Headwinds and structural constraints

Mapping forces challenging just transition finance

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Policy insight

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Summary

This Policy Insight presents the just transition as sitting at a decisive crossroads, where, after a decade of growing prominence, including in the Paris Agreement, rhetoric has outpaced reality. As geopolitical fragmentation, fiscal strain and political polarisation grow, the space for transformative and durable policies for the just transition and its financing is narrowing.

Just transition finance refers to the climate finance flows that shift economies away from carbon-intensive systems built on extractive industries while redistributing power and resources, and protecting communities' sovereignty over development pathways. Rather than proposing any new financial instrument, in this Policy Insight we offer a provocation: *we interrogate how finance mechanisms shape justice narratives, who gets to decide and access funding, what transparency regimes actually serve, and ultimately, what kinds of transitions current finance enables or prevents*.

This is an urgent review, as the Just Transition Work Programme under the United Nations Framework Convention on Climate Change (UNFCCC) approaches its scheduled conclusion in 2026.

There are **four near-term headwinds** that impede just transition finance, and **five deeper structural challenges** from which the headwinds emerge. While it may be possible to address headwinds in the near-term, structural challenges are more embedded and systemic, making the headwinds persistent.

Headwinds

Symptoms of just transition finance impediments that are recurring but actionable

1. **Political legitimacy crises**
    - **Domestic:** frequent policy change and contested mandates within domestic climate politics erode the durability of policy effects and trust.
    - **Cross-border:** transitions in the Global North shift burdens to the Global South across value chains and waste streams, engendering interconnected injustices and defying global solidarity in the transition.
2. **Eroding fiscal foundations:** a reduction in overseas development assistance and related concessional public finance leads to dependence on private finance mobilisation and de-risking, which skews access to finance and justice-related outcomes of delivery.
3. **Governance fragmentation**
    - **Access to finance:** the complex, high-cost architecture of climate finance excludes the most affected communities who also have the least capacity to adapt to climate impacts.
    - **Community participation**: consultation mechanisms for the transition tend to fixate on procedural equity without eventual power parity, which risks the pursuit of justice being reduced to a tick-box exercise.
4. **Transparency capture:** disclosure and transparency regimes prioritise investor and enterprise needs over broader access to information and obscure accountability.

Structural challenges

Root causes of headwinds that set the system's limits to addressing current challenges

1. **Justice is not 'hardwired' to political economy:** justice considerations remain peripheral to financial and economic decision-making in the transition, with limited diffusion of public benefits.

2. **Territorialised framing of justice**: just transition is treated as a phenomenon within national and territorial bounds, ignoring global supply chains and uneven development dynamics, which risks shifting harm across borders.
3. **Market-first logic:** a fixation on short-term profitability and upscaling of replicable investment-ready projects takes precedence, which can sideline community-led, context-specific, less 'bankable' but redistributive projects.
4. **Financial architecture bias:** multilateral development bank rules and credit rating systems favour 'bankable' contexts, which excludes communities most in need of patient, long-term capital for less profit-generating projects (i.e. adaptation to the impacts of climate change).
5. **Search for universal, scalable panaceas:** checklists and silver-bullet financial instruments that seek to scale-up financial flows can mask complexity within the system, reducing the objective of securing just transition finance to ticking boxes without shifting existing unequal power dynamics.

These headwinds and structural challenges are not entirely new: but they have not yet been grounded in the locus of just transition finance. New institutional arrangements are emerging in response to these challenges, from country-level financing platforms that promise more streamlined coordination to policy-based lending models that attempt to link finance with policy reform commitments to Just Energy Transition Partnerships that create multi-stakeholder frameworks to mobilise resources. Each of these represents an attempt to address the constraints highlighted. To avoid replicating past problems, we will need to approach these innovations with clear eyes and better interpret existing challenges before directly jumping into searching for solutions.

1. Introduction

The just transition stands at a crossroads. After a decade of increasing visibility in multilateral climate governance, elevated by its inclusion in the Paris Agreement, the gap between rhetoric and reality is now stark. While institutions debate frameworks and principles, coalitions of Indigenous leaders, unions, feminists, youth movements and working-class communities are demanding transformation beyond incremental reform. What distinguishes the moment we are in now is that, unlike other social challenges that can be approached gradually, the climate crisis demands transformative responses that can withstand broader geopolitical headwinds.

Recently, the global context has shifted significantly. Geopolitical fragmentation has weakened multilateral cooperation; public finance is facing unprecedented strain amid competing priorities; and political polarisation has undermined the consensus on climate change being a global priority, turning climate action into a politically divisive issue rather than a shared public mandate. This polarisation not only delays policy implementation but also creates volatility in transition planning as climate commitments are reframed, reversed or deprioritised as political tides shift. At the same time, corporate sustainability frameworks are proliferating. These changes compound existing challenges, creating an environment where transformative policies struggle to take root. And the financial system that is tasked with enabling this transformation may in some cases reproduce the inequities they are designed to address.

The Standing Committee on Finance of the United Nations Framework Convention on Climate Change (UNFCCC) defines **climate finance** as "finance that aims at reducing emissions, and enhancing sinks of greenhouse gases and aims at reducing vulnerability of, and maintaining and increasing resilience of, human and ecological systems to negate climate change impacts" (UNFCCC, 2014). For this Policy Insight, we specifically focus on **just transition finance,** meaning financial flows and mechanisms that transform economies away from extractive, carbon-intensive systems while redistributing power and resources to affected communities. Thus just transition finance is not merely climate finance with social safeguards, it is finance that seeks to ensure that transitions in one location do not perpetuate or create injustices elsewhere, protecting the sovereignty of affected peoples in defining their own developmental trajectories.

This Policy Insight offers a provocation at this critical juncture. Rather than proposing another set of technical fixes or financing instruments, we examine the deeper forces that constrain just transition finance within the multilateral system. The analysis distinguishes between two types of constraints:

- **Headwinds:** the emerging pressures that create immediate obstacles to just transition finance but are solvable through short-term strategic interventions
- **Structural challenges:** the deep-seated systemic issues that define the boundaries of what can be achieved within the current system.

Both headwinds and structural challenges require attention but they demand fundamentally different strategies, as headwinds are sometimes the product of structural challenges that can be solvable without addressing their underlying related structural challenges. A comprehensive presentation of the challenges at hand is particularly urgent as the UNFCCC Just Transition Work Programme approaches its scheduled conclusion in 2026, with multiple possibilities being considered for what comes next. The challenge we face today with just transitions is not merely technical but fundamentally political: they extend beyond the simple technicalities of 'how much' finance to encompass, too, the implications of dominant political economic thinking. Making just transitions operational across diverse realities requires *more* than good intentions or increased funding.

In this Policy Insight, we examine the *political (and politicised) dimensions* of just transition finance – how finance mechanisms shape narratives of justice, determine whose knowledge counts, influence accessibility and governance structures, and affect transparency arrangements and corporate accountability to stakeholders and rights-holders. While the technical implications of these headwinds and structural challenges (i.e. the volume of finance flowing) cannot be neatly separated from their political underpinnings, focusing solely on mobilising trillions of dollars risks obscuring a fundamental question: *what kind of transitions and transformations does this finance enable or prevent?*

The effects we examine include:

- How justice narratives become captured or contested within financial frameworks
- How governance structures determine not just who accesses finance but on whose terms
- How transparency regimes reveal or obscure power relations
- How the availability of finance becomes conditioned on accepting particular models of development or decarbonisation.

Ignoring these qualitative implications while pursuing qualitative targets would contradict the definitional premise of just transition finance – while also risking entrenching the very inequities that make transformation necessary. The struggle is not simply about more money but also about whether the money that flows reinforces the status quo.

