Submission: Call for inputs by the Katowice Committee of Experts on Response Measures

Stockholm Environment Institute, September 2020

Dear members of the Katowice Committee of Experts on Response Measures,

Thank you for this opportunity to submit views on the just and equitable transition away from fossil fuels.

Since our founding over 30 years ago, SEI has been at the forefront of climate change research, connecting scientific findings and insights with practical policy advice. We support and advise decision-makers around the world grappling with, among other challenges, how to transition to a low carbon future and how to prepare for and adapt to the unavoidable impacts of climate change. Since 2015, the SEI Initiative on Fossil Fuels and Climate Change and the SEI Initiative on Carbon Lock-in have contributed to a growing body of literature that demonstrates the importance of actively managing the reduction of fossil fuel production through a just and equitable process to bring the Paris Agreement's goals within reach.

We draw upon some of our more recent work in this field in order to provide this submission to the Katowice Committee of Experts on potential knowledge products and case studies related to impacts of implementing response measures and just transitions. A list of relevant knowledge products is provided at the end of this document. Below we highlight key messages from this research with regards to principles to guide just transitions and lessons from past and ongoing cases of mining – including coal – transitions.

We would be happy to provide further information as useful, and offer our ongoing support to the Katowice Committee of Experts on Response Measures as it continues to support international progress on these important topics.

Yours sincerely,

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1. Principles to guide just transitions

Based on SEI work on equitable transitions away from fossil fuels (Muttitt and Kartha 2020; Atteridge and Strambo 2020), this section offers some principles that can guide policy action on just transitions at the global, national and subnational levels (see Figures 1 and 2). These principles are based on the recognition that the concept of just transition draws on a wide range of perspectives, which share the common theme of properly considering and managing equity issues associated with structural change, and therefore, that it encompasses a broad range of issues in addition to the protection of affected workers. Importantly, these principles should be pursued in parallel as they are highly complementary.

These principles emphasize that the possible negative impacts in carbon-intensive regions is not a reason to avoid or delay decarbonization and that to be just, a transition needs to ensure that warming is limited to 1.5°C. They also provide guidance on how to share decarbonization efforts fairly, in accordance with environmental justice, and highlight the leading role that countries with less

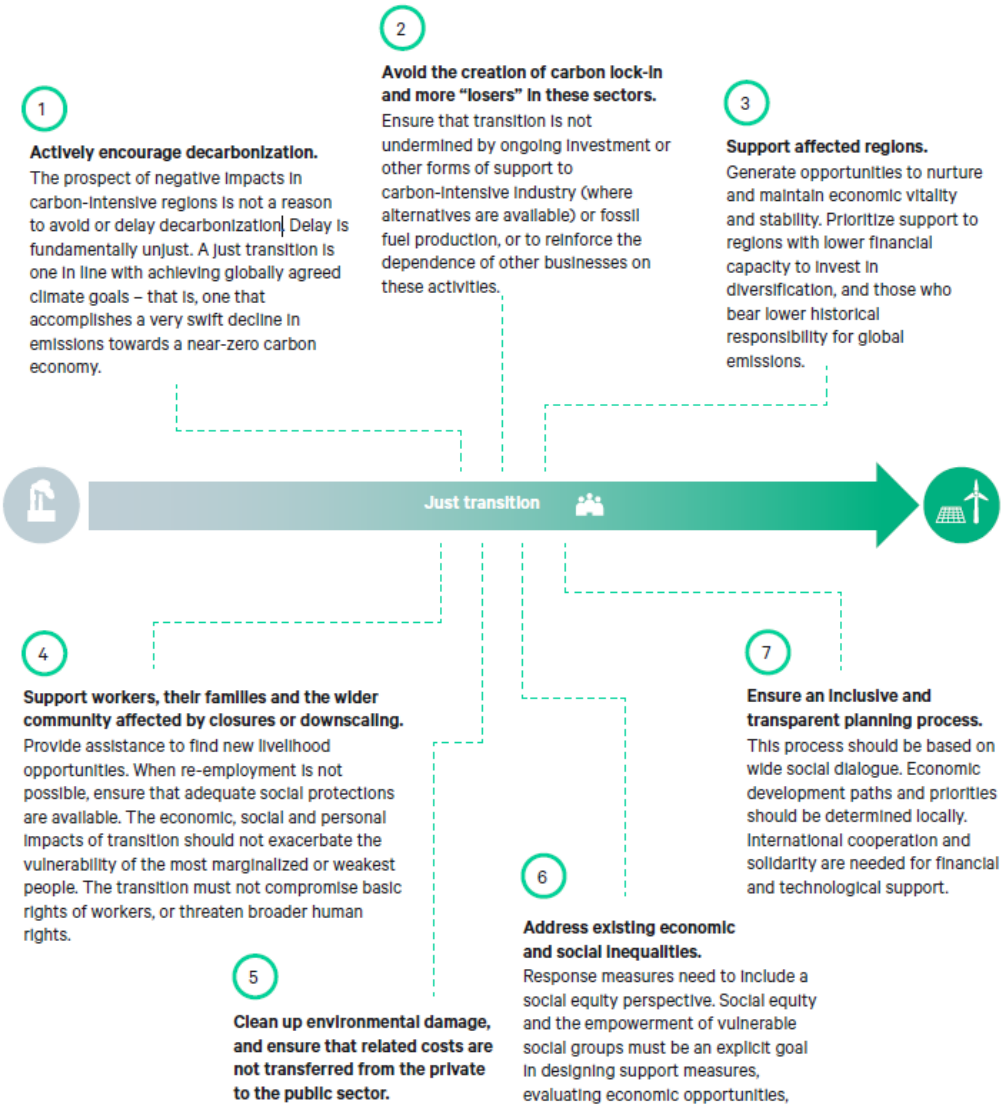
dependence and more capacities must take in making this shift away from fossil fuel production and support poorer countries. In terms of practical measures, these principles also identify the beneficiaries of transition support (affected workers, communities, and regions), and the need to address both environmental pollution from carbon-intensive industries and underlying economic and social inequalities. In particular, policymakers must ensure that existing unequal relations of gender, race, class, age and ability are not exacerbated. Finally, these principles stress the importance of conducting an inclusive and transparent transition process.

