Mapping the scale and scope of just transition finance in private credit and equity funds

Emerging Best Practice for Just Transition Finance: Paper 3

Arka Chanda and Judith Tyson

Policy report

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Summary

Private credit and equity funds are playing an increasingly vital role in financing the energy transition, with renewable energy investments backed by private markets more than tripling from 2021 to 2024.[1] As private capital assumes a growing share of financing for energy infrastructure – a sector with clear implications for community development, employment and land use – understanding how these investors approach the just transition becomes critical.

This report examines how 23 specialist private equity and credit funds with expertise in sustainable investing embed just transition principles into their energy infrastructure investments, drawing on policy document analysis and semi-structured interviews with fund representatives. We refer to these entities as 'specialist funds' below.

Key findings

Just transition action can occur even without explicit just transition labels or policies. Only two of the 23 specialist funds under examination explicitly mention 'just transition' in their investment policies, yet every interviewed fund demonstrates just transition-aligned activities in practice. These 'implicit' just transition activities emerge from existing sustainability frameworks, including environmental, social and governance (ESG), responsible investing, and approaches aligned with the Sustainable Development Goals (SDGs), suggesting that firstly, formal labelling is not essential for just transition action to occur, and secondly, just transition issues, in certain contexts, constitute material risks that must be addressed.

The scope of action remains narrow and constrained but is, arguably, within the expected scope of responsibilities for private funds. Specialist funds concentrate on labour rights, supply chains and operational health and safety – a labour-oriented view of just transition that emphasises baseline 'do no harm' measures. While this focus is reasonable given the salience of worker safety and human rights in energy infrastructure, it presents risks in jurisdictions with weaker social protections where adhering only to domestic laws may entrench inequitable outcomes. By contrast, broader issues such as regional inequalities, advancement of vulnerable groups and community resilience receive limited attention.

There is an investment case for action on the just transition – and it is viewed as an important risk management tool. Investors view just transition considerations as 'just good business practice' rather than values-based commitments. Community engagement reduces project disruptions during planning, construction and operations; strong stakeholder relationships mitigate regulatory and reputational risks; and a social licence to operate facilitates access to contracts and talent. However, this commercial case remains difficult to quantify, which contributes to action on the just transition being perceived primarily as a cost: presenting a barrier to large-scale uptake.

The regulatory landscape plays a key role in determining baseline levels of engagement on the just transition. Mandatory activities throughout the planning process, such as social and environmental impact assessments, community consultation requirements and benefit-sharing mechanisms, establish baselines that enable discretionary action beyond what is already expected. The level of engagement varies significantly, with one interviewee noting that "everyone does it, but not everyone does it well", highlighting both the importance of regulatory thresholds and the risks of tokenistic compliance.

The context of investments matters. Material just transition issues vary across regions and projects. Indigenous rights and land use may be priorities in some jurisdictions, while impacts on subsistence agricultural communities may be more important in others. Aligning investment decisions to local needs and contexts is therefore crucial.

There are several barriers inhibiting greater uptake of just transition considerations in private markets. Key obstacles include: insufficient understanding of what constitutes just transition in specific investment contexts, lack of standardised, sector-specific metrics, perceived and actual trade-offs between returns and social impact, and diminishing support for social and climate-led investing in the

[1] According to S&P Global.

current political climate. How just transition is framed is therefore crucial: a focus on financial materiality and social licence to operate has greater currency than values-based approaches.

Insights for investors

1. **The case for just transition finance is not just values-based: it can deliver commercial benefits.** Investors should explicitly connect just transition activities to financial performance and risk mitigation rather than relying on values-based arguments. Emphasising how community engagement reduces disruptions, how supply chain standards protect reputation, and how stakeholder relationships create social licence to operate proves most effective in securing buy-in from asset owners and co-investors, aligning just transition with fiduciary duty.
2. **Leveraging existing sustainable investment frameworks can accelerate the operationalisation of just transition finance.** Just transition-aligned activities can be advanced through familiar ESG, responsible investing and SDG frameworks without adopting specific just transition terminology. This approach may be particularly valuable in the current political climate where explicit climate and social labels face resistance. By focusing on the substance of just transition, addressing material social and environmental issues that affect investment performance and stakeholder outcomes, rather than the label itself, investors can advance just transition objectives.
3. **Context matters for the just transition, and the just transition approaches developed by investors need to consider context-specific priorities, regulatory frameworks and stakeholder needs.** Thorough due diligence to understand local stakeholder landscapes, regulatory frameworks and socioeconomic conditions is essential, especially in jurisdictions with limited social protections, where investors face greater responsibility. Investors should avoid one-size-fits-all approaches, instead developing flexible approaches that allow context-appropriate application while maintaining consistent principles around equality and community voice. Pre-investment due diligence and the investment negotiation stage represent critical leverage points for embedding just transition considerations.

Policy recommendations

1. **Regulatory frameworks should encompass the baseline level of action on just transition for private funds to establish minimum acceptable thresholds for the just transition.** Private equity and credit investments in energy infrastructure tend to apply narrow perspectives to just transition issues, focusing on compliance with existing regulation and minimum industry standards. Where this could be considered insufficient, financial regulators, and planning authorities should increase the stringency of regulatory requirements – which should raise the 'floor' of activity on just transition issues. For example, this could be done through mandating or improving standards for social and environmental impact assessments, or benefit-sharing mechanisms – although risks of tokenistic compliance and the costs of excessive regulation should also be considered.
2. **International standard-setters seeking to advance the just transition should leverage existing sustainability frameworks to drive deeper action.** Organisations seeking to advance just transition finance, should, in the medium term, leverage existing frameworks and reporting language to reduce competition for attention and resources, as well as reporting burdens. In particular, engaging with investors on specific just transition issues and recognising where they overlap with existing ESG and SDG-aligned investing frameworks is key. In the longer term, just transition should be embedded within transition plans, with promising progress already emerging in this space.
3. **National authorities mobilising private fund investment in energy infrastructure should develop a shared understanding of the just transition issues within their local contexts.** Collaborative platforms bringing together policymakers, local stakeholders and private investors can co-create shared understanding of priority just transition outcomes through concrete, issue-level metrics – helping address the local nuance of just transitions. This can take various forms, from regional just transition agendas to structured co-investment opportunities like the UK's North Sea Transition Plan and Clean Energy Jobs Plan that align private capital with public policy objectives.

1. Introduction

This report develops a framework to map the scale and scope of the just transition for private equity and credit funds that have specialist expertise in sustainable and socially responsible investing. It provides evidence to inform the case for continued action on a just transition, examples of emerging practice for investors, and recommendations for policymakers.

What is the just transition?

The just transition is an imperative of climate action, outlining the need to address the social risks and opportunities arising from the transition to net zero greenhouse gas emissions. Enshrined in the Paris Agreement and embodied in various principles and guidelines that inform climate policy and practice, the idea that low-carbon transitions can lead to social risks and opportunities that must be managed is well understood (Robins et al., 2024). In the context of growing discontent and backlash against climate initiatives, sharing the benefits of the transition and minimising its costs, or 'leaving no one behind', has grown increasingly important to ensure political support for climate policies – making the case for a just transition particularly salient.

However, a consensus on which social risks and opportunities qualify as just transition issues is lacking in scholarly and practitioner literature (Galanis et al., 2025; Scheer et al., 2025). In the academic literature, several distinct conceptualisations of a just transition are discussed (e.g. see Wang and Lo, 2021), while practitioner guidelines and standards often place emphasis on differing social issues (Just Transition Finance Lab, 2024a). These can reflect organisational values, as well as context-specific considerations (Tyson et al., 2025). For example, the rights of Indigenous Peoples may be more salient concerns in some countries than in others. There is also some debate on how a just transition connects social and environmental issues. For example, Scheer et al. (2025) suggest that social issues 'count' as just transition only if they arise from changes "brought about by the transition". This contrasts with viewing a just transition as the layering and simultaneous consideration of social and climate issues – which aligns well with views of a just transition as analogous to sustainable development objectives (Wang and Lo, 2021).

In finance, overlap between a just transition and other climate and social investment frameworks has meant that relevant practices can also emerge under different labels without explicitly identifying themselves as 'just transition' (Robins et al., 2024). For example, the joint consideration of environmental and social characteristics for some investments, covering the 'E' and 'S' pillars of an environmental, social and governance (ESG) framework, could be sufficient to address just transition-related risks where the relevant social issues appropriately reflect the challenges and opportunities arising from the low-carbon transition. Additionally, green, sustainability and sustainability-linked (GSS+) bond issuances have shown evidence of some just transition alignment (Tyson et al., 2025). Industry approaches can also exhibit variable ambition, with measures ranging from baseline compliance approaches to those attempting to transform industry practice (Wang and Cerrato, 2024).

