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**Mandate:** FCCC/SB/2023/L.5



**Views from the We Mean Business Coalition**  
on the UNFCCC Work programme on just transition pathways  
referred to in the relevant paragraphs of decision 1/CMA.4

*September 2023*

## **Background**

The We Mean Business Coalition works with the world's most influential businesses to catalyze business and policy action to halve global emissions by 2030 and secure a just transition to a net zero economy by 2050 at the latest. The Coalition is a group of seven nonprofit organizations namely BSR, CDP, Ceres, CLG Europe, Climate Group, The B Team and the World Business Council for Sustainable Development (WBCSD) working through unprecedented collaboration across a global network of multinational enterprises, small and medium size enterprises (SMEs), civil society, policy and decision makers, to guide and mobilize business to take credible and science-led climate action towards net zero.

The companies we work with support the implementation of the Paris Agreement, recognizing that its objectives can be achieved at a much faster pace through collaboration among stakeholders and a common vision to accelerate climate action. As part of this common vision, the We Mean Business Coalition recognizes just transition as a key enabler of effective climate action towards a decarbonized economy.

The shift to a low-carbon economy can disproportionately affect some people, communities and countries more than others. The International Labour Organization defines just transition as promoting “environmentally sustainable economies in a way that is inclusive, by creating decent work opportunities, reducing inequality and by leaving no one behind. Just transition involves maximizing the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises, while minimizing and carefully managing challenges. It should be based on effective social dialogue, respect for fundamental principles and rights at work, and be in accordance with international labour standards. Stakeholder engagement is also important.”

The Coalition understands the just transition as both a process and an outcome that provides a system-wide opportunity to mitigate existing inequalities: between people as well as countries, with respect to wealth, income and opportunity. It is a principles-based approach to climate change mitigation and adaptation that seeks to ensure respect for labor rights as well as contribute to the creation of shared prosperity and an equitable future for all affected stakeholders.

We welcome the opportunity to contribute our inputs towards the new UNFCCC Work programme on just transition pathways. In this submission, we address a selected number of issues that are most relevant to business.

## 1. Context

### A- Need for a dedicated work programme on just transition pathways

Science is clear: the window of opportunity to keep global warming to a maximum of 1.5°C is rapidly narrowing. This is the decisive decade to accelerate climate action and reduce the risks that every fraction of a degree of greater warming poses to people, planet, business and economies. Yet, we are not moving fast enough and current Nationally Determined Contributions (NDCs) and other plans (e.g., LTS, NAPs) and their implementation are collectively not sufficient to limit global warming to 1.5°C.

The recent AR6 Synthesis Report of the Intergovernmental Panel on Climate Change (IPCC) highlights that reaching net zero in energy systems entails immediate steps to phase out fossil fuels and phase in low-carbon energy sources. It also stresses that we already have most of the solutions available to do so: we now need to rapidly deliver them at scale. To this end, ensuring social cohesion and increasing support for climate action is key to secure higher climate ambition and help governments and business implement those ambitions faster. This is a key conclusion of the report, which finds that “Equity, inclusion, just transitions, broad and meaningful participation of all relevant actors in decision making at all scales enable deeper societal ambitions for accelerated mitigation, and climate action more broadly, and build social trust, support transformative changes and an equitable sharing of benefits and burdens”. This was further reflected in the recent Synthesis Report of the Technical Dialogue of the First Global Stocktake, which finds that “just transitions can support more robust and equitable mitigation outcomes.”

We therefore welcome the decision made at COP27 to establish a new dedicated work programme on just transition pathways. This elevates the importance of mainstreaming people-centered climate action, to increase the societal buy-in required for an accelerated and sustainable transition to a low-carbon economy, at the pace required by science. It also can provide a unique opportunity for governments to deliver a rapid, science-led and equitable phase out of fossil fuels globally, by mandating this programme to develop 1.5°C-aligned pathways towards climate-resilient economies that reflect the principle of common but differentiated responsibilities and respective capabilities.

The new work programme can support higher ambition and help close the implementation gap, whilst also complementing other existing workstreams within UNFCCC processes. Of note, we refer to and welcome the significant contributions that the Katowice Committee of Experts on the Impacts of the Implementation of Response Measures established at COP24 has made towards sharing best practices and technical knowledge on the just transition of the workforce. Building on this important work, the new work programme should focus on conducting in-depth **analysis and propose ambitious, real, equitable, social-justice centered pathways to move away from fossil fuels towards clean energy, and ensure these pathways are included in 2025 NDC enhancements.**

### B- Business perspective on the need for such programme

Business has a key role to play, both in driving down emissions as well as in ensuring that the transition to net zero is just, mitigating adverse societal impacts and maximizing social and economic opportunities for affected workers and communities. While companies around the world are driving economic transformation, creating jobs and investing in clean energy solutions, the role of business in building a fairer and more inclusive economy is still not well understood by

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**Mandate:** FCCC/SB/2023/L.5

policymakers and incorporated into national transition strategies. There is also a need to further socialize the materiality of risks related to an unjust transition within the business community.

