



From Growth to Wellbeing - by GIZ & Partners

Just Transition

Demand for a „better“ economy

The devastating impacts of climate change, rising inequalities, increasing fragility and global health emergencies demand a rethinking of economic systems. There is a growing realization for the need of a fundamental economic transformation which recognizes the interdependence of economic prosperity, environmental sustainability and social progress. This trend was accelerated in the aftermath of the global COVID-19 pandemic beginning in early 2020: practitioners, academia and society widely called for a “green recovery” and the slogan “built back better” was used in a variety of different sectors to state that the post-pandemic world economy should be different from what it was previously. But why did people now demand for a “better” economy? Immediate collapse of some global supply chains under unexpected shocks and immediate loss of workforce have acted as a strong reminder of how fragile and unjust our economic system is. Now that people have first-hand experienced the need for change, the question remains how this change can best be executed. Addressing this question, the concept of “Just Transition” is recently attracting increasing attention.

The imperative for “Just Transition” as economies move from an extractive linear to a sustainable circular economy has been a top agenda item at the climate talks, as well. At the UNFCCC COP26 in November 2021, it was repeatedly mentioned that the **benefits of a green economy shift should be shared widely, while supporting those who may lose out economically**, whether these are countries, cities, regions, industries, communities, workers or consumers. The host city Glasgow told its story was in many ways, the world’s story as it charted a course from the carbon-intensive industries of the past to the low carbon and sustainable developments of the

present. Several multi-government initiatives such as the “Just Energy Transition Partnership (JETP)”, which is a support mechanism for accelerating the just transition and the decarbonization of the South African electricity system (including rehabilitation and repurposing of mines), were announced.

Is there a commonly accepted framework for implementing a ‘Just Transition’?

In fact, back in 2015, the ILO published the Guidelines for a Just Transition Towards Environmentally Sustainable Economies and Societies for all including key principles for policies and processes to follow. This was right in time for the Paris Agreement, which also took place in 2015 and acknowledged the term “Just Transition” as a way to **ensure that the necessary changes to limit global warming do not result in negative impacts on vulnerable stakeholders and communities**. This means that the transition to a more sustainable future economy should be guided by what can be considered just in the country where the transition is occurring, ensuring that **costs and benefits** of such a transition are **justly shared among all stakeholders**. To achieve this, a **social dialogue including all relevant stakeholders** on international, national, regional and local levels such as governments, unions, NGOs and communities must be initiated. At the core of the “Just Transition” idea lies the notion that **ecological and structural economic change including decarbonization to reach global climate goals can have negative side effects on local economic structures** such as loss of jobs or opportunities for trade. A Just Transition integrates the energy transition with a corresponding economic, social and employment policy transformation. The private sector contributes with green and social innovations, develops more sustainable products, creates income opportunities and

decent jobs. At the same time, private sector is affected by the energy transition. Economic as social policy has to provide the necessary framework condition to ensure the green economic transformation is just.

To better understand this paradox, it makes sense to take a closer look at the **example of the coal mining industry**. In light of the **high carbon emissions** that coal and other fossil fuels emit to provide energy, a coal phase-out and change to renewable energies is needed to reach global climate goals. To prevent negative side effects of the transition to green energy, the jobs likely to be lost in fossil energy production should be replaced by **new jobs in sustainable sectors** through **forward-looking green industrial and labour market policies** and **new industries and trade mechanisms** must be established, such that the benefits of economic transformation materialize for all of society. With this approach, **social upheavals**, politically or financially, that could be triggered or exacerbated by the change process, should be **avoided and mitigated** from the beginning. According to the ILO, a “Just Transition” reinforces **real sustainability** of a new economy by complementing it with **social sustainability**. In this way, it also contributes to the **resilience** of the respective society as **preventive mechanisms** against **social tensions and conflicts** are established. It is obvious that such comprehensive transformations are much more difficult to achieve, especially for developing and emerging countries, than for prosperous industrialized nations. Therefore, “Just Transition” now plays an important role in development cooperation

„Just Transition Mechanism“

In support of such change processes, the EU developed the “Just Transition Mechanism” providing targeted support to **raise funds** to alleviate the socio-economic impact of the transition in the most affected regions. This mechanism comes along with the “Just Transition Platform”, which serves as an access point and helpdesk providing **technical and advisory support**.

International actors are currently pursuing several projects to support a “Just Transition” in coal regions such as Ukraine, India and Indonesia or South Africa and other African countries. The fields of action that are addressed in these projects are all quite similar and cover the **steps** needed to ensure the **involvement of all relevant stakeholders**:

1. Establishment of a **multi-stakeholder political dialogue process** on a just energy transition and structural economic change in the regions that transform their local economy
2. Development of a **strategic and legal policy framework** for **structural economic change** in coal regions at the national level and elaboration of **concrete alternative development paths** that aim at sustainable local economic development and decent job creation
3. Preparation of pilot projects for sustainable local economic development and **strengthening of local and regional institutions**, e.g. by supporting the establishment and implementation of **financing mechanisms**
4. Implementing “Just Transition” activities in selected communities such as **mine rehabilitation and mine water treatment**
5. Ensuring process resilience by **continued stakeholder engagement, impact studies and coherent policy change**

How can we ensure a “Just Transition” to the Circular Economy?

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Closing the loop on the “Just Transition” and coming back to our previous podcast on Circular Economy (CE): How can we ensure a “Just Transition” to the Circular Economy? The transition to CE comes with certain **trade-offs** that need to be managed carefully in order to avoid that companies will adopt harmful practices under the umbrella of CE. This risk **increases in resource-intensive economies** where the implementation of CE may lead to **job losses** in **resource extraction and primary processing**. To mitigate such risks, the several steps can be taken by social partners, such as trade and labour unions, to ensure a “Just Transition” to CE. In general, these steps are also very relevant for other stakeholders in the transition process including policy makers on all levels.

Firstly, **challenges** should be translated into **opportunities**. This can be done by **translating research findings into practical information** for workers and businesses in specific sectors and thereby also increasing the quality of information used in social dialogues on a political

level. Secondly, access to **training and upskilling** is needed as the CE generally requires upskilling across industries to **foster labour mobility**. Thirdly, redistributive power must be used to include **compensating policies and funding** related to skills, education and decent work. Thereby ensuring that **public revenue** generated by material taxes flows **back into labour markets**. Fourthly, in order to **limit trade-offs between social and environmental targets**, unionisation and collective agreements should be encouraged in emerging sectors and circular enterprises to ensure bargaining power and representation of workers. Last but not least, stakeholders can be connected through social dialogue to raise **awareness** about the **expected changes in labour markets**. In this regard, social partners can act as intermediaries and create collaboration.

Following these steps, the “Just Transition” to CE should be done under the consideration of **three forms of justice**:

- » **distributive justice**, concerning **access and rights to resources** (including waste, by-products and secondary materials) and the **impact on employment**;
- » **procedural justice**, covering the **inclusion of all stakeholders in decision-making processes** and especially focusing on involving those adversely affected by the transition in **early stage processes**;
- » and **recognition of rights** such as **ownership rights over natural resources** and lands or rights to repair products as well as **consumer protection**.

Conclusively, it should be noted that the success of CE in developing countries will be critical to achieve global climate goals while, at the same time, this success can only be reached if transformation process is undertaken under the principles of “Just Transition”. The conversion to sustainability only works in a socially just way as commitment from stakeholders across different regions and backgrounds is needed on various levels to ensure resilience of new processes and prevent unintended negative side effects.

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