Table 1.1. Summary of headwinds

Headwind	Description/manifestation	Implications
1A. Political friction and the contested legitimacy of the just transition agenda – domestic	Policy swings across electoral cycles; contested by both progressive mobilisations and regressive pushback.	Power struggles weaken coherence, credibility and the community's trust; genuine needs are eventually sidelined.
1B. Political friction and the contested legitimacy of the just transition agenda – international/ cross-border	Transitions in the Global North displace costs (political, environmental, social) onto Southern countries and upstream value chains.	Just transition risks becoming burden-shifting, deepening structural inequities within the global political economy instead of mending them.
2. Eroding the fiscal foundations of just transition finance	A retrenchment in official development assistance (ODA) and a narrative of scarce public finance push just transitions towards private capital mobilisation and 'derisking' models.	New 'innovative' instruments mask stagnation in actual financial flows; can deepen existing asymmetries in capacity and access to resources between funders and recipients; reinforces inequities through loans-based financing (instead of concessional, grants-based).
3A. Fragmented governance landscape of just transition finance – financial access of recipients	Complex institutional barriers block the most-affected communities; high transaction costs deter vulnerable states from access.	Systemic exclusion from accessing climate finance and resources for most impacted countries; competing fund governance and reporting systems drain local capacity, which can perpetuate vulnerability.
3B. Fragmented governance landscape of just transition finance – no participatory parity of affected communities	Participation mechanisms (consultations, due diligence) while necessary, can be performative and ignore the unequal power dynamics between corporates and communities.	Justice reduced to box-ticking; outcomes fail to reflect community priorities; lack of remedies when harm occurs.
4. Legitimacy crisis of transparency in just transition finance	Transparency rooted in marketisation and technocracy, not democratisation or accountability-seeking.	Creates an illusion of progress while stalling resource flows; reinforces investor-centric knowledge over local voices.

2. Understanding the headwinds

The four main headwinds creating obstacles for just transition finance are:

- The political legitimacy crisis of the just transition
- Erosion of the fiscal foundation of just transition finance and a growing reliance on private capital
- Governance fragmentation and complexity overload
- The transparency trap where investor-centric approaches create blindness to impacts that do not affect financial performance.

These are pressures that, while challenging, remain solvable through strategic, near-term interventions. They each push against something deeper and structural within the political-economic system (see Section 3). Though these headwinds appear as distinct challenges, they interact and amplify each other, affecting not just how much finance flows but also who has access to it, on what terms and with what consequences.

Understanding how each headwind operates in practice and recognising them as symptoms and not root causes is essential for crafting policy responses that build momentum towards more profound structural transformations.

Headwind 1A: The political legitimacy crisis of just transition finance

Headwind dynamic

Electoral cycles and vested interests create policy whiplash

As the transition to low-carbon sustainable development becomes a core policy plank within domestic political arenas, the just transition has become a volatile battleground where competing visions of economic transformation collide. Indeed, contestations over the premise, process and goal of change represent an inevitable feature of systemic change. This is especially true when new actors and voices rise out of the transition process, challenging established regime practices.

This headwind of political legitimacy emerges as disagreements about policy details but also as a **challenge to the very premise of restructuring economic systems towards sustainability and equity.** Depending on the actor's vantage point, policymakers, companies or affected communities may each bring their own interpretation of what constitutes 'just' and what merits 'transition'. For example, corporate lobbies mobilise to entrench legacy interests and delay fossil fuel phase-outs, citing that an uprooting of the industry would signal injustices to workers and users who benefit from the fossil-fuel-based economic system. On the other hand, civil society movements mobilise against transitions that marginalise communities. While both create political pressure, the aims, methods and ethical standing differ fundamentally: the corporate lobby defends 'extractive privilege' (e.g. when oil majors fund climate misinformation while gaining record profits[1]) while civil society demands deeper justice (e.g. Indigenous communities asserting land rights against imposed renewable energy mega projects or labour unions demanding retraining guarantees and living wages in the transition) (Sovacool et al., 2019).

For thorny challenges like the just transition, success requires long-term policy durability, institutional coordination and broad-based legitimacy to endure across electoral cycles (Hale, 2024; Improta and Mannoni, 2025). Yet, conceptual contestations are compounded by the lack of policy durability, making just transition programmes vulnerable to the whims of shifting political coalitions.

[1] For an example of this, see the Joint Bicameral Staff Report from a three-year investigation in the US, 'Denial, Disinformation, and Doublespeak: Big Oil's Evolving Efforts to Avoid Accountability for Climate Change', which shows the fossil fuel industry's role in spreading climate disinformation and preventing action on climate change, while collecting more than US$600 billion annually in subsidies (House Committee on Oversight and Accountability and Democrats and Senate Committee on the Budget, 2024).

The rollback in April 2025 of the Canadian carbon tax exemplifies this volatility in stark terms. The Canadian consumer carbon levy began as a cornerstone of the country's climate policy mix, designed to price in the cost of carbon emissions. A signature policy component was the redistribution of revenues to citizens but ultimately this became a lightning rod in political debate.[2] The new Prime Minister Mark Carney removed the consumer-facing portion of the carbon pricing system to appease public outcry at the levy. Extensive analysis demonstrates that the policy would have a negligible impact on household budgets,[3] and factors such as oil prices and supply chain disruptions play more sizeable roles (Markusoff, 2023; Ragan, 2024; Winter and Tombe, 2024). The rollback reveals multiple challenges, including a misdiagnosis of existing cost-of-living challenges, the manipulation of loss aversion through counter-political messaging, and a weaponisation of economic anxiety around the visibility of upfront carbon costs (Mallees, 2024). Economically, the rollback generates challenges for Canada's overall just transition strategy, as the consumer carbon tax generated approximately CA$7.7 billion annually, 10% of which was allocated to programmes supporting Indigenous communities, farmers and small businesses' clean energy transitions (David Suzuki Foundation, 2024).

Just transition finance, requiring patient capital and sustained commitment, finds itself trapped in political cycles measured in years rather than the decades needed for genuine economic transformation. Politically, this signals a deeper fracture in the social contract around who bears the costs of the transition and who reaps its benefits. It shows how the conceptual contestation of just transition is appropriated as a form of regressive policy backlash.

Cascading effects on just transition finance

Political volatility makes long-term financing difficult

The implications of political friction cascade through the entire architecture of just transition finance. Power struggles between different interest groups not only delay implementation but also distort policy coherence and weaken institutional follow-through (Shawoo et al., 2023). When an incoming government reverses the climate commitments of the incumbent, it sends chilling effects through the financial market while undermining interstate coalitions in transition partnerships. It also erodes trust among the communities that just transitions are intended to serve, decreasing the legitimacy of the just transition as a normative policy concept. This reduction of the agenda's legitimacy then becomes self-reinforcing. Financial institutions require policy certainty to deploy capital at scale. When the just transition is relegated from being a social imperative, it creates 'policy risks' but affected communities see these more as injustices at their expense. Each policy reversal also makes future engagements more precarious.

The complexity of the just transition cannot be overlooked. While the politically expedient way to understand this policy area is to lump diverse socially oriented transition challenges under the banner 'just transition', this flattens out different types of challenges. While a coal mining town's struggle for economic diversification and a community's struggle with energy poverty may stem from the same systemic roots, each challenge can be manipulated by political campaigns as dichotomous challenges (Béland and Cox, 2024). The result is a discourse of hot air that generates heat but little light, let alone progress.

[2] Anti-environmental political factions have also co-opted the just transition agenda by presenting as allies of 'working families' in order to denigrate the fundamental rights to workers and other marginalised groups.

[3] Research shows that the carbon levy contributed 0.15% annually to inflation and only 0.5-0.6% of the overall 19.3% increase in consumer prices between 2019 and 2024 (Winter and Tombe, 2024). Overall, 90% of the tax income is rebated through the Canada Carbon Rebate payments deposited four times each year. Around 80% of Canadian households received more rebates than they paid on the levy, with rural communities receiving an additional 20% rebate (David Suzuki Foundation, 2024). There are provincial distinctions in approaches, e.g. British Columbia's rebates are income-based.

Headwind 1B: The political legitimacy crisis of just transition finance: transnational burden-shifting and cross-border justice displacement

Headwind dynamic

Transitions in wealthy economies lead to more extractive activities in the Global South

Alongside domestic political friction that creates volatility within nations, the international, cross-border dimension of just transition contestations introduces another order of complexity. At the inter-state level, transitions designed to address equity concerns in one location can systematically create or exacerbate injustices elsewhere, particularly along the so-called Global North-Global South[4] division and throughout global value chains. This is not simply a product of competing domestic interests but competing paradigms of development, historical responsibilities, colonial legacies and conceptualisations of justice.