Figure 1: Principles of equity in extraction (Muttitt and Kartha 2020)

Principles of equity in extraction

1. Phase down global extraction at a pace consistent with limiting warming to 1.5°C;
2. Enable a just transition for workers and communities;
3. Curb extraction consistent with environmental justice;
4. Reduce extraction fastest where social costs of transition are least — in those economies least dependent on extraction and with greatest resources to absorb the transition;
5. Share transition costs fairly, according to ability to bear those costs.

Figure 2: Principles of just transition (Atteridge and Strambo 2020)



Parties can use these principles to design just transition measures and to ensure an inclusive and transparent planning process. Table 1 below offers initial ideas for putting these principles into practice, so that regions facing decarbonization can prepare for inevitable change on the horizon, with critical investments, policy reforms and inclusive dialogue.

Table 1: Putting just transition principles into practice (Atteridge and Strambo 2020)

Just transition principle	Implementing and reinforcing this principle
Actively encourage decarbonization.	Work actively towards decarbonizing economies as fast as possible. Invest in a clean energy transition, and in greenhouse gas reductions, particularly in hard-to-abate sectors (e.g. cement production, chemical production, steel manufacture, heavy transport, waste) that have few realistic, low-carbon substitutions available. Create space and support for just transition planning. Engage governments to reshape the norms around decarbonization and transition, particularly where transition debates are absent. Highlight practical steps that different stakeholders in regions facing future transition can take in anticipating change. This can help to lower resistance to decarbonization, and ensure time is used for preparation rather than avoidance.
Avoid the creation of carbon lock-in and more "losers" in these sectors.	Avoid new investments linked to high-carbon assets or activities. That is, do not create further carbon entanglement, or set the stage for stranded assets. Support programmes should not enhance the dependency of workers – or of local, regional, and national economies and political regimes – on fossil fuel-based economic activities. For example, programmes targeting SMEs that depend on carbon-intensive industries should support diversification. Avoid reviving or prolonging the decline of carbon-intensive industries. Promote fiscal reforms, particularly fossil fuel subsidy reform. Policies that promote or maintain carbon lock-in should end. This frees up more government revenue to support transition planning, and to roll out policies, investments and financial support measures for affected communities.
Support affected regions.	Actively support regions that today depend on high-carbon industry with finance (including investment), technical assistance and policy engagement that promotes diversification of the economy and re-skilling of workers. Support the private sector: Ensure tailored support to promote new and expanded SMEs. Tailor SME-targeted assistance towards opportunities that generate significant, sustainable new employment opportunities. Support diversification of SMEs dependent on carbon-intensive industries. Help carbon-intensive companies to diversify core activities where plausible. The private sector should bear those costs that can and should reasonably be anticipated as part of its business. Such costs include those mandated by new environmental regulations, and the effects of carbon pricing pressures (whether imposed domestically or through international supply chains). However, costs associated with voluntary changes to reduce carbon intensity might be appropriate for concessional financial support. Locally contextualized solutions: Ensure that decisions about major, new industrial investment consider local assets and capacities, along the lines of the European Commission's "smart specialization" agenda. Use a bottom-up process that involves diverse stakeholders sharing knowledge with one another. Education and research: Work with education institutions and the private sector to identify and address skills gaps that constrain private-sector growth and investment. Infrastructure: Finance universal infrastructure (such as transport, communication and education) that aids a wide range of beneficiaries. Focus on increasing connectivity between carbon-intensive regions and surrounding regions – particularly linking urban and rural areas. Seek opportunities to repurpose existing industrial infrastructure, where this might be an asset or magnet for new and small businesses with similar technical needs. Urban regeneration: Support activities that promote urban regeneration of town centres, rather than the creation of new business parks around the fringes of towns. Supporting urban renewal, and preventing decay can play an important role in maintaining or encouraging positive sentiment among the private sector, which can create a positive investment feedback loop. Technical and policy support: Develop guidance and policy frameworks that facilitate economic regeneration and diversification, spur job creation, and improve access to public services, particularly for vulnerable groups. Use fiscal and economic development policies to provide such support. Explore options for raising capital for regional investment in green industries and green infrastructure (e.g. issuing green bonds). Reform fiscal policy to ensure the maintenance of public income and resources, and guarantee the provision of key services in affected areas. Other efforts to strengthen institutional capacity in the public sector can also help, including addressing environmental legacies, and strengthening the rule of law and democracy.