This diversity of approaches can make just transition finance difficult to track and monitor, especially given a constantly evolving list of relevant indicators for social issues that depend heavily on investment contexts. There is therefore a need for a framing of the just transition that can accommodate the breadth of scopes and ambition that exists in practice.

In this report, we attempt to address this gap: we develop a framework for private equity and credit funds to help identify unlabelled or implicit just transition activities, and a tool to map the direction of ambition in the scope – i.e. the social issues the approach emphasises – and scale of just transition finance.

Private market investments are underexplored in just transition finance

Private market strategies, such as private credit and equity investments, are an important but underexplored asset class in just transition finance. This asset class includes investments in unlisted assets, through the provision of loans (private credit) or purchasing ownership shares in businesses and infrastructure (private equity). These instruments have the capacity to offer more flexible funding for projects at early stages of development, such as emerging clean technology, or those that require significant amounts of upfront capital, such as large-scale infrastructure projects.

Private markets are playing an increasingly important role in funding clean technology and energy transition infrastructure. Private credit and equity contribute to a growing share of investment in energy infrastructure: renewable energy investments backed by private markets more than tripled between 2021 and 2024 (Irwin et al., 2025). There has also been significant growth in core energy infrastructure investments, with 2025 seeing the largest year of infrastructure fund capital-raising on record, as alternative fund managers have launched funds with explicit energy infrastructure mandates (Alves, 2025). This reflects growing need for investment in critical infrastructure: more than US$4 trillion in investment is required in clean energy technologies through to 2030 (Gunter et al., 2024). Private markets have already begun to adopt a vital role in helping address shortfalls in public and traditional sources of finance in this space. Given their flexibility and ability to deliver diversified, reliable returns, this is expected to continue (Irwin et al., 2025).

Understanding how a just transition is considered within private equity and credit investments into energy infrastructure is important, given the proximity of these investments to communities and places. Energy infrastructure is a key sectoral focus of the just transition, with implications for economic development, local employment and land use in rural and remote areas, and particularly in the case of many renewable energy projects. Private credit and equity investments are able to address these issues on a case-specific basis and thus provide useful examples of how regulatory, commercial and fund-specific factors can influence the achievement of just outcomes in the energy transition.

Given the sectoral overlaps in private market investments and other asset classes, including public finance and fixed income instruments, insights from private equity and credit fund market strategies on just transition finance are likely to be transferable to other investments in the energy transition. While private credit and equity instruments have carved out a growing niche in the energy transition, there are considerable sectoral overlaps with other major asset classes including bonds and bank lending. Renewable energy investments also comprise the largest share of investment by use-of-proceeds in the labelled (GSS+) bond market (Swiss Bankers Association, 2024).

Structure of the report

- **Section 2** explains the report's methodology.
- **Section 3** presents the framework we develop to support private credit and equity funds that have specialist expertise in the energy transition in identifying the various elements of a just transition, as well as the scope and scale of the transition.
- **Section 4** presents the findings of text-based analysis using publicly available sustainability and ESG documentation from a sample of these funds, plus qualitative insights from a series of semi-structured interviews with a subset of the fund sample.
- **Section 5** provides policy recommendations.

2. Methodology

This section presents the methodological approach used in this report. It outlines the research questions, sampling approach and process followed for the desk-based analysis and for the semi-structured interviews we carried out with a specialist sample of private credit and equity funds.[2]

Methodology overview

We identified a sample of private credit and equity funds whose publicly-disclosed commitments and expertise in green and/or socially responsible investing indicate they are likely to give strong attention to climate change. We then reviewed the publicly-disclosed environmental, social and governance (ESG) and sustainability policies made available by these funds, and applied an evaluative framework to assess the extent to which just transition, whether explicitly stated or unlabelled, is considered in their investments. We compared the performance of the chosen sample with a benchmark group of the largest 10 infrastructure investors. We then extended the desktop analysis by conducting key informant interviews with a subset of funds from the identified sample to provide further qualitative evidence.

Research questions

The overarching research question set was: ***How do private equity and credit funds with specialist expertise in sustainable and responsible investing embed just transition considerations into their energy infrastructure investments?***

We then set the following further research questions:

- **Research Question 1:** What elements of a just transition are considered by specialist private credit and equity funds, and why?
- **Research Question 2:** How are just transition elements, explicitly or implicitly, considered throughout the investment lifecycle?
- **Research Question 3:** What are the main barriers to either explicitly or implicitly integrating just transition considerations into investment strategies?

Sampling

The sample for this report consists of 23 private credit and equity funds that have specialist sustainable investment strategies, which include investments in the energy transition. A full list of these funds is provided in Appendix 1.

We used a top-down sampling approach, beginning with signatories to the Net Zero Asset Managers (NZAM) Initiative as of January 2025, and filtering for funds that have specialist investment strategies in relation to sustainable and/or socially responsible investing. Funds were only considered if their primary focus was sustainable investment, with significant investments in energy infrastructure.[3] As such, large, highly diversified investors were excluded from the analysis.

A further filter was applied to sharpen the focus on private credit and equity funds, whereby only investors with a private equity or private credit strategy investing in energy-related companies and infrastructure were included. This approach yielded a sample of 23 investors: see Figure 2.1. Hereafter, the term ‘specialist funds’ will refer to this sample.

[2] A note on methodological limitations is included in the Conclusion.

[3] This was determined by a review of investment portfolios from the investor websites where available.

Figure 2.1. Sampling methodology

Desk-based research

The desk-based research consisted of two phases, described in further detail below:

- Phase 1 involved developing a framework to identify the elements, scale and scope of a just transition and was based on a review of the relevant practitioner and academic literature.
- In Phase 2 we applied the framework to the publicly disclosed ESG and sustainability policies of the specialist fund sample to evaluate their engagement with the just transition.

Phase 1: A review of just transition concepts to develop a framework

We conducted a review of just transition definitions in the academic and practitioner literature to consolidate different understanding of the just transition. This included a review of existing just transition frameworks, guidance and criteria, as well as the academic definitions and understanding of a just transition.

This review was used to develop a framework outlining the scope/breadth, scale/ambition and elements of the just transition. The intent of this work was not to redefine 'just transition' but rather to synthesise existing definitions and understanding to illustrate the breadth of concepts encompassed by the term – and provide a flexible tool to identify where just transition considerations have been applied, either explicitly or implicitly.

The framework developed is presented in Section 3.

Phase 2: Text-based analysis

In this phase we applied the developed framework to the publicly available sustainability, responsible investment and ESG policies from the specialist fund sample. We evaluated the extent to which just transition considerations are embedded within these documents, and explored the scale and scope of just transition-related engagement. As a general rule, only fund-level responsible investment policy documents were collected to form the 'corpus', or body of text, for this analysis, and as such sustainability/climate reporting or disclosures were not considered. Where no policy documents were available, we considered thematic fund strategies, such as those focused on achieving net zero, or sustainability reports.

The text-based analysis was conducted in NVivo, where sections of the corpus were 'coded' with specific tags from the framework developed in the previous phase. This included tags referencing categories of just transition elements, references to the scale of ambition encoded in the corpus, and noting which categories of social issues are emphasised in fund-level guidance. The results were presented as aggregations of these codes from the corpus of text, mainly through summation at the intersection or union of different codes. Further detail on how the references have been coded is provided in Section 3.

Recognising that the specialist fund sample is unlikely to be representative of the sector as a whole, a comparative benchmark analysis was also conducted, using the 10 largest infrastructure asset managers – hereafter referred to as the 'benchmark sample'.[4] This is a useful comparison given the significant overlap in energy-related infrastructure investment between the two groups, and no overlap in members.

Key informant interviews

These interviews were conducted with a diverse subset of the specialist sample identified for this report. All members of the sample were invited to an interview; seven accepted. Interviews were conducted with team members who have both oversight of investments throughout the lifecycle and a deep knowledge of the funds' sustainability practices. This typically included members and heads of sustainability teams, and investment team members.

The interviews conducted span investments across every continent, with the interviewee sample including investors focusing on Western contexts as well as emerging economies. The interview sample also included investors with expertise in various stages of project development and in different infrastructure asset classes – encompassing core, core-plus-plus, buy-out funds, and minority equity shareholders, as well as private debt specialists. This provides insights from a broad subset of the specialist sample and lends confidence to the extent to which the findings can be generalised for wider private market contexts.

All interviews were conducted as semi-structured interviews under the Chatham House Rule; no comments mentioned in this report have been assigned to a named individual or organisation unless already available in the public domain. As such, the interviewed funds are also not named.

