Just Transitions: From Aspiration to Action

A Post-event Q&A with the Speakers

On September 22, 2020, the [Just Transition Initiative] of the Center for Strategic and International Studies (CSIS) and the Climate Investment Funds (CIF) held an [event on just transitions] as part of Climate Week NYC. The session convened experts from the International Labour Organization (ILO), academia, multilateral development banks, and environmental organizations.

Panel discussions focused on two particular challenges in helping to realize just transitions away from fossil fuels and emissions-intensive industries and toward a more sustainable future. The first discussion focused on gender dimensions and the informal economy, and the second considered the role of place- based investment and development in affected regions. To continue the conversation beyond the formal discussion, our panel of experts has addressed a series of questions below that came from our participants.

Q1: What is the best way to formalize an informal work force through just transitions? If that is difficult to do and formal social dialogue is not possible, how else can we promote decent work in the informal economy?

Ana Sanchez, ILO: Informality is a broad and complex issue that encompasses different situations and manifests itself in different ways in different realities. The persistence of a widespread informal economy in Latin America and the Caribbean (LAC) is incompatible with making significant progress in achieving the goals of decent work while meeting climate change and other environmental goals, such as the conservation of biodiversity and sustainable land management to name a few, and undermines the ability of companies to be more productive and environmentally sustainable. Thus, talking informality is a prerequisite to promoting just transitions in the region. There are several ways to formalize any sector of the economy.

There are a number of key sectors in the LAC that have high levels of informal labor and are directly relevant to the just transition agenda. These include agriculture and food production; the transport sector, especially public transport; sustainable construction;

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ecotourism; and waste management and recycling. Formalized labor is more common in the energy production, energy efficiency, and manufacturing sectors.

The most effective ways to include formalization in a just transition strategy would be to:

- **Enhance productivity of the informal sector, including workers and companies through macro-, meso-, and micro-policies.** These measures will allow companies and workers to formalize their business and their jobs. Policies that take a value-chain approach with the view to integrate informal producers and that focus specifically on enhancing business productivity at the company level are key.
- **Assist stakeholders to comply with regulations.** These measures could include information campaigns and capacity development programs to inform businesses and workers about the benefits of formalization, simplifying the process of formalization, and ensuring social dialogue.
- **Provide incentives for formalization.** Specific incentives could include agreements on tax payment and registration, and promoting access to social security schemes with a focus on the most vulnerable (migrants, youth, women and others), including through innovative ways such as e-formalization programs.
- **Strengthen inspection and monitoring though compliance culture campaigns.** This could also include strengthening institutional capacity and finding innovative ways to promote compliance such as fines' substitutions in exchange of formalization commitments.

More information on the above can be found at the ILO Informal Economy website and ILO Green Jobs program.

Q2: What are the most important data and metrics for designing gender-responsive policies or monitoring the gender impacts of the energy transition? What is the best strategy or tool for collecting the data?

Joy Clancy, University of Twente: The primary rule is to collect data that is not only sex-disaggregated, but also disaggregated across a range of social characteristics beyond income. We have found age and civil status particularly revelatory. Ethnicity, as the Covid-19 experience is showing, is also an important factor to consider—data from the United Kingdom also show this in the context of energy poverty. Be aware that households are complicated and fluid structures. Please avoid the simplistic female/male- headed household or assuming that everyone in the household has the same experience, resources, and influence.

The International Network on Gender & Sustainable Energy (ENERGIA) website has a resource center with guides on tools for data gathering and analysis. Also the World Bank's

AFREA program, and many of the UN agencies have tools and frameworks.

Q3: How often must a just transition diagnostic tool be applied over the course of the energy transition? What timeframes does it consider, and is it plausible that it will need to be applied more than once as economies shift and new vulnerabilities emerge?

Barbara Rambousek, European Bank for Reconstruction and Development (EBRD): The process of a transition toward a green economy is not linear or timebound. Rather, it is shaped and molded by emerging trends and shocks at the local, regional, and global levels. Priorities inevitably need to be revised accordingly, for example, in light of the still unfolding impacts and implications of the Covid-19 pandemic and economic crisis. They will also need revisions in line with the emergence of new trends and challenges, such as changes in labor markets due to new technologies and digitalization, demographic changes, migration trends, changes in global value chains, and wider socioeconomic and political shocks.

The EBRD's just transition diagnostic tool aims to provide a long-run strategic overview of the green economy transition process in each country, including the identification of vulnerable regions and groups, and the timeline for key steps under different energy transition scenarios. It recognizes the need to address not only short-term issues, but also medium term challenges of the transition and the requirement to review and adjust these activities as new challenges emerge in partnership with policymakers, the private sector, and local communities. Resulting adjustments should be based on an assessment of the socioeconomic and environmental impacts of the different scenarios, including their labor market impacts and economic diversification opportunities, with a specific focus on the way these impact existing inequalities. Just transition plans are then augmented by a set of recommended priority policy reforms and targeted investments. These are likely to include adjustments in investments in the education of younger generations and women to support a shift toward activities that require higher levels of skills, the introduction of lifelong learning to retain older workers in the labor market, the provision of business advisory and finance to local support entrepreneurship in emerging sectors such as tech and digital, and enhanced regional infrastructure and connectivity.

