

Work Programme on Just Transition Pathways

14 September 2023

The United Nations Global Compact welcomes the opportunity to provide its views based on insights from briefs developed under its Think Lab on Just Transition, in support of the discussions on the Work Programme on Just Transition in line with document symbol no. FCCC/SB/2023/L.5 titled “Work programme on just transition pathways referred to in the relevant paragraphs of decision 1/CMA.4”.

The UN Global Compact also welcomes the overarching consideration for Parties to respect, promote and consider their respective obligations on human rights, the right to health, the rights of Indigenous Peoples, local communities, migrants, children, persons with disabilities and people in vulnerable situations and the right to development, as well as gender equality, empowerment of women and intergenerational equity when taking action to address climate change. Social dialogue is at the heart of the just transition process and therefore, efforts should be undertaken to engage with all impacted stakeholders.

Role of Business

Businesses have a central role to play in achieving a just transition. Businesses, particularly micro, small and medium-sized enterprises (MSMEs), are a significant source of employment worldwide and are critical to innovation and wealth creation. They employ and provide training opportunities for workers and develop and deploy technologies. They provide goods and services to consumers, the public sector and other businesses. They manage positive and negative impacts linked to their operations, products and services, including in their supply chains and business relationships. To advance a just transition, companies could apply the principles of the ILO Just Transition Guidelines at a company level through various tools and resources available to them.

Accelerating Private Sector Action through Enabling Environments

There are several points that could be considered by Parties as they develop the Work Programme on Just Transition.

Level the playing field for the private sector through policy and regulatory mechanisms

A transition to climate-resilient operations is necessary for all businesses and will require adapting to climate risk and impacts as well as reaching net-zero targets. It will require more resilient supply chains, altered raw materials inputs, new technologies and transition away from carbon-intensive practices. As a result, multinational corporations would need to provide

support to their smaller suppliers, while the management of supply chains would need to support their workers and communities and integrate a decent work agenda from the start. However, it can be capital intensive for companies to deliver the bold and transformative changes needed to effectively address climate and social risks for themselves and in supply chains, which leads to higher operational cost. Since higher operational costs can harm the competitiveness of these companies and send a harmful market signal, their ambitions and actions to drive a transition towards climate-resilient and socially responsible supply chains will be curbed in the absence of strong policy and regulatory mechanisms to level the playing field.

Strong government actions are therefore important to ensure that companies are not penalized for doing the right thing. Greater statutory requirements from governments and robust enforcement mechanisms are needed to enable the kind of systemic change required to deliver socially just, sustainable and resilient companies and their supply chains. However, mandatory measures can have unintended consequences with serious implications for smaller businesses and jobs, and thus capacity building and access to finance needs to bolster in parallel. Governments could encourage greater statutory requirements and robust enforcement mechanisms to enable the kind of systemic change required to deliver socially just, sustainable and resilient companies and for supply chains, in the Work Programme on Just Transition.

Recognize the special circumstances of Small and Medium-sized Enterprises

Special attention should be given to Micro, Small and Medium-sized Enterprises. SMEs form the backbone of national and local economies (representing 90% of all businesses and 50% of total employment) but have limited expertise, institutional capacity and financial resources. Governments should make them aware of where relevant information can be found and what support they can expect, including through capacity building.

Programmes by governments and social partners to support SMEs should mitigate their limited financial resources and institutional capacity to undertake just transition measures and increase their access to renewable energy and sustainable alternatives. Support could range from tax relief to making guidance on just transition measures more accessible. Governments could provide non-competitive funding for SMEs to adopt new processes and technologies for climate resilient and socially inclusive business operations and/or reform tax systems to favour responsible business practices. In some cases, there is scope for governments and large companies to promote the commercial benefits of higher standards to encourage SMEs to co-invest. As Parties advance financing for just transition, financial support for SMEs would be essential for them to adapt to climate change. The Work Programme on Just Transition must address the capacity-building, technical and financial support needed for SMEs.

