

A just transition to a clean energy economy

Investor expectations and policy recommendations

December 2022



About ACSI

Established in 2001, ACSI exists to provide a strong, collective voice on environmental, social and governance (ESG) issues on behalf of our members.

Our members include 26 Australian and international asset owners and institutional investors. Collectively, they manage over \$1 trillion in assets.

Our members recognise that ESG risks and opportunities have a material impact on investment outcomes. As fiduciary investors, they have a responsibility to act to enhance the long-term value of the savings entrusted to them.

Through ACSI, our members collaborate to achieve genuine, measurable and permanent improvements in the ESG practices and performance of the companies they invest in.

ACSI staff undertake a year-round program of research, engagement, advocacy and voting advice. These activities provide a solid basis for our members to exercise their ownership rights.



26 Australian & international investors



Leading voice on ESG issues and advocacy



ACSI members manage \$1 trillion in assets

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We acknowledge and respect the traditional lands and cultures of First Nations people in Australia and globally. We pay our respects to Elders past and present and recognise First Nations peoples' longstanding and ongoing spiritual connections to land, sea, community and Country. Appreciation and respect for the rights and cultural heritage of First Nations peoples is essential to the advancement of our societies and our common humanity.

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Introduction

The transformation to a low carbon economy is inextricably intertwined with profound social and economic change, yet to date little has been done to holistically assess and manage these expected impacts. As the Paris Agreement clearly outlines, limiting the increase in global temperatures has to be done within the context of “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs.”¹

This research is intended to contribute to the development of a cohesive approach to a just transition by identifying investor expectations of listed companies. It defines the investment risk of an unjust transition, includes expectations of company actions and reporting as they approach a just transition, and sets out public policy recommendations to support a just transition.

The investment risk of an ‘unjust’ transition

Climate change is expected to be the 21st century’s biggest driver of organisational change, reshaping the energy value chain and altering the way we create and consume products. In the future, energy production will be vastly more diversified and decentralised. In Australia, this shift coincides with energy generation market announcements of early closures, including Eraring (2025), Yallourn (2028), Bayswater (2032) and Loy Yang A (2035). As an example of the possible changes to come, Australian Energy Market Operator’s (AEMO) 2022 Integrated System Plan Step Change Scenario suggests that 60% of coal-fired power generation capacity is likely to be withdrawn by 2030, see Figure 1.² This will have other flow-on effects on coal mines and other business servicing this demand and we have already seen, for example, that BHP is intending to close its Mt Arthur coal mine, bringing forward the relevant closure date.

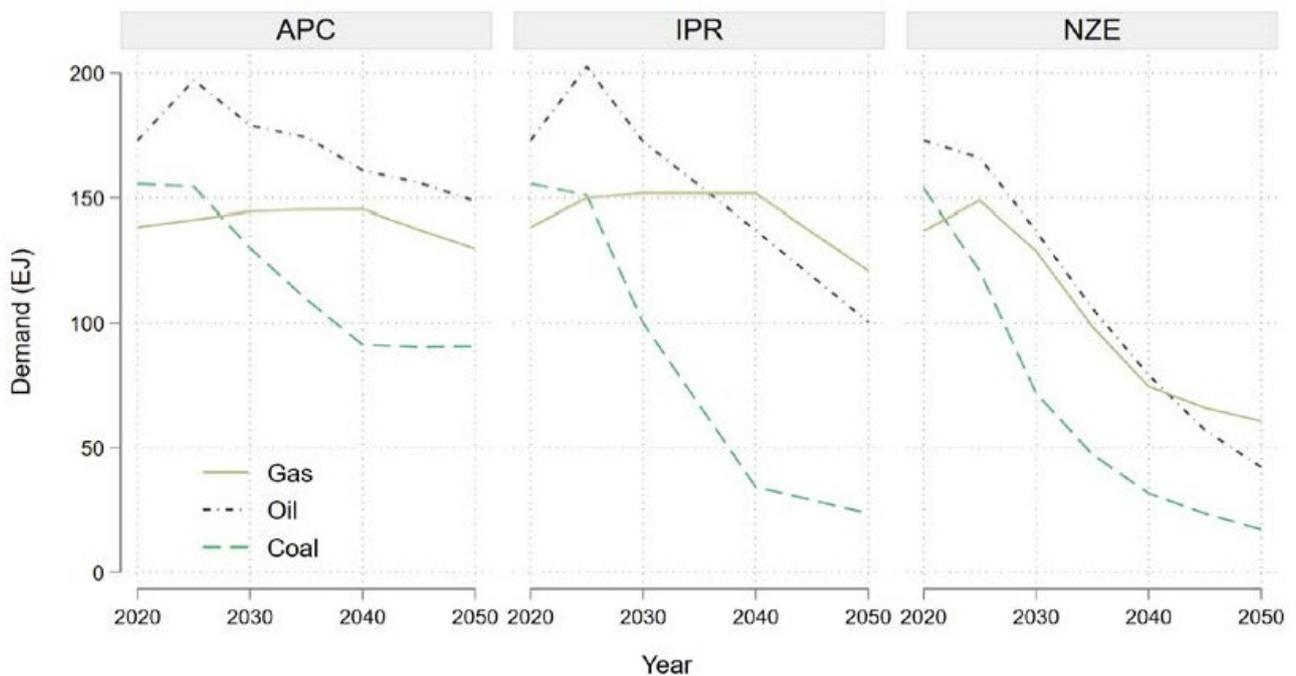
The scale and speed of the energy transformation will reshape our domestic economy and impact the lives of workers and communities in regions with emissions-intensive assets.

As Australia’s export markets swiftly decarbonise, those involved in the value chain of base load coal-fired power generation or other fossil fuels are at greater risk, as can be seen in the international demand scenarios included in Figure 1.

¹ https://unfccc.int/sites/default/files/english_paris_agreement.pdf

² <https://aemo.com.au/-/media/files/major-publications/isp/2022/2022-documents/2022-integrated-system-plan-isp.pdf?la=en>

Figure 1: Global demand for coal, oil and gas across three scenarios from 2020 to 2050. The three scenarios are International Energy Agency: The Announced Pledge Case (APC), The Inevitable Policy Response (IPR) and International Energy Agency: Net Zero Emissions Scenario (NZE)³



However, despite market signals and the pace of change accelerating, increasing digitalisation, technology and globalisation, there is little substantive corporate reporting on just transitions nor the policy settings to help drive just transition planning.

As outlined above, there is a fundamental obligation under the Paris Agreement to transition within the context of a just transition. The wellbeing of communities clearly has a material link to the strength of the economy and financial outcomes⁴ and it is widely accepted that an investor's fiduciary duties include consideration of the financial implications of climate change⁵.

The financial losses from a disorderly transition are likely to be significant and while they may be initially borne by specific regions, the effects will also spread across the economy.

As the transition progresses, Australia has an opportunity to advance social change and establish an economy which is not only cleaner but also more fair, co-operative, and sustainable, which leads to better long term investment returns.

³ <https://cpd.org.au/wp-content/uploads/2022/01/Whos-Buying-Report.pdf>

⁴ Stanford Social Innovation Review: https://ssir.org/articles/entry/the_vision_of_a_well_being_economy

⁵ The Hutley legal opinion states that a director who fails to take climate risk into account can be in breach of their director's duty under s180(1) of the Corporations Act 2001 (Cth). See Centre for Policy Development, 'Climate Change and Directors' Duties: Further Supplementary Memorandum of Opinion', Mr Noel Hutley SC and Mr Sebastian Hartford Davis, 23 April 2021. Likewise, regulators have reinforced the position that directors and trustees have a fiduciary duty to consider climate risk in their decisions. See ASIC, 'Managing climate risk for directors', February 2021.

The investment risks of an unjust transition highlight the need for investors to assess wider systemic risks, and for a novel policy response to the systemic issues such risks raise. As engagement undertaken as part of this project identifies, if a just transition is not achieved, the following investment risks may arise:

Costs of poorly planned social transition

Failing to ensure a just transition could cause system-wide risks, by contributing to “economic stagnation and political instability.” At a systemic level, a disorderly transition could lead to increased costs to the Australian economy, stemming from the likely need for greater social support, potentially underfunded worker entitlements, concentrated regional dislocation and higher unemployment. These transition failures could induce political instability and even higher energy costs. These flow-on effects are fundamental to a universal owner’s risk profile and could be reduced through careful forward planning.

Reputation and license to operate

There is growing scrutiny of the way companies support and interact with workers, communities and value chains. A company’s actions as it transitions will fundamentally affect its social license to operate. If investor, consumer and market expectations evolve at a greater rate than company progress, companies may face reputational damage and consequential financial loss.

Governmental support and potential commercial disadvantage

Companies which fail to adopt leading practice may be less likely to receive government support for their operations as they transition. Some companies affected by the energy transition rely on government approvals to operate, and may find that an assessment of their approach to just transition-related issues forms part of future regulatory approvals.

Slowing the climate transition

Poor management of social impacts and the associated loss of a social license for the transition, the deterrence of investment and greater demands on government in terms of social support will potentially slow or disrupt the broader climate transition, further delaying progress towards Paris Agreement goals. A focus on these social impacts “could well make the difference between achieving or failing to achieve a net-zero economy by 2050”.

