

Financing the Just Transition

Nick Robins

**Professor in Practice – Sustainable Finance
London School of Economics**

Gerhart Center, American University Cairo

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Climate Change is a Brutal Act of Injustice in terms of who is causing it and who is impacted: need to make justice core to the solution



Putting the just Transition at the heart of financing climate action

1. **A critical enabling condition:** Climate success means creating positive social impacts for workers, communities and countries
2. **Policy, business & finance are starting to move:** COP26 marked a step forward in government, trade union, business, finance commitment
3. **Looking to COP27, we need to scale up action:** Critical role for investors and banks to reallocate capital and shape the financial system response.



The Strategic Imperative

Making the connection: people-centred climate action

- **Managed well** the transition will boost employment, reduce inequality, revive communities, improve health and avoid catastrophic climate damage
- **Poorly managed**, however, it could result in “stranded assets”, as well as “stranded workers”, “stranded communities” and even “stranded countries”.



The just transition: part of the solution

Part of the 2015 Paris Agreement:

‘The imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities’

Set out in the ILO’s 2015 Just Transition

Guidelines ‘A just transition for all towards an environmentally sustainable economy, as described in this document, needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty’



Workers as Key Agents in Climate Action

- **Employment:** focus on the quantity and quality of jobs, those to be created, those that will be lost
- **Social Dialogue:** participation in design and delivery of climate plans *'nothing about us without us'*
- **Skills:** drawing on and developing the necessary skills of workers, particularly those most excluded
- **Social Protection:** ensuring adequate income (including pensions), health and social security
- **Rights at Work:** Rooted in International Labour Standards and Human Rights (including gender)



Taking a systemic approach to people-centred climate action



The consequences of failing to consider people are real

President Trump, 2017

'I happen to love coal miners'



Gilets Jaunes, 2018 'You think about the end of the world; we worry about the end of the month'



Increasing political commitment

President Von Der Leyen, 2019

“This transition will either be working for all & be just, or it will not work at all.”



President Biden, 2021

“Tackle the climate crisis while creating good-paying union jobs & an equitable clean energy future”



A special imperative in developing countries

President Ramaphosa, 2021

“We remain committed to contributing our fair share to reduce global emissions, and to do so in the context of overcoming poverty, inequality and underdevelopment.

It must be a just transition that ensures that those who are most vulnerable in society do not get left behind.”



COP26: A Boost for the Just Transition

1. Glasgow Pact: explicit link between just transition and aligning financial flows

2. Governmental Declaration on Just Transition

17 industrialised governments: social dialogue, decent work, local action, supply chains

3. South Africa's Just Energy Transition Partnership:

\$8.5bn in climate finance to link decarbonization with employment and livelihoods.

4. Glasgow Finance Alliance for Net Zero/GFANZ

450+ institutions with just transition as best practice

5. Just Energy Transition Framework First business-led strategy with Anglo, BP, ENI, Reliance, Repsol, SSE



The Financial System Response

Why? Rationale for financial sector action

- *If net zero is the what, the just transition is the how*
- **The right thing to do:** realising human rights and shaping the shift to deliver positive social impact
- **The necessary thing to do:** building public trust and support, and reducing systemic risks to transition
- **The smart thing to do:** developing the social and human capital for a successful net zero economy
- *Something for every financial institution and asset class*



What? Critical areas for investor action



Shareholder engagement: driving business action

SSE'S 20 PRINCIPLES FOR A JUST TRANSITION

TRANSITIONING INTO A NET ZERO WORLD

TRANSITIONING OUT OF A HIGH-CARBON WORLD

TRANSITIONING INTO A NET ZERO WORLD		TRANSITIONING OUT OF A HIGH-CARBON WORLD		
 <p>NET ZERO EMISSIONS</p>	 <p>JUST TRANSITION</p>	 <p>WORKERS' RIGHTS</p>	 <p>EMPLOYMENT</p>	 <p>ENVIRONMENTAL PROTECTION</p>
<ol style="list-style-type: none"> 1. Establish net zero emissions targets 2. Measure and disclose emissions 3. Reduce emissions 4. Invest in decarbonisation 5. Engage stakeholders 6. Report progress 	<ol style="list-style-type: none"> 1. Engage stakeholders 2. Assess impacts 3. Develop transition plans 4. Invest in skills and training 5. Engage stakeholders 6. Report progress 	<ol style="list-style-type: none"> 1. Engage stakeholders 2. Assess impacts 3. Develop transition plans 4. Invest in skills and training 5. Engage stakeholders 6. Report progress 	<ol style="list-style-type: none"> 1. Engage stakeholders 2. Assess impacts 3. Develop transition plans 4. Invest in skills and training 5. Engage stakeholders 6. Report progress 	<ol style="list-style-type: none"> 1. Engage stakeholders 2. Assess impacts 3. Develop transition plans 4. Invest in skills and training 5. Engage stakeholders 6. Report progress