4 This sample was developed using Infrastructure Investor data. See: https://www.infrastructureinvestor.com/ii-100-brookfield-tops-our-global-manager-ranking/

3. Mapping the scope, scale and elements of the just transition

At its simplest, the just transition involves maximising the social opportunities and minimising the social risks of the low-carbon transition, but there is some debate over which social issues qualify as just transition-related. Since its origins in the labour union movements of the 1970s, approaches to the just transition have consistently championed labour rights, skills and employment, but the movement has increasingly become tied to more comprehensive agendas on inclusive climate action (Robins et al., 2024). This includes greater consideration of marginalised groups, such as Indigenous peoples, women, and low-income communities, the integration of environmental, climate and energy justice into climate action, and at more macro levels, considering the regional and international inequities exacerbated by the climate crisis (Wang and Lo, 2021). An analysis of just transition metrics suggests different guidelines and standards emphasise specific aspects of this broader agenda, although workers' rights remain the most widespread area of focus (Just Transition Finance Lab, 2024a).

For this analysis, which attempts to identify 'implicit' just transition actions, it is useful to apply an analytical framework that accounts for this heterogeneity in just transition definitions. In particular, this requires the ability to distil the just transition into specific issues or 'elements' that can be used to identify just transition-aligned actions in the absence of just transition labels. The framework must also acknowledge the boundaries or 'scopes' of different just transition approaches – which can range from narrow labour-oriented approaches to more comprehensive views on international, inter-regional and intergenerational inequities. Finally, the scale of ambition in just transition actions is also important to consider: this can range from minimising harm to maximising the social opportunities from climate action.

We apply a three-part analytical framework for private equity and credit funds to evaluate investor engagement with the just transition: identifying the elements of a just transition, mapping the scope of the issues addressed, and assessing the scale of ambition pursued. We note this framing is prototypical and will be developed further through engagement with the financial sector. However, it still forms the basis for the evaluative framework applied in this analysis.

This section provides an overview of each of these components and outlines how they are applied to the text-based analysis in Section 4.

Elements of the just transition

To develop a framework specifically to address investor needs, we have adapted the Impact Investing Institute's (III's) Just Transition Criteria and built on previous work from the Just Transition Finance Lab to develop a list of just transition elements. The III's Just Transition Criteria are highly suitable for this analysis due to the breadth of just transition-related indicators they embed (see Just Transition Finance Lab, 2024a) and the design of the Criteria for financial instruments in general. Our framework adopts the three core elements identified by the III's Criteria – climate and environmental action, socioeconomic equity and community voice – and adds specific sub-elements that are informed by the just transition themes outlined in Tyson et al. (2025). To identify 'unlabelled' just transition activity, we require overlap between climate and social and/or community elements. This means that although explicit commitments to the just transition are not necessary, just transition alignment requires that climate considerations be accompanied by relevant social or community dimensions.

The elements and sub-elements developed through this approach are outlined in Figure 3.1.

Figure 3.1. Elements of the just transition

	Element 1	Element 2	Element 3
	Climate and environmental action	**Socioeconomic equity**	**Community voice**
Sub-elements	**Climate change mitigation** Reducing, mitigating and removing greenhouse gas emissions relative to a business-as-usual scenario	**Place-based equity** Advancing a fair distribution of climate change costs and benefits of climate change across regions	**Participatory stakeholder engagement** Conducting inclusive, participatory stakeholder engagement, especially with affected communities and frequently marginalised groups, to ensure they have a voice in decision-making
	Climate change adaptation and resilience Enabling communities to anticipate, withstand and recover from physical climate impacts	**Livelihoods** Providing opportunities for decent jobs and skills development, supporting small and medium-sized businesses, protecting labour rights	**Meaningful social dialogue** Provide mechanisms for dialogue with employees, policymakers and end-users, through consumer engagement and healthy labour relations
	Conserving nature and the environment Conserving or regenerating biodiversity and natural capital, and reducing environmental degradation	**Community development** Supporting community safety, health and security measures, including the provision of basic needs, such as energy, water and food security	
		Supporting vulnerable groups Targeted consideration of marginalised and underserved populations, including Indigenous peoples, women, the poor and young people	

Source: Adapted by the authors from Impact Investing Institute (2023) and Tyson et al. (2025)

The scope and scale of the just transition

The 'scope' of the just transition refers to how broadly or narrowly the social dimensions of climate action are defined. For example, a narrow perspective of the just transition might only consider the labour and human rights issues that emerge through the development of new industries and transitions away from fossil-fuel-intensive sectors. A broader scope with a social justice framing could include the impacts of the low-carbon transition on vulnerable groups and local communities, while the widest scopes might consider the just transition as analogous with sustainable development objectives. In particular, a 'sustainable development' lens positions the just transition as the simultaneous achievement of socioeconomic development objectives alongside climate and environmental goals. This differs from the other two scopes which seek to address the social risks and opportunities that arise directly from climate action (similar to the logic applied by Scheer et al., 2025). Each of these scopes would emphasise a different combination of just transition elements, providing a useful way to categorise the different conceptualisations of the just transition.

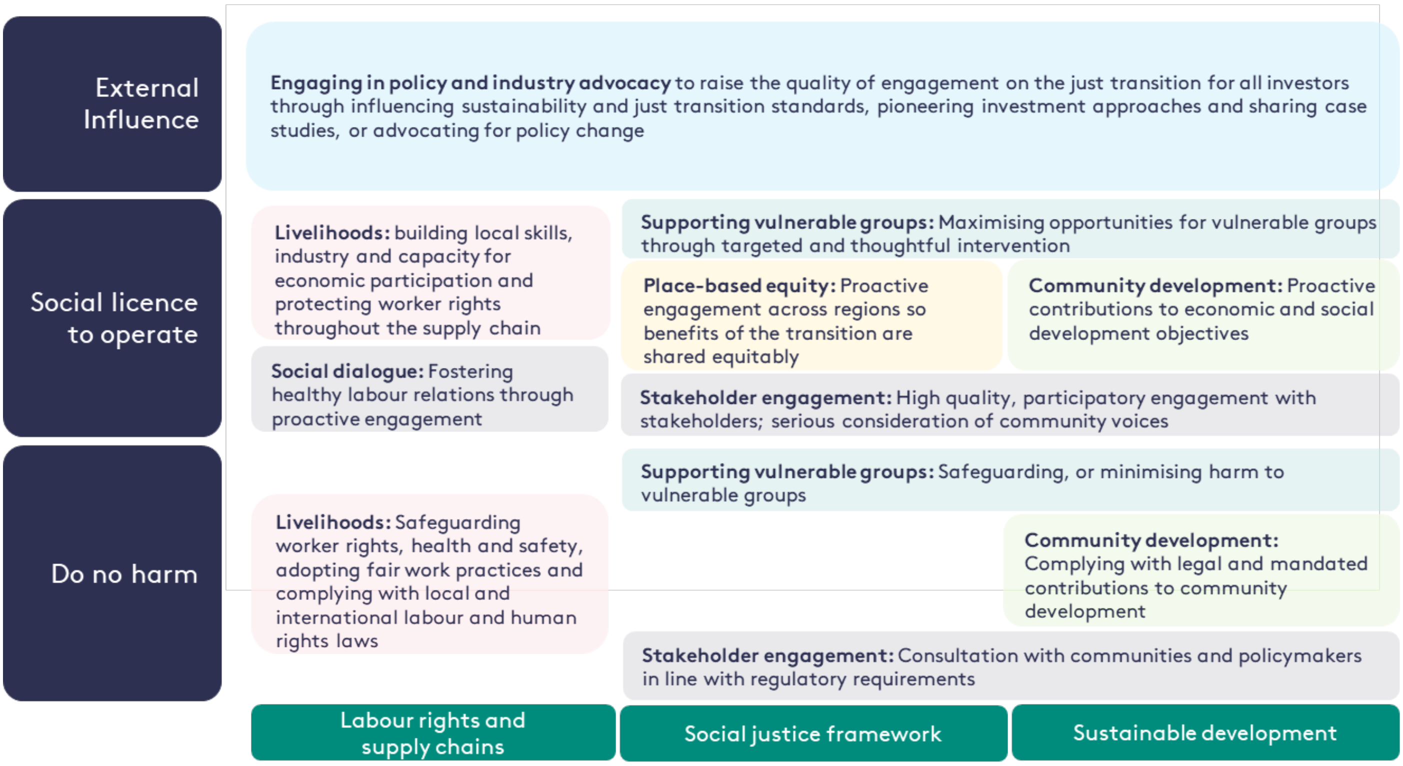
In our framework we present three different scopes of the just transition, which, in order from narrow to broad are: labour rights and supply chains; social justice frameworks; and sustainable development. The elements of a just transition most relevant to each of these scopes are illustrated in Figure 3.2.