Lost opportunities

The clean energy transition presents significant opportunities for workers and communities to benefit from innovation and new markets, or to re-skill for other sectors. Opportunities to utilise regional competitive advantages will be lost in a poorly planned and executed transition.

Stranded assets

Stranded assets bring with them stranded capital, workforces and communities and greater political and investment instability. The risk of stranded assets reinforces the importance of pushing for an orderly, well-managed and just transition.

Approach

As universal owners of capital, institutional investors cannot fully diversify away from the impacts of a poorly managed transition and ACSI members consider it part of their fiduciary duty to support a just transition. Investors have an important role to play in advancing a just transition through their investment decisions and stewardship activities.⁶

While issues including equity between countries, physical risk justice, environmental rehabilitation and consumer energy affordability issues are important, this research focuses on the way companies at the forefront of the Australian energy transition are carrying out asset transitions in relation to their workforce, communities and value chain.

It also focuses on the challenges presented by the transition rather than on the range of opportunities which will undoubtedly also feature. While focusing on these specific companies and elements, this is merely the starting point for a discussion on just transitions and the principles and expectations outlined will likely have application to a wider set of companies in the future.

Defining a 'just and equitable transition'

ACSI's climate policy has, for many years, referred to the need for a just and equitable transition. However, this term is not one preferred by all stakeholders, some of whom prefer 'structural adjustment', 'economic change' or 'job creation'.

This paper uses the term 'just transition' because it is well understood by the investment community. ACSI recognises that this language is not suited to all groups and does not intend to undermine different terminology used by other stakeholders. For ACSI, 'just transition' means a climate, societal and economic transition to a low-carbon economy that is timely, fair and meets the goals of the Paris Agreement.

A just transition works to ensure that the transition to net-zero emissions and climate resilience is orderly, inclusive and just, creates decent work opportunities and leaves no one behind.

This depends on a fair process built on social dialogue, stakeholder engagement and a universal respect for fundamental labour rights and other human rights. Just transition is not an independent practice; it is a principles-based approach for climate change mitigation and adaptation activities, relevant for all countries and sectors.

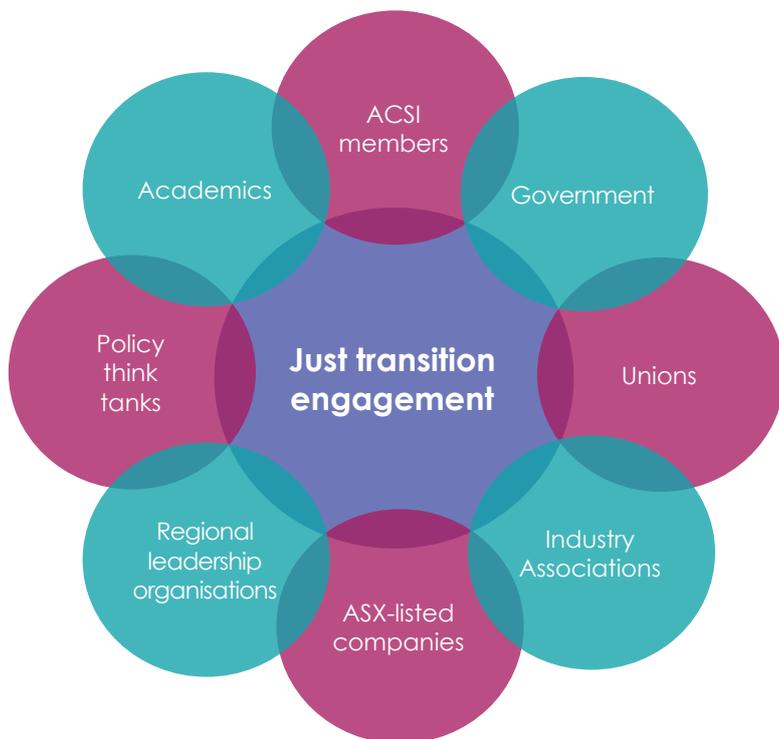
United Nations Global Compact, Introduction to Just Transition: a business brief

⁶ For further information on how investors can support a just transition, see International Labour Organization and LSE Grantham Research Institute for Climate Change and the Environment, 'Just Transition Finance Tool for Banking and Investment Activities', 2022: https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_860182.pdf

To develop this paper, ACSI reviewed existing research, listed company disclosures and existing disclosure frameworks. It also consulted with investors, companies, policy think tanks, industry associations, unions, governments and regional bodies to develop a shared approach to, and understanding of, comprehensive and feasible to implement just transition practices. This consultation was via semi-structured interviews and written feedback, and we engaged with 27 entities in total.

Common themes raised in stakeholder feedback included:

- the growing focus on how to achieve a just transition
- the acknowledgement that while companies have an important role, they cannot address these challenges without policy guidance
- the lack of clarity around responsibility and expectations, along with the need for more certainty and early planning
- the personal nature of the challenges facing workers and communities
- the need for local and context-specific action
- the need for more information on plans and progress; and
- the importance of engaging with and empowering people affected by the transition.



Company reporting and disclosure expectations

The scale and scope of the energy transition means that principles-based planning, asset-specific plans, social impact assessments and engagement with affected stakeholders are crucial to ensuring companies are contributing to a just transition. There is still a lack of detail about specific industry decarbonisation pathways, from which climate strategies and the associated transitions will need to draw. However, this does not mean that the principles and asset-specific decisions are not relevant today, as we are seeing an increasing number of asset closure announcements.

As part of this research, ACSI investigated what currently constitutes 'better' practice in company disclosure and the range of expectations in domestic and international frameworks. This section addresses high-level investor expectations and specific disclosure expectations, although these expectations will continue to evolve as decarbonisation pathways become clearer.

Review of current disclosure

ACSI reviewed current company disclosures to understand developing practice and inform investor expectations. Past ACSI research has identified a growing number of companies reporting net zero targets – in FY21 95 ASX200 companies reported adopting a net zero emissions reduction target⁷, and more than half of the ASX200 aligned their disclosure to the Taskforce on Climate-related Financial Disclosures (TCFD) reporting framework⁸.

But despite this growing reporting on climate-related issues, there is very limited public disclosure on just transitions. Two just transition-focused disclosure scorecards were also reviewed to gain an insight into better practice disclosure, as follows:

- > **Climate Action 100+ (CA100+) just transition indicator:** assesses a company's acknowledgement of the social impacts of its climate strategy, commitments to just transition principles, engagement with stakeholders and actions aligned with a just transition undertaken in decarbonising.⁹
- > **World's Benchmarking Alliance's (WBA) 2021 Just Transition Assessment:** covers 180 companies across three sectors: 100 oil and gas companies, 50 electric utilities and 30 automotive manufacturers. The assessment looks at the social elements of the transition to a low-carbon future.¹⁰

The results of the CA100+ just transition indicator assessments are not yet public, but the WBA's five top-rated companies and their scores are included in the table on the next page. This assessment relates to FY2021 reporting, so many of the companies below have provided additional climate and just transition reporting since these assessments were completed.

⁷ <https://acsi.org.au/research-reports/promises-pathways-performance-climate-change-disclosure-in-the-asx200-2/>

⁸ <https://acsi.org.au/research-reports/promises-pathways-performance-climate-change-disclosure-in-the-asx200-2/>

⁹ Climate Action 100+ Net Zero Company Benchmark PDF

¹⁰ 2021 Just Transition Assessment | World Benchmarking Alliance

Table 1: World Benchmarking Alliance Just Transition Assessment – top-rated companies (FY2021)

Company	Score	Industry	Notes
SSE	14/16	Electric Utilities	Highest score in electric utilities and highest out of all assessed companies
BP	12/16	Oil & Gas	Highest rating in oil and gas sector alongside Engie
Électricité de France	12/16	Electric Utilities	
Enel	12/16	Electric Utilities	
ENGIE	12/16	Electric Utilities/Oil & Gas	Highest rating in oil and gas sector alongside BP

Of the top performers in Table 1, nearly all receive perfect scores in the 'Fundamentals of social dialogue and stakeholder engagement in a just transition' category. This considers who the stakeholders are, public commitments to engage with stakeholders, what steps have been taken to engage and whether it represents meaningful engagement.

Top-rated companies also score 80% or above in disclosing how they are:

- creating or supporting access to 'green and decent' jobs
- retaining, reskilling or upskilling workers; and
- planning for a just transition.

Conversely, all the top-rated companies scored 50% or below regarding their disclosure of:

- social protection and social impact management for affected workers and stakeholders; and
- advocacy for policies and regulation relating to job creation, retaining/reskilling/upskilling workers and social protection.

Higher scores under the WBA assessment are generally attributed to European companies where the transition away from fossil fuels for power generation has been more marked than other jurisdictions, particularly due to greater regulatory momentum on decarbonisation. The highest scoring Australian company – BHP Group – is ranked equal 18th. The full data set is available [here](#). We have included Australian companies' scores in Table 2, below.