But only a handful of companies have just transition plans

Capital Allocation: building social value

- **Add social to green in every asset class:** extend traditional green assets to include social outcomes
 - The **UK's Green Sovereign Bond** has raised £16bn+ and will report on social co-benefits of green spending
 - **Target place-based investments:** channel assets to delivering positive impact in key regions (e.g. infrastructure, real estate, private debt and equity).
- *G7 Impact Taskforce*
<https://www.impactinvest.org.uk/project/g7-impact-taskforce/>



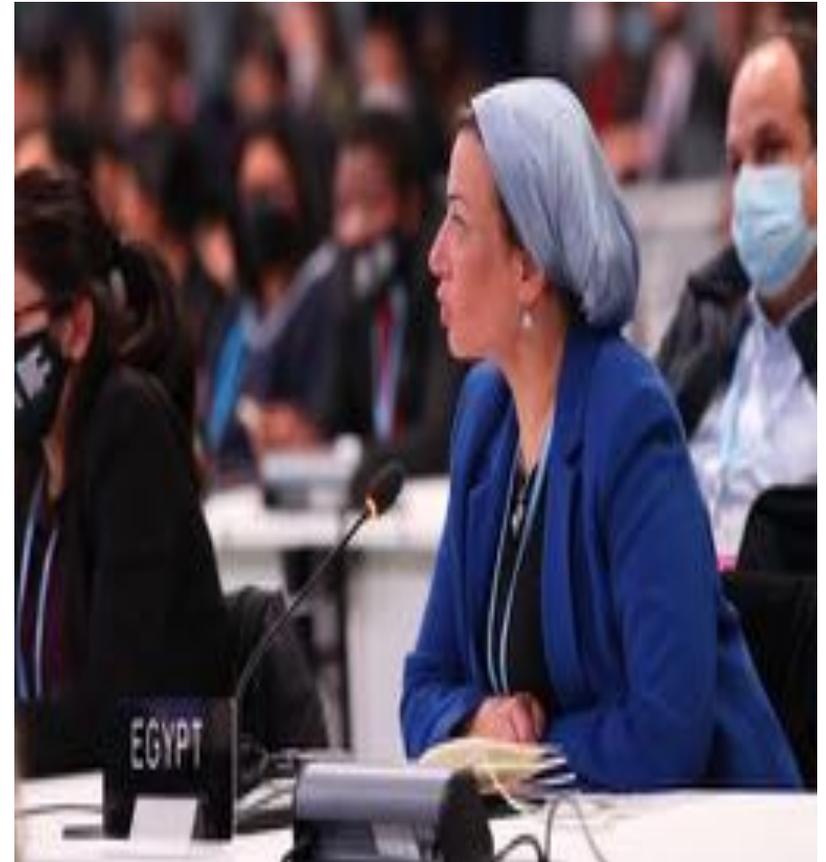
Policy & Partnerships: shaping the system

- ❖ **Supporting just transition in national policy:** advocating for just transition in NDCs (including macro-economic, industrial, skills, regions)
- ❖ **Mobilising funding from Development Banks:** key to move the economic frontier and crowd-in private capital
- ❖ **Setting just transition standards:** key to develop common governance & reporting approaches with integrity and practicality



The Road to COP27: priorities for financing the just transition

- 1) **Make the just transition integral** to net-zero plans from all financial institutions
- 2) **Focus on emerging and developing countries** to increase flows of public & private finance
- 3) **Deploy tailored financial instruments** by investors, banks, capital markets
- 4) **Recognise the critical role of dialogue** by workers & communities as a key quality mark
- 5) **Support just transition policy** to provide the rules and incentives for long-term investment



For further information

2018 Investor Guide to the Just Transition

<https://www.lse.ac.uk/granthaminstitute/publication/climate-change-and-the-just-transition-a-guide-for-investor-action/>

Inevitable Policy Response: Why a just transition is crucial for effective climate action

<https://www.unpri.org/why-a-just-transition-is-crucial-for-effective-climate-action/4785.article>

Blog: How a just transition can speed up the race to net zero

<https://www.lse.ac.uk/granthaminstitute/news/how-a-just-transition-can-speed-up-the-race-to-net-zero/>

From the Grand to the Granular: Turning Just Transition Ambitions into Investor Action

<https://www.lse.ac.uk/granthaminstitute/publication/from-the-grand-to-the-granular-translating-just-transition-ambitions-into-investor-action/>

Just Zero: 2021 Report of the UK Financing the Just Transition Alliance

<https://www.lse.ac.uk/granthaminstitute/publication/just-zero-2021-report-of-the-uk-financing-a-just-transition-alliance/>

Lessons from COP26 for Financing the Just Transition

<https://www.lse.ac.uk/granthaminstitute/publication/lessons-from-cop26-for-financing-the-just-transition/>

The Road from the Abyss: 10 climate promises the financial sector needs to keep in 2022

<https://www.lse.ac.uk/granthaminstitute/news/the-road-away-from-the-abyss-10-climate-promises-the-financial-system-needs-to-keep-in-2022/>



THANK YOU!

Nick Robins

n.v.robins@lse.ac.uk