



Unpacking public and private efforts on just transition

May 2023

KEY MESSAGES

- The concept of the just transition recognises that **social and environmental issues are interlinked** and broadens the debate around moving to a low-carbon economy. With this in mind, the OECD report, ***The inequalities-environment nexus: Towards a people-centred green transition*** (OECD, 2021^[1]), has mapped inclusive and green policy packages, outlining the main challenges, and identifying possible solutions for achieving a just transformation of the economy.
- Just transition is becoming important in decision-making processes requiring governments, companies and other stakeholders **to systematically consider the interlinked, structural and transboundary impacts of their policies and actions** on the environment and society.
- **There has been significant progress by international organisations to harmonise and instil the concept of just transition** in activities and strategies of governments and companies, although **definitions and focus of activities still vary from one organisation to another**.
- **Increasingly more emphasis is placed on risks that people, companies and governments face** (e.g. affecting their wellbeing as well as material conditions or financial fundamentals) and damages that are being materialised.
- There is, however, still quite a bit of **heterogeneity in how countries and companies frame and implement their endeavours**, sometimes with no harmonised or unified goals as well as a lack of consistent metrics for assessing their impacts on the environment and society.
- **Businesses have become increasingly vocal on the need to adjust their business models** in pursuit of a just transition, responding to some degree to the increasing demand from clients, demographic shifts, and greater awareness of sustainability and environmental concerns.
- **Further analytical work and mapping of business-government approaches** is needed to facilitate the assessment of the social and political acceptability of the transition by policy makers and business leaders.

WHAT IS THE JUST TRANSITION AND WHY IS IT IMPORTANT?

The International Labour Organisation (ILO)'s "Guidelines for a just transition towards environmentally sustainable economies and societies for all" was unanimously adopted in 2015, a month before the Paris Agreement, aligning climate change and labour issues (ILO, 2015^[2]). The vision of the Guidelines was reflected in the Paris Agreement that stressed the need to: "take into account 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, ...".

Since the Paris Agreement the definition and practice of the Just Transition has evolved, reflecting various efforts by the public and private sectors to, on the one hand, avoid that the cost of inaction on changes in climate weighs excessively on the most disadvantaged; and on the other, that the uneven cost of action slows the green transformation.

The 2030 Agenda for Sustainable Development also includes many goals and targets that relate directly and indirectly to the achievement of a just transition. The green transition will impact all aspects of people's lives, requiring fundamental shifts in consumption and production patterns across the income spectrum (SDG 12). There will be implications for decent work and economic growth (SDG 8), for energy systems (SDG 7) and for education and lifelong learning (SDG 4). It will have implications for inequalities (SDG 10), both between and within countries, with diverse effects on different demographic groups, sectors of economic activity and regions.

The concept of the just transition recognises that social and environmental issues are interlinked and broadens the debate around moving to a low-carbon economy – that is, away from a purely technical discussion to one that considers the impact on social justice, place and identity. However, the term just transition is used by different stakeholders and can mean different things. One can distinguish two broad groupings in the way this term is used. The first limits it to the policies needed to support the workers whose livelihoods are directly linked to fossil-fuel intensive industries, most often while transitioning away from coal. The second use is more expansive and includes justice for all those who will be impacted by policies which move economies to net zero emissions (Eisenberg, 2018^[3]).

At the regional level, green transition impacts certain communities more than others. As emissions, impacts and vulnerabilities vary across territories within the same country, governments need to implement a place-based, targeted approach. In addition, the job losses due to the green transition are likely to be geographically concentrated with increased challenges for regions whose economies are less diversified. Regional and place-based policies are crucial in order to re-vitalise local economies with alternative sources of growth and business models in coordination with green policies across different levels of government.

At the global level, the challenges of green transition are toughest for emerging and developing countries, particularly for those that are fossil fuel-based. Dependence on fossil fuel industries as a source of economic activity, employment and export revenue implies that these countries will face huge challenges for financing social protection and public services. Ensuring a socially just transition will have important cross-border implications, requiring governments to systematically consider the transboundary impacts of their policies and practices.