Table 2: World Benchmarking Alliance Just Transition Assessment – Australian companies (FY2021)

Company	Score	Industry
AGL Energy	1/16	Electric Utilities
Ampol Limited	2/16	Oil & Gas
BHP Group	5.5/16	Oil & Gas
Origin Energy	2/16	Electric Utilities/ Oil & Gas
Santos	2.5/16	Oil & Gas
Viva Energy Group	1/16	Oil & Gas
Woodside Petroleum	4/16	Oil & Gas

Current better practice reporting

Good practice in current disclosure includes an acknowledgement of the need for a just transition, the principles underpinning this position as well as the commitments to participating in a just transition and to providing disclosure annually.

Better practice involves a company assigning and disclosing targets and metrics against which its activities can be assessed and explaining what a just transition means in the company's own context, with reference to broader principles.

Of the companies ACSI assessed, only SSE details the metrics it will use. SSE's disclosure is focused on skills transfer, skills development interventions, providing employment opportunities that are attractive, decent work and living wages, and creating domestic job opportunities including within the value chain.

Both SSE and Électricité de France disclose a standalone just transition plan.

No company provides an asset- or region-specific just transition plan and, in general, there is little detail on what metrics are most important to the workforce, community and value chain.

Current Better Practice Case Study: SSE plc

In November 2020, SSE published its first standalone Just Transition Strategy (JT Strategy). It provides early analysis of how stakeholders might be impacted by SSE's decarbonisation plans, defines the principles SSE has adopted to underpin its just transition planning and includes a summary of actions taken to date. The strategy also includes a commitment to report annually on the policies and practices SSE deploys to support a just transition. The principles identified by SSE are shown below.¹¹

SSE'S 20 PRINCIPLES FOR A JUST TRANSITION				
TRANSITIONING INTO A NET-ZERO WORLD			TRANSITIONING OUT OF A HIGH-CARBON WORLD	
				
SSE'S PRINCIPLES FOR GOOD, GREEN JOBS (page 9)	SSE'S PRINCIPLES FOR CONSUMER FAIRNESS (page 12)	SSE'S PRINCIPLES FOR BUILDING AND OPERATING NEW ASSETS (page 13)	SSE'S PRINCIPLES FOR PEOPLE IN HIGH-CARBON JOBS (page 15)	SSE'S PRINCIPLES FOR SUPPORTING COMMUNITIES (page 18)
<ol style="list-style-type: none"> 1. Guarantee fair and decent work 2. Attract and grow talent 3. Value employee voice 4. Boost inclusion and diversity 	<ol style="list-style-type: none"> 5. Co-create with stakeholders 6. Factor-in whole-system costs and benefits 7. Make transparent, evidence-based decisions 8. Advocate for fairness 	<ol style="list-style-type: none"> 9. Support competitive domestic supply chains 10. Set social safeguards 11. Share value with communities 12. Implement responsible developer standards 	<ol style="list-style-type: none"> 13. Re-purpose thermal generators for a net-zero world 14. Establish and maintain trust 15. Provide forward notice of change 16. Prioritise retraining and redeployment 	<ol style="list-style-type: none"> 17. Deliver robust stakeholder consultation 18. Form partnerships across sectors 19. Promote further industrial development 20. Respect and record cultural heritage

The JT Strategy includes various commitments, such as a desire to avoid compulsory redundancy, continuous communication with its workforce, consultation and information sharing engagement with local stakeholders.

¹¹ <https://www.sse.com/sustainability/just-transition/>

Building on the JT Strategy, in 2021 SSE released a second report which details key actions – for SSE, industry and government – required to support a just transition. The report provides details of stakeholder engagement, employee skills transfer assessments and jobs created. SSE also discloses its participation in related collaborations including the Just Energy Transition Workstream and the Scottish Just Transition Commission.

In February 2022 SSE set four 2030 goals regarding decarbonisation, one of which is focussed on a just transition: “Champion a fair and just energy transition: Be a global leader for the just transition to net zero, with a guarantee of fair work and commitment to paying fair tax and sharing economic value.”

As the International Sustainability Standards Board's (ISSB) work begins to map out standards for reporting on issues like workforce and community impacts of a just transition, there is the potential for greater reporting obligations. The following section outlines investor expectations of principles for companies to commit to and suggestions for reporting on their activities in relation to the just transition.

The framework for the energy transition in Australia continues to develop. Despite the lack of a comprehensive policy on just transition, companies are not absolved of their responsibility to consider and address these issues. Investor interest in this area is growing and investors will increasingly want to see company plans for how they will manage impacted stakeholders.

Investor expectations

ACSI reviewed existing just transition frameworks, guides, research and models from entities including the Climate Action 100+, the Council for Inclusive Capitalism, the Australian Council of Trade Unions, the Investor Group on Climate Change, the International Labour Organization, the World Benchmarking Alliance and Hunter Jobs Alliance, among others. A list of the frameworks analysed can be found in Appendix 2. ACSI has sought to distil these frameworks into a set of guiding principles for a just transition and an outline of minimum expectations investors will have of companies facing just transition issues.

ACSI expects companies with assets that may be affected by the energy transition to demonstrate a principles-based approach and plan to support a just transition by addressing, at a minimum, the following five key principles:



Acknowledgment and commitment

Acknowledge the social impacts of its climate change strategy and the need for a just transition and ensure board oversight of the response



Engagement with stakeholders

Actively engage with those affected by the company's transition and ensure their feedback is incorporated



Context specificity

Undertake place-based analysis to ensure its planning and transition response factors in the context-specific risks and opportunities of a site or region



Context-specific action, measurement and outcomes

Make a plan, report how it has engaged, consulted and assessed its progress, which requires reporting on policies and performance, including through TCFD reporting



Advocacy and partnerships

Advocate for a just transition. This extends to the industry associations of which a company is a member

Below we expand on what this might mean in practice and how companies should report to investors, including specific metrics to inform such disclosure.

	Investor expectations	Disclosure and metrics
Acknowledgment and commitment	<p>A company should acknowledge the social impacts of its strategy and the need for a just transition, including the potential to affect its workforce, contractors and local communities. It should commit to align its strategy with just transition principles, which ACSI considers to be fairness, orderliness and inclusiveness. This commitment should be adopted by the Board and underpinned by a clear governance framework with Board-level oversight. How a company incorporates just transition considerations into its strategy will depend on the nature of the transition, but early and effective engagement and notice should be a key pillar of the company's approach, as should social impact assessments. A company should commit to integrating clear, identifiable and measurable just transition elements into its broader climate change strategy and TCFD (or ISSB reporting as this emerges) reporting, or to producing a separate 'Just Transition Plan' that links to these other elements.</p>	<p>Disclosure expectations</p> <ul style="list-style-type: none"> • A public commitment to align its strategy with just transition principles. This should be adopted by the Board and underpinned by a clear governance framework. • Commitment to integrate a clear and measurable 'Just Transition Plan' into its broader strategy and decarbonisation planning, including through TCFD reporting, and with social impact assessments related to the possible options.
Engagement with stakeholders	<p>To develop a successful place-based transition, it is necessary to consult and engage with workers, workers representatives such as unions, contractors, all levels of government, companies in the broader value chain, local communities and disempowered groups affected by the transition. One example of this may be the establishment of a Just Transition Committee, including representation from affected groups and, at a minimum, senior management and union representatives. Engagement and consultation should be regular and transparent, such as via a Transition Committee.</p>	<p>Disclosure expectations</p> <ul style="list-style-type: none"> • Stakeholders engaged, key feedback received and how the company's approach reflects this feedback. • Regular reporting on the scope of, and decisions, made by any relevant Committee. <p>Metrics that may inform this disclosure</p> <ul style="list-style-type: none"> • The number of engagements and names of the unions, social partners, and/or disempowered groups represented in engagements. • Number of discussions and engagements being held with communities.
Context specificity	<p>Building on the higher-level commitment outlined above, a company should analyse specific locations to ensure their transition response factors in the risks and opportunities of the individual site or region. For example, the social impact of closing a coal-fired power station that underpins the local economy will be different to the closure of one in a more economically diverse local economy. The response will differ depending on whether the company faces a divestment, closure or restructuring of an asset. For each option considered by the company, a social impact assessment should be conducted for each option. Through engagement and consultation, a company's 'Just Transition Plan' should be tailored to the affected workforce and community, taking what may be a diversity of views into account.</p>	

A company should demonstrate to investors and the broader community its plans for supporting a just transition. The company should outline how it has engaged, consulted and assessed its progress. What is measured should link clearly to elements of the 'Just Transition Plan'. Measurement and evaluation of progress is critical for investors to understand whether a company's plan is appropriate, and whether risks inherent in a transition are being effectively managed.

Disclosure expectations

- Risks and opportunities relevant to each asset's transition, with timelines, clear actions and progress measured and disclosed on an annual basis.
- A commitment to retain, retrain, redeploy or, as a last resort, offer redundancies to workers affected by the transition, and an explanation of which options have been used and why.
- Capital allocated, and in which ways, to address just transition aspects of the strategy.

Metrics that may inform this disclosure

- Metrics on retention, retraining, redeployment and redundancies for workers and contractors and, as much as possible, within its value chain.
- Number of workers and contractors who have received tailored employment plans.
- Where a divestment is in progress, a summary of how impacted workers and communities were considered in the divestment and the agreed terms of sale.
- Rehabilitation and new project timelines, including workforce requirements, such as forecast job creations.
- An indication of how much notice has been provided to workers, communities and the value chain when closure or divestments are put in place.