Q4. With all the complex priorities involved in just transitions, how do you as a bank judge what the highest impact investment will be in a regional development strategy?

Hubert Strauss, European Investment Bank (EIB): There is no one-size-fits-all hierarchy of high-impact investment for all regions. Regional just transition strategies need to be place-specific and integrated and need to cover many sectors to address all the underlying individual transitions: energy, environmental, social, economic, and infrastructure transitions. The various existing strengths and weaknesses of mining and emission-intensive territories are never exactly the same across the regions.

- Some territories are located close to large and growing cities, while others are isolated in the countryside and first need to be connected to the rest of the country.
- Some territories are structured around one big city, while others have a polycentric structure with several smaller towns.
- Some territories have a full-fledged and diversified industrial and service value chain developed in the past, implying high average levels of education and a fair amount of innovation and entrepreneurship, while in others, the dominant extractive industry or one major industrial plant represents the major source of (mostly unskilled) employment.
- Some territories may have sufficient tax autonomy to incentivize the arrival of new companies, or they have a wealthy central government to support the public investment required to transform the territory and make it an attractive place for people to live and work in. Others lack the necessary funds to create the enabling conditions for an economically viable future, leaving emigration as the dominant option for the younger generation.

There are also several ways to measure the impact of various investments on supporting just transitions: the reduction in greenhouse gas emissions, regional output, number of jobs, or the quality of the environment and quality of life. A wind park or a photovoltaics plant is a fantastic investment to meet national and regional emission reduction targets, but if it is the only effort to replace a lignite mine, the employment effect will, on balance, be negative for the region as a whole. On the other hand, investing in skills development programs and new connecting roads and rail links alone will do little to make the energy mix of the region any greener. However, we also should not pitch the economy against the environment.

Experience from past transitions has shown that attracting other “old” industries based on competitive advantages of cheap labor and land may be initially perceived as a practical and cost-effective transition (e.g., a large car manufacturing plant in Limburg). But it may, in fact, be unsustainable in the long run if, for example, a higher price for carbon ends up forcing the arriving companies to close or delocalize to third countries in 10 years. Conversely, there are more transition investments that are perceived as challenging in the shorter term but can actually generate more sustainable benefits. For example, large- scale environmental regeneration and afforestation costs a lot in the beginning, with no immediate financial and fiscal returns, but can have long-term “grassroots” benefits if it stimulates sustainable tourism and attracts digital economy start-ups.

The challenge really is to find the right sector mix that allows high impact on several fronts:

- Meeting energy mix and emission reduction targets;

- Creating tangible benefits for workers and consumers in the region, be it through training and new job opportunities, better insulated housing, or other tangible benefits from decarbonization that will help to obtain their buy-in to the transition; and
- Good digital and transport connections, enabling those who cannot continue to work in their territory to find new work elsewhere without outright emigration.

Q5: As green banks continue to emerge and develop in Latin America, how can countries ensure they have a focus on social dimensions and those that would impact vulnerable workers and communities?

Carolina Herrera, Natural Resources Defense Council (NRDC): In Latin America, rather than creating a green bank as a brand new institution, most countries are seeking to renovate and reorient existing public financial institutions so that they operate more like green banks. This entails working to "crowd- in" domestic and international capital, screen out high carbon investments, and accelerate low-carbon, climate-resilient ones in alignment with national commitments under the Paris Agreement and in accordance with the UN Sustainable Development Goals. National or subnational development banks (NDBs) already have local development mandates that are often region- or sector-focused meaning, in theory, they are well suited to advancing projects and solutions that have a high social impact on specific communities or workforces. However, in practice, many NDBs have had conflicts with vulnerable communities, such as indigenous or minority populations, often on energy and infrastructure, including in connection with clean energy projects. So, to support a just transition, Latin American NDBs should evolve into functional green banks that align with both energy and resilience goals as well as those of a "just and equitable transition."

This means funding climate mitigation and adaptation projects and also projects and businesses that can replace the lost jobs lost in transition and tax revenue that dirty energy leaves behind. And crucially, for the transition to be equitable, these green NDBs need to invest to counteract the legacy of pollution, environmental degradation, and social dislocation that the energy industry leaves for vulnerable communities. Setting appropriate institutional targets and performance metrics that are publicly available, along with incentives and accountability measures, is fundamental.

In addition to financial results, green banks must monitor and publicly report on various social and environmental indicators, such as job creation and emission reductions. This will help to attract international environmental, social, and governance (ESG) and impact-focused capital. The right metrics and incentives can help emerging green banks in Latin America focus on relevant social dimensions of the transition. Acquiring the right internal capacity—such as specialized teams that can develop innovative financial solutions and work with communities, or implementing social, environmental, and climate risk management systems—is necessary to help institutions deliver benefits to affected workers and communities. Countries also should rapidly plan for transitions in other sectors beyond energy that require deep transformations to both mitigate and adapt to climate change, from agriculture and land use to fisheries. Here too, NDBs functioning as green banks with the right mandate, metrics, and capacity can be a tool to support just and equitable transitions.