Just transition is also becoming a common term in the discussions among governments, international organisations and businesses in the context of the current economic challenges that compound social and environmental needs. The OECD report, *The inequalities-environment nexus: Towards a people-centred green transition* (OECD, 2021^[1]), has mapped inclusive and green policy packages, outlining the main challenges, and identifying possible solutions for achieving a just transformation of the economy.

PUBLIC AND PRIVATE EFFORTS ON JUST TRANSITION

To date, while pledges have been increasingly made by businesses and public institutions around the need for the green transition to be fair and inclusive, their commitments and activities have not been systematically collated and reviewed, despite the importance of this issue being raised repeatedly in the international fora.

Table 1 shows some of the most recent **international initiatives and pledges** on just transition made by international organisations or coalitions. While the list is not entirely comprehensive, it shows nevertheless the significant progress made by international organisations to instil the concept of just transition into their activities and strategies, even though their definitions of just transition and focus of activities tend to vary from one organisation to another.

Table 1. Selected International Initiatives/Pledges on Just Transition

	Initiative/Pledge	Definition of Just Transition	Objective/ Main Activities	Year
ILO	ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all	A process towards an environmentally sustainable economy, which needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty	To provide non-binding practical orientation to governments and social partners with some specific options on how to formulate, implement and monitor the policy framework	2015
UN (with ILO)	Climate Action 4 Jobs (CA4J)	Enabling ambitious climate action, while fostering employment creation, and providing support for those affected by the shift with attention to the most vulnerable	To provide country-level support by overarching framework interventions, sectoral, thematic and programmatic policy interventions, and global support	From 2019
IEA	Empowering People Initiative (EPI) <i>* An initiative of the Clean Energy Ministerial</i>	Clean energy transitions with an inclusive, whole-of-society approach	To provide a platform for collaboration and dialogue as well as knowledge sharing (e.g., case studies will be collected for clean energy workforce pathways)	From 2021
IRENA	Collaborative Framework for Just and Inclusive Energy Transitions	Addressing the equity and justice elements of the energy transition	To bring countries and relevant stakeholders together to identify priority areas and concrete actions and to foster greater international collaboration	From 2021
ITUC	<i>(Establishment of)</i> The Just Transition Centre	A process involving employers, unions, and sometimes governments and communities, planning and delivering the transition of economies, sectors, and companies to low carbon, socially just and environmentally sustainable activities	To accelerate the JT process through empowering workers and their allies through sharing examples; documenting best practice in social dialogue processes; starting and supporting social dialogue processes; and providing strategic input to national and global policy dialogues	From 2016
World Bank	Just Transition for All Initiative	A well-managed retirement of coal power plants and a massive scale-up in clean energy	To create the plans, policies, and reforms needed to mitigate environmental impacts, support impacted people, and build a new clean energy future (have provided more than \$3 billion to support coal transitions since 1995)	From 1995
EU	Just Transition Mechanism	A fair transition to a climate-neutral economy, leaving no one behind	To mobilize at least €150 billion over the period 2021-2027, with three pillars; 1) the Just Transition Fund (JTF), 2) the dedicated just transition scheme under <i>InvestEU</i> , and 3) the new public sector loan facility for additional investments co-financed by the European Investment Bank (EIB)	From 2021
EBRD	Just Transition Initiative	Ensuring that the substantial benefits of a green economy	To target the reconversion of high-carbon assets, remediation and rehabilitation of	From 2020

