Abstract

A Just Energy Transition Partnership (JETP) is an international climate finance mechanism, comprising a host (recipient) country and an International Partner Group (IPG). It is part of a global initiative that has committed to providing billion-dollar financial packages to partner countries in the developing world. However, implementing a multilateral partnership requires a lot of effort and many transactions to be successful, since JETP consists of multiple stakeholders. Transaction costs (TCs) refer to the costs incurred in the process of developing a partnership. The study uses a mixed-method approach, with a scoping review, document analysis and case study analysis of the JETP Indonesia. The study explores three types of TC associated with JETP: 1) the cost of searching for partners (search costs), 2) negotiation costs, and 3) monitoring and enforcement costs. This study finds that asset specificity, uncertainty, frequency, legitimacy, and accountability influence the transaction costs in the partnership governance of the three JETPs that were analyzed (Indonesia, South Africa, and Vietnam). Therefore, in general, all existing and upcoming JETPs could reduce transaction costs by standardizing procedures, streamlining regulations, improving stakeholder engagement, and defining clear roles, responsibilities, and accountabilities to improve the process of developing JETPs. JETP Indonesia should strengthen the institutional framework, set SMART goals, and ensure inclusivity, improve cooperation and coordination, more transparent and realistic in communication about the JETP, improve data accessibility, and set up an independent monitoring system.

Keywords: JETP, Climate finance, Transaction costs, Partnership governance, Mixed-method