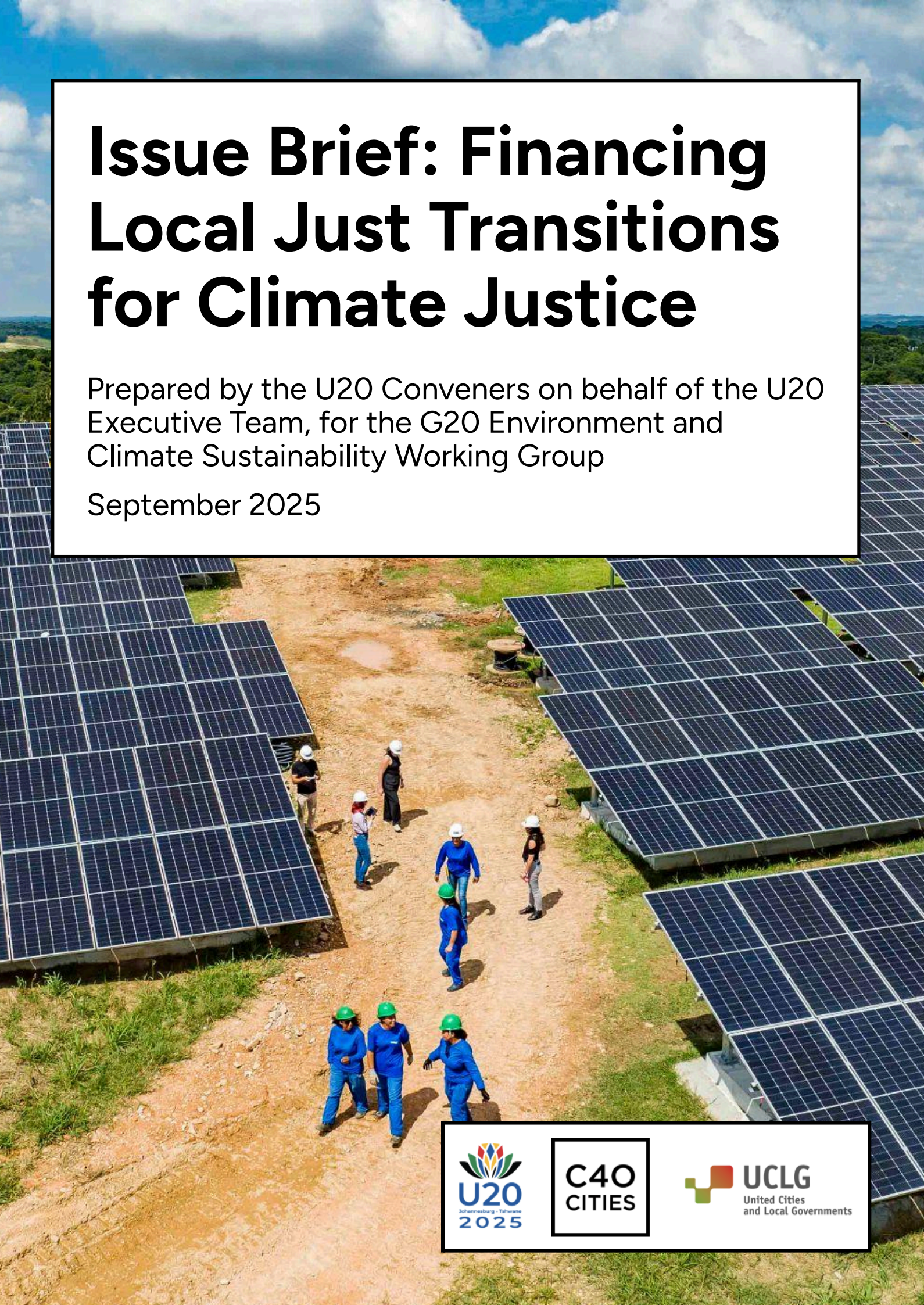


Issue Brief: Financing Local Just Transitions for Climate Justice

Prepared by the U20 Conveners on behalf of the U20 Executive Team, for the G20 Environment and Climate Sustainability Working Group

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Introduction

This issue brief aims to directly support the G20 Environment and Climate Sustainability Working Group in its effort to compile evidence and case studies to inform concrete opportunities for investments in local just transitions¹. This is also an essential step towards operationalising the [Principles for Just and Inclusive Energy Transition](#), endorsed by G20 members in 2024, and delivering the G20 commitment to a whole-of-society and whole-of-economy approach to the just transition.

