



Leaving no one behind

Planning for a Just Transition

Issue date | August 2019

The Secretariat of the United Nations Framework Convention on Climate Change (UNFCCC) has identified 1.47 billion jobs globally in sectors critical to climate stability. The International Labour Organisation (ILO) has estimated that action to meet the Paris Agreement will create 24 million jobs in clean energy generation, electric vehicles and energy efficiency.

Introduction

In the move towards this future there will be disruption. Australia is already seeing it with ageing coal-fired power stations closing in the next two to three decades. This will see up to 8,500 jobs lost and result in major structural adjustment challenges for both the workers who have lost their jobs, but also the communities that have come to depend on the coal energy industry.

Those communities bearing the impact of low-carbon policies need a fair and socially equitable transition – a 'just transition'. The concept of a just transition holds immense potential for affected communities, trade unions, businesses and governments to develop and implement carefully planned policies to support those directly impacted by low-carbon policies.

However, if trade unions, businesses and governments do not engage in strong multilateral cooperation, or if businesses and governments adopt short-term, fragmented and reactive solutions to respond to this challenge, we will lose the trust and support of the communities where businesses and governments operate.

Federal and State governments and businesses need to forward plan. They need to coordinate their approach and responses. They need to agree on a set of policies and actions that provide greater economic diversification for those communities that will no longer be able to rely on a dying industry.

Transition to this new reality is inevitable. It will have implications for a number of key sectors and regions across Australia, in particular the epicentres of the Hunter Valley, LaTrobe Valley and central Queensland. In response to this emerging reality, some industries will grow and thrive, whilst others still may shrink or entirely disappear.

To support this transition, we need to adequately plan for, coordinate and invest in a just transition. If we fail we risk seeing enclaves of 'stranded workers,' 'stranded communities,' and 'stranded assets.' Whatever pathways and policies we enact to avoid negatively impacting these communities, they will need to be compatible with limiting global warming to well below 2°C.

In addition to structural policies, there will need to be a focus on social dialogue. Businesses working with other businesses, trade unions, governments, and communities to dismantle residual bias, build trust and deliver the necessary technical and financial solutions. With trust no one is left behind and businesses can continue to operate and thrive in their environments.

The closures of Australian coal-fired power stations provides us with a unique opportunity to work with a small, but dynamic, group of workers and implement a series of packages that support both the workers and their communities to find socially fair outcomes. It is an opportunity to look to Germany to the Ruhr Valley to see what socially fair outcomes look like, and to the Appalachia region of the United States, where the waste and failure is palpable.² It is a chance for communities, unions, businesses, and governments to test ideas and innovations, to be adaptive and support workers and industry in their transition to a low carbon economy.

¹ Building a Just Transition: The linkages between climate change and employment (2010). Accessed January 2019: https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---actrav/documents/publication/wcms_153352.pdf

² The Ruhr or Appalachia? Deciding the future of Australia's coal power works and communities" was released in 2018. The report author, Professor Peter Sheldon of UNSW, examines case studies across Germany and the USA. The report explores the successes of the Ruhr region where planning and investment in new industries saw a major transition from coal and steel-making with no forced redundancies to Appalachia in the US where short-term and disjointed responses to coal mine closures resulted in entrenched poverty and social dysfunction. The report goes on to say that top-down government framework combined with bottom-up community driven approach worked best at mitigating any negative impacts that could arise from a transition. It also strongly recommends putting in place an independent statutory Energy Transition Authority that can oversee closures and support all impacted workers and communities.

What is a 'just transition'?

A just transition is fundamentally about ensuring fairness and social justice. Derived from the North American labour unions in the 1990s, the phrase described a program of support for workers who lost their jobs due to environmental protection policies. Today, the concept is far broader and speaks to the actions and plans that will ultimately support our industries and future-proof our communities through long-term decarbonisation strategies.³

The transition to a zero-carbon society implies that new jobs will emerge, others will disappear and others still will be fundamentally transformed. In the context of the Paris Agreement negotiations, the impacts of these shifts were not left unnoticed. The final Paris Agreement text embedded the need for governments and unions to ensure a just transition for communities.

The just transition language meant there was a commitment by governments to ensuring workers were supported during structural change through the creation of decent work opportunities that are aligned with a world that limited global warming to well below 2°C.⁴

Opportunities and challenges

If well managed, the ILO has said this move towards an environmentally and socially sustainable economy can become a driver for *job creation, job upgrading, social justice and poverty eradication. Greening our enterprises* and promoting more resourceful and efficient practices could lead to *more innovation and drive new investments and employment*.⁵

In theory, the results of a 'well-managed' just transition would appear to be mostly positive. A win-win for communities, businesses and governments.