The geographical distribution of 'clean' technology supply chains provides a notable example of this headwind. Mining is the first link in most global value chains and is necessary for renewable technologies (Marin and Palazzo, 2024). The leadership shown by Europe in the just transition is often celebrated based on its accelerated deployment of battery storage systems, electric vehicles and other renewable technologies. Meanwhile, lithium extraction in Chile's Atacama Desert via the evaporation of brine and the fresh water-intensive processing process is depleting already-scarce water resources, damaging wetlands and harming human communities. Chile accounted for roughly 60% of Europe's lithium chemical demand in 2020 and 79% of the EU's supply of refined lithium, with a projected 12-fold regional increase in demand in 2030, and 21-fold by 2050 (Arato, 2025). The just transition in one place becomes directly implicated in unjust raw material extractions in another.[5]

The planned obsolescence of renewable energy infrastructure creates electronic waste streams that flow predominantly to Ghana, Nigeria and other African and Pacific nations that lack the absorptive capacity to handle toxic materials safely. The political contestation plays out in multilateral climate policy forums where developing nations highlight the hypocrisy of industrialised countries in demanding rapid global decarbonisation while ignoring their contributions to historical emissions, current consumption patterns or the earlier colonialism that shaped contemporary inequalities. An example of these discrepancies can be found within the expression of views made by Parties in the UNFCCC process on the work to be undertaken under the UNFCCC Just Transition Work Programme (JTWP). The European Union, for instance, has discussed at length the importance of "robust domestic policies" for managing its own sectoral transitions and strengthening "national social protection systems" to cushion affected communities in its climate strategies (UNFCCC, 2025). By contrast, the submission by small island developing states (SIDS) places far greater emphasis on the compounding global effects of climate change, which they experience most acutely despite making negligible contribution to the problem. The Alliance of Small Islands States (AOSIS) has said that "without large-scale systemic changes, the global response will remain inadequate, and SIDS will bear the consequences of delayed commitments." In prioritising next steps, AOSIS stresses the need for SIDS to be integrated into the global economy as producers, and not confined to the role of "simply exporters of raw materials or passive recipients of imported technologies" (ibid.). Their call extends beyond domestic measures to include international cooperation on finance and climate-induced displacement.

[4] We acknowledge that the use and meaning of this term is contested. The term 'Global South' here is used to underscore historical and contemporary patterns of wealth and power, heavily influenced by colonial legacies, beyond an indication of geographical regions. Similarly, 'Global North' refers to nations or institutions that are positioned historically (and contemporarily) as colonial powers, structurally dominant in global economic structures, and politically oriented towards preserving and benefitting from existing hierarchies of global domination (Sud and Sánchez-Ancochea, 2022; Murcott and Tigre, 2024).

[5] In the case of the mining of critical transition minerals, evidence of systemic abuse of communities and workers in the value chain is abundant. The Business and Human Rights Resource Centre's just transition litigation tracking tool provides a comprehensive database of just transition litigation lawsuits against companies undertaking, and/or states authorising, transition mineral mining or renewable energy projects where rightsholders argue the abuse of human and environmental rights: www.business-humanrights.org/en/from-us/just-transition-litigation-tracking-tool/

The above showcases how the JTWP is understood through fundamentally different lenses. For the EU, it is a domestic socioeconomic challenge while for AOSIS it is a matter of structural global equity and livelihoods. These divergent framings highlight the contested meaning of 'just transition' and reinforce how structural unevenness must be confronted before building shared paths forward.

Cascading effects on just transition finance

Finance mechanisms deepen rather than repair structural global inequities

Political economic frictions across borders can undermine the coherence and credibility of global just transition efforts. When it is attuned to interconnected justice concerns, just transition finance can serve as a transformative mechanism that redresses historical and contemporary inequalities through redistribution and reparative financing. However, when it obscures these cross-border dynamics, it may become a vehicle for burden-shifting (Bennett et al., 2019).

This headwind generates at least two effects: the fragmentation of global solidarity for transformative change, and the creation of accountability vacuums in transnational justice violations. When international just transition finance initiatives are implemented in a fashion that is misaligned with or counter to the priorities of the receiving community, 'just transition' becomes an empty phrase that obscures the community's exploitation. It erodes trust and makes multilateral climate governance more difficult.

Furthermore, while the footprint of sectoral value chains spans globally, determining responsibility for harm creation or providing resources for remedies remains difficult. Despite recent movements in international law, obligations of high-emitting corporations to cease harmful activities still face jurisdictional limits (Bharadwaj, 2025); key cases include *Luciano Lliuya v. RWE*, which established the precedent that corporate greenhouse gas emitters can, in principle, be held liable for their climate impact contributions, and the International Court of Justice advisory opinion that affirms states' obligations to regulate private actors more effectively. Within this accountability vacuum, headquarters of multinational corporations can point the finger at market forces, corporate responsibility for harm can be absolved by complex subsidiary structures or performative grievance redressal mechanisms, and international institutions can cite their limited mandates. Communities end up bearing the cost of harm, finding themselves with no effective recourse, and the power of wealthy industrialised states and corporations drowns out their voices. In this sense, while finance flows across borders fluidly, accountability does not follow.

Headwind 2: Erosion of fiscal foundations – from public to private capital dependence

Headwind dynamic

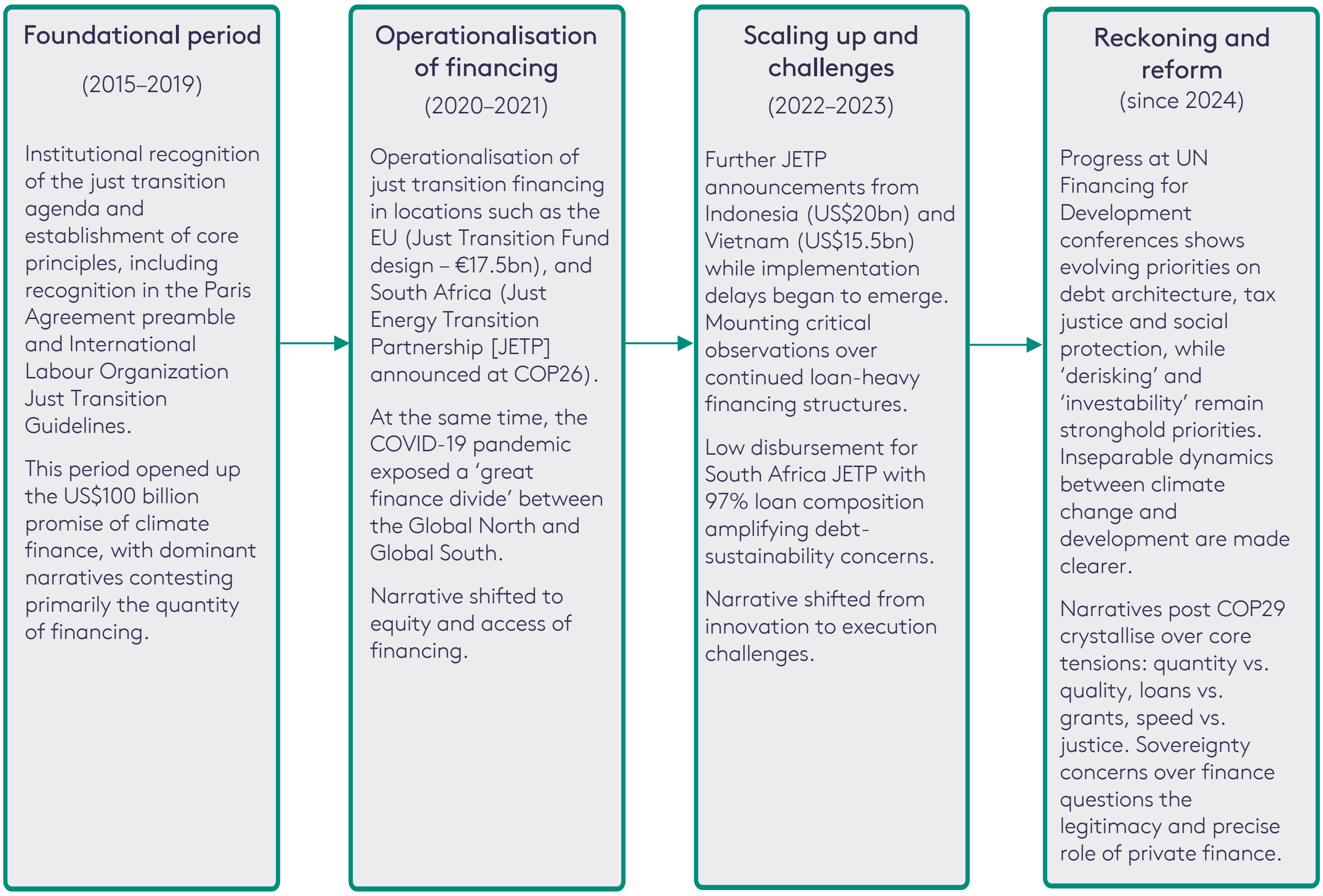
A systemic shift from public commitment to market dependence

The fiscal foundations for socially ambitious transitions are eroding across many national contexts. This headwind has emerged as a gradual but decisive shift of just transition finance as a public commitment to market dependence, which alters the character of and possibilities for transition financing. This is compounded by the recent retrenchment in overseas development assistance (ODA), coupled with a growing narrative that public resources are inherently insufficient and inefficient.[6] The turn towards private capital mobilisation and 'derisking' strategies as the predominant financing vehicles presents itself as a pragmatic adaptation to ongoing fiscal constraints, but beneath the surface it also subordinates justice imperatives to market logic. Figure 2.1 below outlines how the just transition and its proposed financing mechanisms have evolved over the last decade.