A company should advocate for a just transition by engaging with policymakers and supporting government initiatives that aim to reduce uncertainty. This extends to the industry associations of which a company is a member. A company should also seek to partner with government, investors and other stakeholders to mobilise investment capital towards new industry and opportunities for regions affected by the transition.

Disclosure expectations

- The company's position regarding the just transition and associated policies that may support the just transition.
- Policymakers with which the company has engaged.

Metrics that may inform this disclosure

- Number of membership bodies the company belongs to which advocate on just transition, or other transition issues and an outline of their just transition policy work.
- Areas of policy progress by membership bodies or as a result of a company's direct advocacy.
- Number and names of partners engaged with, on just transitions issues.

Questions investors may ask of companies – planning for a just transition

Acknowledgment and commitment

- How is the just transition approach governed? Who is involved in decision-making at the company? How are the associated risks and opportunities identified and managed?
- How are just transition considerations integrated within the wider strategic decarbonisation approach? Are just transition considerations for workers, communities and the value chain incorporated into climate scenario analysis?
- What reporting is the company providing to investors and other stakeholders?
- How many of the company's assets are covered by its 'Just Transition Plan'?

Engagement with stakeholders

- How has the company engaged with relevant communities?
- How has the company engaged with workers and contractors?
- How is the company engaging with its value chain to address the transition?
- What external stakeholder feedback has been most helpful and how has this been acted upon?
- How is any Committee with a remit to help manage the just transition operating and what decisions has it made recently?
- What support is the company providing to the transitioning workforce, contractors and wider family members?

Context-specific action, measurement and outcomes

- How many workers at each affected asset have been retained, retrained, redeployed, made redundant?
- What is the composition of workers and contractors, and how has it changed since decisions were made/announced about a specific asset?
- How much capital is the company allocating to worker retraining and site rehabilitation and in which specific areas?
- How are contractors' needs being considered in the context of just transitions?
- What incentives are workers given to retain them until the closure date, and what re-training will these workers and contractors receive? How have the needs of the local community been assessed and integrated?
- How many workers, and of what types, have received tailored employment plans?

Advocacy and partnerships

- Do each of the company's lobbying and trade associations support a just transition and advocate for related policy enablers?
- How is the company's policy work helping to support a just transition?

Policy enablers and recommendations

Given that transitions impact economies at the system-wide level, there is an essential role for Government. They need to work in partnership with governments, which are best placed to assess gaps and drive change at a systemic level.

Failing to ensure an orderly and just transition could lead to significant economic and social impacts that pose a systemic financial risk to investors. Establishing policy and regulatory settings to enable a just transition will help mitigate this material investment risk.

Based on ACSI's research, the following practices are widely considered to work well and be important policy enablers of a just transition.

The fundamental role of governments

The risks and opportunities of the transition are expected to be felt at a highly individualised and a systemic level. All tiers of governments have an important role in taking a whole-of-system perspective and driving a whole-of-government response. The Federal Government has progressed climate policy, and it is important to incorporate just transition principles in the policy design from the outset.

Governments are best placed to assess the disproportionate impact climate change and the transition to a low emissions economy could have on more vulnerable people and communities,¹² including First Nations communities

There is no one-size-fits-all approach to ensuring a just transition, so this report is not prescriptive. A range of potential regulatory and policy responses could work well, as existing examples demonstrate.¹³ Policymakers should consult widely and build on work already done. Governments should create an enabling environment allowing stakeholders to play their respective roles in securing a just transition.

Outlined below are a range of institutional approaches to just transitions planning. These differ in their scope, jurisdictional approach, funding and composition, but each displays attributes from which Australia can learn.

¹² Senate Environment and Communications Legislation Committee, Report on Climate Change Bill 2022, August 2022, notes that 'Those already experiencing financial or social disadvantage have fewer resources to cope with, adapt to and recover from the effects of climate change'.

¹³ Examples of existing approaches include the Latrobe Valley Authority (Victoria, Australia), Collie Delivery Unit (Western Australia), Scottish Just Transition Commission and German Coal Commission, among others.

Latrobe Valley Authority

The Latrobe Valley Authority (LVA) is focused on supporting the community in the Latrobe Valley and Gippsland, Victoria, through the transition. The Latrobe Valley has felt the effects of poorly managed transitions, for example Engie's closure of the Hazelwood power station in 2017, which was announced with just five months' notice.

The LVA's place-based approach is founded in local empowerment and informed decision-making. The LVA focuses on supporting ideas built with the communities from the ground up, to ensure that the transition priorities and actions are locally owned. The LVA was set up by the Victorian Government and partners closely with the local governments in Gippsland. It is located in the region and run by locals. The Victorian Government gave the LVA sufficient autonomy to guide its response from direct community input and decision-making.

In the wake of the Hazelwood closure announcement, the LVA provided immediate support for affected workers and businesses, including an economic stimulus to create jobs and improve liveability and future opportunities in the region. Over time the focus has shifted to the longer-term diversification of the economy focused on four key growth sectors: energy, food and fibre, health and wellbeing, and tourism.

The LVA works to ensure investment in local businesses and maximise local procurement. For example, it played a crucial role in bringing together big and small businesses through the GROW Gippsland program, allowing smaller local contractors access to important information on upcoming projects and improving their capacity to submit successful procurement tenders.

One of Victoria's key energy sources, the Yallourn power station in the Latrobe Valley, will retire in mid-2028. The Victorian Government negotiated an agreement with the supplier, EnergyAustralia, in which both parties committed to transition arrangements such as worker entitlements and support for workers and their communities directly impacted by closure.

For more information on the Latrobe Valley Authority, see [here](#). For more information on the closure of the Yallourn power station, see [here](#).

German Coal Commission

In 2018, Germany established a Commission on Growth, Structural Change and Employment, (known as the Coal Commission) to lead the political process of transitioning from coal to clean energy.

The Commission drew together 28 key stakeholders, including representatives of major political parties, climate scientists, local government, unions, industry bodies, academics and NGOs. After six months of negotiation, the Commission presented a roadmap for the phase-out of coal-fired power generation by 2038. The final report included hundreds of potential projects for affected regions and recommended funding measures for the Government to consider.

The Coal Commission is considered by many to be successful in driving a community conversation, and in raising the concerns of workers, communities and businesses. With negotiation and open dialogue, the Commission was able to move beyond ideological positions and develop a pragmatic plan.

The Commission provides useful lessons, for example the importance of developing plans through rigorous analysis of regions and context-specific solutions. Likewise, it has been said that a few factors were crucial to the Commission being able to negotiate an agreement, including:

- > a clear mandate;
- > the Commission's independence from Government;
- > a willingness to reach agreement from all stakeholders, including coal companies that are experiencing challenges and increasing economic pressures;
- > a political culture in Germany that is consensus-oriented and driven by conflict resolution;
- > long-standing awareness and research into the issue in Germany.

Based on commentary and analysis of the Coal Commission, some of the lessons learnt are the importance of ensuring that an central body is representative of interests, and that it has the tools to conduct comprehensive long-term planning. For further analysis of the Coal Commission, see research papers [here](#) and [here](#).

Collie Delivery Unit

Coal has traditionally been key to the economy in Collie, Western Australia. The state government (WA Government) set up the Collie Delivery Unit (CDU) within the Department of Premier and Cabinet to support an orderly and just transition in the region.

The CDU has worked closely with stakeholders to develop and implement a comprehensive just transition plan with four focus areas: diversifying the economy; maximising opportunities for affected workers; committing to a just transition; and celebrating Collie's history while promoting its future. Within these four areas, the CDU drives a broad range of initiatives to support workers and to ensure that Collie's economy is diversified and strong.

The WA Government recently announced a \$547.4 million funding package to support the just transition in Collie. The CDU is creating an enabling environment for investment in new sectors including energy, tourism and advanced manufacturing, among others. Quite different to Collie's traditional industries, these sectors will require a new set of skills. The CDU is supporting Collie workers to transition to new industries and the WA Government is investing in a 'one stop shop' Jobs and Skills Centre to provide training, skills, assessments and connect jobseekers with employment opportunities. The Collie Future Curriculum Fund is also investing in industry-specific skills training through local TAFE and education providers. Likewise, the CDU has developed an industrial Transition Fund, to attract investment into new industries and create new jobs in Collie. Synchronising the timeline from old to new jobs and industries is a key challenge for the CDU, so much of the focus remains on investment into diversification and re-skilling.

A key aspect of the Collie model is the involvement of a wide range of stakeholders in developing and implementing the plans, through a Just Transition Working Group. The just transition plan encourages collaboration between employers and workers, ensuring early conversations to support all parties to plan for the future. A memorandum of understanding which ensured commitment to the collaborative process was signed by key stakeholders. The situation in Collie allowed for closure announcements before the legally required minimum period, and for planning to start early, which provided stakeholders with more certainty.