The scale of ambition on just transition issues is also an important consideration: it can range from baseline, 'do no harm' measures to advocating for changes in industry practice. We adapt the work in Wang and Cerrato (2024) to present three categories of the scale of just transition action, which include: do no harm, social licence to operate, and external influence.[5] These reflect the extent to which actions by an investor or entity have 'just transition additionality' – providing a measure of whether they simply maintain the status quo or contribute actively to just transition outcomes. The 'do no harm' category reflects actions from investors that meet baseline legal and regulatory requirements, including compliance with mandatory processes embedded in project planning regulations, such as community consultation or community reinvestment requirements. The 'social licence to operate' category reflects proactive, voluntary engagement beyond baseline requirements – which can include thoughtful, targeted approaches to mandatory requirements or voluntary commitments to advance or contribute to climate, environmental or other social objectives. Finally, the 'external influence' category reflects actions by

[5] We adapt the third category from Wang and Cerrato (2024), changing the language from 'transformational systems change' to 'external influence' to be more suitable for mapping the activities of private market funds.

investors that aim to set new high standards and influence the activity of other investors to raise the ambition of just transition engagement industry-wide. How each of the elements of a just transition can vary across this scale is described in Figure 3.2.

Figure 3.2. A framework for specialist funds to map the scope, scale and elements of a just transition



Source: Authors

Analysing private credit and equity through this lens

In this research, we have used this framework to identify just transition-related language in funds' sustainable and responsible investment policies. References to each of the elements and sub-elements have been coded at the element level, which enables the identification of themes as well as areas of overlap. For example, commitments to reducing emissions would fall under 'climate change mitigation' and therefore be coded as Element 1, while the provision of skills and training programmes would fall under 'livelihoods' and therefore be coded to Element 2 (see Figure 3.1). If these references occur in the same context or project, for example a renewable energy project that also improves access to skills development and training for the community, then they are coded together, highlighting the overlap between these activities.

References to the scale of just transition activities in these policy documents have also been considered. For example, commitments to reduce emissions in line with national and sectoral targets would be treated as a 'do no harm' measure, while voluntary commitments to exceed national and sectoral targets to achieve net zero emissions would be coded under 'social licence to operate'. Similarly, language around social issues discussing 'safeguarding' or 'minimising harm to' communities would be coded as 'do no harm', as would the discussion of mandatory human rights protections and workers' rights. However, engagement across supply chains and voluntary commitments to work with local contractors or the provision of skills and training to local communities would be coded under 'social licence to operate'.

The text-based analysis considers which scope of the just transition is emphasised in fund policies, as well. For example, any references to 'labour rights' and 'supply chains' would be coded in this scope, while references to the Sustainable Development Goals (SDGs) would be coded as a reference to the 'sustainable development' scope. Outlining fair and transparent processes, such as meaningful stakeholder engagement or the consideration of marginalised groups, including embedding their views in decision-making, would be coded as 'social justice framework'.

Mapping the scope, scale and elements of a just transition in the sustainability and ESG policies of the sample of specialist funds provides a rich body of textual data to assess where just transition efforts are currently concentrated. It also provides a valuable basis for comparing how different funds interpret and prioritise social issues within their investment strategies, and the level of ambition implied. This systematic mapping therefore creates a foundation for identifying emerging practice, identifying gaps in current approaches and informing a more coherent understanding of how private credit and equity investors are engaging with the just transition.

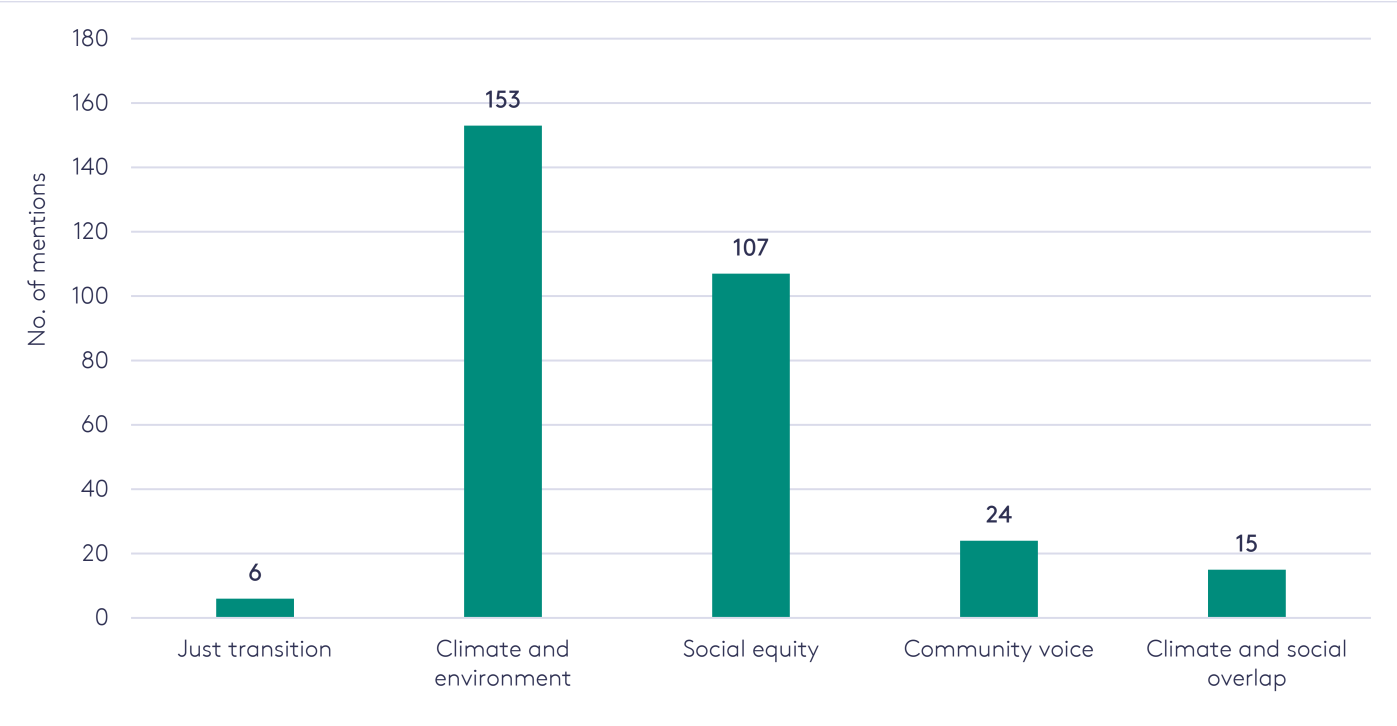
4. Findings: just transition in private credit and equity funds

This section outlines the findings from both phases of analysis. It first applies the framework outlined in Section 3 to specialist funds' sustainability documentation to identify the extent to which just transition elements are codified in fund policies. It then qualitatively explores the motivations and mechanisms for, and barriers to, just transition finance through semi-structured interviews carried out with a subset of the specialist fund sample.

Just transition in sustainable investment policies

Overall, there are very few explicit references to the just transition in fund policies and documents within the specialist sample. However, there are numerous mentions of the implicit elements of a just transition. In total, the phrase 'just transition' is mentioned only six times, with all of these mentions coming from just two of the 23 asset managers. However, there are 153 references to 'climate and environmental action' throughout the sample of investment policies, and 'socioeconomic distribution and equity' is referenced 107 times (see Figure 4.1) – although many of these are separate, discrete references to environmental *or* social considerations. For instance, some funds discuss social contributions in the context of investments in social infrastructure, and climate considerations in the context of energy infrastructure. In some instances, these two terms are considered jointly, such as through passages that recognise the interrelationships between a low-carbon and social transition, or link the low-carbon transition to social equity principles, redistribution or social justice. There were 15 such joint references throughout the sample, representing 5% of total just transition-related mentions for specialist funds.[6]