[6] This narrative of fiscal scarcity has been strong but it must be scrutinised in relation to other public expenditures, especially ones that have been channelled towards ecologically harmful activities. For example, in 2022, global fossil fuel subsidies were approximately 7.1% of global GDP, standing at over US$7 trillion (IMF, 2023), amounting to 3.6% of developed countries' GDP while the New Collective Quantified Goal on climate finance decided at COP29 amounted to only 1.4% of the GDP of the same group (UNCTAD, 2024).

ODA decreased by 9% in 2024, and is projected to decrease further by 9–17% in 2025 (OECD, 2025). This reduction is not only representative of a decline in aid quantity but also a deterioration in the effectiveness of aid that has intensified since the 2010s (CONCORD, 2024). This entropy of the global aid system comes at a time when donor countries are looking inward and reprioritising budgets for domestic spending. Public finance retrenchment directly undermines the fiscal foundations for global just transitions. Over the last decade, 'concessionality', once a key pillar of ODA, has been abandoned, making way for a suite of 'private-sector instruments' (PSIs), including loans to the private sector, guarantees, equity investments and mezzanine finance. This is not to deny the need for private finance. Rather, its current configuration raises fundamental questions about what role it *can* and *should* play in just transition finance.

Figure 2.1. Tracing the conceptual and narrative evolution of just transition finance since 2015



Source: Author

While wealthy countries and financial institutions advocate for blended finance, capital mobilisation or bolstering the role of artificial intelligence in climate finance, recipient countries call for debt relief and grant-based financing. This division produces a cycle of burden-shifting, where donors cite the lack of investable projects to explain low financial flows, thereby shifting the focus to creating new mobilisation strategies rather than delivery aligned with recipient-led needs. The World Bank's 'Billions to Trillions' agenda positions public finance in the service of 'leveraging' private investment rather than directly funding transition needs. The focus on 'mobilisation ratios' (how much private capital each public dollar attracts) has been unsatisfactory at best: low-income countries accounted for 6% of total mobilised private capital between 2012 and 2018, while middle-income countries received 74% (Mazzucato and Vieira de Sá, 2025). This signals a divergence between where money is most needed and where blended capital flows towards.

Similarly, the predominance of PSIs has multiple implications in the finance landscape. First, PSIs are already skewed to middle-income countries, systematically neglecting low-income countries, which face dwindling concessional capital and have the most acute needs.[7] Second, PSI mechanisms typically lack sufficient oversight and monitoring, which undermines transparency around social safeguards and development outcomes. Third, much PSI-channelled ODA is 'tied' aid, requiring recipient countries to purchase donor country products and services, thereby limiting policy sovereignty and reducing the effectiveness of aid (Lazell and Petrikova, 2025).

The reorientation of just transition and climate finance equate to a reconceptualisation of the state's role in transition financing. Governments that designed policies for economic transformations are now facilitators of private investment (Gabor and Braun, 2025; Newell and Bray, 2025). This ultimately shifts the identity of just transition finance from one of rights and responsibilities to that of risks, returns and investment opportunities. It subjects the recipients of just transition finance to investment-readiness terms, instead of justice and equity processes and outcomes.

This fiscal picture is further strained by the large-scale reallocation of aid to military expenditure. Currently, billions of previously earmarked climate finance are being redirected to military spending. The UK's aid budget was announced to be reduced from 0.5% gross national income to 0.3% by 2027, while defence spending will increase from 2.3% to 2.5% over the same period (Nevett and Francis, 2025). The Netherlands also this year announced US$2.5 billion in aid cuts from 2027 (Government of the Netherlands, 2025). Similarly, Germany has slashed its Economic Cooperation and Development Ministry's (BMZ) budget by US$1 billion alongside halving the acute emergency aid provided by its Foreign Ministry, compared with 2024 (Fürstenau, 2025). Not only does an increase in military spending divert funds away from climate programmes but it also contributes to growing emissions and threatens peace and the natural world, let alone any forms of just transitions (Conflict and Environment Observatory, 2025).

Cascading effects on just transition finance reform

Privatisation and derisking exclude unprofitable transition needs

The recent proliferation of blended finance vehicles, green and thematic bonds, and sustainability-linked loans has been hailed as 'innovative' climate finance. But the emphasis on 'doing more with less' through private finance mobilisation risks further fragmenting an already complex aid landscape. Inequities abound in climate finance, with persistent gaps between mitigation and adaptation, pledges and delivery, governance setups and equitable distribution across regions (CPI, 2024). In the case of adaptation finance, climate vulnerability itself has not been the primary determinant for accessing capital (Venner et al., 2024). Instead, institutional capacities, financial interests and geopolitical considerations shape allocative behaviours and aid has been used by some donors to promote economic self-interest instead of upholding principles of poverty reduction, recipient ownership or aid effectiveness (Weiler et al., 2018).

The dependence on private capital alters the character of what is deemed 'fundable' in just transitions. The existing rules of the game compel private actors to seek scalable, replicable and profitable projects, such as utility-scale renewable energy, large-scale infrastructure or commercial forestry projects. However, the complex, context-specific, socially-oriented missions of just transitions, such as community-owned energy systems, informal sector transitions and decent jobs with integrity, cannot compete for capital in market allocation systems. The result is a systematic bias towards transitions that reinforce existing power structures and profitability rather than transforming them.

From a cross-border perspective, the lack of stable public finance makes it increasingly difficult to sustain long-term political mandates for just transitions, particularly in low-capacity governance settings. The neglect of the need for climate adaptation in low-income countries generates cascading risks, including heightened vulnerability, ecological degradation and instability that

[7] Eurodad finds that between 2018 and 2021, 59% of PSI ODA from the UK, France and Germany went to upper-middle-income countries and only 4% went to low-income countries (Eurodad, 2023).

feeds back into global value chains. This can create a boomerang of feedback, threatening food, energy and even mineral security in heavy-importing nations such as the UK (see Ranger et al., 2025).

Headwind 3A: Governance fragmentation – systemic exclusion in financial access

Headwind dynamic

A fragmented institutional landscape creates more barriers than access

Beyond questions of volume and sources of finance, the governance of spending – how decisions are made and by whom – is equally critical. A mosaic of global financial institutions lies behind the just transition, all different in character (in terms of organisations, regimes and explicit/implicit norms), constituencies (public or private), geographical coverage (bilateral, multilateral or sub-national), and thematic focus (mitigation, adaptation or certain sectors) (Biermann et al., 2009).

This institutional landscape creates systematic barriers by causing fragmentation. Donors, multilateral development banks (MDBs), technical agencies and national ministries each maintain distinct reporting metrics, safeguards and financing instruments, creating a logistical maze with high capacity demands for recipient countries (Pickering et al., 2017). Within this context, the proliferation of climate financing entities may, in fact, further complicate accessibility, making climate finance accessible only to countries that are well-resourced enough to manage funder requirements administratively.