Building on the foundations laid in the [U20 2024 Communiqué](#), mayors have identified advancing an urban just transition as a key priority for the 2025 U20 process. This aligns with the growing impact generated by local leadership and the priorities of the South African presidency of G20, particularly within the work of the Environment and Climate Sustainability Working Group and the Taskforce on Inclusive Economic Growth, Industrialisation, Jobs and Equality.



This document aims to:



Make the case for the critical role of localised finance for just transition delivery with cities as key implementers and delivery partners for national governments;



Identify concrete opportunities for national and international actors to invest in locally-led and urban-specific just transition solutions, while also providing real-world examples of city leadership to be replicated and taken to scale; and



Outline actionable recommendations for national governments and multilateral development banks (MDBs) for how local just transitions can be accelerated, as part of wider efforts to localise climate and development finance.

¹ As set out in the G20 Environment and Climate Sustainability Working Group's June 2025 Work Programme.

Why cities?

Cities and subnational governments have a track record of advancing local just transitions. From advancing social dialogue between workers, employers, and governments, and engaging impacted and marginalised communities, to creating millions of good green jobs and making them accessible for all, they implement tailored solutions that underpin national and global just transition efforts.

As recognised by the conveners of the upcoming fourth dialogue under the United Arab Emirates Just Transition Work Programme, subnational opportunities, challenges and barriers, and best practices can significantly inform national government strategies, fostering multi-level governance and collaboration.

U20 Mayors recognise that climate justice is a fundamental pillar of just and resilient communities, and see it as not only an environmental concern, but a question of rights and equity. In doing so, they are committed to addressing the systemic injustices, from unsustainable economic models to historical inequalities in resource consumption and environmental degradation, that constitute the root causes of the climate crisis. Cities are often on the frontline of climate impacts - suffering from displacement, loss of livelihoods, food insecurity, and environmental health hazards - and at the forefront of inclusive and equitable climate action, saving lives and protecting vulnerable populations.

"The critical role of subnational governments in driving local just transition initiatives was recognized during the discussion, with participants emphasizing that just transitions of the workforce may require broad stakeholder involvement in financing discussions and that these stakeholders are also crucial for implementing just transition initiatives."

Summary Report of the First and Second Dialogue under the United Arab Emirates Just Transition Work Programme

However, cities very often lack adequate mandates and resources to deliver at scale, which risks exacerbating inequalities at the regional and local level, triggering social backlash or undermining political continuity.

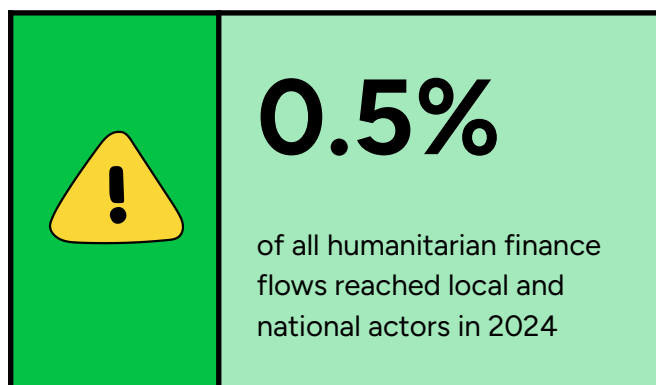


The problem

Existing climate, development and humanitarian finance flows currently fall far short of the scale needed and are largely unfit for urban responses. Annual urban climate finance has more than doubled between 2017/18 and 2021/22, reaching USD 831 billion. However, for mitigation alone, cities worldwide require an estimated USD 4.3 trillion annually from now until 2030, meaning that current flows only represent around 18-19% of what is needed.



Moreover, this gap varies significantly across regions, highlighting the challenges and inequalities in access to climate finance across the world. While humanitarian funding represents another potential important source of finance for just transition, only 0.5% of all finance flows reached local and national actors, including local governments, in 2024.



This is despite an international commitment by multilateral and national donors to channel 25% of it to local actors. Moreover, ensuring that the transition can be delivered in a just and inclusive way requires additional interventions and resources through a coordinated approach that integrates just transition needs into climate, development, and humanitarian finance by design.

While there is a growing supply of just transition funds and finance initiatives, such as Just Energy Transition Partnerships (JETP), provision of support to cities is still hindered by challenges around regional disparity, lack of recognition of subnational needs, top-down approaches, and reliance on loans.