Figure 4.1. Mentions of just transition elements by specialist funds

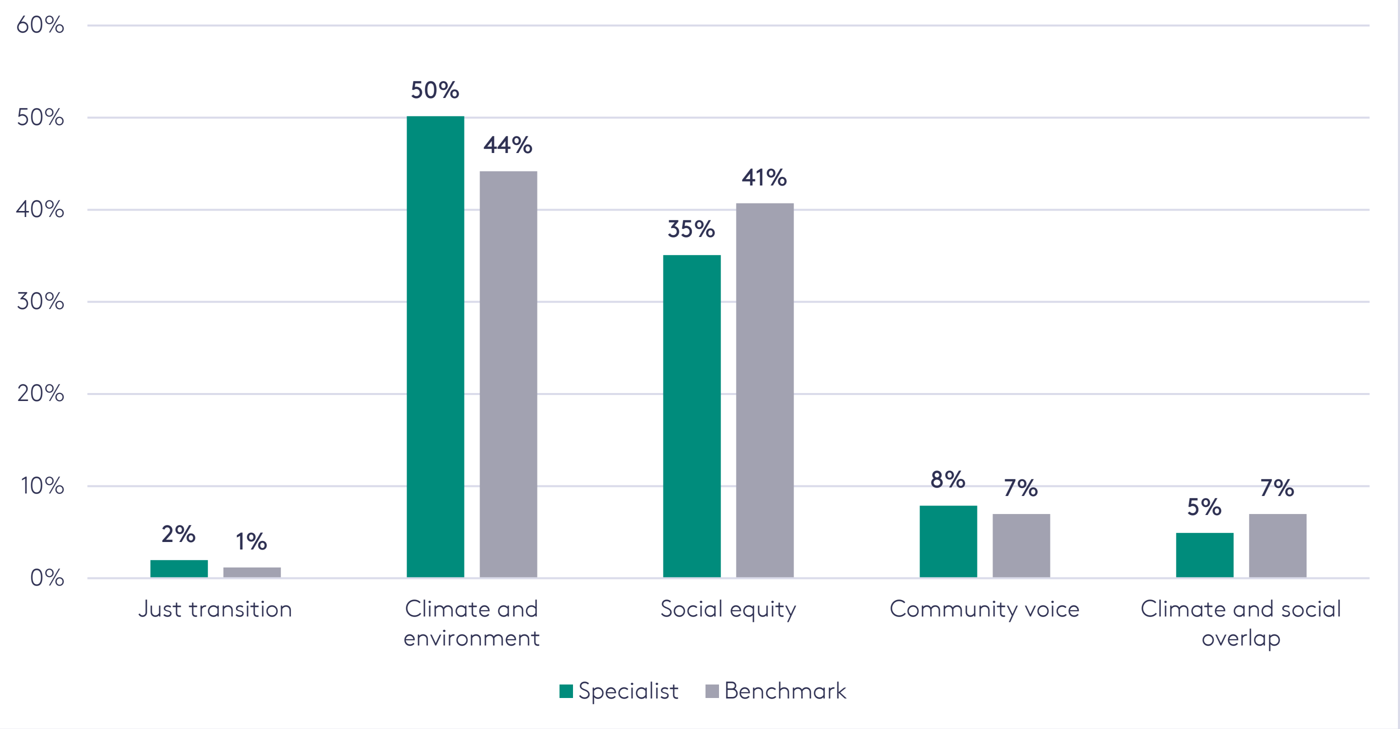


Source: Authors

[6] Only explicit discussion of the interrelations between climate and social factors are coded in the text-based analysis. While social equity considerations are often listed as a separate category of risks and/or metrics in responsible investment policies, many of them (e.g. human rights and supply chain considerations) are salient in energy-related investments and may be considered in practice.

The specialist sample does not differ significantly from the benchmark sample when considering references to the just transition and its elements, particularly when reviewing the percentage of references to each element across all mentions of just transition-related terminology (see Figure 4.2). Broadly, both groups show a limited share of explicit just transition references, many references to climate and environmental action and social equity principles, despite limited overlap in both terms, and finally, a small share of references to community voice. There are some marginal differences: for example, specialist funds make a greater share of references to climate and environmental action and a comparatively smaller share for socioeconomic distribution and equity. This might be explained by the clean energy and environmental focus of the specialist investors in the sample, whereas the benchmark investors tend to have a more diverse range of investments across sectors, including social and digital infrastructure.

Figure 4.2. Share of mentions by just transition element (per cent)



Source: Authors

The sample of specialist investors assessed in this report is more likely to go beyond baseline and compliance-based measures in investment operations, and to take a broader view of the just transition, compared with non-specialists. The comparison between Figure 4.3 and Figure 4.4 below illustrates that specialist funds have a greater share of references to activities involving voluntary commitments and proactive engagement compared with the benchmark group, with more measures coming under the 'social licence to operate' code. Examples of this include committing to achieving financed net zero emissions earlier than sectoral targets, or having requirements for investable projects to actively contribute to environmental or social goals, rather than simply safeguarding or doing 'no significant harm'. Specialist funds are also more likely to take a broader view of the just transition, with a larger share of references to the 'social justice framework' or 'sustainable development' scopes. For instance, several funds discuss their contribution to the sustainable development of the communities they invest in, and the SDGs are a popular framework in this context to guide capital allocation and engagement decisions. This is reflected in the comparatively greater emphasis on the 'sustainable development' scope in Figure 4.3 and Figure 4.4 relative to the 'social justice framework' scope, which does not have a similarly widely-used framework for monitoring and measuring impact.

Nonetheless, labour-oriented views of the just transition dominate, even for specialist funds, and encoded measures tend towards baseline protections and compliance. In particular, safeguards for human rights, fair work practices and modern slavery are widespread and the lowest common denominator for both the benchmark and specialist investor groups assessed in this study, representing a broadly baseline and 'do no harm' approach (as outlined in Section 3) across the board. Other common themes include workplace health and safety, and commitments to diversity, equality and inclusion in hiring practices, which help funds and investees target objectives such as gender equality and the provision of employment to vulnerable groups. Additionally, discussion about community and stakeholder engagement tends to centre on avoiding negative impacts from, for instance, involuntary resettlement, or avoiding harm to communities, rather than positive impact and the generation of benefits that can be shared with the local community. Legal and operational risk considerations are salient, with the potential for project disruptions leading to delays and foregone revenues emerging as material concerns driving community and stakeholder engagement.

The prevalence of baseline measures in sustainable and responsible investing policy documents is insightful, but may simply reflect the role of these documents as frameworks for compliance and minimum governance standards. Therefore, these documents alone may not necessarily capture the full spectrum of engagement on just transition undertaken by these funds in practice. Insights from the interviews illustrate how some actors operationalise and expand on these formal commitments, and explore how and why they emerge over the course of investments (see below).

Figure 4.3. Spectrum of just transition engagement: specialist sample

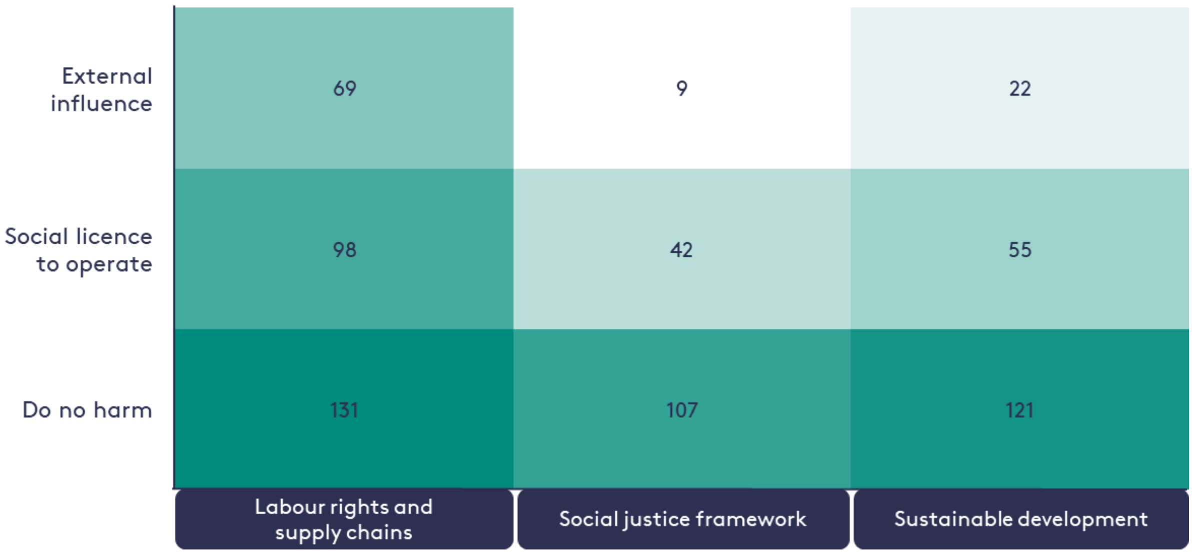


Figure 4.4. Spectrum of just transition engagement: benchmark sample

Source: Authors

Just transition in practice: private fund investments in energy

Key informant interviews were conducted with seven of the 23 specialist investors in the sample. The findings suggest that despite few formalised approaches to the just transition, several just transition-related actions and themes have emerged over the course of investments being made in energy infrastructure.

The case for just transition-aligned investing in energy infrastructure

The just transition is "just good business practice", said one interviewee, highlighting a theme reinforced across the interviews: that the just transition is an important risk management strategy, making it commercially responsible and aligned with fiduciary duty. Private funds invest in specific assets or companies that have tangible social and/or environmental footprints, and in turn pose a variety of risks, including operational, litigation and reputational risks. Addressing these risks in the context of energy-related investments naturally leads to the emergence of some just transition-aligned activities that, most interviewees contended, add commercial value to the project. For instance, good quality community engagement through either safeguarding community interests or sharing the benefits can help de-risk investments through minimising disruptions at planning, construction and operational stages. The provision of opportunities for local training, natural resource conservation or ensuring supply chains meet international mandatory and voluntary standards can also help develop and protect the brand and reputation of a company. This may then lead to attracting higher quality talent, reducing regulatory disruption and helping access further business opportunities through securing project or offtake contracts.