There is a complex process to access finance. The Green Climate Fund's accreditation process, for example, averages 30 months for regional and national entities (Lo, 2025). Certain locations face particularly high barriers to access. For small island developing states (SIDS), international access entities charge 8–20% management fees due to 'high transaction costs' (Samuwai and Hills, 2019; O'Dwyer, 2023). This epitomises procedural injustice: the most vulnerable countries pay the highest fees to access climate finance designed to help them adapt to climate change impacts that they did not create.[8]

Similarly, complexity is compounded by capacity constraints. Many implementing agencies lack the technical capacity, data infrastructure or procedural frameworks to implement project design or evaluations that are connected to true local needs (SLYCAN Trust, 2021). Procedural justice requires not only the availability of and access to reliable information, but also the capacity to utilise such information and make transparent and impartial decisions.

Lastly, the fragmentation of governance becomes particularly acute where international climate finance systems and domestic distribution mechanisms intersect. Subnational actors, including cities, regional governments and Indigenous governments, often find themselves excluded from international finance that flows through national governments, who need effective channels for the subnational dispersal of funds.

Cascading effects on just transition finance

Systemic crowding-out of those with the least accessibility

The persistent fragmentation of finance governance, including institutional mandates, dispersal channels, conditions, technical assistance criteria, and monitoring and evaluation frameworks, is not simply a matter of administrative inefficiency. It becomes a systematic pattern of exclusion and inequity.

As well as slowing down finance, high transaction costs can render finance inaccessible for vulnerable countries. The economics of engagement become prohibitive when limited government capacity is absorbed in proposal writing, compliance reporting and donor coordination rather than implementation of necessary initiatives. This creates a vicious cycle where countries lack the capacity to address climate impacts and cannot access funds intended to help them build that

[8] Least developed countries (LDCs) and SIDS face acute challenges for public climate finance access given high debt burdens and constrained government budgets. Private climate finance delivery has also remained low, with 10% of all climate finance going to LDCs annually between 2018 and 2022(except in 2021), and less than 2% to low- and lower-middle income SIDS (CPI, 2024).

capacity. There is a need to harmonise reporting requirements through standardised application and reporting systems across major climate funds. It would also be beneficial to establish and strengthen technical assistance facilities, while fast-tracking procedures for projects below defined financial thresholds.

This capacity gap can reinforce regional disparities where programmes and countries that are politically aligned with donor priorities and well-resourced to meet donor demands and conditionalities are deemed 'ready' for finance. As such, multiple agencies may fund overlapping just transition programmes in one country, deepening access gaps between communities. In under-resourced contexts, there is a heightened risk of pilot projects not becoming scalable without committed financing, or standalone interventions that are not fully integrated into national just transition processes. Local knowledge and community expertise, which may lack formal credentials or fluency in donor discourse, remain locked out of decision-making processes, despite being essential for effective implementation.

It is important to recognise the social and ecological costs of transitions within and between countries. Equalising access and providing targeted support for hard-to-access regions is essential to balance regional skews in finance provision. Doing so prevents just transition finance from exacerbating disparities in financial access and climate vulnerabilities. For climate finance institutions, developing and recognising bottom-line safeguards can help to embed just transition priorities into the operational rubric of funds.

Headwind 3B: The governance fragmentation trap – performative participation without power parity

Headwind dynamic

Participation and consultation signal just transition processes but not outcomes

While governance fragmentation creates barriers to accessing finance, a parallel challenge emerges in how affected communities are included in decision-making processes. This headwind manifests through elaborate participatory mechanisms (e.g. due diligence processes, stakeholder consultations or granting civil society observer status in multilateral meetings) that create inclusionary mechanisms but may not address fundamental power imbalances.

The just transition entails not only the minimisation of harm but also the maximisation of social benefits. Communities are susceptible to harm because of various economic, social or political vulnerabilities. Enhancing their capacity to participate in collective action and decision-making can be an emancipatory measure within the just transition toolbox, but due diligence and participatory mechanisms alone are insufficient to address the full complexity of the just transition.

The conceptual and operational limitations of participatory tools have been studied by legal human rights lawyers. Some of these tools are adaptable to the case of just transitions (Birchall, 2020; Dehm, 2023; Deva, 2023). We summarise these below.

Conceptual limitations of participatory tools include:

- **Inconsistent adaptation and translation of standards.** State-focused human rights frameworks are sometimes adapted to corporate contexts. When this translation process is led by companies themselves, it can lead to inconsistent application that serves corporate flexibility over community rights.
- **Process without outcomes.** Due diligence and consultations tend to focus on conducting *procedures* rather than seeking justice *outcomes*. Respecting rights fundamentally differs from protecting them, just as preventing harm is not the same as mitigating it.
- **'Blunt' remediation tools.** Corporate grievance processes tend to treat complex experiences of injustice as linear administrative procedures rather than contested negotiations of harm, responsibility and remedy that centre on the aggrieved communities (Hofmeyr, 2025). This can reduce remediation to a technocratic exercise.

Their operational limitations include:

- **Asymmetrical information and access.** When actors in positions of power design consultation processes, they control information flows and decide whose voices matter. The frequency, depth and type of participants are ultimately left to the discretion of corporate entities (Deva, 2023).
- **Spatial and temporal dispersal**. Consultations and due diligence are location- and time-bound, while the impacts of transition activities are global and last through longer timeframes. This poses an incongruence between the nature of the challenge and the proposed solutions (Dehm, 2023). This incongruence can create imbalanced information and power flows between affected communities and project implementors, obstructing meaningful consultations (Wang and Cerrato, 2024).
- **Absence of redlines**. While global supply chains may create jobs and economic opportunities, they also entrench inequality in incomes, contribute to externalised environmental pollution, promote unsustainable consumption practices and reify economic dependencies.

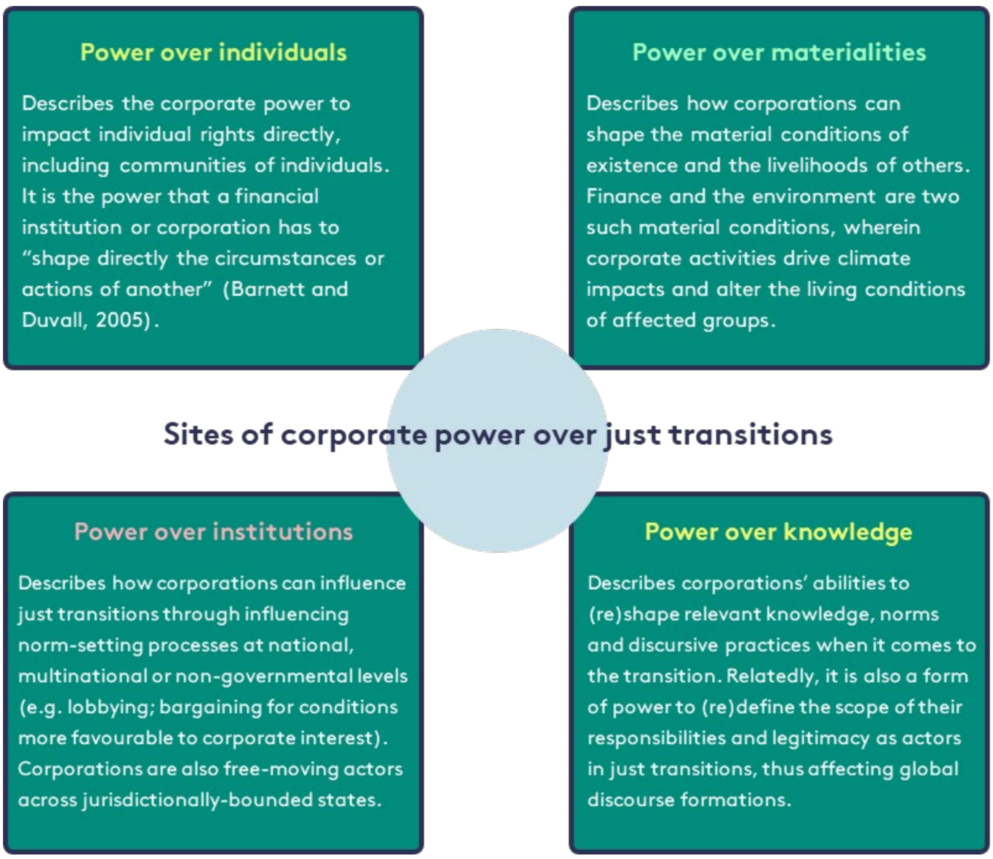
Cascading effects on just transition finance

Participation without considering power asymmetries is 'justice-washing'

Just transition financing mechanisms that put blind faith in participatory mechanisms without questioning their limitations can end up justice-washing harmful activities and rendering participatory techniques a tick-box exercise. Power structures can override procedural safeguards. Unequal power dynamics can undermine inclusive governance regardless of formal provisions.

