts of the transition and the opportunities it will create.
    - Plan support (e.g., reskilling, social protection) for stakeholders who will be affected.
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#### Engage all stakeholders (public participation)

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- Decision-makers' agreement.** All stakeholders should agree on the vision and scope of the planned transition.
    - Vision: direction and objectives of the transition
    - Scope: workers, communities, value chain, citizens, etc involved

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  - Outline the expected transition process,** including:
    - Approach: top-down or bottom up
    - Leadership: government-led, company-led, or community-led transition

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  - Social dialogue (community consultation)**
    - Bring together the broader stakeholders (e.g. indigenous people, women, youth, and other marginalised groups) and ensure their involvement in planning and decision-making processes.
    - Develop an inclusive participatory mechanism for engagement and dialogue
    - Build partnerships
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#### Build the action framework

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- Governance structure** involving government and non-government stakeholders:
    - Establish coordination and monitoring body/bodies and mechanism/s
    - Develop check and balance systems to ensure fair and transparent decision-making
    - Establish a just-transition knowledge and development centre

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  - Implementation strategies**
    - Synchronise consistently with other national, regional and local strategies and plans
    - Develop a theory of change roadmap to the transition's objectives and vision
    - Identify strategies:
      - for economic diversification and the development of new green industries
      - for ensuring fair and safe distribution of benefits and mitigation of losses/risks
      - for supporting displaced workers, their families and the wider community affected by closures and downscaling with reskilling, re-employment and training leading to decent work
      - for addressing gender, racial, and class disparities

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  - Financing needs and sources**

Identify

    - the total amount of funding needed for the transition
    - all funding sources, gap of financing
    - a plan to close the financing gap
    - financing instruments and mechanisms

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  - Communication strategies**
    - Develop a system for messaging internal and external audiences

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  - Monitoring and evaluation**
    - Develop a framework for tracking the progress of the transition, using qualitative and quantitative metrics/indicators
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## Annex 1. Further reading on other case studies

**Table 5. Further articles synthesising information on past transitions**

#	Title and Summary	Links
1	Coal Transitions: Research and Dialogue on the Future of Coal. Provides publications from various countries (e.g. Australia, China, Germany, India, Poland, South Africa, Spain, the UK, the Netherlands, the US, Czech Republic), summarising the main insights from the Coal Transitions research project.	<a href="https://www.iddri.org/en/project/coal-transitions-research-and-dialogue-future-coal">https://www.iddri.org/en/project/coal-transitions-research-and-dialogue-future-coal</a>
2	Managing Coal Mine Closure: Achieving a Just Transition for All. Reviews evidence on mine closures across the world and draws on experiences from eleven World Bank-financed and other global projects.	<a href="https://documents.worldbank.org/en/publication/documents-reports/documentdetail/484541544643269894/managing-coal-mine-closure-achieving-a-just-transition-for-all">https://documents.worldbank.org/en/publication/documents-reports/documentdetail/484541544643269894/managing-coal-mine-closure-achieving-a-just-transition-for-all</a>
3	Understanding Just Transitions in Coal Dependent Communities: Case Studies from Mpumalanga, South Africa, and Jharkhand, India. Drawing on the case studies this report provides insights and recommendations for a just transition away from coal in emerging economies.	<a href="https://justtransitioninitiative.org/understanding-just-transitions-in-coal-dependent-communities/">https://justtransitioninitiative.org/understanding-just-transitions-in-coal-dependent-communities/</a>
4	Just transition in 7 Central and Eastern European Countries: What Works and What Does Not. Analyses just transition processes, including challenges and success factors, in seven central and Eastern European countries: Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania and Slovakia.	<a href="https://www.just-transition.info/wp-content/uploads/2022/04/2022-04_Just-Transition-in-7-CEECs.pdf">https://www.just-transition.info/wp-content/uploads/2022/04/2022-04_Just-Transition-in-7-CEECs.pdf</a>
5	How Can Socio-Economic Transitions be Better Managed? Lessons from Four Historical Cases of Industrial Transition. Uses four case studies from across the globe (Australia, the US, the UK and South Africa) to draw lessons on how cities and regions can equitably manage the decline of major industrial and mining activities and minimise disruption to local economies.	<a href="https://www.sei.org/publications/lessons-from-industrial-transitions/">https://www.sei.org/publications/lessons-from-industrial-transitions/</a>
6	A Just Transition for Climate Change Adaptation: Towards Just Resilience and Security in a Globalising World. Presents a novel framework for a just transition to adaptation, with the objective of achieving globally-just resilience. The full brief provides two case studies demonstrating the utility of the framework for analysing and advancing globally-just resilience: the agricultural trade and just transitions in the Brazilian coffee supply chain, and just transition to adaptation in the Blue Nile Basin.	<a href="https://adaptationwithoutborders.org/knowledge-base/transnational-climate-impacts/a-just-transition-for-climate-change-adaptation-towards-just-resilience-and-security-in-a-globalising-world">https://adaptationwithoutborders.org/knowledge-base/transnational-climate-impacts/a-just-transition-for-climate-change-adaptation-towards-just-resilience-and-security-in-a-globalising-world</a>
7	Navigating Coal Mining Closure and Societal Change: Learning from Past Cases of Mining Decline. Assesses the existing knowledge base to better understand the national and subnational economic, social and political consequences of mine closures.	<a href="https://www.sei.org/publications/navigating-coal-mining-closure-and-societal-change/">https://www.sei.org/publications/navigating-coal-mining-closure-and-societal-change/</a>
8	Just Transitions: A Comparative Perspective. An overview of how far five different countries (the US, Canada, Germany, Norway and Peru) have gone in terms of embedding the broad principles of just transition in their plans, strategies, policies, and activities.	<a href="https://www.gov.scot/publications/transitions-comparative-perspective/">https://www.gov.scot/publications/transitions-comparative-perspective/</a>
9	Closure of Steelworks in Newcastle, Australia: Lessons from Industrial Transitions. Examines the decline and closure of a major steelworks plant in Newcastle, Australia as part of a series looking at historical cases involving the decline of major industrial and mining activities.	<a href="https://www.sei.org/publications/newcastle-steelworks/">https://www.sei.org/publications/newcastle-steelworks/</a>
10	Collapse of the Free State Goldfields, South Africa: Lessons from Industrial Transitions. Examines the collapse of gold mining in Free State, South Africa, part of a series looking at historical cases involving the decline of major industrial and mining activities.	<a href="https://www.sei.org/publications/free-state-goldfields-collapse/">https://www.sei.org/publications/free-state-goldfields-collapse/</a>