C40 research has found that **out of 63 global, national, regional, and private sources of finance and funding for climate action, only 16 were dedicated to just transition measures, and only 3 funds provide direct access to cities.** This evidence demonstrates the critical importance and urgency of localising just transition finance in a way that meets cities' needs to deliver local just transitions at scale.



Cities are leading local just transitions

Cities are on the frontline of climate impacts and at the forefront of just transition solutions.

Home to large populations and major hubs for economic activity, with a mandate over sectors that are key to local climate action – such as urban planning and buildings, transport, energy, and waste management – **local governments are critical actors for ensuring the transition is just and inclusive.** As the closest level of the administration to residents and communities, local governments also play an essential role in engaging communities to directly respond to their needs, as well as building broader public support and social acceptance for climate action. They anchor climate strategies in participatory governance that shifts power, ensuring those most affected shape the solutions.

From cutting down emissions **faster** than their national counterparts and renaturing cities in an inclusive way to **driving** local just transitions globally across both mitigation and adaptation actions, cities have a solid track record of using their **formal and soft powers** to advance inclusive climate action and just transitions, while leveraging partnerships at both the local and the multilateral level.

They are accelerating climate action while adopting an intersectional approach, integrating gender equality, youth participation, cultural and ethnic diversity, disability inclusion and the rights of migrants. Embedding justice in climate policies requires embedding ecological transformation in social and economic policies. This principle is encapsulated by cities' recognition of the right to nature as a fundamental human right essential to advancing environmental justice and intergenerational equity.



Drawing from the lived experience and leadership of cities from across regions, **this section outlines five thematic areas where local governments are already delivering whole-of-society just transitions**, either through external funding or through their own-source revenues. These provide tangible examples of how subnational governments are operationalising the principles endorsed by G20 members to promote sustainable, inclusive, and just transition pathways.

By channelling fit-for-purpose and localised resources to these key areas, national governments and international institutions can help cities increase the pace and scale of local delivery, thereby fostering national and international ambition on just transition solutions, targets, and goals.



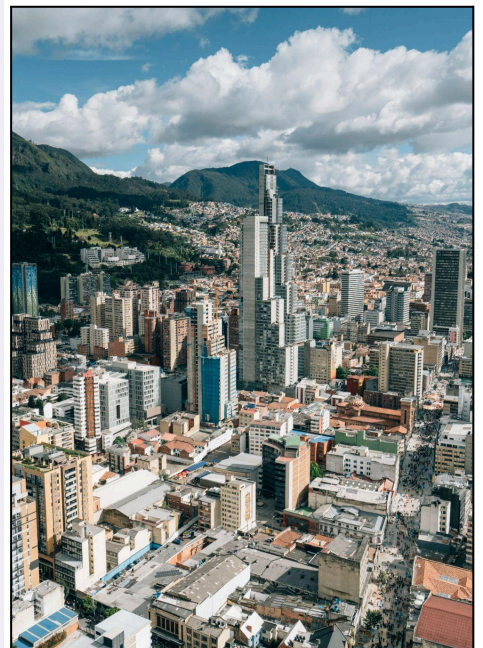
1. Cities are creating millions of good green jobs and delivering inclusive skills training, making these opportunities accessible for all.

From public transport electrification to clean construction, and from clean energy to nature-based solutions, cities are already using their powers in key climate sectors to cut emissions, while reorienting action towards employment creation, livelihoods, and skills development for all. Using their purchasing and regulatory powers, cities can stimulate local economies and enable green and just economic investments, while designing inclusive re-skilling, upskilling, and training programmes for impacted fossil fuel industry workers and other marginalised groups, bridging skills gaps and aligning local workforces with national and regional green investments and climate policies.

Bogotá, with support from C40's Inclusive Climate Action Fund, has trained 92 women as e-bus drivers, improving gender equity and contributing to the city's climate goals.

Seattle is prioritising investments in a diverse and inclusive clean energy workforce, expanding apprenticeship and career development programmes for women, people of colour, and low-income groups in clean energy trades.

Johannesburg and **Tshwane** are delivering green skills training programmes to their city staff, such as plan examiners and building inspectors, to empower them to effectively implement national and city-level policies relating to energy efficiency and green buildings.





2. Cities are spearheading local social dialogues and inclusive engagement processes, building consensus and public support for climate action.