Figure 2.2 conceptualises four ways power structures can pose structural limitations to corporate-led participatory mechanisms.

Figure 2.2. Sites of corporate power over just transitions



Source: Author, adapted from Birchall (2020)

These critiques highlight where current approaches fall short and where new infrastructure could enable more robust implementation of just transitions. The challenge lies in moving from procedural compliance to substantive participation. To do so, principles and guidelines need to be sharpened to confront experiences of injustice and clearly define outcomes directly. Strong, enforceable corporate accountability frameworks, with clear 'red lines' against activities that are fundamentally incompatible with rights-based just transitions, are necessary to create policy environments in which finance can operate with integrity and accountability.

Headwind 4: Transparency capture – disclosure undermines just transition

Headwind dynamic

Legitimacy crisis of transparency from serving market interests over communities

The transparency agenda in just transition finance is one designed to enhance accountability and improve outcomes for both stakeholders and enablers of the just transition. This headwind manifests as a fundamental disconnect between the full spectrum of outcomes that transparency regimes can achieve and their current realisation. Under its full potential, transparency can improve democratic accountability, inform participation and strengthen governance. However, currently, corporate transparency initiatives exist mainly to facilitate market transactions, manage corporate reputational risks and maintain existing power structures. The issue is not merely about insufficient disclosure but how transparency itself has been captured and repurposed in ways that undermine justice objectives. This imposes a legitimacy crisis on the effects of transparency related to climate action and impacts: we are seeing normative disagreements over the goals of disclosures, which reflect broader questions of "whose actions should be made transparent, by whom, and to what end" (Gupta and Mason, 2016: 17).

Embedded interests in transparency

Contemporary disclosure frameworks, include metrics and transition plans, are primarily private governance interventions that have been increasingly required by law to measure and disclose environmental and social criteria while fostering values for business (Czarnezki and Ballan, 2024). The International Sustainability Standards Board (ISSB) established a global baseline of disclosures serving the "needs of investors and the financial markets" (IFRS, 2021). Its explicit prioritisation of 'enterprise value' and financial materiality favours the embedding of financial interests in transparency as a primary objective.

Materiality of information

Investor-centric approaches create systematic blindness to impacts that do not affect financial performance. The logic of single materiality (how climate change affects financial performance) renders decarbonisation or just transition a financial stability issue alone. It perpetuates an ignorance of how dirty or unjust lending also has material effects on the climate crisis itself. Expanding sustainability departments in corporate and financial institutions to enable sustainability reporting and disclosure compliance has not led to a reduction in harmful practices. This 'professionalisation' of sustainability has created a new class of experts skilled in navigating information provision while insulating organisations from substantive change.

Governance of standard-setting

One recent development illustrates this political economy of capture: a formal complaint filed with the UN Environment Programme (UNEP) in October 2024 by more than 200 civil society and rights-holder organisations globally alleged breaches of UNEP policies on environmental defenders, on gender equity and equal access to information and the precautionary principle.[9] The complainants pointed to several troubling patterns, including corporate over-representation in governance structures; absence of gender analysis despite gender-specific differences in the

[9] The complaint was made by Rainforest Action Network, Forests & Finance coalition, Global Forest Coalition, BankTrack, Milieudefensie, Third World Network, Women's Earth and Climate Action Network, Friends of the Earth International, Indigenous Environmental Network and Movimento pelo Soberania Popular no Mineração. See: https://forestsandfinance.org/wp-content/uploads/2024/10/24Oct2024_Complaint-to-UNEP-on-TNFD-1.pdf

reliance on and utilisation of natural resources; systemic exclusion of civil society voices; opaque consultation processes inaccessible to frontline communities; and a lack of grievance mechanisms for affected populations. This example represents more than procedural failure: it exemplifies how disclosure regimes can serve to legitimise continued extraction of raw materials while giving the illusion of progress. Standards developed in global financial centres are inaccessible to affected communities, processes unfold in dominant languages using specialised frameworks, and technical expertise receives privileged status over lived experiences and traditional knowledge.

Without contending with these three fundamental questions, the rush to create metrics risks replicating epistemic violence (i.e. violence exerted against or through knowledge), appropriating Indigenous knowledge systems while translating relational understandings of wellbeing and care into commercial data points. Meaningful transparency requires systematic engagement with existing principles, rights frameworks and multilateral agreements, including the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES); the UN Declaration on the Rights of Indigenous Peoples; the principle of Free, Prior, and Informed Consent; and other established human rights standards. Without such grounding, transparency initiatives decline into performative accountability, giving the illusion of progress while postponing structural reform.

Cascading effects on just transition finance

Disclosure risks becoming another barrier to justice rather than broadening accountability

The current transparency regime, as outlined above, creates what scholars term 'animated suspension', which provides an illusion of progress through proliferating reporting frameworks that generate movement but without actual changing financial flows (Collard and Dempsey, 2022). A crisis of legitimacy and trust emerges when the proliferation of data becomes a substitute for genuine accountability or when quantity masquerades as quality of such information.

Disclosure regimes that prioritise risks to capital and enterprise value over risks to people and social outcomes can obscure the distributive impacts of the transition. When affected communities are granted consultative status rather than equal voting power in standard-setting bodies, this governance deficit can fuel scepticism and mistrust over whose interests these frameworks serve. It turns disclosures into a business matter of correcting information asymmetries, rather than extending them to recognise corporate responsibility for climate risks and harm.

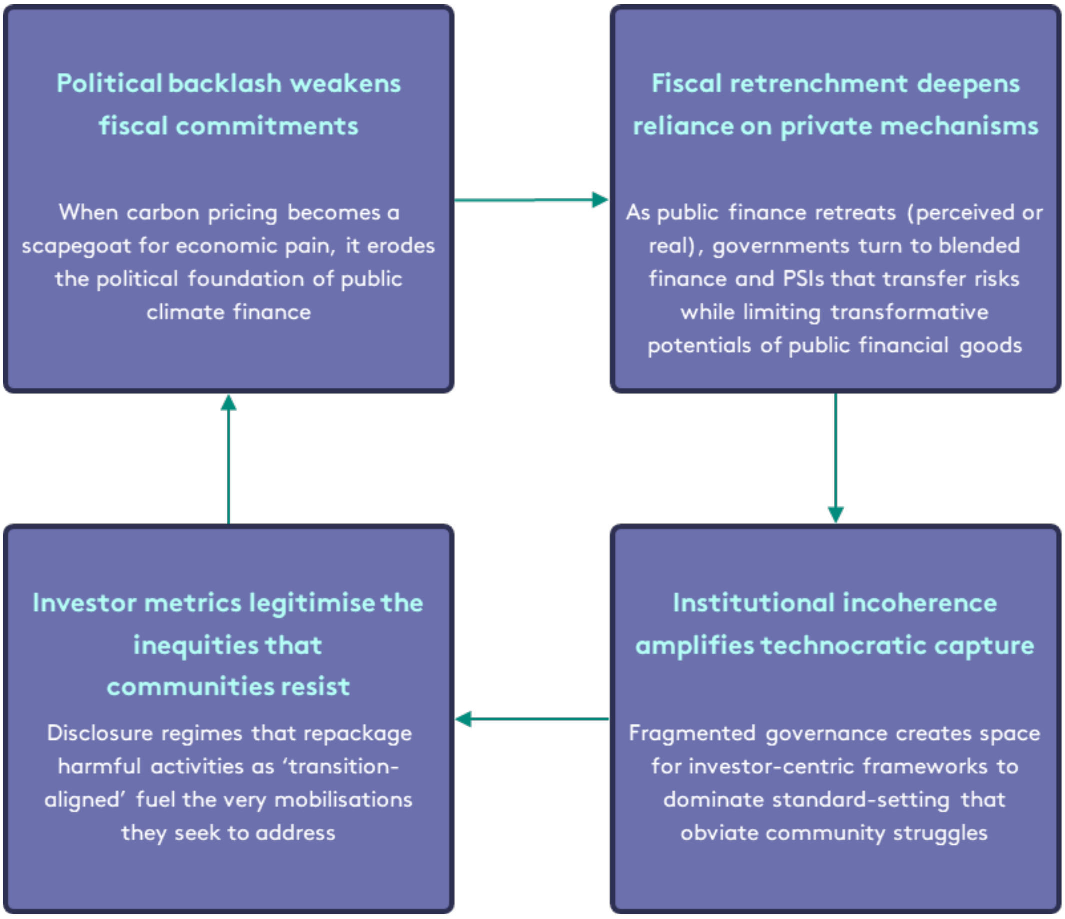
The technocratisation of transparency privileges certain forms of knowledge while dismissing others. Information deemed worthy of disclosure must be quantifiable, standardisable and commensurable with financial metrics. To this end, information systems such as Indigenous knowledge, community observations or lived experiences of transition impacts become relegated to qualitative annexes. This can masquerade as technical neutrality, but decisions about what to measure, disclose and deem to be of value are fundamentally political choices.