Public procurement

Public authorities and institutions could introduce or strengthen clauses on sustainability, labour and human rights in their call for tenders and demonstrate the willingness to pay a premium for environmentally and socially responsible business practices. Such market signals from the

public sector could permeate through the supply chains and create economic incentives for suppliers across different tiers to make changes to improve sustainability and labour and human rights aspects of their business operations.

To ensure a just transition, governments need to accord strong social and environmental protection measures more weight, for example in auctions, with the understanding that this would result in higher up-front cost but also stronger socio-economic value creation from bids – while simultaneously reducing the risk of projects incurring costly delays during development. In one country, for example, industry is seeing tenders that are judged on the basis of 70% price, 20% social elements and 10% execution ability. This creates the right incentives. Other criteria beyond price that are important to consider are the inclusion of smaller companies, the potential for local job creation including for marginalised parts of the population, the potential for the development of local industries and businesses and opportunities for the creation of economic activities in under-developed regions. Through the Work Programme on Just Transition, Governments could commit to better designed public procurement systems to send a clear market signal about products, services and infrastructure that are produced in an environmentally and socially responsible manner.

Informal employment and social protection

Workers with informal contracts may have limited labour rights and weaker social protection, which may render them more vulnerable to the impacts of climate change due to lack of access to employment related health and social protection. Informal employment arrangements among suppliers may also make it difficult for companies to have visibility of the environmental and social risks across their supply chains and act on those. The implementation of sustainability and resilience measures throughout the supply chain could in fact unfairly impose economic cost to the workers who already have poor wages. As such, governments should take steps to formalise the employment conditions in businesses and work together with social partners to set in place mandatory requirements that address the decent work deficits. The Work Programme on Just Transition could highlight the need for formalization and social protection for informal workers.

Financing a just transition

A just transition will not take place without large-scale investments in sustainable development, including for climate adaptation. Financial institutions have a responsibility to steer capital towards the investment needs of the just transition. While financial institutions and corporations need to work together to align their investment strategies with a just transition, partnerships with the public sector can ensure that adaptation activities receive adequate financial resources and simultaneously advance a just transition. As Member States also advance just energy transitions, they must strive to ensure that financing provided to recipient countries is not skewed towards mechanisms that increase sovereign indebtedness. The risk of an increased debt burden can be addressed by, for example, a larger share of grants from donor countries, debt-for-climate swaps or raising loans to private sector entities commercially instead of issuing

finance to companies from schemes, such as Just Energy Transition Partnerships. It would be essential to finance the “just” elements such as training and skilling. In light of the climate emergency, the Work Programme on Just Transition will strengthen if it helps to identify and unlock appropriate and available opportunities, resources and means of implementation support (finance, technology and capacity-building).

Incentivize investments in and support for skills and training

Governments must help ensure a qualified workforce that is fit for purpose. For example, newer industries such as offshore wind and green hydrogen struggle to find workers outside of Europe and North America with the requisite skills. Moreover, there is a lack of skills to install and maintain solar PV in both developed and developing countries. Governments can support the establishment of networks of skills councils established with employers and unions and facilitate a model approach to education and training especially for youth. Such a model would involve all relevant stakeholders including educational institutions, trade unions and employers. It should be designed to ensure that participants effectively monitor and anticipate skills and needs, and that this in turn is fed into educational systems and programmes. Incentivizing investments in skills could ultimately prove more effective than are requirements for local sourcing of employment. The Work Programme on Just Transition could highlight the establishment of networks of skills councils established with employers and unions for the renewable energy sector and other sectors.

Governments could facilitate regional and sectoral coalitions and partnerships

Governments could facilitate the creation of regional and sectoral coalitions and partnerships, with businesses, social partners, workers organizations, international organizations, civil society and academia – to share knowledge and provide lessons learned, for example, from training, reskilling and education on climate awareness among the workforce and suppliers. Improved collaboration will ultimately help to avoid workforce disruption across whole sectors. Workers from affected industries could be trained to adapt to work on green technologies, identified through regional and sectoral partnerships. The Work Programme on Just Transition must accelerate partnerships as an urgent measure to combat the climate emergency.