That said, we still have a huge amount to learn about this process. It is fair to say that businesses and governments across Australia are very much muddling their way through what is a highly complex and challenging space.

The Hazelwood plant in the Latrobe Valley is a case in point. It was considered one of the country's dirtiest and oldest power stations. It provided approximately 25% of Victoria's electricity requirements and injected around \$100 million in the local community through wages alone. When the plant was closed in 2017, everyone was left scrambling. The necessary levels of forward planning and coordination required to support job creation and job upgrading did not take place.

The Victorian Government did step in shortly after the Hazelwood closure announcement, offering close to \$266 million to support workers and the redevelopment of the region. It was a positive step in the right direction, but those supports could have been in place years before Hazelwood closed. These plans, in consultation with the community, business and government could have ensured the Latrobe Valley's economy was robust when Hazelwood closed. The Latrobe Valley Authority could have already been implementing measures, creating jobs and socially just outcomes for the community. If business and communities see trust from the outset, a just transition can be a driver of job creation and social justice across Australia.

It is not about planning every single aspect of the transition, but it is about having open and frank dialogue with communities about what is coming, and what steps need to be put in place. The process should be iterative, transparent and collaborative. This will enable businesses, governments and communities to test ideas, policies, and activities and learn from their mistakes. From this strong platform, we will be able to support large scale structural changes across the country.

Over the last few years, state governments, such as Victoria, South Australia and Queensland have started to understand the need for State-level coordination to deliver strong economic results for their regions. Tapping into the opportunities, as highlighted by the ILO, will invariably require advance planning and coordination with businesses and communities. In lieu of a National Just Transition Authority, state governments are now developing and implementing their own transition plans. Businesses are following a very similar pattern. Whilst these models may work, a national coordinated response that works together with State governments, businesses and communities would enhance results, and provide greater levels of coherence across the country.

It is important for communities, businesses and governments to be forward looking and provide a level of certainty and support before the retirement of a plant takes place. AGL's transition and diversification efforts in the Upper Hunter Valley of NSW complements its generation replacement strategy and retirement of the Liddell power station, which aims to achieve a focused, well-organised and equitable transition plan. Both initiatives focus on the social, economic, environmental and energy impacts that will emerge from this transition. It is a proactive and necessary approach that will enable a far more curated response mechanism for impacted communities. If successful it could provide a solid blueprint for future transition and retirement models of all energy generation assets across Australia.

³ Just Transition. A Report for the OECD (2017). Accessed January 2019: <https://www.oecd.org/environment/cc/g20-climate/collapsecontents/Just-Transition-Centre-report-just-transition.pdf>

⁴ Just Transition of the workforce, and the creation of decent work and quality jobs (2016) Accessed January 2019: <https://unfccc.int/sites/default/files/resource/Just%20transition.pdf>

⁵ ILO. Guidelines for a just transition towards environmentally sustainable economies and societies for all. (2015). Accessed January 2019: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/publication/wcms_432859.pdf

“We believe the longer the planning timeframes and the more comprehensive the engagement with surrounding communities, the better the outcomes for all parties.”

- AGL 2017 Rehabilitation: AGL's approach to rehabilitation of power generation infrastructure

For communities and businesses to drive and reap the full benefits highlighted by a just transition, we need to manage this period carefully.

MEASURES MIGHT INCLUDE



- Supporting economic diversification;
- Regeneration of degraded areas;
- Government income support to workers;
- Early retirement packages; and
- Business-led re-training programs to support alternative work opportunities.

Additionally, it needs to include knowledge sharing to enhance community and local government understanding of the process and its outcomes. There also needs to be an equity lens that addresses the distinct needs of vulnerable and marginalised communities and local economic development tools for impacted communities.

Governing and financing the transition

The transition to a resilient and low-carbon economy is already happening. Climate policy has not only placed a spotlight on this transition, but also a sense of urgency to meet the targets set out by the Paris Agreement. That said, numerous other factors are also driving these global shifts.

Trends such as cheaper alternative technologies; rising concerns over air, water and soil quality; and a decoupling of economic growth from fossil fuels; are drawing in government attention and leaving them no choice but to respond.⁶

To transform Australia's energy supply systems will necessitate a cohesive energy platform that is matched by sustained investments. It needs long-term bi-partisan agreement. This would likely benefit from a National Authority that can manage and guide the complexities of retiring private energy assets across states and helps workers and communities to transition away from coal-based industry.

To guide this transition, we need strong governance, not to mention the importance of finance and the role of the investor community (in addition to the private sector). The just transition is a relatively new and emerging area for the investor community, yet for 2000 investors worldwide have signed on to the United Nations Principles for Responsible Investment (UNPRI). They hold US\$83 trillion in assets under management.⁷

The recent publication of the Grantham Research Institute and Initiative on Responsible Investment guide⁸ for investor action in 2018 provides a clear rational set of actions for the investor community to espouse. It supports a “prosperous, low-carbon, resilient and inclusive global economy.”⁹ The publication also highlights the role of investors as “stewards of assets, allocators of capital, and as influential voices in public policy.”