Supporting positive but realistic community expectations has been a key challenge and focus for the CDU. Importantly, the approach in Collie is focused on empowering workers to control their own futures, at the same time as developing a strong sense of collaboration. There has also been a concerted effort to celebrate Collie's history, while at the same time looking to the future and establishing a common understanding of the changes that lie ahead.

Scottish approach to just transitions

The Scottish Government set up a Just Transition Commission to support "a net zero and climate resilient economy in a way that delivers fairness and tackles inequality and injustice". The Just Transition Commission advises the Scottish Government on the development and monitoring of just transition plans and provides recommendations to Scottish Ministers on how best to apply just transition principles in Scotland. The Commission engages with a wide range of stakeholders affected by the transition and builds their feedback into its advice and planning.

Two important aspects of this model are independence and transparency. The Commission and its Chair are independent of government, and Commissioners are chosen in their individual capacity for their relevant expertise. The Commission is supported by a Secretariat that is based within the Scottish Government and has committed to being as open and transparent as possible including publishing an annual report on progress.

For more information, see [here](#). In addition, Scotland has a National [Just Transition Planning Framework](#), which sets out the key principles and approach that the Government takes to plan and drive a just transition.

Institutional structures

Informed by stakeholder engagement and international and domestic better practice, the following section outlines the roles that governments could take in advancing a just transition and are not intended to be prescriptive. It is important that all levels of government co-ordinate to ensure there is a clear allocation of responsibilities and that objectives are met efficiently.

Federal Government

In Australia, federal and state governments have important and different roles to play in the just transition. The Federal Government is best placed to set the overarching ambition and standards across the country and ensure alignment across states, as well as between just transitions policy and other connected policy areas, such as climate and economic policy.¹⁴ Examples overseas demonstrate that it can work well when the national government establishes the necessary policy and regulatory mechanisms to enable a just transition nation-wide and clarifies the responsibilities of key stakeholders.

Clear signals from the Federal Government are important. To clearly communicate the Government's direction, a **federal just transition framework** would be useful, to establish common standards and a structure within which local just transition plans can be developed. A framework can set the key principles, while allowing autonomy for states and regions to develop context-specific plans, which is very important in ensuring local involvement, as outlined below.

It should also provide guidance, where possible, on the roles and responsibilities of different stakeholders, such as governments, companies, unions, community groups, etc. Greater transparency from companies will be key to building trust between companies, investors, workers and communities, and therefore in facilitating progress towards a just transition. Mandatory disclosure requirements for companies that face a material financial risk would be useful, to create a level playing field and enable comparison across the market.

As discussed earlier, the ISSB climate disclosure standard is currently under consultation and would benefit from the inclusion of more explicit disclosure requirements on workforce impacts and transition planning.¹⁵ Embedding the ISSB standards into corporate reporting would facilitate improved disclosure about the way companies are managing their transition impacts. Australian bodies such as the Australian Accounting Standards Board may be able to provide insights into reporting on these issues in the Australian context.

In northern Australia, where the majority of the nation's wind and solar projects are being proposed, more than 60% of land is recognised First Nations land¹⁶. Beyond the specific transition focus of this paper, it is important to protect the rights and interests of First Nations people, and that projects on First Nations land operate with the free, prior and informed consent of First Nations people.¹

¹⁴ For example, the Scottish Government's approach is to ensure that just transition plans are aligned with other plans and built into economic policy, for example through the National Strategy for Economic Transformation (NSET). <https://www.gov.scot/publications/transition-fairer-greener-scotland/documents/>

¹⁵ Currently, the Exposure Draft IFRS S2 Climate-related Disclosures document includes a requirement that entities disclose 'information about direct adaptation and mitigation efforts it is undertaking (for example ...workforce adjustments)' (s13.(a)(i)(2)). The ISSB standards would benefit from more detailed reporting requirements on how entities are managing impacts on their workforces and other impacted stakeholders and ensuring a just transition. <https://www.ifrs.org/content/dam/ifrs/project/climate-related-disclosures/issb-exposure-draft-2022-2-climate-related-disclosures.pdf>.

¹⁶ L. O'Neill, B. Riley, J. Hunt and G. Maynard, 'Clean energy agreement making on First Nations land: what do strong agreements contain?', 2021: <https://caepr.cass.anu.edu.au/news/renewable-energy-company-guide-agreement-making-first-nations-land-what-do-strong-agreements>
See, for example, the First Nations Clean Energy Network's 'Aboriginal and Torres Strait Islander Best Practice Principles for Clean Energy Projects', November 2022, available here: <https://www.firstnationscleanenergy.org.au/best-practice-principles-for-clean-energy-projects>
It is encouraging to see the Australian Government's plan to co-design a First Nations Clean Energy Strategy with First Nations people: <https://www.energy.gov.au/government-priorities/energy-ministers/priorities/national-energy-transformation-partnership>. It is also positive to see the

First Nations people have the capacity, skills and resources needed to help drive the clean energy revolution, so the best outcomes will be achieved where governments and industry genuinely work in partnership with First Nations people. The transition provides an opportunity to co-design an inclusive, mutually beneficial future alongside First Nations people, addressing barriers and ensuring that the transition is beneficial for all.

A body, such as a **national Just Transition Authority** should be established to guide the overarching strategy, policies and legal frameworks for a just transition. There are a range of possible models, but examples where such authorities exist in other jurisdictions illustrate the importance of the following attributes and functions:

- > An independent statutory body, with the remit to provide expert, non-partisan advice to Government and a mandate extending beyond election cycles.
- > Supporting a just transition across the economy and regional economic development by advising on planning (including the development of a national just transition framework), policy, law reform and funding mechanisms. Help establish the necessary frameworks and settings that enable regions to develop and implement their just transition plans effectively.
- > Operating as a central hub of research and technical expertise to support transitions in different states and regions. Facilitating the exchange of information and learning between regions, and playing a coordination role to avoid unnecessary duplication, dissonance or competition in the just transition plans of different states and regions.
- > While the roadmaps for different regions will necessarily be context-specific and different, a national Just Transition Authority should ensure that they are supported by and feed into a clear national vision and foundational architecture to enable the just transition.

- > Providing guidance on appropriate standards of company action and disclosure, to manage the impact by companies on their workforce, communities and value chains as they phase out fossil fuel operations. This guidance should be developed with input from stakeholders.
- > Comprising of members with varied expertise across different stakeholder groups that are impacted by the energy transition.
- > Operating through open and wide engagement and direct input from stakeholders in affected regions and beyond. The Authority should play a central role in facilitating collaboration between stakeholders. For example, this should include working with government and investors to unlock new public and private funding mechanisms.
- > Reporting regularly and transparently.
- > Building on and complementing existing work across governments, industry and civil society.
- > Sufficiently well-resourced to carry out the above functions

The Federal Government should report transparently and regularly on its progress towards a just transition. The Scottish Government has developed and is publishing a Wellbeing Economy Monitor to assess Scotland's performance.¹⁷ The Australian Government's 'wellbeing budget' – Australia's first budget to benchmark its measures against their impact on the wellbeing of the Australian people – might be a step in a similar direction.¹⁸

Government's commitment (as outlined in the recent Annual Climate Change Statement 2022) to work with more vulnerable communities, including First Nations communities, to mitigate the increased burden that they may bear in the transition. Commonwealth Government, Department of Climate Change, Energy, the Environment and Water: Annual Climate Change Statement 2022:

<https://www.dcccew.gov.au/sites/default/files/documents/annual-climate-change-statement-2022.pdf>

¹⁷ The Scottish Government aims to create a wellbeing economy – 'an economic system that places the wellbeing of current and future generations at its core'. See Scottish Government, 'Just Transition – A Fairer, Greener Scotland: Scottish Government response', 7 Sept 2021: <https://www.gov.scot/publications/transition-fairer-greener-scotland/documents/>

¹⁸ Australian Government, 'Budget October 2022-23', p55: https://budget.gov.au/2022-23-october/content/overview/download/budget_overview.pdf

State and Local Governments

State and local Governments can be key drivers of just transition responses given their proximity to the localised impacts on specific regions. State governments also control many of the policy levers that are necessary to secure a just transition (e.g., laws and policies related to regional economic development, education and training, infrastructure, investment in community projects etc). Just transition responses should be driven locally, within a wider framework, and the agency designing the specific responses embedded in the relevant region, designing with affected communities, rather than merely consulting them.¹⁹ Collaboration between state governments and local governments will be fundamental to supporting communities through the transition.

An effective model is through regional or **local just transition authorities**²⁰, or agencies that are established and funded by the state government but operate with a degree of autonomy and directly with stakeholders locally. These may be most appropriate when the transition is more contained. A working example is the Latrobe Valley Authority in Victoria. Regional agencies should be sufficiently well resourced to design and implement their own regional just transition roadmaps, based on the specific needs of the region. A crucial aspect of their role is to collaborate with relevant local stakeholders and conduct localised analysis of needs, risks and opportunities.

Examples of better practice demonstrate that local just transition authorities need sufficient political independence and autonomy to be able to make decisions that are in the best interests of the region, whilst retaining connections to Ministers and others to ensure that the response is appropriately coordinated.