Without attending to these challenges, this legitimacy crisis could also lead to 'transparency fatigue', whereby the sheer volume of disclosed information becomes too complex and too abstract for anyone except professional organisations to handle. The result is further systemic exclusion hiding behind mechanisms of apparently transparent governance.

3. Headwinds as signals of structural challenges

The four headwinds identified in Section 2 (political contestation and legitimacy crises, public finance retrenchment, fragmented governance, and the technocratic capture of transparency frameworks) are not isolated phenomena but symptoms of deeper structural dysfunctions. Their interlocking nature reveals how systemic forces work in concert to constrain the transformative chain. An example of this is illustrated in Figure 3.1.

Figure 3.1. The interlocking dynamics of just transition finance headwinds



Source: Author

The circular reinforcement illustrated in Figure 3.1 signals that addressing individual headwinds without examining their structural roots can offer only temporary relief. The dynamic nature of these challenges demands deeper investigation into the institutional and political architecture that enables their persistence. Rather than piecemeal interventions and individual outcomes, we need to understand the systems within which such changes are taking place (Vasudev et al., 2025).

This section examines these structural challenges not as background context but as the primary constraints that must be transformed for just transition finance to be possible and durable.

Just transitions are not embedded in our political economy

The deeper structural reality is that the just transition has not yet been 'priced in' to the political economy of the transition itself. Unlike other policy areas that have achieved a higher degree of consensus across political divides (e.g. healthcare, public education or even national defence), the just transition remains suspended, politically contingent, and external to the organising of the economy.

Forces resistant to the transition have inherent benefits and advantages in the political system: not just financial resources in lobbying but deep institutional knowledge, regulatory capture and an ability to stifle anxieties across the political economic system. When a fossil fuel company threatens closures and layoffs, the impact is immediate, visible and politically salient. When organisations contributing to a just transition promise green jobs and social benefits, they are often taken to be more uncertain, abstract and politically diffuse. The asymmetry in their power to politically mobilise also indicates how our economic logic processes risks and rewards, weighs present cost against future benefits, and balances concentrated interests against diffused public goods.

Previous Grantham Research Institute research has found that procedural justice, which entails fair processes and representation in decision-making, is found to be the most heavily articulated justice type in government just transition policies (Chan et al., 2024). Other forms of justice, including distributive, recognition or ecological justice, which require acknowledging historical harm, centring marginalised voices and pursuing ecological repair, are less prominent. These latter forms of justice require political systems to pursue transformative outcomes as well as hardwiring justice into transition plans.

A national approach to just transitions hides an interconnected crisis

The international political frictions around the 'what, who and how' of just transitions are telling of the structural constraints of the territorialised, narrow conceptualisation of justice that frames most transition efforts. Just transition finance has been predominantly framed as a procedural and distributive issue within national and sub-national contexts. While this territorial framing captures important dynamics, it underplays the transboundary, systemic and political–economic dimensions of just transitions. It obviates the structural and interconnected implications,[10] creating a mismatch between the cross-border nature of climate change and our economic systems (Hedlund, 2023).

Overcoming this international political friction requires first acknowledging that "different groups and communities differ in their material (resources) and immaterial (knowledge, attitudes) capacities to respond to transition demands" (Kaljonen et al., 2024, p. 4). Current just transition finance strategies are perpetuating geographical unevenness by systematically omitting structural connections in the global political economy, including cascading dependencies across global value chains that drive material extraction in the Global South (Tunn et al., 2024); colonial legacies that shape capacity to mobilise, access and define 'green finance';[11] and past structural adjustments that constrain policy and transition pathways for countries that are already resource-constrained and climate-vulnerable (Bigger and Webber, 2021).

Moreover, a territorialised structural constraint extends to knowledge production and legitimisation, wherein the 'expertise' of neoclassical economics is privileged over Indigenous value systems, alternative development models beyond growth-centric development, or diverse conceptualisations of justice that prioritise intergenerational equity or ecological repair.

The result is a fundamental mis-scoping of just transition finance's purpose: what and whom it must serve. Framing failure affects how key multilateral financial institutions take up and incorporate the just transition as an agenda. Narrow territorial framings prevent these institutions from anticipating or addressing the cross-border externalities of their financing decisions. Without framing the just transition as an interconnected challenge across geographical bounds and borders, finance can reproduce the very injustices it seeks to resolve. Meaningful responsiveness demands resituating justice not only within places but across systems, scales and timeframes.

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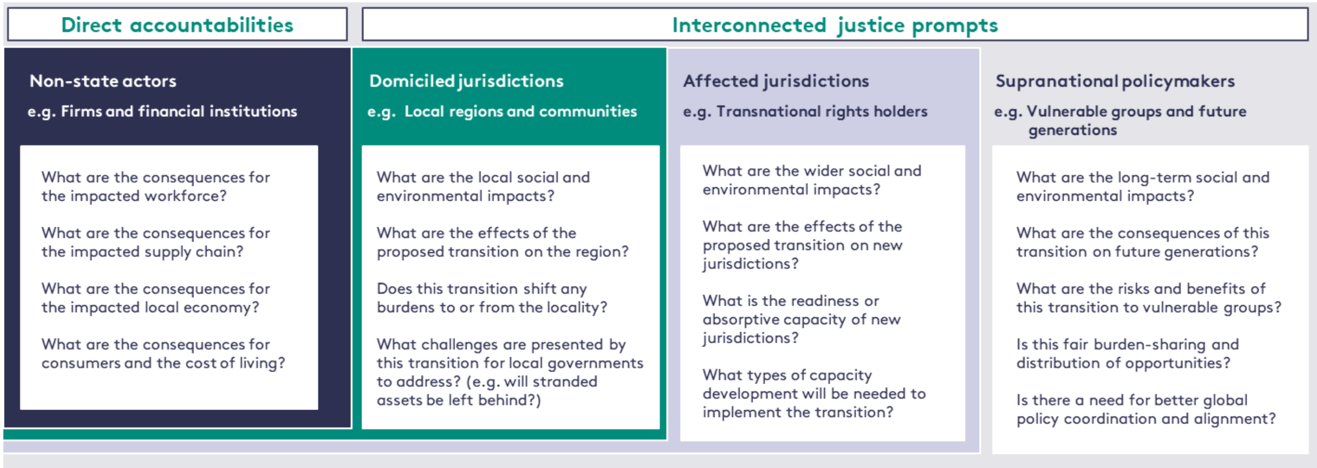
[10] Adaptation-focused research on transboundary climate risks already demonstrates how climate impacts cascade across geographical boundaries (e.g. see Carter et al., 2021). Such an approach can be translated and adapted to the case of interconnected justice and just transition finance.

[11] It is also important to mention that the conceptualisation of 'green' is not singular and that many 'shades' of green exist across the spectrum of transition finance: be it driven by a finance-led theory of change that is rooted in the ideals of ecological modernisation or more transformative approaches of overhauling financial systems to align them within planetary boundaries.

Figure 3.2 provides a series of prompts for multi-actor dialogues to begin moving beyond territorialised framings.