Given their proximity to local residents and communities, cities use their convening powers to bring together formal and informal workers, unions, businesses, civil society, and other levels of government to shape whole-of-society just transition strategies. Through [social dialogue](#), as a central plank of a just transition, also echoed by national governments and other key stakeholders in the outcome of the [Standing Committee on Finance meeting](#), cities can co-design local responses to deliver the greatest climate and equity benefits and harness the potential of climate finance.

[Los Angeles](#), as part of its commitment to phase out oil drilling in the city, is spearheading a Just Transition Task Force with LA County and representatives of local communities, workers, unions, industry, and other key stakeholders to support impacted workers to transition into good green jobs informed by direct worker input.

[Bengaluru](#) is pioneering participatory approaches and training 500+ workers and city officials to deliver climate priorities through inclusive, sustainable waste management.

[Ekurhuleni](#) has launched South Africa's first local Just Transition Commission as a platform for multi-stakeholder dialogue, grounded in modelling the impact of the just transition on the local labour market and economic growth.



3. Cities are strengthening safety nets and social protection provisions to safeguard impacted workers and communities.

Cities are piloting social protection measures, such as income transfers, early retirement compensation, and social insurance, to safeguard formal and informal workers from the impacts of climate and economic shocks (including job or income losses and unavoidable losses and damages caused by the climate crisis). Such safety nets also aim to improve the working conditions of informal workers and strengthen communities' resilience to growing social inequalities. With social protection programmes already serving as a buffer against the potential negative effects of climate impacts and the energy transition, cities are delivering critical social services for just transitions at scale by localising such programmes.

Accra initiated the registration of over 200 informal waste sector workers into a social insurance scheme, serving as a pilot initiative to demonstrate the effectiveness of social insurance in bolstering workers' resilience in the event of socio-economic shocks or climate impacts such as heat and flooding.



4. Cities are identifying and addressing local vulnerabilities using evidence-based approaches and disaggregated data.

Cities are uniquely positioned to conduct localised workforce equity assessments to measure the distributional effects of green transition policies, analysing just transition needs and socio-economic benefits of climate action, including in the informal sectors. This enables evidence-based policy-making and the development of targeted policies, training programmes, and education reforms that reduce inequalities, advance job quality and working conditions, and promote equitable access to green jobs and skills. Through green jobs assessments and modelling, skills gaps analyses, workforce equity assessments, and other forms of local knowledge and data, cities are ensuring that just transition finance is channelled to the sectors, regions, and communities where the greatest climate and equity impact can be achieved.

In 2021, **Rio de Janeiro** set a goal for 40% of jobs in the city to be green by 2030. It is measuring green jobs in the city on an annual basis to track progress against this target while also assessing how new green jobs would be distributed across gender and race groups to design policies that will improve equitable access by gender, income levels, and race.

Milan is grounding its climate action and green jobs strategies in analyses of the city's green jobs creation potential. With more granular data on the investment needed to implement its mitigation and adaptation actions and the level and distribution of the jobs created, the city is better able to make those jobs and skills development equitable and accessible.





5. Cities are enhancing locally-led resilience and adaptation, centring equity and inclusion, to mitigate climate impacts on frontline communities and workers.

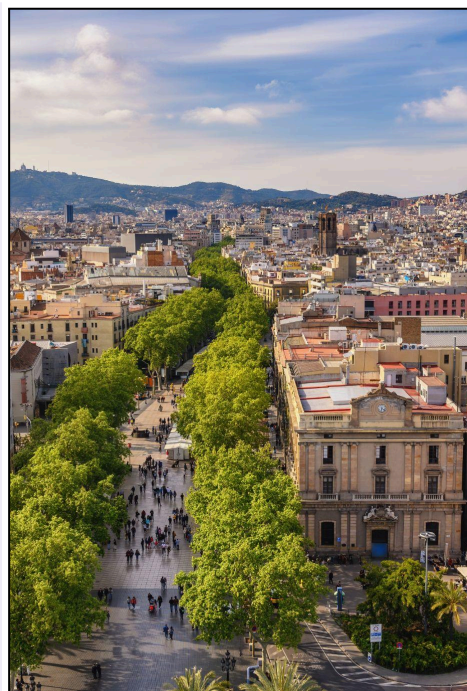
Cities recognise that building resilience and addressing climate disasters requires a just transition approach to mitigate the impacts on those with the least adaptive capacity, and to avoid unintended negative consequences while ensuring that positive impacts are shared equitably.