They may sit as a department within government (e.g. the Collie Delivery Unit, which is part of the Western Australian Department of Premier and Cabinet) or as a separate entity (such as the Latrobe Valley Authority). Regardless of structure, the important element is that they engage directly at the local level and have the flexibility and resources to test ideas, iterate programs and innovate. The specific companies in a region will have different timelines for transitioning, so it is important to design policies that accommodate the specificities of different company trajectories.

Inclusion and co-design

The ultimate success of a just transition will be significantly influenced by how well the process is designed. It is important for all levels of government to take an inclusive approach and ensure that people affected by the transition have trust in the policy and implementation.²¹ Long-term success and sustainability are much more likely if the people affected are deeply involved in program development and feel ownership over the outcomes.²² Better practice exists where policymakers employ a range of communication methods to ensure that members of the broader community are kept up to date, even if they are not deeply involved in planning and implementing the transition.

It is useful for governments and policymakers to draw on inclusive policy reform approaches, such as co-design processes.²³ It is fundamental to build trust by involving key stakeholders at an early stage, maintaining transparency and accountability throughout the process, and working to mitigate power imbalances.

¹⁹ The Next Economy, 'What Regions Need on the Path to Net Zero', April 2022: <https://nexteconomy.com.au/work/what-regions-need-on-the-path-to-net-zero-2/>. This report from The Next Economy discusses the importance of place-based responses.

²⁰ Note that the term 'Just Transition Authority' is used in various contexts to represent different models. Regardless of the name, what is proposed here is a local organisation or agency that is established with the bespoke function to develop and implement strategies and programs for a just transition in a specific region.

²¹ Hunter Jobs Alliance, 'Just Transition Investment and the Hunter Valley', July 2022:

https://static1.squarespace.com/static/5f9b9768d62e163b28e5edf5/t/62de3e4198d0b82988042b56/1658732100167/072022_Hunter+and+JT+Investment_screen.pdf.

²² The Next Economy, 'What Regions Need on the Path to Net Zero', April 2022: <https://nexteconomy.com.au/work/what-regions-need-on-the-path-to-net-zero-2/>. This report from The Next Economy discusses the importance of robust engagement with stakeholder groups.

²³ For an example of a co-design process, see the Commonwealth Government's co-design of cultural heritage laws with First Nations peoples in Australia: <https://culturalheritage.org.au/cultural-heritage-reform/>

For example, in Taranaki, New Zealand, the community led an inclusive process of consultation to develop just transition pathways.²⁴ The process was supported by the Just Transitions Unit within the New Zealand Government, and led to the development of a 2050 Roadmap for a just transition.²⁵ The Roadmap was then used to develop specific action plans for different sectors in Taranaki, which are now being implemented with the support of the Government.²⁶

Every region has its inherent strengths and resources, and good policymaking is designed to harness and support these strengths. As the Centre for Policy Development has noted, "It is not enough to simply identify new opportunities", policymakers need to have "a laser focus on identifying and plugging... [skills] gaps" at a local level. Robust policymaking "requires understanding the profile of skills and capital in a region and mapping this against potential opportunities".²⁷ For more information on the varied needs of different regions and the context-specificity of necessary responses, see the report from the Investor Group on Climate Change, 'Empowering Communities: How investors can support an equitable transition to net zero'.²⁸

Policies should establish a shared understanding of the process of social change, facilitating community connection and cooperation to avoid disempowerment or isolation. There are also opportunities to ensure that economies are not only more diversified but also more inclusive, including by providing more job opportunities for marginalised members of the population.

Planning and resourcing

Securing a just transition in Australia is a long-term endeavour. Such significant structural adjustments will present challenges and opportunities for many years to come. Much work is needed to develop appropriate funding models that draw in both public and private capital.²⁹ If Governments invest early, they can respond flexibly to the specific needs of a region and help facilitate a pipeline of investible projects, which then crowd in investment from the private sector. One of Government's most important roles is to draw together stakeholders (investors, public sector agencies, companies, project developers etc) to develop funding models to support the just transition.³⁰ Funding needs to extend beyond short-term solutions, to provide ongoing, sustainable resourcing that enables regional economic development, diversification and social support.

Institutional investors will play a fundamental role as they consider and address the risks to their portfolios of an unjust transition. Specific funding approaches are not the focus of this paper, but it will be important to use capital and expertise from institutional investors to develop innovative investment approaches and fill capital gaps.³¹ As stated by the UK *Financing A Just Transition Alliance*, "[a] new generation of place-based strategies for institutional investors holds great promise", and some examples of innovative financing models, such as local climate bonds, are emerging.³²

Ensuring sufficient funding and investment for the just transition will be one of the most crucial next steps for Australian governments, and fundamental to that will be the creation of an enabling environment for private investment. In its October 2022 Budget, the Federal Government committed to a \$1.9 billion Powering the Regions Fund to help transform regional industries and help regional Australians access the economic opportunities of decarbonisation – a positive step.³³

²⁴ Venture Taranaki, 'What is a Just Transition?': <https://www.taranaki.co.nz/vision-and-strategy/taranaki-2050-and-tapuae-roa/taranaki-2050/what-is-a-just-transition/>

²⁵ *Ibid*

²⁶ Venture Taranaki, 'Transition Pathway Action Plans': <https://www.taranaki.co.nz/vision-and-strategy/taranaki-2050-and-tapuae-roa/taranaki-2050/transition-pathway-action-plans/>

²⁷ Centre for Policy Development, 'Who's Buying?: The impact of global decarbonization on Australia's regions', 2022: https://cpd.org.au/wp-content/uploads/2022/01/whos_buying_report_full.pdf

²⁸ Investor Group on Climate Change, 'Empowering Communities: how investors can support an equitable transition to net zero', July 2021: https://igcc.org.au/wp-content/uploads/2021/07/IGCC-Investors-role-in-an-Equitable-Transition-to-net-zero-emissions_FINAL-15072021-1-copy.pdf

²⁹ In the UK, more than 40 financial institutions and other stakeholders have jointly formed the *Financing a Just Transition Alliance*, to translate high-level objectives into tangible outcomes in financing the just transition. They work to develop and implement a vision for how the financial sector can help drive the just transition, alongside other stakeholders. See UK *Financing a Just Transition Alliance*, 2021 Report: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/10/Just-Zero_2021-Report-of-the-UK-Financing-a-Just-Transition-Alliance.pdf

³⁰ For further discussion of funding models, see The Next Economy, 'What Regions Need on the Path to Net Zero', April 2022: <https://nexteconomy.com.au/work/what-regions-need-on-the-path-to-net-zero-2/>; Investor Group on Climate Change, 'Empowering Communities: how investors can support an equitable transition to net zero', July 2021: https://igcc.org.au/wp-content/uploads/2021/07/IGCC-Investors-role-in-an-Equitable-Transition-to-net-zero-emissions_FINAL-15072021-1-copy.pdf; Hunter Jobs Alliance, 'Just Transition investment and the Hunter Valley', July 2022: https://static1.squarespace.com/static/5f9b9768d62e163b28e5edf5/t/62de3e4198d0b82988042b56/1658732100167/072022_Hunter+and+JT+Investment_screen.pdf

³¹ At COP27, the 'Sham El-Sheikh Guidebook for Just Financing' was launched. It discusses a number of models of financing for the climate transition. Available here: <https://guidebookforjustfinancing.com/wp-content/uploads/2022/11/Sham-El-Sheikh-Guidebook-for-Just-Financing.pdf>

³² UK *Financing a Just Transition Alliance*, 2021 Report: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/10/Just-Zero_2021-Report-of-the-UK-Financing-a-Just-Transition-Alliance.pdf

³³ Australian Government, 'Budget October 2022-23': https://budget.gov.au/2022-23-october/content/overview/download/budget_overview.pdf

The New South Wales (NSW) Royalties for Rejuvenation Fund³⁴ is an interesting model providing initial funding to support affected coal-mining regions. Importantly, the fund will be guided by advice from an expert independent panel with deep knowledge of the impacts on relevant communities. At least \$25 million from mining royalties will be set aside in the Fund each year to support coal mining communities. The Fund is not likely to be the sole solution for affected regions in NSW, and further investment will be needed, as well as the capacity for programs to be implemented effectively on the ground.

Just transition funding examples internationally include the European Union's (EU) Just Transition Mechanism, which will mobilise approximately €55 billion to parts of the EU most negatively impacted by the transition, supporting investment in small and medium enterprises, up-skilling, environmental rehabilitation and other activities.³⁵ The EU's Just Transition Mechanism is notable for encouraging different funding channels (grants, blended finance and loans etc) depending on the circumstances.

