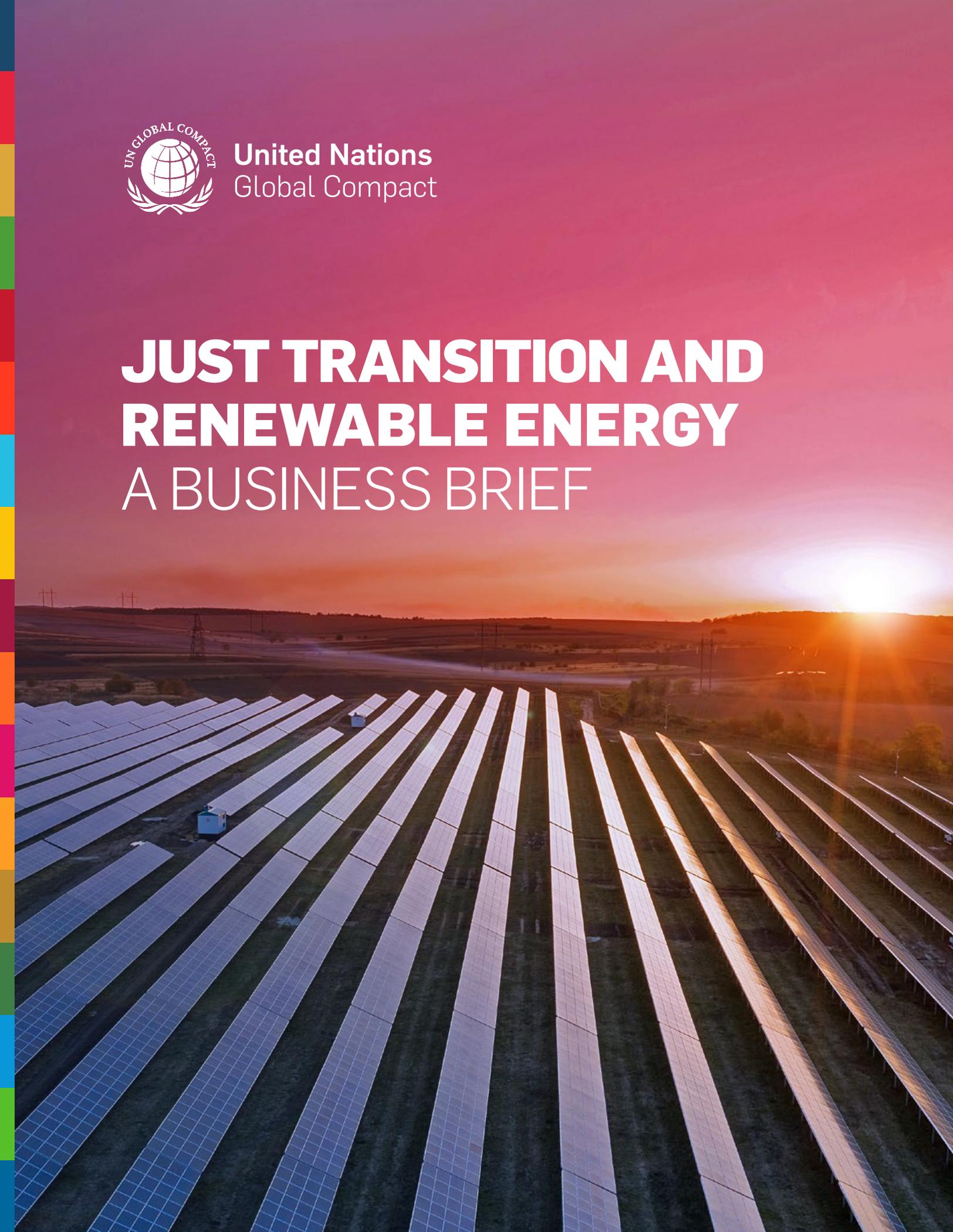




United Nations
Global Compact

JUST TRANSITION AND RENEWABLE ENERGY A BUSINESS BRIEF



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KEY MESSAGES

The increasing risk of catastrophic climate change, the imperative to provide sustainable energy to the 733 million people who currently lack electricity access and the need to power sustainable development make the renewable energy transition urgent. Business has a key role to play in ensuring that this transition is just and no one is left behind. This Business Brief on Just Transition and Renewable Energy describes the context of emerging national just transition policies; an advocacy agenda for business to influence those policies responsibly; company best practice examples and success factors; and 10 recommendations for businesses to advance the just transition within and beyond their companies in support of the goals of the Paris Agreement and the 2030 Agenda.

1 While a net increase in jobs is anticipated as a result of the green transition, misalignments will occur as jobs lost in a given community or industry will not necessarily be replaced immediately with comparable jobs in the same place or require the same skills. Governments and businesses have roles to play in minimizing misalignments, providing social safety nets and retraining/reskilling workers for decent work that meets the needs of the renewable energy economy.

2 Business should embrace the urgency of a just energy transition, set ambitious targets, develop just transition plans and publicly report on progress.

3 Business should become vocal advocates for the just transition and call upon governments and social partners to develop holistic policies and undertake just transition planning — in other words create an enabling environment for companies to advance ambitious and effective just transition initiatives.



INTRODUCTION

The transition from an energy system driven by fossil fuels to one based on renewable energy¹ sources and technologies will impact every aspect of national economies and societies. The transition has the potential to create millions of jobs, foster sustainable growth and improve welfare. At the same time, misalignments will occur during the process as new jobs, for instance, may not be created in the same place or time as fossil fuel job losses, and new jobs may require different skills or involve different sectors.² Putting the needs of people at the centre of the transition will help to address these challenges and ensure that the transition is just.