Cities' innovative actions to “renature” their territories – restoring urban ecosystems, protecting biodiversity, and [reinserting cities in nature](#) – embody a core dimension of climate justice. Renaturing can reduce emissions, absorb shocks, and create green jobs, while also redressing environmental inequalities and expanding equitable access to public goods and services.

By using a just transition lens for climate resilience, subnational governments are ensuring that the most affected communities and workers have improved access to essential services, decent work, and social protection, and can respond better to extreme events and progressively improve their resilience in the face of crisis. This holistic approach can help national governments achieve their adaptation goals and channel support for climate resilience-building to the most vulnerable communities more effectively.

As part of C40's Inclusive Climate Action Water Fund, **Quito** is enhancing its institutional and community capacities for safe water management and distribution during emergencies and disaster scenarios, including by training local leaders of vulnerable communities on managing and distributing safe water during emergencies, implementing [SPHERE](#) principles of equity, solidarity, and equality.

[Barcelona](#), as part of its ambitious climate action plan, launched the Climate Shelter Network, providing accessible spaces that offer ‘thermal relief’ for vulnerable residents during extreme climate events. Community engagement was used to develop recommendations for the network's expansion. As of 2024, 95% of the population can reach one of the 350 shelters within a 10-minute walk.



More information

For more detailed information on urban just transitions and transition pathways, please consult C40's [Urban Just Transition Issue Brief](#) and [Urban Just Transition Pathways Map](#).



Recommendations

The previous section illustrated several ways by which cities across regions are already leading by example, identifying concrete opportunities for national and international investments in local just transitions. There is growing national and multilateral recognition of the role that cities can play in advancing multi-level just transition efforts, for example, throughout the dialogues of the UNFCCC Just Transition Work Programme during 2024 and 2025, and in the outcomes of the [BRICS Urbanisation Forum](#) and [BRICS 2025 Leaders Summit](#). This recognition is further evidenced in the growing reach and influence of the Coalition for High Ambition and Multilevel Partnerships (CHAMP), as well as national climate plans and just transition strategies of leading countries, including South Africa's Just Transition Framework, Brazil's support for subnational NDC implementation with a just transition focus, and the United Kingdom's NDC, which recognises the importance of a multi-stakeholder approach to just transitions, including city involvement.

However, there is significant room for improvement in terms of:

1. recognition, consultation, and involvement of local actors,
2. localisation of existing finance and funding solutions, and
3. integration of just transition principles in existing mechanisms.



This is also recognised in the outcomes of the [UNFCCC 2023 Forum of the Standing Committee on Finance on financing just transitions](#), with explicit reference to the need for financing to be context-specific, inclusive, and aligned with local needs.

To leverage the vital contribution of cities to delivering inclusive, whole-of-society just transitions that leave no one behind, **the following recommendations are proposed for G20 members and multilateral institutions to enhance just transition funding and finance that is fit for cities and subnational actors.**

All recommendations are informed by and aligned with those formulated in **C40's [policy brief on urban just transition finance barriers and opportunities](#)**, **C40's [open letter to African Ministers of Finance](#)** by mayors and governors of African cities, the **[UCLG GOLD VI Report: Pathways to Urban and Territorial Equality: Addressing Inequalities through Local Transformation Strategies](#)**, particularly its Renaturing pathway, as well as the **[Final Declaration of the Third UCLG World Forum of Intermediary Cities: Intermediary Cities Creating Global and Territorial Citizenship](#)**.

Recognise, consult, and involve local actors.

For a whole-of-government, whole-of-society, and whole-of-economy approach to just transition to be successful, relevant societal actors and levels of government must be included in national and international just transition processes. National governments should recognise, enhance, and elevate the crucial role of cities and other subnational governments in the design, development, and implementation of national plans, policies, and regulations.



National governments should:

- **Strengthen subnational representation in the governance of relevant national and international funds.**

Stronger, meaningful city representation in the governance of funds can enable local governments and frontline communities to actively shape decisions using intersectional approaches and ensure that project selection and outcomes consider local-level implications. For instance, the engagement between South African cities and the Presidential Climate Finance Task Team has resulted in a Municipal JET Support Programme, which helps municipalities benefit from the \$8.5 billion investment plan for South Africa's Just Energy Transition Partnerships through a specific municipal financing window and project support.

- **Devolve powers on relevant sectoral policies to enable scaling innovative measures for a local just transition.**

Subnational governments need stronger formal powers, including fiscal and legislative authority, across key sectors such as active labour market and workforce development policies, social protection measures, and critical climate sectors such as energy, buildings, and transport. Stronger powers across relevant domains and sectors help maximise cities' effectiveness, pace, and scale of delivering inclusive climate action.