	Initiative/Pledge	Definition of Just Transition	Objective/ Main Activities	Year
		transition are shared widely, while also supporting those who stand to lose economically – be they countries, regions, industries, communities, workers or consumers	land, and a range of other green investments that create access to local employment	
COP26	Just Transition Declaration	<i>(Reflects ILO's 2015 Guidelines for a Just Transition)</i> A process towards an environmentally sustainable economy, which needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty	To support six steps of the Just Transition: 1) support for workers in the transition to new job; 2) support and promote social dialogue and stakeholder engagement; 3) develop economic strategies which include wider economic and industrial support beyond clean energy; 4) promote local, inclusive, and decent work; 5) support human rights in global supply chains and building climate resilience and 6) report on Just Transition efforts in Biennial Transparency Reports and NDCs	2021
OECD	The inequalities-environment nexus: Towards a people-centred green transition; with related OECD analyses of distributional impacts of green growth policies on labour markets and wage income distribution	A process towards a people-centred and net-zero emissions economy, considering multiple dimensions of people's wellbeing through a lens of the OECD Well-being Framework; identifying vulnerable groups of population by job, gender and other categories as crucial in design of politically acceptable environmental policies.	Drawing on OECD Green Growth, Inclusive Growth and Going for Growth strategies, the just green transition policy packages are aimed at: (i) mitigating possible regressive impacts of pricing environmental externalities; (ii) investing in human capital and upgrading skills to facilitate labour reallocation; (iii) addressing systemic inequalities with sectoral and place-based policies; and (iv) ensuring efficient and responsive governance to manage the inclusive green transition.	2021

National governments also have a long history of dealing with the transition away from conventional energy (i.e. coal). The United Kingdom (UK), for instance, after experiencing a dramatic fall in coal consumption, had to move away from coal and deal with a huge reduction in employment of the coal sector during the 1980-90s. The UK government adopted regional economic policies to regenerate coal regions and move towards an energy transition. More recently in Germany, the Commission on Growth, Structural Change and Employment (known as the Coal Commission) was set up to build a consensus on how to phase-out coal while considering equity. Their experience highlights the importance of a social dialogue, the role of the state as a driver of innovation, and the will to provide transition funding. More and more countries are incorporating just transition principles into policies and national initiatives (see Box 1). These experiences suggest that tackling climate change while prioritising equity requires different stakeholders to work in an interconnected way, seeing action on climate change as an overriding priority.

Box 1. Selected examples of national initiatives on just transition

- **Costa Rica**, one of the forerunners of those following a holistic approach, has been translating the just transition principles enshrined in the Paris Agreement into its *Nationally Determined Contributions* (NDCs). Just transition has become part of the country's development plan that envisages the creation of new economic centres and of green and blue jobs. Costa Rica has established a broad participatory process with stakeholders and vulnerable groups. The implementation of the plan has primarily been led by the Minister of Environment and Energy.
- **New Zealand** also takes a rather holistic approach to just transition. A "Just Transition" in New Zealand is a strategy to move a region toward a low carbon future, acknowledging that transitions have traditionally disadvantaged some groups more than others. Housed in the Ministry of Business Innovation and Employment, the *Just Transitions Partnership team* supports regional partners to understand, plan and navigate the transition in a fair and equitable manner. It works across government, across agency boundaries to support regions to plan effectively in response to major economic shocks; 2) align the interests of households, regions, sectors, and communities into partnerships that have an agreed vision and pathways to success; and 3) works alongside other government agencies active in a region to ensure planning and implementation are aligned with central government objectives and funding streams.
- **Canada's Task Force on Just Transition for Canadian Coal Power Workers and Communities** is an example of a more sector-based approach. Their mandate is to provide the government with recommendations for how to support a just and fair transition for Canadian coal communities and workers, as Canada has committed to stop generating traditional coal-powered electricity by 2030. Since its launch, the Task Force met with coal workers, their families, communities, and labour representatives in four affected provinces of Alberta, Saskatchewan, New Brunswick and Nova Scotia. They provide expert advice that will help shape Canada's approach to assisting Canadians and communities affected by the phase-out of traditional coal-fired electricity.

Source: Government of Costa Rica (2019): [National Decarbonization Plan](#); Government of New Zealand, Ministry of Business, Innovation & Employment; [Just Transition](#); Government of Canada: [Just Transition Task Force](#).