According to the International Labour Organization (ILO), just transition “means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind. It involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges — including through effective social dialogue among all groups impacted, and respect for fundamental labour principles and rights.”³

Business support for just transition begins from a foundation of responsible business conduct and respect for human rights, including labour rights, as set out in the Ten Principles of the UN Global Compact, the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises And Social Policy, the UN Guiding Principles on Business And Human Rights and the OECD Guidelines for Multinational Enterprises (OECD Guidelines).

The *ILO Guidelines for a just transition towards environmentally sustainable economies and societies for all* (henceforth ILO Just Transition Guidelines) were adopted by the ILO Governing Body in 2015 and establish the vision, key opportunities and challenges, and guiding principles of just transition.

In addition to respect for fundamental labour principles and rights, instruments such as the UN Guiding Principles

“ We need a renewables revolution, not a self-destructive fossil fuel resurgence.

António Guterres,
United Nations Secretary-General

on Business and Human Rights establish the baseline expectations for operationalizing corporate respect for human rights⁴ and should be central to all renewables projects across the value chain, including resource extraction, manufacturing, deployment and land use.

These guidelines and principles provide inspiration and the foundation for how companies should approach the transition, with governments ensuring a smart mix of measures to create an enabling environment for business to accelerate the just transition while protecting labour and human rights.⁵

This brief focuses on the role of renewable energy companies in facilitating a just transition, as well as “ofttakers” — large energy-consuming companies — seeking energy that is sustainably produced. Renewable energy companies in this context include those whose business, whether state-owned or private, consists solely of producing renewable energy and hybrid companies that are transitioning or have transitioned out of fossil fuels and into renewables and related services.