Some regional transition authorities focus on funding labour-intensive projects, such as site remediation and plant decommissioning. In Essen, Germany, the old Zollverein mine has been transformed into a 100-hectare complex for visitors to experience art, history, food, shopping and cultural events.³⁶ Likewise, the German city of Dortmund transformed an old steel plant into a nanotechnology hub and recreation area.³⁷

Implementation

Various tools and responses can be employed to support a just transition. Their selection should be determined by the specific characteristics of a region and its risks and opportunities. The following reflects a selection of good practices.³⁸

- > **Planning:** Just transition agencies and individual companies can work together to develop and implement just transition plans to ensure robust coordination on all aspects of the closure of operations and its impacts.³⁹ Better plans will be monitored and evaluated on an ongoing basis.
- > **Employee support:** It is good practice for local just transition agencies to work with companies to ensure that impacted employees are supported, for example through worker transfer schemes, worker transition services, early retirement schemes, individualised financial advice and counselling services. It is important to ensure that contractors and wider family members have appropriate support available, not only direct employees.
- > **Re-skilling:** The transition may result in the introduction of different job roles, so workers will not always be able to transfer their skills directly. For example, in Collie, tourism has emerged as an important new sector in the local economy, but the skills of coal miners do not naturally translate. Education and training programs are therefore vital to enable people to transition to new jobs and mitigate skill shortages in growing industries. Partnership programs with local education institutions can work well to build the necessary skills locally. In the German Ruhr region, the establishment of educational institutions and technology centres allowed people to start building their skills early for the transition to a knowledge-based economy, even while the economy was still heavily focused on coal and steel.⁴⁰

³⁴ The New South Wales Royalties for Rejuvenation Fund was legislated through the Mining and Petroleum Legislation Amendment Bill 2022: <https://www.parliament.nsw.gov.au/bills/Pages/bill-details.aspx?pk=3948#:~:text=Long%20Title%3A,laws%3B%20and%20for%20other%20purposes.>

³⁵ European Commission, 'The Just Transition Mechanism: making sure no one is left behind': https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism_en

³⁶ Zollverein (website of the complex): <https://www.zollverein.de/zollverein-unesco-world-heritage-site/>

³⁷ <https://urbantransitions.org/portfolio/dortmund-germany/>

³⁸ For further reading on the value and role of just transition authorities, see The Next Economy, 'What Regions Need on the Path to Net Zero', April 2022: <https://nexteconomy.com.au/work/what-regions-need-on-the-path-to-net-zero-2/>

³⁹ One working example is the Latrobe Valley Authority: <https://lva.vic.gov.au/>

⁴⁰ Arora, A. and Schroeder, H., 'How to avoid unjust energy transitions: insights from the Ruhr region', *Energy, Sustainability and Society* (2022) 12:19, <https://energysustainsoc.biomedcentral.com/articles/10.1186/s13705-022-00345-5>.

Workers often need support to be able to take advantage of re-skilling opportunities, including through career counselling, funding and safety-nets for study, and flexible working arrangements as people re-train. For example, the Scottish Government has committed to working with stakeholders to design a 'skills guarantee' for workers in carbon-intense sectors, meaning a safety-net to support people and retain skills within the Scottish economy.⁴¹ The intention is to carry this out through careers and skills assessment, matching people to job opportunities, and providing funding to retrain or upskill where required.⁴² Scotland also established a Climate Emergency Skills Action Plan, which "outlines an ambitious, cohesive approach" to managing the skills transition and creating green skills and jobs.⁴³

Skills Development Scotland, the country's national skills body, is implementing the plan.⁴⁴ The Scottish Government's approach to job creation is place-based, for example, working with local organisations to develop a hydrogen hub in Aberdeen and supporting the manufacture of offshore wind through the establishment of Nigg Energy Park.⁴⁵

- > **Remediation:** It is important to develop robust and clear plans for the de-commissioning and remediation of company sites that are no longer operational. Sites can be innovatively re-designed into productive areas for the community or repurposed for new industries. Roles and responsibilities (including financial responsibilities) should be clearly decided and agreed between companies and governments. CRC TiME is an example of collaboration on mine remediation, bringing together a consortium of stakeholders from government, the mining industry, regional communities,

First Nations people and others. The consortium focuses on transitioning Australian communities to a successful post mining future through research and collaboration.⁴⁶

- > **Economic diversification of business:** One of the most crucial aspects of a just transition is to increase the economic diversification of a region where emissions intensive operations are being phased out. Governments should drive economic diversification through credible plans, enabling infrastructure, investing in new business opportunities and supporting existing local businesses to grow. This might be in businesses that are driving the clean energy economy (such as renewable energy businesses), but should also extend to other industries, and build on the capabilities of existing industries and people in the region.⁴⁷ Governments and regional just transition authorities have important roles in establishing an enabling environment, for example through financial and tax incentives and the prioritisation of local businesses in government contracts, among other mechanisms.⁴⁸ Likewise, companies can contribute through value chain diversification programs and funding.⁴⁹

Grants programs and investment capital allocation must be carefully planned to avoid unintended consequences. Sometimes medium-sized enterprises fall through the gaps of financial support, for example, because they are too big for grants but too small for private investment, despite being good candidates for contributing to economic growth and diversification. It can be helpful to support small and medium enterprises to secure procurement opportunities.⁵⁰ Policies should be inclusive by ensuring, for example, that Indigenous businesses can take advantage of support and procurement opportunities. Likewise, supporting small businesses that employ transferred workers can have benefits for both the workers and the broader economy.

⁴¹ See Scottish Government, 'Just Transition – A Fairer, Greener Scotland: Scottish Government response', 7 Sept 2021: <https://www.gov.scot/publications/transition-fairer-greener-scotland/documents/>

⁴² Ibid.

⁴³ Ibid.

⁴⁴ Skills Development Scotland, 'Skills for a changing world': <https://www.skillsdevelopmentscotland.co.uk/>

⁴⁵ Scottish Government, 'Scotland's Energy Strategy Position Statement', March 2021:

<https://www.gov.scot/binaries/content/documents/govscot/publications/strategy-plan/2021/03/scotlands-energy-strategy-position-statement/documents/scotlands-energy-strategy-position-statement/scotlands-energy-strategy-position-statement/govscot%3Adocument/scotlands-energy-strategy-position-statement.pdf>

⁴⁶ CRC TiME, 'Programs': <https://crtime.com.au/research/programs/>

⁴⁷ UK Financing a Just Transition Alliance, 2021 Report: https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2021/10/Just-Zero_2021-Report-of-the-UK-Financing-a-Just-Transition-Alliance.pdf

⁴⁸ For example, this is a key focus of the Latrobe Valley Authority. <https://lva.vic.gov.au/>

⁴⁹ Hunter Jobs Alliance, 'Just Transition Investment and the Hunter Valley', July 2022:

https://static1.squarespace.com/static/5f9b9768d62e163b28e5edf5/1/62de3e4198d0b82988042b56/1658732100167/072022_Hunter+and+JT+Investment_screen.pdf

⁵⁰ For example, the Latrobe Valley Authority has played a convening role, bringing together larger companies and smaller local contractors, to help the smaller businesses to identify contracting projects and to develop the capabilities to tender successfully for these projects. <https://lva.vic.gov.au/>

Public policy recommendations

ACSI encourages **policymakers** to consider the enabling environment for a just transition, including:

Develop a federal just transition framework and enabling environment setting out a clear vision and pathway towards a just transition across Australia. A framework should provide a common understanding of the overarching approach to a just transition, mechanisms to implement the approach, and the roles and responsibilities of key stakeholders. The enabling environment should include standards and guidance for high-emission companies on how to manage a just transition, and how they should report to government, investors and other stakeholders. To support success, policies and laws related to the just transition must complement other policies at both the federal and state level, such as broader economic policy and climate policy. Federal, state and local levels of government should all work closely together to develop a coherent policy environment.

Establish an independent national Just Transition Authority to advise the Federal Government and coordinate just transition planning. The national Just Transition Authority should act as a central body for coordinating just transition policy frameworks and mechanisms at the federal level, and provide the Government with robust and independent advice.

Establish and support local just transition agencies in areas affected by the closure of fossil fuel operations. Local just transition agencies should be tasked with, and sufficiently resourced for, planning and implementing effective just transitions in their local regions. Local transition agencies should collaborate with the national Just Transition Authority and federal and state governments. They should be driven by the state government and supported by the federal government (both with funding and a supportive policy and regulatory environment) but have sufficient autonomy to develop place-based plans seeking the best outcomes for the region. In consultation with a wide range of stakeholders, local just transition agencies should develop a clear plan for the region.

Local just transition agencies should work in partnership with companies and unions to provide support for workers (e.g. worker transfer schemes etc.) as well as lead broader economic development and diversification work in communities that are directly affected. Agencies should work in a way that empowers the community and encourages collaboration and co-design.

Ensure sufficient funding for a just transition. In addition to public funding, governments and policymakers should work with the private sector to facilitate the provision of private capital and funding to support the just transition.

Monitor the transition. Governments and just transition authorities should set clear targets and objectives, monitor their progress against these targets and report regularly and transparently.

Position First Nations as co-designers and core partners in the systems (policy, legislation and projects) needed to facilitate Australia's transition to a low emissions economy. Ensure that policy frameworks do not position First Nations as passive hosts of transition projects, but as core project partners with the capacity, skills and resources to own, manage and to help drive the clean energy transition. Establish standards that incorporate genuine free and informed consent to which developers must adhere in their engagements with First Nations people and in their operations on First Nations land.