Given that **businesses** are one of the key stakeholders affected by the just transition, they have become increasingly vocal on the need to adjust their business models in pursuit of a just transition. Just as governments require social support to be able to enact a just transition, which will entail a whole-of-economy and social transformation, businesses are increasingly reliant on societal goodwill with increasing transparency demanded over the practices on environment, social and governance (ESG) issues. With the increasing recognition that climate and social risk is an investment risk, unsustainable businesses become unattractive for investment, and investors are confronted with choosing between influencing companies to change their operating models, or reallocating their capital. In recent years, especially after the COVID-19 pandemic, the narrative seems to have moved away from governments needing to incentivise the private sector to change their practices by regulating them, to increasing daily reports of activities undertaken by companies to pivot to more sustainable practices. This could be due to the increasing demand from clients, demographic shifts, and greater awareness of sustainability and environmental concerns.

Although the concept of a just transition has existed for decades, the large-scale interest from companies themselves to act on this is relatively nascent. **Business for Inclusive Growth (B4IG)**, a cross-sector alliance of CEOs, has issued a statement that reads *“businesses have a central role to play in ensuring the social challenges of the transition are met, by partnering with governments, social partners, suppliers, and other stakeholders, and by taking action to properly integrate the social impact of their ecological transition strategies into corporate policies and action”* (B4IG, 2021^[4]).

Another coalition, the **Council for Inclusive Capitalism (CIC)**, established a working group of seven energy companies to develop a framework for a just transition in the energy sector around four pillars of universal net-zero energy, workforce evolution, community resilience and collaboration and transparency.¹ Along with CIC and PricewaterhouseCoopers (PwC), the **World Business Council for Sustainable Development (WBCSD)** is also seeking to identify some of the positive cases of private companies to support just transition identified in the recent report *Achieving a just transition in the energy system* (WBCSD, 2023^[5]), based on the Just Transition Framework for Company Action developed by the CIC and its partners. At the 2023 B4IG Annual Board meeting, B4IG Members approved the idea of combining B4IG with the WBCSD’s Tackling Inequality workstream to form a joint platform in 2023 for business action to drive enhanced impact at scale.

Transparency on the actions, which follow from companies’ commitments, is important to instil confidence from the public. An important consequence of more transparency would be the ability to produce and share analysis on good practices of just transition approaches to encourage wider scale adoption, and the ability to measure the outcomes and impact of these activities. In that vein, the B4IG coalition for example, with its Members and stakeholders, has identified thirteen indicators² to help companies identify, assess, and address the social impacts of the transition in companies’ own operations, their supply chains, and their business relationships. These indicators contain information on actions and Key Performance Indicators (KPIs), organised in four categories that include transparent planning process, employment, upskilling and reskilling, access to goods and services.

Another group of actors that needs further attention is **investors**, who take a long-term perspective in preserving and growing the value of the assets they look after as part of their fiduciary duty. Investors can drive progress on a just transition in their capacities as stewards of assets, allocators of capital and through the influence they hold in public policy. There is a long tradition of investors using their capital in ways which seek to drive societal change, from divestment to investment screening, issuing social impact bonds, investing to further the Sustainable Development Goals, and impact investing.

Just transition issues are being integrated into various tools investors use. These include the Climate Action 100+ (an alliance of 700 investors with over USD 68 trillion of assets under management) **Net Zero Company Benchmark**, which is a disclosure tool that helps investors evaluate a company’s ambition and action in tackling climate. There is also the **Impact Management Platform**, a collaboration between providers of public good standards that provides guidance for the management of sustainability impacts. It works towards interoperability and fill gaps across standards and resources. These tools reflect greater public focus and increasing investor expectations of just transition planning and represent the growing need for measurable and comparable just transition metrics as a key component of credible climate transition plans.

¹ See the Council for Inclusive Capitalism’s micro-site on Just Energy Transition for further information: <https://inclusivecapitalism.com/just-energy-transition-home/>.