The starting point for this brief is that a fossil fuel-based energy economy is deeply damaging to the environment and that climate and health impacts disproportionately affect the poor and marginalized. Any issues related to the social or environmental impacts of renewable energy development must be understood in that context, recognizing that companies have an opportunity to avoid repeating the mistakes of the past. The brief therefore focuses on renewable energy companies to reduce our long-term dependence on fossil fuels. Other energy companies could benefit from taking its recommendations on board.⁶

1. For the purposes of this brief, we use the International Renewable Energy Agency (IRENA) [definition](#) of “renewable energy” to mean all forms of energy produced from renewable sources in a sustainable manner, including bioenergy, geothermal, hydropower, ocean, solar and wind energy. We exclude any technologies derived from nuclear, gas or other fossil fuels.

2. IRENA and International Labour Organization (ILO), [Renewable Energy and Jobs – Annual Review 2021](#) (Abu Dhabi, Geneva, 2021).

3. International Labour Organization, [“Frequently Asked Questions on Just Transition”](#).

4. Institute for Human Rights and Business (IHRB), [“Just Transitions for All: Business, Human Rights, and Climate Action”](#), 2020.

5. It is also noteworthy that States have recently taken important steps to recognize the right to a clean, healthy and sustainable environment as a human right, most recently in General Assembly resolution [A/RES/76/300](#), 28 July 2022.

6. Organizations such as The B Team and Business for Social Responsibility (BSR), as well as others, have initiatives focused on just transition in the fossil fuel and energy sectors more broadly where companies can find support and inspiration. BSR, [“Collaborative Initiatives: Energy for a Just Transition”](#) and [“Council for Inclusive Capitalism”](#).

JUST TRANSITION IN THE RENEWABLE ENERGY SECTOR

Businesses are critical to driving both the supply of and demand for renewable energy. They are key to developing innovative approaches that ensure the most efficient use of energy resources and improve energy access. The scope and focus of this brief include:

- **Producers and providers:** renewable energy technology companies, independent power producers, utilities and so forth;
- **Offtakers:** large consumers of renewable electricity or zero emission fuels such as data centres, electric vehicles (EV) charging networks and shipping companies;
- **Related industries or technology innovators:** businesses such as grid operators, EV designers, storage companies, materials and components producers and developers of demand-side and digital management tools.

Two components of the renewable energy ecosystem stand out in particular:

Renewable energy producers and providers, some of which are transitioning out of fossil fuels, have a direct role to play in making the transition just by understanding and planning for the human rights and job implications of the transition; supporting workers through (re)training and (re)skilling programmes in cooperation with educational institutions; forming partnerships with trade unions, indigenous peoples and community organizations;⁷ adhering to applicable labour and other standards; engaging with impacted workers and communities; and ensuring that the benefits of the

transition are shared equitably. A just transition also must pay particular attention to providing energy access to disadvantaged communities and creating opportunities for women and ethnic minorities. These companies also can ensure that production and manufacturing of renewable energy components either through their own operations or along the value chain create decent job opportunities in the regions where fossil fuel jobs are lost.

Renewable energy offtakers are emerging as major players in the renewable energy sector. From those that consume significant quantities of electricity in their operations to heavy emitting sectors such as steel, chemicals, long-haul transport, shipping and aviation, companies are entering into direct partnerships with the renewable energy sector to guarantee access to green energy sources. Global shipping corporations,⁸ for example, are entering into partnerships to procure the needed energy more sustainably such as through methanol or green hydrogen.

In the U.S. alone in the five-year period from 2016 to 2020, large corporate consumers entered into power purchase agreements for 21.78 gigawatts (GW) of new wind and solar developments. In 2021 — a single year — an additional 17 GW was added.⁹ This gives such companies the opportunity to deepen engagement with the providers that supply them. Both private and public offtakers can play a key role in the just transition by incorporating rigorous environmental and social impact criteria into their procurement decisions and by advocating for sustainable energy enabling measures with Governments and suppliers.

7. For examples, see IHRB, "[Community Ownership of Renewable Energy: How it Works in Nine Countries](#)", 21 February, 2023.

8. Maersk, "[Maersk and the Spanish Government to explore large-scale green fuels production](#)", 3 November, 2022.

9. Microsoft, "[Environmental justice in renewable energy procurement: Lessons learned from Microsoft and Volt Energy Utility](#)" (2022, p. 6).

