

# Financing Just Transitions

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# The Just Transition has Arrived. Now we need the Financing

1. **Finance as usual will not deliver the just transition to a net-zero & resilient economy.** We need a transformation of the financial system for both climate & social goals.
2. **Effective action means deploying the full spectrum of finance.** Core public finance, mobilisation capital and market finance, domestically & internationally.
3. **Financing just transitions needs to be governed effectively.** Banks & investors need mechanisms and standards, notably to boost flows to the Global South.

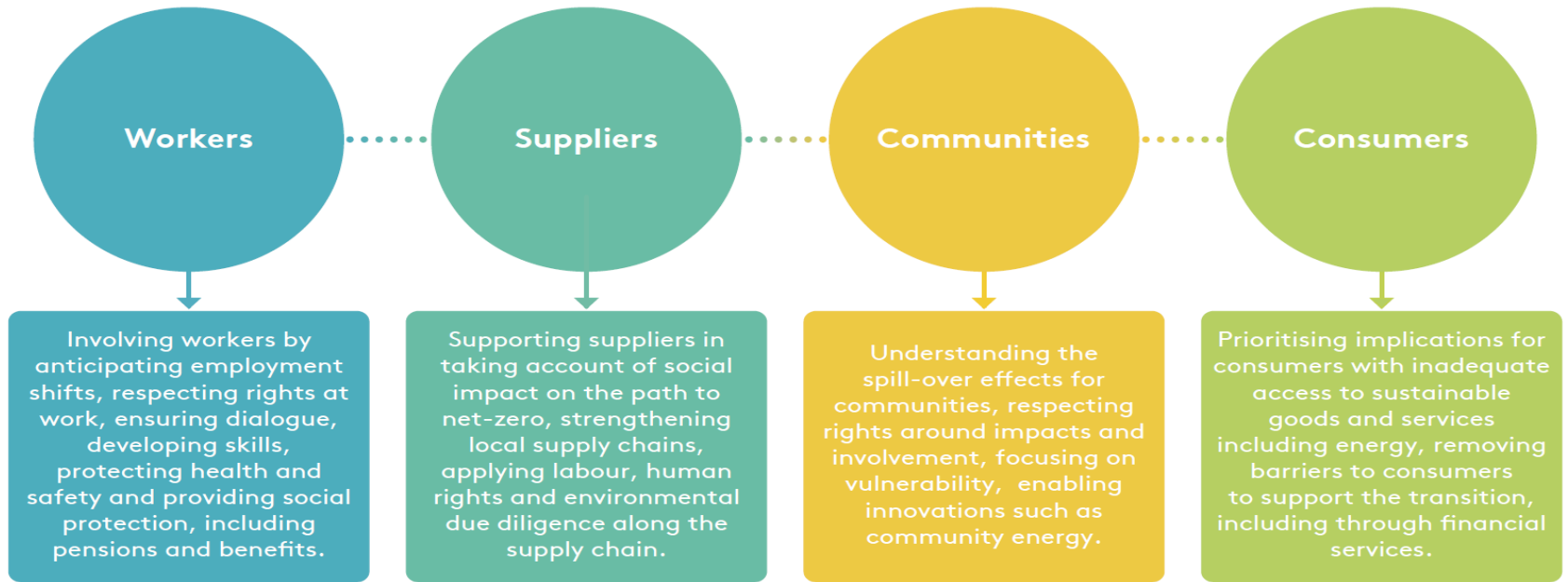


# Just Transition Finance: Priorities and Social Groups

**Priority 1 Social Risks:** Anticipate, assess and address the social risks of the transition

**Priority 2 Social Opportunities:** Identify & enable the social opportunities of the transition

**Priority 3 Participation:** Ensure social dialogue & participation of affected stakeholders



# Transforming the Financial System

- Ensure that the **\$450 trillion global financial system** is working for a just transition
- Make the **International Financial Architecture** 'fit for purpose' (eg MDBs)
- Scale up international climate finance (**Just Energy Transition Partnerships**)
- Implement **national just transition investment plans** as part of NDCs
- Mobilise private sector finance for the just transition with **integrity & impact**