- **Build multi-level partnerships that involve all relevant stakeholders systematically engaging cities in the definition of priorities for funding.**

Initiatives such as the Coalition for High Ambition Multilevel Partnerships (CHAMP) and national Just Transition Commissions are critical vehicles for stronger vertical integration and enhanced alignment of local just transition delivery with national climate plans and strategies, including NDCs, NAPs, and LT-LEDS.



Localise relevant finance and funding.

Leveraging their smaller scale of operations and ability to break silos, cities are already pioneering local just transition solutions, leading by example and significantly contributing to global discussions on just transition. However, despite numerous international commitments to localisation, only a small fraction of existing climate and development finance currently reaches cities and local communities. This significantly [hampers](#) subnational actors' ability to deliver a just and equitable transition at the scale and pace needed.

National governments, MDBs, IFIs and Philanthropic donors should:

- **Urgently accelerate localisation of climate, development, and humanitarian finance, prioritising grant-based funding over loans, especially in climate-vulnerable countries.**

This could include direct access windows for subnational actors, via dedicated operational modalities and thematic funding windows for local just transition initiatives, specific allocations for urban-focused interventions in national budgets, and support to develop the financial management capacity of local governments. Financing must prioritise renaturing and nature-based solutions that restore ecosystems, reduce vulnerabilities and support actions for [loss and damage](#), and generate equitable access to public goods and green jobs, especially in marginalised communities.

- **Invest in technical assistance and local capacity building for project preparation, which can strengthen cities' ability to attract investment.**

This could especially focus on developing the capacity of cities to integrate just transition considerations in local programming, providing technical support, and facilitating access to relevant networks. Medium and small cities, which face disproportionate challenges in accessing international funding, meeting reporting standards and participating in global agendas despite growing responsibilities and demands, must receive more support to close the gap with large metropolitan areas. For example, C40's [Cities Finance Facility](#) unlocks funding for sustainable infrastructure projects in cities, with an increasing emphasis on equity considerations, by providing technical assistance to develop bankable investment proposals.

- **Scale up seed funding for local-level pilot initiatives, for future replicability or scaling.**

Expanding direct access mechanisms for local just transition programmes can help cities to scale and accelerate the delivery of inclusive climate action through mitigating the limiting factor of technical knowledge and capacity barriers. For instance, the [Inclusive Climate Action Fund](#) provides a blueprint for providing targeted funding for specific climate justice projects in cities.

Mainstream just transition principles in climate finance.

Financial frameworks and instruments must integrate just transition principles by design to tackle the challenges posed by a lack of formal avenues for disbursing related finance. The reliance on a mosaic of national and international funding streams calls for the integration of common principles across existing climate and development finance.



MDBs, IFIs and national governments should:

- **Align principles, metrics, and allocation criteria with well-established frameworks, and ensure coherence with global guidelines.**

The [ILO's Just Transition Guidelines](#) provide clear guidance on the key principles that must be [embedded](#) in financial instruments and project appraisal cycles. Global processes such as the Just Transition Work Programme and the New Collective Quantified Goal (NCQG) - agreed at COP29 - can provide further opportunities for alignment and integration. Metrics should capture the full scope of just transition principles and ensure accountability and progress through clear targets, measurable indicators, and transparent reporting mechanisms.

- **Establish robust enabling frameworks and incentives that facilitate public, private and community investments in inclusive climate action projects.**

Enabling measures should include, among others, transferring financial resources from the national government to local governments, enhancing fiscal autonomy and local capacities, and supporting own-source revenue generation like local taxes and fees. and where appropriate, defining clear guidelines for public-private partnerships (PPPs), municipal bond issuance, and other innovative finance vehicles, as well as taxonomies for sustainable investment.

- **Integrate common just transition principles into relevant international funds and national climate plans and sectoral policies.**

These range from multilateral climate finance initiatives across mitigation and adaptation, such as the Global Environmental Facility and Green Climate Fund, national climate plans like the NDCs, NAPs, and LT-LEDs, as well as national sectoral policies driving climate action in key areas, including energy, buildings, transport, waste, and resilience. This integration must explicitly include justice, equity and loss-and-damage considerations, ensuring that climate finance mechanisms support frontline communities and territories as rights-holders rather than as risk-bearers.