BUILDING A NEW NORM

As countries accelerate the pace of a renewable energy transition, they are effectively building new norms for just transition. Those with explicit just energy transition plans — developed through a process of social dialogue and stakeholder consultation with the participation of business, the workforce, consumers and communities affected by sunseting and transitioning industries — are likely to be better prepared for a renewable energy-based future. However, not all those involved recognize the full benefits of an inclusive process.

The World Benchmarking Alliance's Just Transition Assessment 2021 found that despite some corporate action relevant to the just transition, it is essential for companies to better address environmental and social risks to ensure a systematic shift to net zero that also supports stakeholders affected throughout the value chain.¹⁰ A recent report by the International Trade Union Confederation and others pointed out that social dialogue has not yet become the norm: "Our affiliates and members mostly do not have clarity about when the transition will happen or how, which existing jobs will change or disappear, what new jobs will be created, and what the pathway for workers will be to new jobs."¹¹

The Cambridge Institute for Sustainability Leadership found that innovative approaches to the environmental and social aspects of the transition bring benefits, specifically noting that addressing the social dimension of the transition does not reduce competitiveness. To the contrary, it can underpin success when linked to innovation and good governance that is stable, rights-based and publicly accountable.¹²

Some companies are well into the just transition process, and much can be learned from their efforts and the success factors which led or are leading to positive outcomes.

10. World Benchmarking Alliance, *Just Transition Assessment 2021* (2021, p. 9).

11. International Trade Union Confederation LO Norway and IndustriALL Global Union, *Just Transition and the Energy Sector, 2022 Roundup* (2022, p. 25).

12. University of Cambridge Institute for Sustainability Leadership, "[The Competitive Sustainability Index: New Metrics for EU Competitiveness for an Economy in Transition](#)", 2022.

CORPORATE EXAMPLES AND INSIGHTS

The ILO Just Transition Guidelines put social dialogue at the heart of the just transition process. Workers, women, land holders, indigenous peoples and others must fully participate in decision-making processes. The land-intensive nature of some renewable energy sectors makes such processes especially important. Still, a just transition is more broadly linked to the concept of leaving no one behind, and this includes businesses — in particular Small and Medium Enterprises (SMEs).

The following section includes a selection of illustrative examples of just transition initiatives provided by Think Lab companies.

THE BENEFITS OF PARTNERING WITH WORKERS

ØRSTED AGREEMENT WITH NORTH AMERICA'S BUILDING TRADES UNIONS (NABTU)

Ørsted was one of the most coal-intensive power generators in Europe until it took a strategic decision to become a green energy company and is now one of the largest renewable energy companies by capacity globally and a leading offshore wind company. Ørsted notes that as a result of this transition, its financial performance significantly improved and its carbon emissions were reduced by 86%.¹³ The lessons learned from this transformation are captured in a white paper and continue to be put into practice as it expands its business, for example in North America.

Ørsted and its partners are working with NABTU (a labour federation of unions of construction workers) to identify the skills needed for the offshore wind construction workforce, matching those needs "against the available workforce, timelines, scopes of work, and certification requirements to fulfil Ørsted's pipeline of projects down the East Coast, creating expansive job opportunities in a brand-new American industry for years to

come and raising economics for a just transition in the renewable sector."¹⁴ Ørsted and NABTU also are working in cooperation to develop long-term strategic plans for the further development of Ørsted's offshore wind projects.

Success factors:

- A commitment to just transition at the highest levels of the company, as a result of a strategic decision.
- A favourable policy environment, with strong labour standards anchored in U.S. legislation.
- The convening power of the White House which brought together offshore wind companies and labour unions.
- An inclusive approach to labour issues based on social dialogue that led to success in developing a positive relationship with unions and local communities in the U.S.