However, there can be complexities in delivering on these objectives: see Box 4.1.

Box 4.1. Community employment and skills

Developing and installing renewable energy generation, such as wind or solar power, requires a significant number of skilled workers. As part of efforts to create benefits for local communities, the implied promise of new, green jobs is that members of the local community will get these roles. However, renewable energy developments are often situated in remote and rural areas, and, especially in emerging market contexts, there can be a mismatch between the skills required and those available within the local labour force. In under-served communities in particular, facilitating access to skills development and training can also be a challenge, due to barriers to accessing formal education.

Some funds have sought to address this by providing access to training for mid- or low-skilled occupations. One interviewee discussed their engagement with investee companies to implement training programmes designed to help local workers develop niche technical skills in solar panel installation. The workers included women in countries where female workforce participation is otherwise limited. For example, the interviewee described a training programme run for an investee company to train female solar panel installers in the Middle East while simultaneously engaging with suppliers to introduce modest gender quotas into supplier contracts, thereby matching participants in the training programme to employment. Other investors (not included in the interviews) have sought to create low-skill employment (such as cleaning and security) that is reserved for local workers or to contribute in other ways such as by providing funding for local community schools or healthcare.

Benefits, costs and the just transition
Such activities generate several benefits for investors, including through improving brand recognition and reputation. They can also improve access to a reliable workforce for the investee companies – which can provide a competitive edge where labour constraints exist, such as in rural or remote areas – and provide benefits to the community through employment and community services. However, semi- and low-skill employment has fewer long-term benefits compared with higher-skilled employment, which leads to both higher incomes and creates long-term transferable skills; but achieving this can be constrained by the reality of community-related labour markets.

Sources: Key informant interviews; ICAI (2023); Just Transition Finance Lab (2024b)

Regulation for planning processes and approvals provide the necessary foundations for action on the just transition from private funds. These can include requirements such as mandatory social and environmental impact assessments, consultation with communities, especially local Indigenous populations, and in some regions, mandated community reinvestment or corporate social responsibility (CSR) contributions, all of which provide an essential baseline for action on the just transition that can then be exceeded by parties.

Box 4.2. Equity models of First Nation engagement in renewable energy projects

Context

Renewable energy projects are often situated in remote and rural areas. In locations where Indigenous Peoples live, they can be situated on lands with community ownership. Such ownership can also be contested or registered as state-owned land, sometimes creating problems when it is earmarked for development. In these contexts, First Nations are key stakeholders in such projects, subject to specific legal and regulatory requirements. For example, in Canada, Impact Benefit Agreements provide means for miners and energy generators to provide skills training and employment opportunities to First Nations individuals through their projects. Such frameworks can also provide platforms for further, deeper collaboration through fundamentally embedding First Nation participation in project operations.

Investor actions

One interview participant was a fund operating a clean energy project on traditional lands in Canada, where existing agreements and governance procedures enable collaboration with the local First Nation. Prior to the fund's purchase of equity in the asset, there was already a governance framework, including an Impact Benefit Agreement, in place with the First Nation on whose lands the project was developed and operated. When the fund indicated its intent to purchase a significant share of the asset to the outgoing shareholder, it was communicated that the First Nation would be interested to join the ownership structure as well, and intended to purchase 5% of the project. To facilitate this acquisition, the fund proposed the First Nation's share be integrated into its own investment vehicle and form a consortium, transforming its total purchase from an 85% to 90% share, enabling the First Nation to access a wider pool of capital to finance its own purchase. This reduced the upfront capital requirement for the First Nation by approximately 75%, enabling it to enter the ownership agreement at an accelerated schedule. The First Nation was also provided with a board seat that would otherwise have been held by the fund, to ensure it was embedded in project decision-making. Additionally, measures relating to employment, training and royalties were integrated into the Impact Benefit Agreement prior to the fund's involvement.

As an interviewee described, a key enabler of this engagement process was that the First Nation "were already at the table – without that, we couldn't have had these interactions". Establishing priorities for cultivating strong stakeholder relationships and 'win-win' outcomes by the fund's leadership team was also a factor. Importantly, the fund did not have any formal just transition policies when pursuing these outcomes.

Benefits, costs and the just transition

Equity models of asset ownership and operation on traditional lands are well-established but still relatively sparsely implemented. They provide several benefits that align with the just transition, mainly in terms of helping retain project profits within a community, and providing material cashflow to often marginalised communities that aid in community development. They also provide a stronger voice for First Nations and local communities to engage and participate in decision-making, rather than only playing a consultative role.

However, there have also been criticisms of these models. For example, in practice, such models often provide a tokenistic equity share to First Nation groups due to their limited access to finance, which leads to limited additional influence beyond that which is already enshrined in regulation.

Sources: Key informant interviews; IHRB (2023)

Box 4.2 above illustrates how this can occur: existing regulatory measures enable the meaningful participation of Canadian First Nations people in project development and operations, which provides an essential platform for further participation through partial project ownership, building on an already strong relationship. It is particularly interesting that this occurred without any formal just transition policies in place. Other examples include mandated community reinvestment or CSR measures, which can require local investment or funding by private investors typically in remote and rural regions where energy infrastructure tends to be located. The level of engagement with these regulations can vary. One interviewee suggested that "everyone does it, but not everyone necessarily does it well", highlighting tokenistic compliance as a risk. This also indicates a broad remit for discretionary variation across investors and asset operators, but emphasises the role that policymakers play in determining where the threshold for baseline engagement should be.

Beyond baseline regulatory compliance, the extent of discretionary engagement with the just transition appears to be driven by fund- and project-specific characteristics. Interest from limited partners (LPs) and co-investors can shape the labelled just transition definitions and policies adopted for the project. For example, co-investments with multilateral development banks that have developed just transition mandates can require adoption of working definitions on just transition by private investors. LPs can also exercise significant influence in determining the extent to which they want to engage with the social, climate and community voice elements of the just transition. Finally, internal culture and management team priorities can also shape just transition engagement, either through formal just transition policies or unlabelled just transition-related activities. Across the interviews this appeared in a variety of ways. For example, one investor placed a high priority on supply chain provenance and had developed a strong policy on local procurement with a view to minimising regulatory risk and financial impact. Others placed a high priority on community engagement and meaningful consultation, as they believe strong stakeholder relationships are crucial for the long-term operational success of infrastructure projects. These represent varying approaches from funds, often led by management teams, to develop a social licence for their assets to operate in their local contexts.

Employment and livelihoods remain the main lens through which just transition was viewed across the interview sample. The focus was mainly on supply chains, including skills and employment and operational health and safety, although an emphasis on community consultation was also observed. An operational health and safety focus was widespread across the interviewees, with some investors outlining dedicated research on supply chain provenance. This included minimising and avoiding human rights violations in the supply chain, especially for renewable energy supply chains. Nonetheless, detailed evidence on how supply chain risks are managed or avoided was limited. Fewer investors discussed community consultation and engagement in any depth, although some did emphasise the importance of cultivating deep community relationships. One interviewee said, "not having these relationships seems fine, until something goes wrong", underscoring the importance of engaging meaningfully with local stakeholders. There was limited evidence of other social issues, such as inclusive growth and regional inequalities, the advancement of vulnerable groups, or community resilience, being proactively integrated into widespread investment practice. Most interviewees tended to focus on labour-oriented views of the just transition with a higher concentration of baseline, 'do no harm' measures, and more limited evidence of proactive engagement.

The instruments enabling just transition-aligned investing by private funds

Investments in private funds are generally conducted using two main types of instruments: private credit and private equity. There are different strategies that can be utilised to embed just transition considerations when investing using credit or equity, and for the latter, strategies differ depending on the level of control the investor has over the company or asset.

For private credit investments, sustainability-linked loans (SLLs) are the main type of instrument used to embed sustainability considerations into company operations (see Box 4.3). SLLs function by providing discounts on the rate of interest paid on private loans provided to companies, contingent on the achievement of sustainability-linked objectives. These are not always explicitly stated to be just transition-aligned, but in the context of energy-related investments, just transition-aligned outcomes may arise where there is overlap with social considerations, such as gender, employment or skills. The typical SLL includes three targets, and high achievement across all of them could provide discounts of up to 100 basis points, although a range of about 10–20 basis points is more common. Common uses of SLLs, as discussed by interviewees, involve health and safety targets, pursuing gender equality and labour rights, including the elimination of child labour throughout the supply chain. These, as discussed in previous sections, reinforce the labour-oriented, often baseline, approaches to the just transition common in this space, and highlight room for further expansion of SLLs to potentially include other performance objectives. However, one disadvantage of this instrument is the foregone returns through providing investee companies with discounted interest rates, which creates a trade-off between returns and social and/or environmental impact, without necessarily a corresponding quantifiable estimate of costs and financial benefits.