Appendix 1: Just transition frameworks reviewed as part of this research

Australian Council of Trade Unions

The Australian Council of Trade Unions (ACTU) is the industry group for Australian unions. Its membership comprises 38 affiliated unions that represent almost 2 million members.⁵¹

The ACTU published *Securing a Just Transition, Guidance to assist investors and asset managers to support a just transition* in 2021. It builds upon the Just Transition Business Guide developed by the Just Transition Centre in the International Trade Union Confederation. The framework identifies three stages of action: engage (dialogue with workers and unions and consult communities), plan (create plans for just transitions including emissions reductions, workforce and community planning) and enact (deliver plans and advocate for border action to promote just transition).⁵²

Business for Inclusive Growth

Business for Inclusive Growth is an OECD initiative designed to respond to deepening economic inequality. Over thirty corporations are Business for Inclusive Growth members.⁵³

Climate Action 100+

The Climate Action 100+ initiative, launched in 2017, is comprised of 700 investors that represent more than US\$68 trillion AUM. The investor-led initiative aims to ensure that the world's largest corporate greenhouse gas emitters improve their actions on climate change and transparently disclose their emissions.⁵⁴

Climate Action 100+ include a Just Transition beta indicator in its Net Zero Company Benchmark assessments in 2022. The indicator's measurements include whether a company has put together a Just Transition plan in consultation with stakeholders and whether the company's decarbonisation strategy reflects Just Transition principles.⁵⁵

Council for Inclusive Capitalism

The Council for Inclusive Capitalism is an initiative of government and business leaders to build a more inclusive and sustainable economic system. The Council's Steering Committee members represent US\$10.5 trillion in assets under management over 163 countries and territories.⁵⁶

The Council for Inclusive Capitalism developed a Just Energy Transition Framework for Company Action in 2022. The paper is a guide for the private sector on the actions required for a just transition. Key pillars of the framework include preparing the energy workforce for a zero-carbon future, building the resilience of communities and ensuring a transparent and collaborative process.⁵⁷

⁵¹ About the ACTU

⁵² [securing-a-just-transition_feb2021.pdf \(actu.org.au\)](#)

⁵³ Who we are – B4IG

⁵⁴ About Climate Action 100+ | Climate Action 100+

⁵⁵ A need for robust just transition planning | Climate Action 100+

⁵⁶ About Us | Council for Inclusive Capitalism

⁵⁷ JET Digital Framework | Council for Inclusive Capitalism

Glasgow Financial Alliance for Net Zero

GFANZ, a coalition of financial institutions seeking a quicker decarbonization of the global economy, was launched in April 2021 by the UN Special Envoy on Climate Action and Finance. The group has more than 450 member firms with more than US\$130 trillion AUM.⁵⁸

Just Transitions are considered within a range of GFANZ publications. For example, its Guidance on the Use of Sectoral Pathways for Financial Institutions, includes a consideration of just transitions in its assessment framework of sectoral transition pathways.⁵⁹

Investor Group on Climate Change

The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. Over 90 Australian and New Zealand investors are involved, representing over \$2 trillion AUM.⁶⁰

IGCC published Empowering Communities: How investors can support an equitable transition to net zero in 2021.⁶¹ The IGCC framework is designed to outline ways in which investors can support a just transition. The framework highlights five main areas: investment strategy and capital allocation, disclosure, corporate engagement, advocacy and partnerships, impact measurement and evaluation.

International Council on Mining and Metals

ICMM is a global industry body focused on the sustainable development of metal and minerals. The group has 26 members, representing around a third of the global metals and mining industry.⁶² ICMM has stated a commitment to just transitions through various initiatives. For example, ICMM's Skills for our Common Future is designed to support workers find long-term employment in a world affected by climate change.⁶³

International Labour Organization

The International Labour Organization (ILO) comprises governments, employers and workers in 187 member states. The ILO focuses on setting labour standards and the development of policies to support decent work.⁶⁴

The ILO adopted Guidelines for a just transition towards environmentally sustainable economies and societies for all (Guidelines) in 2015. The Guidelines advocate for a just transition that will contribute towards ILO goals of decent work, poverty eradication and social inclusion. The Guidelines contain recommendations for government action in consultation with their social partners in a range of policy topics, including economic, industrial and sectoral, enterprise, occupational health and safety, social protection and labour market.⁶⁵

⁵⁸ About | Glasgow Financial Alliance for Net Zero (gfanzero.com)

⁵⁹ GFANZ_Guidance-on-Use-of-Sectoral-Pathways-for-Financial-Institutions_June2022.pdf (bbhub.io), p.7

⁶⁰ Our Members – Investor Group on Climate Change (igcc.org.au)

⁶¹ IGCC-Investors-role-in-an-Equitable-Transition-to-net-zero-emissions_FINAL-150720211-copy.pdf

⁶² ICMM - Our members

⁶³ ICMM - Always searching for better

⁶⁴ About the ILO

⁶⁵ Guidelines for a just transition

Just Transition Centre and B team

The Just Transition Centre and the B team released a just transition guide for companies, *Just Transition: A Business Guide*, in 2018. The Just Transition Centre is an initiative from the International Trade Union Confederation (ITUC), a peak body for unions that represents 180 million workers in 163 countries⁶⁶, and the European Trade Union Confederation, comprised of 89 national trade unions and 10 European trade union federations.⁶⁷ The B team is a group of global business leaders and civil society leaders that aim to improve the inclusion of sustainability, equality and accountability in corporate leadership norms.⁶⁸

Just Transition acts as a guide on implementing just transitions for companies. The paper outlines the opportunities and risks of transitions and identifies three stages of action: engage, plan and enact.⁶⁹

London School of Economics

Launched in February 2018, the LSE's 'Investing in a just transition - global project' links investors to the broad array of policy, place-based, community, labour and business efforts to deliver a just transition and explore ways of empowering community and labour groups to effectively engage with investors. It provides a resource for leading investor initiatives and is laying the foundations for long-term action by investors and others to ensure that the climate transition contributes to the wider Sustainable Development Goals. The LSE has partnered with investors groups and others to provide a range of guidance on just transitions, including for investor engagement with companies.

Principles for Responsible Investment

Principles for Responsible Investment (PRI) is a United Nations organisation. The group is one of the leading supporters of responsible investment globally.⁷⁰

The PRI released *Climate change and the just transition: A guide for investor action* in 2018. The framework outlines five areas for investor action: investment strategy, corporate engagement, capital allocation, policy advocacy and partnership, and learning and review.⁷¹

UK Transition Plan Taskforce

The UK Transition Plan Taskforce (TPT) was established to assist the UK authorities and provide companies with guidelines as to how to adequately create, implement and disclose transition plans. The TPT has produced two documents for consultation⁷². The TPT Disclosure Framework outlines the how best to create and disclose transition plans. It has also released an implementation guideline that provides more in-depth instructions. Whilst the focus of this work is not on just transitions per se, the implementation guidance does make reference to the need to consider and report on interdependencies of a climate transition plan, including with workers and communities.

⁶⁶ [just_transition_-_a_business_guide.pdf \(ituc-csi.org\)](#)

⁶⁷ [European trade unionism | ETUC](#)

⁶⁸ [The B Team | What we do](#)

⁶⁹ [just_transition_-_a_business_guide.pdf \(ituc-csi.org\)](#)

⁷⁰ [About the PRI | PRI Web Page | PRI \(unpri.org\)](#)

⁷¹ [download \(unpri.org\)](#)

⁷² <https://transitiontaskforce.net/>

UN Global Compact

As a special initiative of the UN Secretary-General, the United Nations Global Compact is a call to companies everywhere to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Introduction to Just Transition — A Business Brief⁷³, developed by the Think Lab on Just Transition, provides an introduction to the central role of the private sector in ensuring a just transition for all, covering just transition's foundation and meaning; priority actions for companies; relevant areas of work and the business case, as well as a glossary of key terms and a resource guide. It was released in September 2022.

The UN Global Compact Network Australia published, Leaving no one behind: Planning for a Just Transition, in 2019. The paper focused on the opportunities and challenges of just transitions in Australia. Proposed measures included retraining, government-provided income support, the regeneration of degraded areas, and early retirement packages.⁷⁴

World Benchmarking Alliance

The World Benchmarking Alliance (WBA) was formed in 2018 with the goal of assisting businesses to better achieve the Sustainable Development Goals (SDGs).⁷⁵ The organisation benchmarks 2,000 companies across seven system transformations.⁷⁶ The World Benchmarking Alliance released a Just Transition Assessment in February 2021. The report performs some pilot assessments of just transition indicators. There are six key measurements that assess interactions with stakeholders, the creation of green jobs and decent work, the extent to which employees are retained and reskilled, the management of social impact, and advocacy for just transition policies and regulation.⁷⁷

⁷³ https://unglobalcompact.org/news/4946-09-08-2022?utm_source=newsletter&utm_medium=email&utm_campaign=be_human_rights_confident&utm_term=2022-09-11

⁷⁴ 2019.08.27_Just-Transition-Discussion-Paper.pdf (unglobalcompact.org.au)

⁷⁵ WBA-Press-release-24-Sep.pdf (worldbenchmarkingalliance.org)

⁷⁶ 2021_JustTransitionAssessment.pdf (worldbenchmarkingalliance.org)

⁷⁷ 2021_JustTransitionAssessment.pdf (worldbenchmarkingalliance.org)

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