Harmonize rules and standards and reduce red tape for a renewables revolution

Businesses are challenged by the kaleidoscope of rules, requirements and regulations for renewable energy projects in different countries, and even within countries different rules may apply in different regions. A consistent and stable business environment supported by governments and regulators within and across markets would provide positive signals for investors, streamline the process for getting projects up and running and help ensure alignment with the ILO Just Transition Guidelines. Similarly, policies are needed that shorten planning processes, accelerate administrative procedures and simplify permitting conditions and procedures while ensuring that environmental and social impacts are adequately assessed and mitigated. In one country, for example, the Government has incentivized renewable energy

uptake by increasing the threshold for registering embedded generation projects from 1 MW to 100 MW. The Work Programme on Just Transition could call on Parties to address the rules and standards needed and identify areas to reduce red tape for a renewables revolution, while helping to ensure alignment with the ILO Just Transition Guidelines.

Partnerships to advance a just transition

Governments have an essential role in social dialogue with workers' organizations and stakeholder engagement for more effective coordination around key challenges at regional or national levels. Partnerships could help unlock urgent actions. Governments could work with workers' organizations, the private sector and Employer and Business Membership Organizations, and civil society to develop regional and sectoral partnerships, as platforms to tackle shared challenges, e.g., skills development, standard setting, re-employment and transition pathways.

This is also crucial for a just transition for climate adaptation. Climate impacts tend to be felt first locally and regionally. To better address the challenges that workers, communities and supply chains will face, it is critical to encourage governments at all levels (local and regional governments), to partner to ensure that adaptation actions advance a just transition and provide co-learning opportunities, increasing local and regional understanding of the risks. This would improve planning for companies operating in their territory.

One example of a partnership at the global level is the Maritime Just Transition Task Force. It is a multi-stakeholder collaboration launched at COP26 in Glasgow by the International Chamber of Shipping, the International Transport Workers' Federation, the International Maritime Organization, the ILO and the UN Global Compact to ensure that the shipping industry's response to the climate emergency puts seafarers at the heart of the solution. It is the first sector-specific global task force dedicated to just transition.

It is also important to partner to ensure economic diversification and green transformations of regions that would be most affected. The Work Programme on Just Transition could place an emphasis on the role of partnerships, including sectoral and regional, to advance action on mitigation and adaptation, and just transition.

Clarity on division of responsibilities for a just transition and lessons learned

Just transition is a novel concept for most businesses. Governments and international organizations could provide additional clarity on division of responsibility, including in the context of adaptation, as well as stronger synergies among different and parallel global processes on just transition, responsible investment principles, disclosure and the SDGs among others. In addition, lessons learned by living the day-to-day experience of the energy transition are equally applicable to other sectors such as automotive, agriculture, maritime industries and manufacturing, among others. To address the climate emergency, the Work Programme on Just Transition could provide clarity on division of responsibilities and provide a platform for sharing



knowledge, best practices and experience pertaining to just transition pathways to scale-up concrete action and learnings through the Work Programme.

The UN Global Compact stands ready to support the Work Programme on Just Transition and the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures

About the UN Global Compact: As a special initiative of the United Nations Secretary-General, the UN Global Compact is a call to companies worldwide to align their operations and strategies with Ten Principles in the areas of human rights, labour, environment and anti-corruption. Our ambition is to accelerate and scale the global collective impact of business by upholding the Ten Principles and delivering the Sustainable Development Goals through accountable companies and ecosystems that enable change. With more than 18,000 companies and 3,800 non-business signatories based in more than 160 countries, and 62 Local Networks, the UN Global Compact is the world's largest corporate sustainability initiative.