Figure 3.2. Policy prompts for multi-actor dialogue in interconnected just transitions



Source: Wang and Cerrato (2024)

The impossibility of achieving justice through pure market logic

The scaffolding of financial architecture tends to pass over long-standing structural constraints, including historical patterns of debt burdens, currency dependencies and austerity-linked conditionalities that constrain low- and middle-income countries' fiscal space (Reid-Henry, 2022). Debt burdens consume the necessary resources for transformation. Many climate-vulnerable countries are spending more to service their existing debt obligations than on social protection and essential services (Debt Justice, 2024). Currency hierarchies subordinate Global South countries in monetary positions where they must accumulate scarce dollar reserves to service hard currency debts and maintain exchange rate stability, diverting necessary transition resources. This is often linked to extractive, primary commodity export economies to earn foreign exchange, which maintains their precarious positions within global financial hierarchies (Salah and Ament, 2025).

Adjustment and austerity legacies create institutional flexes that systematically prioritise fiscal consolidation and austerity over essential public spending. This prioritisation risks sidelining rights, equity and care, and makes it structurally difficult to invest in the precise areas most urgently needed to pave the foundations for just transitions – i.e. public health, climate resilience and social protection (Behuria, 2025; Center for Economic and Social Rights, 2025).

This tendency to obscure historical, structural dynamics is what Newall (2021) terms as a 'plug and play' approach to financing the transition: an attempt to retrofit unjust systems with 'green' or 'just' components while leaving their fundamental modes of accumulation, production and power relations intact. Such an approach assumes that existing financial architecture designed to facilitate capital accumulation can be repurposed for justice outcomes through adjusting incentives or creating new instruments. What it fails to recognise is that the logic of the market, including generating competitive returns, ensuring risk mitigation and massifying through scalability, can be conflictive with the logic of just transitions, including redistributive justice, intergenerational equity and contextual specificity. Under the 'plug and play' model, finance is focused on quantifying just transitions with an identifiable figure, and massifying climate finance flows through instrument innovation, while often neglecting their quality and impact. This subjects just transition finance delivery to the metrics of dollars mobilised, projects financed or megawatts installed, capturing quantity while overlooking whether those resources reach those most in need, respect their rights and sovereignty, create or alleviate inequalities, or boost the adaptive capacity or further marginalise vulnerable communities.

Financial architecture is geared towards sustaining markets, not justice

This structural constraint points to how global climate finance conceptualises and organises itself. Multilateral development banks (MDBs) and related global financial institutions are key actors in shaping the availability and structure of global just transition finance. They have provided early-stage support for Just Energy Transition Partnerships (JETPs) and national just transition investment platforms. However, their operations remain governed by mandates and incentive systems that tend to prioritise financial prudence over equity responsiveness.

This prioritisation manifests through a persistent focus on credit ratings, risk-adjusted returns and macroeconomic conditionalities that constrain rather than enable transformations (UNCTAD, 2023). The result is a proliferation of 'innovative' financial instruments that lead to a long trail of overestimation of market projects, rather than the materialisation of actual finance delivery. Many of these financial instruments rely heavily on public guarantees to cater to private capital, while delivering limited additionality and lacking clear evidence of their grounded impact (Christiansen et al., 2025; Mazzucato and Vieira de Sá, 2025).

Opacity in this arrangement undermines democratic accountability. Structural constraints further compound these biases. This systemic inertia embodies entrenched asymmetries of power, which are structural features of the current system. The continued focus on increasing finance without addressing underlying structural constraints or the 'mission of the money' can manifest in three ways: offloading public responsibilities onto private actors through complex risk-sharing arrangements; entrenching privileges of actors who already benefit from the system; and systematically restricting capital access for the countries that need it most.

The difficulty of universal solutions in complex systems and problems

The search for scalable, replicable 'best practice' solutions in just transition finance reflects a fundamental misunderstanding of how change occurs within complex socio-political systems. This structural constraint manifests through confusing processes for outcomes and pursuing silver bullet solutions that promise transformation through singular interventions.

The confusion of process for outcomes assumes that widespread institutionalisation of participation will lead to improved justice outcomes. Yet, amassing consultation mechanisms, disclosure frameworks and grievance procedures without addressing the underlying power imbalances merely creates additional burdens for communities already struggling with multiple vulnerabilities. A tick-box mentality, thinking that having the right processes means achieving actual justice outcomes, allows institutions to claim progress while sustaining the material conditions of the status quo.

The search for perfect, scalable solutions drives the constant innovation of financial instruments that are promoted as constant breakthroughs that will *finally* unlock trillions for the transition. Complex systems resist and will not be solved by singular solutions. Decades of failed overseas development programmes have given us countless lessons that what works in one context may fail or even harm in another. The vastly different institutional capacities, power structures and historical contexts must be accounted for in just transition finance, while 'red lines' for harmful activities also need to be established to guarantee baseline safeguards.

The reality is that just transitions require contextual mixes of interventions that work synergistically, rather than in isolation; interconnectedly, rather than within territorial bounds. Financial mechanisms need to be paired with policy reforms, cultural and technological shifts, social protections and more equal governance capacities. These elements cannot be sequenced linearly or implemented in siloed fashions; they need to evolve together, adapting to local conditions and power dynamics. Yet, the current architecture tends to reward simple, measurable, replicable interventions over complex, adaptive, context-specific packages. Moving from procedural compliance to substantive participation requires not only better processes, but fundamental redistribution of decision-making power: this is a transformation that those currently in power have little incentive to enable.

4. Conclusion: integrating complexity into deliberation

The headwinds and structural challenges outlined in this Insight are not entirely new: though they have not yet been grounded in the locus of just transition finance. New institutional arrangements are emerging in response to these challenges. Country-level financing platforms promise more streamlined coordination. Policy-based lending models attempt to link finance with policy reform commitments. Just Energy Transition Partnerships create multi-stakeholder frameworks to mobilise resources. Each of these represents an attempt to address the constraints highlighted in this Insight.

We will need to approach these innovations with clear eyes. Too often, we have seen new mechanisms replicate the old institutional logics and by the same multilateral institutions that created the current problems.

To parse these complex questions, we offer the following critical prompts for structural analysis as starting points:

1. **Going beyond 'plug and play' transitions**. Current approaches reflect the 'plug and play' mentality: swapping technologies and adjusting finance while leaving intact the fundamental modes of accumulation, production and power relations that seeded the crisis. *Are we simply retrofitting an unjust system with some just principles and green components?*
2. **Quality versus quantity of finance.** The obsession with mobilising trillions obscures more profound questions. What are the fundamentally unjust aspects of the existing financial system that no amount of capital can fix? How do we re-embed finance within social and ecological priorities, rather than subordinating the just transition to financial logic?
3. **Accounting acrobatics or real resources?** When institutions announce expanded just transition commitments, we must ask: Is this genuine new money or a conceptual innovation of what counts? How much represents actual additional resources versus old wine in new bottles?
4. **Geographical distortions**. Does the regional concentration of financing in middle-income countries and 'bankable' sectors undermine claims of global just transitions? How does the cartography of financial flows reveal whose transitions matter in the current system?
5. **Cutting through the rhetoric.** New terminology proliferates (just/fair/inclusive transitions), new instruments are widespread, but does this innovation mask stagnation in actual resource flows? *Will new platforms create additional layers of bureaucracy that implicate existing power asymmetries between funders and recipient governments? How do we distinguish genuine transformation from what critics call 'animated suspension' – the appearance of motion without movement*?
6. **Expanding definition without diluting action**. The need to broaden just transition understanding must not become an excuse for inaction. *How do we encompass the full scope of transformation needed while maintaining clarity about concrete deliverables and accountability?*
7. **Understanding drivers of injustice.** While significant efforts have been channelled towards financing 'just' transitions, we must also account for and eradicate financial drivers of unjust transitions. Without a systematic accounting of harmful financing, we cannot have a clear direction for change.

Breaking these patterns calls for different methodologies and for imagining alternative and just futures. Strategic foresight offers a pathway for participatory exploration of alternative possibilities. By bringing together communities, policymakers and financiers in structured exercises, we can hope to surface assumptions, test scenarios and identify leverage points for transformation.

The analysis in this Insight intends to provide better questions and not simple answers. It concludes where meaningful work begins, and we end with an invitation to engagement to fundamentally reimagine how finance serves justice and how transitions honour planetary boundaries and human dignity. We invite the diverse audience who read our reports to carry these questions forward and to join us in an engagement-led research programme towards doing the difficult (perhaps uncomfortable) yet necessary work of making just transitions still a possibility.

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