Support workers, their families and the wider community affected by closures and downscaling.	Provide re-skilling to workers affected by low-carbon transitions, and ensure that these programmes are also available for workers' families and the wider community. Also, create opportunities for other forms of personal support, such as job-seeking, mental health counselling, and financial planning. Scale up social safety nets, particularly in regions where rapid or large-scale decarbonization is on the horizon, and where existing social protections are weak.
Ensure that environmental damage is remediated, and that environmental costs are not transferred to the public sector	Strengthen regulatory requirements and financial guarantees for mines and major industries in relation to site closure and environmental remediation responsibilities. Ensure individual mines have closure plans in place, and that financial resources for cleanup are secured by government. Further, introduce requirements that mines upgrade these plans to reflect new closure scenarios, such as externally driven closure scenarios that occur before planned end-of-mine-life.
Address existing economic and social inequalities.	Target support measures (such as SME initiatives, infrastructure investments, and policy reforms) to avoid higher cost burdens on the poor or other marginalized groups. Measures should actively aim to reverse trends of inequality. This means identifying and understanding pre-existing social inequalities (such as those based on gender, age, ethnicity or disability), and understanding the distributional impacts of transition and of different support measures. Transition support measures should target not only direct workers from carbon-intensive industries but also their families, contractors, and other vulnerable groups. Gender equality – and measures targeted at addressing gendered inequality – should be integrated into any package of transition support, including when designing support measures; evaluating employment and other economic opportunities; assessing livelihood impacts or environmental costs; and prioritizing outcomes from transition support. Indicators used to assess the progress of just transitions should go beyond net job creation, diversity of manufacturing, and regional economic growth. Other indicators could relate to, for instance the kinds of jobs created, who has access to them, and levels of broader community resilience and innovation. Fossil fuel subsidy reform, strengthening of social safety nets, and programmes such as energy efficiency measures that result in cost savings for low income households can contribute to tackling inequality and vulnerability. Prioritize investment support for types of public infrastructure, and the design of public infrastructure that can provide significant benefits to poorer or otherwise more marginalized members of the community.
Ensure an inclusive and transparent planning process.	Create opportunities for wide local engagement with transition planning, so that many different stakeholders and social groups are active participants in defining regional visions and opportunities, and in identifying challenges and risks that need to be managed. Locally driven and coordinated transitions have tended to fare better than those coordinated by national governments.

2. Lessons from past and ongoing cases of mining transitions

From our research on communities and regions (in both high- and low-income countries) that have experienced the consequences of decline in extractive activities (Strambo, Aung and Atteridge 2019; Aung and Strambo 2020), we have drawn the following lessons that can inform the KCE work on the impacts of the implementation of response measures and on strategies to facilitate the undertaking of economic diversification and just transition:

- Conducting careful and long-term planning of the closing down of extractive activities to mitigate not only the economic, but also the social, environmental, and psychological repercussions.
- Involving (and coordinating) a wide range of public authorities across sectors and levels in planning for a decline.
- Establishing realistic goals and criteria of success to ensure a shared vision across actors and stakeholders.

- Strengthening the financial and technical capacities of local authorities to anticipate and mitigate the wide range of effects from closure or downscaling and take advantage of existing opportunities.
- Involving a broad variety of social groups in planning for closure and its aftermath, in particular youth and women.
- Ensuring transparency throughout the closure process.

While existing literature and empirical examples emphasize just transition processes in high income countries (see e.g. SEI et al. 2019), SEI work also explores the challenges and opportunities of transitions away from fossil fuel production in countries with lower capacity such as South Africa (Strambo, Burton and Atteridge 2019) and Colombia (Strambo and Atteridge 2018) and identifies context-specific measures to smooth the transition away from coal. For example, in these countries, subnational authorities are likely to have very limited technical, institutional, and financial capacities, despite their key role in planning and implementing transition measures. Both cases also highlight the negative consequences of poorly enforced rehabilitation regulations. Nevertheless, they also point to potential economic, environmental and health benefits from moving away from fossil fuel extraction if it is planned and executed carefully.

The 2020 edition of the Production Gap Report (SEI et al. 2020), to be published in October 2020, will present additional insights on the challenges and opportunities for achieving just and equitable transitions and development pathways for both high-capacity and low-capacity countries with fossil fuel resources. It will also point to practical measures and institutional arrangements that have been/can be put in place to further support just transitions in producing regions and countries.

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