² See B4IG indicators to analyse and measure business contribution to the response to the social challenges of the ecological transition to ensure a just transition at: https://www.b4ig.org/wp-content/uploads/2023/03/B4IG_JustTransition-Indicators_V1.pdf.

3. KEY FINDINGS

There is an evident expansion of different approaches to just transition, both by public and private sector actors. A greater emphasis is placed on risks that people, companies and governments face (e.g. affecting financial fundamentals) and damages that are being materialised more rapidly. There is, however, quite a bit of heterogeneity in how countries and companies frame and implement their endeavours, sometimes with no harmonised or unified goals as well as a lack of consistent metrics for assessing the impact of business on the environment and society.

Thus, there is scope for more action by governments and businesses to accelerate an equitable societal and macroeconomic transformation. Despite the prominence of the term “Just Transition” in international agreements, not all the countries have a whole-of-economy scale just transition plan, if any. Similarly, among businesses, examples of just transition strategies and activities outside of the energy sector are limited, despite societal expectations of greater business engagement on societal issues and the view that businesses are effective drivers of positive change. On a more positive note, business alliances, such as the *Business for Inclusive Growth* coalition, the *Council for Inclusive Capitalism* and *World Business Council for Sustainable Development* are seeking to encourage just transition activities among their Members, as demonstrated by the statements issued at the United Nations Climate Change Conferences.

Businesses that are adopting just transition plans are likely to be rewarded by investors and should be seen as a blueprint for other companies across sectors that will be impacted by the green transition. Investors, often driven by public opinion and activists, are using the engagement tools available to them to incentivise companies to take the social dimensions of the low-carbon transition into account, driven by a long-term view, and the need for investment-appropriate companies.

It would be crucial to have an organising framework to harmonise the different efforts along the areas of economic, social and environmental sustainability. There is an emerging need for better understanding the outcomes and impacts that people, companies and governments' actions have on each other and on the economy as a whole. Moreover, there is a need for a more systematic partnership between public and private stakeholders to meet the scale of the challenge.

THE WAY FORWARD

Common semantics on just transition concepts and a solid understanding of just transition activities by governments and businesses would help assess the scale of the problem.

Disclosing good practices would further help to support and encourage others to make the shift and provide a benchmark against which future action could be measured. Greater transparency would also help with public reassurance over the nature of the transition and would be instrumental in ensuring accountability. Stocktaking the activities of countries at the national level on the just transition, including for instance by tracking government expenditure and activities on the policies recommended to support a just transition, would be essential in identifying what works best in terms of incentivising the wider public. At the same time, an inventory of business activities around the just transition could provide a baseline of information from which businesses themselves would learn from each other in order to develop, replicate in other sectors and scale up their own activities.

Going forward, the key questions that would need to be answered are:

- “How are businesses and governments defining and framing ‘just transition’?”: This question will enable an understanding of how different actors are conceptualising the just transition and the extent to which this is a priority on their strategic agenda.

- “How are just transition activities by businesses and governments being implemented and put into use?”: This question will help stocktake the types of activities undertaken and targets in place, and whether they are focused on particular sectors, regions and types of workers.
- “What is the relationship between the activities of businesses and governments related to just transition? What is the way forward to accelerate the progress?”: These questions will address the extent to which there is an enabling policy environment set by national governments for businesses to undertake just transition activities. It can shed light on what action governments could take to enhance the environment or to enhance meaningful action around the just transition.

Additionally, in order to understand the interaction between government, businesses, investors and other stakeholders around just transition activities, it would be cost-efficient for governments and business to have **a common understanding and metrics to assess the outcomes and impacts of just transition, its factors, drivers and impediments**. This would help push forward work on measuring the impact and social outcomes, and help build on the recent OECD work to measure the social performance of firms (Siegerink, Shinwell and Žarnic, 2022^[6]). Such a framework and indicators could also feed into discussions at the international economic fora such as the G20.

Further reading

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Resources

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