National pathways should provide the right incentives and a clear role for business in driving just transition. Business needs **clarity from policymakers on the direction of travel to scale action and investments** in support of a global and equitable transition to low carbon economy. The right policy decisions taken today can drive investments and spur business decisions in favour of people-centred climate solutions and accelerated business-government collaboration on climate change, which is what we call the [Ambition Loop](#).

The success of this new work programme on just transition pathways will also depend on the inclusive engagement and participation of all stakeholders, including business, workers, local communities, indigenous people, and policymakers. An inclusive approach will provide richer, more detailed input on what is required to create the right enabling environment for the just transition. It can also provide a forum to foster the necessary multistakeholder collaboration.

## **2. Private sector contribution to a just transition**

There is a strong business case for accelerating just transitions. Systemic inequalities that can be exacerbated by climate action present a business risk, as evidenced in the Business Commission to Tackle Inequality [flagship report](#). Mitigating these risks is essential for business to strengthen operating environments, build resilient supply chains, secure license to operate and access capital. Similarly, financial institutions can better address the material risks associated with their investment and lending portfolios when they incorporate just transition principles in their net zero plans. A just transition offers the necessary stakeholder-centric approach for business and investors to plan for the shift to a decarbonized economy. For business, it can improve oversight of transition benefits, risks and costs, increase social support for climate action, and ensure good relations with all groups that are affected – thereby allowing people and communities to thrive alongside business.

In July 2023, BSR, The B Team and We Mean Business Coalition published the [Just Transition Resource Platform](#) to help scale business ambition, action, advocacy and accountability on the just transition, in line with the Coalition's [4A's of Climate Leadership](#) framework for credible corporate climate action. The Platform gives clarity to companies on their role in the just transition and tools to navigate their just transition journey. It provides clear actionable steps for companies with signposts to the best available guides, tools and standards. Below are some of the main takeaways from the Platform.

### **a) Business Ambition for a just transition**

Companies can make a commitment to a just transition to net zero, which should be understood and approved at the most senior level. Communicating this commitment internally and externally is a first step towards embedding just transition in a company's strategy and operations.

Companies should also seek to build a sound understanding of the societal context in which they operate, including how their climate transition action plan may contribute to the economic development of regions where they have business operations. In line with the recommendations of the [Integrity Matters report](#) of the High-level expert group on the net zero emissions commitments of non-state entities, transition plans should consider and address the broader social consequences and impacts of mitigation actions.

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For example, 27 major companies from across the energy and industrial sectors have signed [The B Team Just Transition and Decent Jobs pledge](#), committing to build decent green jobs in every country they operate and to support the just transition of the global economy.

b) Business Action for a just transition

By participating in social dialogue, companies can ensure workers are well informed and consulted about their transition plans and initiatives on an ongoing basis, and can benefit from opportunities brought by a company's net zero transition, such as access to new skills, training programmes and job opportunities.

Companies can also identify and consult external stakeholders to understand the needs of groups who may be affected by their transition plan. This can inform the development and implementation of a company-wide time-bound plan with interim milestones to advance a just transition. Establishing good corporate governance, including defining clear roles and responsibilities for just transition within the company and training employees in relevant functions, can strengthen the company's capacity to effectively support just transition.

A key component of a company's just transition plan should be to prepare the workforce to change that will be needed to achieve the net zero transition through reskilling, upskilling and by providing support for redeployment.

c) Business Advocacy for a just transition

Business advocacy is essential in bringing about science-based climate and just transition policy that unlocks investment and delivers action at scale. A first step towards effective advocacy is for companies to ensure that their commitment to a just transition is upheld internally, including by executive leadership. By publishing their commitment and reviewing processes for advocacy and lobbying, companies can ensure they engage responsibly with policymakers to create a pro-climate policy environment that is also aligned with the objectives of a just transition.