Box 4.3. Sustainability-linked loans and the just transition

Context

Sustainability linked loans (SLLs) are a popular instrument used to embed social and environmental objectives into financial transactions. First offered in 2017, they function through linking the borrower's interest rate to environmental, social or governance-related key performance indicators (KPIs). They can also have thresholds whereby if a company achieves the desired level of improvement, they benefit from a lower interest rate but, conversely, if they fail to meet minimum requirements, they pay a higher rate of interest.

Investor actions

SLLs are a popular tool with which to incentivise action on social and climate issues and they have been used extensively by investors with private credit strategies. Based on the key informant interviews and a review of sustainability documentation from the specialist sample, some examples of KPIs include targets related to:

- Operational health and safety, e.g. total recordable injury frequencies (TRIF)
- Gender representation in leadership, e.g. share of women in senior management
- Renewable energy deployment, e.g. megawatts of installed solar capacity in a year
- The energy transition, e.g. closing or converting [X] megawatts of coal-fired power

Benefits, costs and applications to the just transition

SLLs provide tangible financial incentives for action on environmental, social and governance issues and have significant potential to embed social and community considerations into project development and operations. This is especially the case given that the the KPI development process is relatively flexible and therefore well-suited to the context-specific considerations necessary for just transition-aligned finance.

There are two key challenges, however. The first is that there is limited quantitative evidence informing the cost–benefit analysis of discounted interest rates and the financial materiality of achieving sustainability objectives. This means there can be pushback to implementing such measures, especially where the link between the KPIs and risk management is unclear.

This informs the second challenge for SLLs: a common criticism of these measures is that KPIs in SLLs can be unambitious and do not address material sustainability issues. In the context of the just transition, it appears that most KPIs embedded in SLLs tend to focus on narrow just transition scopes with limited evidence of proactive engagement with social and community issues.

Sources: Key informant interviews; Just Transition Finance Lab (2024c)

Private equity investments rely more on engagement with the investee company and its stakeholders, embedding governance structures using investor influence pre- and post-investment. As private equity investors often obtain significant stakes in investee companies, investors can exercise significant control over company actions through engaging with company leadership and their membership on the board. A common approach by investors is to embed Social and Environmental Action Plans into company operations, and formally establish the governance structures and expert teams necessary to assess, understand, mitigate and respond to social and environmental risks. Some specialist investors can also be highly involved with these workstreams and use their board membership to advocate for responses to environmental and social issues. Minority and majority stakeholders can have differing levels of influence, although a key leverage point for sustainability action identified by both types of investors is the final stages of negotiating an investment. As such, due diligence research and engagement carried out before an investment is made has been identified as a crucial process for action on the just transition, especially ensuring that the local context, risks and stakeholders are accurately identified and plans to address their needs put in place.

Barriers to just transition-aligned investing

There are several barriers to just transition investing that were identified across the interviews. Broadly, they reflect challenges in defining, understanding and measuring the just transition for asset owners and asset managers, which include perceived and real trade-offs between generating returns and delivering community benefits.

A lack of alignment and understanding reflects insufficient understanding of what constitutes a just transition and how to measure its progress for both asset managers and asset owners. This is despite the development of several working definitions and principles on the topic, including those developed specifically for the finance and energy sectors. However, these efforts have largely been directed at developing principles or catch-all summaries of a just transition, whereas in reality, the just transition is a complex, context-specific challenge. As such, there is limited understanding of how just transition-aligned metrics can be concretely applied to specific investments, and limited guidance on what to measure and how, so that asset managers can demonstrate that they are delivering on this mandate. Moreover, not all investments made by an investor necessarily require a just transition lens, which adds a further layer of complexity regarding the scope of the just transition. For example, although energy infrastructure investments have clear just transition implications, the link to just transition for investment in health and digital infrastructure or investments in other asset classes, such as listed equities, is harder to establish. Similarly, from an asset owner perspective, just transition 'labels' can be difficult to discern, and the materiality of just transition considerations, whether labelled or unlabelled, is an emerging area of focus.

Perceived and actual trade-offs between returns and just transition-aligned investing emerged as a recurring barrier across the interviews, driven by diminishing in-principle support for social and climate-led investing. The prioritisation of financial returns above all else by many asset owners due to their perceived fiduciary responsibilities was referenced by most interviewees as a growing trend, meaning that just transition-aligned activities, labelled or unlabelled, are only considered as long as they do not compromise the profitability of the investment. For example, some interviewees discussed the importance of building local supply chains through giving preference to local contractors and suppliers, but also noted the importance of local contractors' cost-competitiveness in contract awards. In some cases, this constraint has also limited the set of options of financial instruments and just transition mechanisms for projects. For instance, SLLs and the sharing of project revenues with the local community through community reinvestment mechanisms require either a reduction in investor margins or the passing on of costs, which can make these mechanisms unattractive for financial and/or socioeconomic objectives – especially where passed-on costs affect the price of necessities such as energy. The constraints can also differ between investments in core infrastructure assets and value-add assets: investments in mature, operational infrastructure typically have lower returns relative to investments at earlier stages, which means that different sub-classes of investments have varying capacity to contribute financially to just transition considerations. Nonetheless, most of the investors interviewed tended to agree that many just transition considerations are value-additive, in contrast to the alternative perception that social and climate considerations require returns to be sacrificed. This perception was discussed as a key barrier to raising funds in some instances, although communication of just transition-related topics in such a way that they reflect commercial interests has been shown to address these issues effectively.

Balancing ambitious internal mandates on social and environmental issues with local contexts can present challenges, especially when investing in multiple jurisdictions. Applying standards to investee companies that exceed local regulatory requirements can be challenging, and receive pushback from within and outside a company. These challenges may be more salient where standards impose additional costs on the investee company and impact their local competitiveness, creating tension between maintaining consistent approaches to responsible investment and adapting to jurisdiction-specific norms. This highlights the role of policy and regulation in setting acceptable baselines for company activity, and the importance of considering local contexts in developing just transition-aligned investment strategy and processes.

How the just transition is framed is therefore crucial – with evidence from this analysis suggesting a focus on financial materiality and social licence to operate has the greatest currency amidst current geopolitical and other headwinds. All interviewees discussed the importance of connecting just transition-related activities to returns, and highlighted the importance of considering specific issues rather than a high-level just transition label to understand how specific elements of the just transition are material to asset-level returns and socioeconomic outcomes. In particular, this was stated as key to influencing action on the just transition in the energy sector, as in many cases the term 'just transition' and values- or ethics-based approaches to action have been less effective. The context-specific nature of the just transition also means that metrics and considerations differ across regions and sectors; it also creates a need to balance flexibility in how to deliver socially-inclusive action on climate change without encouraging the proliferation of ad hoc measures that do not necessarily aggregate towards a cohesive theory of change.

5. Conclusions and policy recommendations

Although only two of 23 specialist funds included in this analysis explicitly mention 'just transition' in their sustainable investment policies, every interviewed fund provides some evidence of just transition-aligned investing in their portfolios. This might reflect selection bias in the group of funds that agreed to be interviewed, but it is also an indication that just transition-aligned action can occur even without formal just transition policies or frameworks. Importantly, these activities emerge from existing sustainability architecture, such as ESG and responsible investing frameworks, and SDG- and climate-aligned investing. They are enabled by regulatory requirements and mandates from asset owners and co-investors, as well as a fund's leadership and strategy, and highlight the compatibility of just transition objectives with existing sustainability frameworks.

The scope of just transition-aligned action from the reviewed funds is relatively narrow, with a strong focus on labour rights and supply chains, and a concentration of 'do no harm' measures; but this arguably falls within the expected scope of responsibilities for private funds. Labour rights and worker safety are salient and common social issues for investors and companies, and compliance with legal requirements throughout project planning, development and operations fulfils the minimum requirements set by authorities. Other just transition considerations may not be relevant in all contexts. For example, there may be contexts where vulnerable populations are not significantly affected by a particular project, or community development may not be a key priority.