SUMMIT FOR  
**A NEW GLOBAL  
FINANCING PACT**

# The Spectrum of Just Transition Finance

## How can different types of finance contribute?

Core Public Finance	Mobilisation Finance	Market Finance
<ul style="list-style-type: none"><li>- Fiscal policy</li><li>- Regional finance</li><li>- Social protection</li><li>- Skills &amp; education</li></ul>	<ul style="list-style-type: none"><li>- Green incentives (US IRA)</li><li>- High-carbon shift (EU)</li><li>- Development finance (MDBs)</li></ul>	<ul style="list-style-type: none"><li>- Household, SME, corporate loans</li><li>- Asset owners &amp; asset managers</li><li>- Capital markets (equity, debt)</li></ul>

# The Governance of Just Transition Finance

## How do we avoid 'greenwashing' and make a difference?

- ❖ **International Agreements:** ILO guidance & standards, UN human rights
- ❖ **Responsible Conduct Codes:** UN biz & human rights, OECD MNE guidelines
- ❖ **Financial Regulation:** Central banks, financial inclusion, disclosure (ISSB)
- ❖ **Voluntary Financial Sector Initiatives:** GFANZ, Climate Action100+
- ❖ **Civil Society Frameworks:** CWC, World Benchmarking Alliance, LSE

# Just Transition Finance: Key Steps for Banks & Investors

1. **Foundations:** include just transition principles in corporate strategies and climate plans
2. **Governance:** board endorsement and build internal capacity and skills to deliver.
3. **Capital Allocation:** integrate in all financing decisions, tailored for sector and place.
4. **Engagement:** engage with clients and assets, government, trade unions and civil society.
5. **Measure & Disclose:** incorporate in climate & sustainability reporting: metrics needed.

2023 is the year to move from commitment to implementation



# LSE's Just Transition Finance Publications

1. **Climate Change and the Just Transition: A guide for investor Action** report with the Principles for Responsible Investment (PRI), the International Trade Union Confederation (ITUC) & Harvard Kennedy School (2018).
2. **Financing Inclusive Climate Action in the UK** - an investor roadmap, with Leeds University, PRI, the TUC and Friends Provident Foundation (2019)
3. **Financing Climate Action with Positive Social Impact** focused on the role of banking in the UK with Leeds University, HSBC and UK Finance (2020)
4. **The Green + Gilt** how the UK launch a green sovereign bond with social co-benefits, with the Green Finance Institute and the Impact Investing Institute (2020)
5. **From the Grand to the Granular**: translating ambition into investor action in the utilities sector (2021)
6. **Just Zero** first report of the UK Financing the Just Transition Alliance launched at COP26 (2021)
7. **Financing the Just Transition Beyond Coal** with the Powering Past Coal Alliance (2021)
8. **The Just Transition: Shaping the Inevitable Policy Response** with the PRI (2022)
9. **Financing People-centred Climate Action** a just transition bond proposal for the Northern Ireland Housing Executive (2022).
10. **Just Nature** how finance can support a just transition at the interface of climate and biodiversity (2022)
11. **Making Transition Plans Just** how to embed the just transition into financial sector net zero plans (2022).
12. **ILO/LSE Just Transition Finance Tool** for bankers & investors launched at COP27 (2022) jointly produced with the International Labour Organisation
13. **Supporting the Just Transition: A Roadmap for Central Banks** with the Council on Economic Priorities and the International Network for Sustainable finance Policy, Insights, Research and Exchange (INSPIRE) (2022).
14. **Just Finance India** mobilizing private investment for the just transition, with British International Investment, the Environment Management Centre (EMC) and Suranjali Tandon (2023).



# Contact

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