## Annex 1. Further reading on other case studies

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11	Closure of the Kodak Plant in Rochester, United States: Lessons from Industrial Transitions. Examines the decline and closure of the Kodak plant in Rochester, as part of a series looking at historical cases involving the decline of major industrial and mining activities.	<a href="https://www.sei.org/publications/kodak-plan-rochester/">https://www.sei.org/publications/kodak-plan-rochester/</a>
12	IGF CASE STUDY: Achieving a Successful Post-Mining Transition with Renewable Energy. Examines how two former mine sites were converted to spaces generating renewable energy in British Columbia, Canada, and the Ruhr, Germany.	<a href="https://www.iisd.org/publications/igf-case-study-post-mining-transition-renewable-energy">https://www.iisd.org/publications/igf-case-study-post-mining-transition-renewable-energy</a>
13	German Just Transition: A Review of Public Policies to Assist German Coal Communities in Transition. Examines key lessons from the decline in coal production in Germany to highlight policies supporting workers and communities in the energy transition.	<a href="https://www.rff.org/publications/reports/german-just-transition-a-review-of-public-policies-to-assist-german-coal-communities-in-transition/">https://www.rff.org/publications/reports/german-just-transition-a-review-of-public-policies-to-assist-german-coal-communities-in-transition/</a>
14	Ensuring a Just Energy Transition: Lessons learned from Country Case Studies. Highlights the possible impacts of energy transition in Indonesia, especially the social and economic aspects, to ensure a just energy transition. The energy transition experiences of Germany, South Africa, Australia, and Canada are presented as examples for Indonesia to use in planning its own just energy transition.	<a href="https://iesr.or.id/en/pustaka/ensuring-a-just-energy-transition-in-indonesia-lessons-learned-from-country-case-studies-iesr-2020">https://iesr.or.id/en/pustaka/ensuring-a-just-energy-transition-in-indonesia-lessons-learned-from-country-case-studies-iesr-2020</a>

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## Annex 2. Indonesia Energy Transition Mechanism – Country Platform (ETM-CP)

### **Indonesia's Energy Transition Mechanism Country Platform (ETM-CP) (managed by PT. SMI under the Ministry of Finance)**

One manifestation of the Indonesian Government's efforts to achieve its NDC's commitment and its net-zero emission target in the energy sector is the newly announced ETM-CP. The ETM-CP is foreseen to consist of two elements, namely (i) a Clean Energy Facility (CEF) that focuses on the development of renewable energy projects, and (ii) a Carbon Reduction Facility (CRF) with a focus on the phase-out of coal-fired power plants. PT Sarana Multi Infrastruktur (PT. SMI) will be acting as the platform's operator and fund manager. The ETM-CP itself is a framework to provide funding that enables the upgrade of Indonesia's energy infrastructure and accelerates the clean energy transition toward net zero emissions in a "just and affordable" manner".

The ETM-CP is expected to become a platform to mobilise funding in which the investment will come from blended finance (government budgets and non-government such as donors, development agencies, philanthropies, and private sectors). The most important source of financing is expected to be coming from industries, private sectors, and financial institutions as the government budget can only cover around one-third of the projected costs. At the moment, the ETM-CP platform still focuses only on the phase-out of coal-fired power plants and has not touched upon the future of coal mining closure. As the biggest coal-exporting country whose electricity generation also relies on coal, the coal transition in Indonesia can take two different forms: coal power plant phase-out or coal mining closure. Coal-fired power plants and coal mines are located in different locations with different types of operations and value chains, therefore, these two types of coal transitions will create different socio-economic impacts.

Strategic Environment and Social Assessment (SESA), including the issues of decent job transition, is planned to be part of the design of the ETM-CP country platform. The repurposing and development mechanism to accommodate the transition from brown jobs to green jobs will be embedded into the ETM-CP investment program. However, no further details are available yet on how it will be implemented as the platform is still being developed. The government has acknowledged that the social cost of the energy transition can be expensive if it is not well communicated as it leads to asymmetric information and expectation. Hence, the narration of 'just and affordable transition' must be consulted and communicated to all stakeholders. Acknowledging the importance of stakeholders' participation through social dialogues, the design of the investment plan and financing structure should also draw attention to the theme of procedural/participatory justice, for example, how inclusive the decision on how to finance, what to finance, and what kind of finances is.

Furthermore, the ETM country platform should also be customised and adapted to the local context where the transition will eventually take place to ensure that it will be just and inclusive. Tailoring energy transition plans and activities to the local needs by involving and engaging local governments, private sectors, and local communities early on in the design phase through social dialogue is crucial. A transition that is jointly designed in a way that accommodates all voices (bottom-up approach), especially the groups that will be affected and those that are historically disadvantaged will increase the success rate of the transition itself and also allow for a more equitable and inclusive transition.

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