However, narrow and constrained approaches to the just transition by private funds can present significant risks. For example, issues can arise in jurisdictions with weak social protections, where simply following limited regulatory guidance could entrench inequitable socioeconomic outcomes and perpetuate social injustice. There is also a risk that minimum safeguards are not met by investors or are only addressed in a tokenistic way, a point raised by multiple interviewees; one noted that although "lots of investors pursue minimum safeguards, many are woefully behind on actioning what they talk about". And finally, proactive engagement with just transition issues can have material commercial benefits for financial actors by reducing project disruption and building goodwill while simultaneously enabling the achievement of social and economic policy objectives to advance an orderly low-carbon transition.

As private capital assumes a growing share of energy infrastructure financing, the integration of just transition principles into investment practices at private funds is increasingly critical. The energy transition is at the heart of the transition to net zero, with close links to key just transition priorities around community development, employment, and in the case of renewable energy infrastructure, land use in rural and remote areas. Financial decision-making in this sector, therefore, must also align with stated social and economic objectives, meaning that proactive and meaningful engagement with the relevant elements of a just transition is essential.

Several structural barriers prevent this integration from occurring organically, pointing to the need for coordinated action from both policymakers and investors.

Insights for investors

1. **The case for just transition finance is not just values-based: it is also important for delivering commercial benefits.** Just transition-aligned activities, including meaningful community consultation, investment in community development, local employment and skills, and safeguarding worker rights throughout supply chains, can provide commercial benefits for investments in energy infrastructure. These are mainly realised through minimising potential disruption, including from disputes, community protests or compliance failures from regulatory change, and managing reputational risk for investee companies. For private market investors aiming to scale up action on just transition finance, framing just transition issues as commercially salient is a critical task to build support and secure buy-in from co-investors, asset owners and the investee company. However, despite a body of anecdotal evidence, there is limited quantitative evidence comparing the costs and benefits of just transition-related activities. This is an emerging area of focus, with further work required to make the financial case for action on just transition backed up by quantitative data.

2. **Just transition-aligned investments can occur without explicit labelling, and leveraging existing sustainable investment frameworks can accelerate the operationalisation of just transition finance.** This analysis demonstrates that just transition-aligned activities can emerge naturally within existing ESG, responsible investing and SDG frameworks, even without formal just transition labelling. This approach may be particularly valuable in the current political climate, where explicit climate and social terminology can face resistance from some asset owners and stakeholders. By focusing on the substance of the just transition, addressing material social and environmental issues that affect investment performance and stakeholder outcomes rather than the label itself, investors can advance just transition objectives while working within familiar frameworks that already have institutional support and operational integration. One risk to consider, however, is that ad hoc approaches to the just transition may lead to a range of activities that do not aggregate towards meaningful change in industry practises. As such, a mix of labelled and unlabelled approaches to just transition finance may be optimal.

3. **Context matters for the just transition, and the just transition approaches developed by investors need to consider local priorities, regulatory frameworks and stakeholder needs.** What constitutes a material just transition issue varies significantly across regions: considerations with respect to Indigenous rights and land use may be a priority in some jurisdictions, while labour transitions away from fossil fuels, or energy affordability, may be more salient in others. Similarly, investors operating in jurisdictions with weaker social protections face greater responsibility to avoid entrenching inequitable outcomes. Interviewees highlighted tensions that arise when applying ambitious internal mandates uniformly across diverse contexts, particularly where standards exceed local norms and impose additional costs that affect competitiveness. Just transition-aligned investing therefore requires thorough due diligence to understand local contexts; investors should avoid one-size-fits-all approaches and instead opt for more flexible frameworks that can be tailored to specific contexts while retaining consistent principles on equity and community voice.

Policy recommendations

1. **Regulatory frameworks should encompass the baseline level of action on just transition for private funds to establish minimum acceptable thresholds for the just transition.** This recommendation is most relevant for financial regulatory bodies and the relevant planning authorities in countries where the investment occurs. Financial regulatory bodies vary by jurisdiction but include, for example, the Securities and Exchange Commission (SEC) in the United States or the Financial Conduct Authority (FCA) in the United Kingdom. The findings from this study suggest that private equity and credit investments in energy tend to apply narrow perspectives to just transition issues, with an emphasis on complying with domestic rules and regulation. Where this could be considered insufficient, increasing the stringency of regulatory requirements addressing the social risks and opportunities of investments should raise the 'floor' of activity on just transition issues. For example, this could be done through mandating or improving standards for good-quality social and environmental impact assessments, community consultation approaches and benefit-sharing mechanisms. Regulators should also be aware of the risks of tokenistic compliance, as highlighted in several of the interviews, and the burdens of excessive regulation. Such standards and regulation should be designed to reflect the local context.

2. **International standard-setters seeking to advance the just transition should leverage existing sustainability frameworks to drive deeper action.** This recommendation is most relevant to international standard-setting bodies such as the International Sustainability Standards Board (ISSB), and organisations such as the Impact Investing Institute and the Institutional Investor Group on Climate Change (IIGCC) that aim to develop metrics and frameworks for monitoring just transition outcomes. Existing sustainability frameworks are widespread and are growing increasingly comprehensive, which means that the development of parallel, standalone frameworks on the just transition may compete for attention and resources while adding to already large reporting burdens. Instead, organisations seeking to advance just transition finance in the medium term should leverage existing frameworks and reporting language. This requires moving beyond high-level principles on just transition, engaging with investors on specific just transition issues and recognising where addressing

these issues can overlap with existing ESG- and SDG-aligned investing frameworks. However, the long-term ambition should be to embed just transition within transition plans; these have seen increasing uptake recently (CDP, 2024). Such ambitions are gaining traction, with examples of progress on just transition reporting standards emerging from recent announcements by the ISSB and Global Reporting Initiative (Robins, 2025).

3. **National authorities, such as relevant ministries involved in mobilising private fund investment in energy infrastructure, should develop a shared understanding of the just transition issues within their local contexts.** Just transition issues are highly context-specific, and as such require metrics and action that account for local nuance. Collaborative platforms that bring together domestic policymakers, local stakeholders and private investors can help bridge this gap by co-creating a shared understanding of priority just transition outcomes, especially with a focus on concrete, issue-level metrics. This collaboration can take various forms: they can include the development of regional just transition agendas that establish clear priorities and metrics for investors and businesses, or more structured co-investment opportunities that align private capital with public policy objectives. Recent examples demonstrating how the latter approach can be applied include the UK's North Sea Transition Plan and Clean Energy Jobs Plan, which provide frameworks where investors can align their strategies with government-led just transition priorities. By developing collaborative mechanisms, policymakers can direct private capital towards locally relevant just transition outcomes as part of the investments while setting clear expectations for investors.

Methodological limitations and areas for further study

This analysis has been subject to two important limitations. First, it has examined stated intentions and commitments as expressed in fund policies and by fund representatives, rather than actual implementation and outcomes. The study has not assessed impact reporting data, evaluated the quality of stakeholder engagement in practice, or incorporated perspectives from communities, workers or other non-fund stakeholders affected by these investments. This means the analysis may overstate the extent or quality of just transition action. Second, the sample was subject to selection bias, particularly for the key informant interview participants; funds that opted into interviews may be more engaged with just transition issues than those that declined, potentially presenting a more positive picture of current practice than exists across the broader universe of private credit and equity funds investing in energy infrastructure. However, this limitation has been partially addressed through the text-based analysis component of this report, which also considers a benchmark group of the largest infrastructure investors for comparison.

Several areas warrant further investigation. Most critically, quantifying the commercial value of just transition-aligned activities would help address the perceived trade-off between returns and social impact that emerged as a significant barrier in this study. Research that establishes clear linkages between specific just transition actions, such as community benefit-sharing or proactive stakeholder engagement, and financial outcomes like reduced project delays, lower regulatory costs or reduced recruiting and turnover costs, could provide investors with the evidence base needed to justify greater action on the just transition and secure buy-in from asset owners.

Additionally, this analysis focused exclusively on private credit and equity investments in energy infrastructure; extending this work to other asset classes such as listed equities, or other infrastructure sectors like transport or digital infrastructure, would ascertain whether the patterns observed here hold across different investment contexts.

Finally, the text-based analysis could be expanded to explore in greater detail how just transition elements are discussed and integrated into fund policies. More detailed coding of sub-elements – such as distinguishing between different social risks and opportunities – would provide richer insights into which aspects of the just transition receive attention and which remain overlooked, helping to identify specific gaps in current practice and opportunities for targeted intervention.

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Appendix 1. Private funds included in this study

Actis LLP
AIP Management
Axium Infrastructure Inc
Brawn Capital
Eiffel Investment Group
Equitix
EV Private Equity
HASI
HitecVision
ILX Management BV
Impax Asset Management
Infranity SA
Just Climate
Kerogen Capital
Marguerite Investment Management
Meridiam SAS
Mirova
Quinbrook Infrastructure Partners
Schroders Greencoat
Sustainable Development Capital LLP
SWEN Capital Partners
Taaleri Plc
Vantage Infrastructure