Through these steps, companies create favorable conditions to publicly advocate for a just transition, mobilizing their network as well as their employer and business membership organizations. They can also make use of the collective reach of advocacy organizations such as We Mean Business Coalition to lobby for enabling policies at national and international level.

d) Business Accountability for a just transition

Investors and other stakeholders increasingly expect companies to disclose the actions they take to achieve a just transition in climate transition action plans. Companies can explain how their transition plans contribute to the economic development of regions where they are operating and to other development issues such as inequality, gender and energy access. By developing and publishing a dedicated 'just transition plan', companies can also facilitate peer learning, and contribute to greater transparency and corporate accountability for the just transition.

### **3. Recommendations for the work programme on just transition pathways**

It is our recommendation that the UNFCCC work programme on just transition pathways should not duplicate existing efforts under the Katowice Committee of Experts but rather be outcomes-oriented and focus on conducting in-depth **analysis of ambitious, real, science-led, equitable, social-justice centered pathways to transition away from fossil fuels towards clean energy**,

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with clear recommendations to integrate these pathways **into 2025 NDC enhancements**. Hence, the work programme should have a scope that focuses both on national just transition pathways as well as identify and unlock enablers to deliver such pathways globally. This includes **increased international cooperation** and the provision of support to countries in the Global South, including capacity-building and access to low-cost financing.

a) National just transition pathways

National just transition pathways should address the transition of the workforce and of affected communities as well as national financial planning to deliver a just transition away from fossil fuels. The latter requires **incorporating the imperative of adequately financing the just transition within NDCs and long-term strategies for climate action**. At policy level, this includes:

- making financial flows consistent with the objectives of a just transition towards a low-carbon economy by:
  - Integrating just transition considerations into public finance strategies, with a view to providing **universal access to affordable and reliable clean energy**;
  - Pursuing efforts to align private financial sectors with climate action, for example by requiring that financial institutions adopt credible climate transition action plans that integrate just transition considerations
- scaling up investments in off-grid renewable energy solutions, repurposing fossil fuel subsidies and revenues from carbon pricing instruments towards measures to support a just transition;
- adopting targeted measures to mitigate the distributional impacts of carbon pricing instruments and other climate measures on low- and middle-income households.

With respect to the just transition of the workforce, the work programme should help identify opportunities to promote **formal green and decent job creation** as part of macroeconomic policies with a view to stimulating economic diversification and job growth in regions most affected by the transition away from fossil fuels. It should also help workers navigate the transition with dignity, including by helping identify and adopt social protection policies as well as strategies for **skilling, reskilling and upskilling affected workers** through in-work or otherwise compensated training.

The recent conclusions of the International Labour Conference find that just transition involves maximizing the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises. It is therefore important that the new work programme seeks to identify ways to **improve the governance process for just energy transition at the national and local levels** with a view to facilitating and maximizing business contribution to a just transition. This includes tapping the potential of SMEs, which make up almost 90% of all business, contribute to more than half of total employment in the global economy, and need support in the transition towards a low-carbon economy.

Governance processes for just transition can be improved by promoting the creation of independent mechanisms (i.e. commissions or institutes) at national level that institutionalize social dialogue, facilitate robust stakeholder engagement and drive coordination and implementation of just transition plans. Such mechanisms may have a mandate to:

- inform and advise national plans for a just transition,
- monitor and communicate progress,

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- manage financial support and funds,
- map skill needs and identify opportunities for business-government collaboration on skills development,
- support coordination across ministries at national and subnational levels,
- resolve conflicts.

b) International cooperation to deliver just transition pathways

Companies operate through complex values chains across borders. To maximize business contribution to just transition pathways, international cooperation is an essential pre-requisite, starting with an agreement at COP28 **for a 1.5°C-aligned phase out of fossil fuels**. The new work programme on just transition pathways can ensure such commitment is delivered in an equitable and just way, with **technical support and adequate financing provided to countries in the Global South** for them to diversify their economies and develop 1.5°C-aligned pathways.

The recent AR6 Synthesis Report of the IPCC finds that “Accelerated international financial cooperation is a critical enabler of low-GHG and just transitions, and can address inequities in access to finance and the costs of, and vulnerability to, the impacts of climate change”. Ensuring that countries in the Global South have sufficient fiscal space to drive structural transformation is also critical. It is therefore imperative that the work programme identifies **opportunities to finance just transition pathways in developing countries across the global climate finance architecture**, including via scaled up grants, funds, and blended finance, but also by de-risking low-carbon investments. In particular, the work programme could seek to provide guidance on how to better structure Just Energy Transition Partnerships (JET-Ps) in such ways that leverage increased resources to finance the “just” element of the energy transition and optimize business engagement and role in driving implementation of the JET-Ps.

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**Mandate:** FCCC/SB/2023/L.5

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