Insufficient attention has thus far been placed on the social consequences of climate change, a just transition offers investors with the opportunity to connect climate action. It provides a way to influence inclusive growth and sustainable development, addressing the environmental, social and governance dimensions of responsible investment.¹⁰

As investors continue to focus more and more on investments into sustainable companies, Australian business can demonstrate leadership by integrating a sustainable and just transition approach into their overall business strategy. This may include demonstrating a solid understanding of systemic climate change risks through initiatives such as the Task Force on Climate-related Financial Disclosures (TCFD). Here, business can fulfil their fiduciary duties by recognising climate risks. Other drivers include corporate practice in the workplace and the broader licence to operate; financing opportunities to meet social and climate goals.

With a ‘just transition’ providing an essential pathway towards the establishment of a low-carbon and resilient economy, businesses that invest in this transition will ultimately attract the attention of the investor community. They will demonstrate to institutional and ‘mum and dad’ shareholders that they are able to manage the long-term risks, opportunities and social consequences that will naturally emerge from this global shift.

⁶ Sartor, O. (2018). Implementing coal transitions: Insights from case studies of major coal-consuming economies. IDDRI and Climate Strategies. Accessed January 2019: https://coaltransitions.files.wordpress.com/2018/09/coaltransitions_finalreport_coal-synthesis-report_20181.pdf

⁷ Climate change and the just transition: A guide for investor action. Version 1. (2018). Accessed January 2019: https://www.comunicarseweb.com/sites/default/files/climatechangeandthejusttransitionguideforinvestors_299145.pdf

⁸ http://www.lse.ac.uk/GranthamInstitute/wp-content/uploads/2018/12/Climate-change-and-the-just-transition_Guide-for-investor-action.pdf

⁹ Climate change and the just transition: A guide for investor action. Version 1. (2018). Accessed January 2019: https://www.comunicarseweb.com/sites/default/files/climatechangeandthejusttransitionguideforinvestors_299145.pdf

¹⁰ Climate change and the just transition: A guide for investor action. Version 1. (2018). Accessed January 2019: https://www.comunicarseweb.com/sites/default/files/climatechangeandthejusttransitionguideforinvestors_299145.pdf

The imperative of social dialogue and collaboration

If early transitions are unjust, we risk the future of all transitions across this country.

To be successful, a just transition has to avoid hollow phrasing and provide real solutions and action plans. Without them we risk taking away the legitimacy that this transition could offer. It is imperative that the proposed solutions are as a result of social dialogue with relevant stakeholders - the federal, state and municipal governments, employers, their workers, unions and the wider communities. There will be adverse shocks in the early period of change but with dialogue we can reduce those.

If people feel vulnerable or do not understand the processes associated with a just transition they will be reluctant to support change. Thus, it is important that we engage at every level and draw up plans that reflect the lived realities of those that will be most impacted by the shift. Only then are we likely to gain community trust that supports the massive structural shifts that will eventuate over the coming decades.

The characteristics of a just transition will naturally differ across business, communities and nations as it will be based on the deliberations of a diverse set of people. It is for this reason that there is no universal blueprint or roadmap for designing a just transition or measuring its success.

In avoiding the risk that poor institutional arrangements weaken and exacerbate existing inequalities, inclusive processes are imperative. We must look to the global examples of flexible, forward-thinking, inclusive dialogue, participation and governance structures that support iterative decision-making and experimentation.

The Global Compact Network Australia (GCNA) is uniquely placed to work collaboratively with business, the investor community, unions, civil society and governments to facilitate dialogue and draw out good practice globally. The GCNA supports an ambitious platform of action through which policies, initiatives, and actions can be developed that respond and support the needs of the various communities and businesses. Inevitably there will be an impact over the coming decades. To navigate largely untested waters and talk about a just transition credibly and authentically we need the right people in the room, and a willingness to be pioneers and be courageous.

Achieve the SDGs

Solving a just transition will mean taking bold and collective action globally. Governments, businesses, investors, trade unions and communities can work together across Australia to meet this challenge and also advance the Sustainable Development Goals (SDGs). We can advance the following SDGs together:



Published by:



Discussion Paper drafted and edited by:

Corinne Schoch | Senior Adviser
Kylie Porter | Executive Director

Contact: The Global Compact Network Australia Secretariat | secretariat@unglobalcompact.org.au | Building 8, Level 7, 124A La Trobe Street, Melbourne | Tel: +61 (0) 491 234 061