13. Ørsted, "Our Green Business Transformation: What we did and lessons learned".

14. Ørsted, "North America's Building Trades Unions (NABTU) and Ørsted Sign Landmark MOU for U.S. Offshore Wind Workforce Transition", 18 November, 2020.



SKILLING FOR THE FUTURE

JUST TRANSITION VIA SKILL DEVELOPMENT AT MAHINDRA SUSTEN

Mahindra Susten, a renewable energy company in India, is working to provide the necessary skills for the renewable energy transition while simultaneously supporting socio-economically weaker communities. Its training and skilling centre in Karjat is a case in point.¹⁵ Focused on building solar photovoltaic (PV) technical skills (of which there is a shortage in the industry), it is also serving to help women and youth find sustainable employment opportunities.

The Karjat centre has already trained more than 4,500 technicians in full trade skills, including 140 women, and more than 10,000 people in semi-skilled trades. It also helped eight entrepreneurs get started in the solar industry and is actively working to increase female participation in the trainings.

In 2022, Mahindra Group entered into a strategic partnership with the Ontario Teachers' Pension Plan Board, which now has a 30% equity stake in Mahindra Susten. As a result, the company will strengthen its renewable energy business focused on solar

energy, hybrid energy, integrated energy storage and round-the-clock ("RTC") green energy plants.¹⁶

Success factors:

- A preferential selection of candidates from rural areas and economically weaker sections.
- A comprehensive understanding of solar technology installation processes in the shortest possible time.
- A focus on modules and delivery methods, structured training curriculum, advanced practical sessions, guest lectures, case studies.
- An affiliation with the Ministry of New and Renewable Energy (MNRE) and the Government of India's Skill India Mission.
- Continuous support from senior leadership.

¹⁵ Mahindra Susten, "Mahindra Susten Center of Excellence", 8 August, 2019.

¹⁶ Ontario Teachers' Pension Plan, "[Mahindra Group and Ontario Teachers' to form a strategic partnership in the renewable energy space](#)", 17 September, 2022.

ATTENTION TO BIODIVERSITY AND COMMUNITIES

IBERDROLA'S 2030 BIODIVERSITY PLAN AND CONVIVE PROGRAMME

Iberdrola's Biodiversity Plan has stated goals to have "a net positive impact on biodiversity by 2030 and to drive the transformation towards an energy model in harmony with nature and human beings."¹⁷ The company also is committed to a goal of no net deforestation by 2025 through its own activities and those of the supply chain. The strategy entails, for example, avoiding locating new infrastructure projects in areas with high biodiversity value.

Iberdrola launched the CONVIVE Programme¹⁸ with the objective of integrating all existing initiatives, collaborations and alliances that contribute to the development of renewable energy projects in harmony with biodiversity while improving land and local communities. It has three areas of work: contribution to socio-economic development (mainly at the local level); protection and enhancement of biodiversity; and learning lessons from experience and experts (including through third party partnerships).

Success factors:

- A strong vision and buy-in at the highest levels of the company.
- The linkage of biodiversity conservation to the company's decarbonization strategy.
- A high level of engagement focusing on collaborative work across several fields at project, local and global levels combining design, knowledge, best practices, communication and awareness.
- The application of previous lessons learned, specifically that any initiative at the local level needs to involve and get the support of the community and to be developed in harmony with the environment.

¹⁷ Iberdrola, "Biodiversity of ecosystems and sustainable development".

¹⁸ Iberdrola, "CONVIVE Programme".

TAKING A HOLISTIC APPROACH

ENEL – SARDINIA ELECTRIFICATION

Enel is building on its commitment for a just transition¹⁹ through its efforts in Sardinia. Sardinia has very little natural gas infrastructure, and its electricity is generated primarily from coal and residues from oil refining processes. Given its potential for further renewable energy development (in 2020, wind comprised only 15% of the electricity mix, while solar PV provided only 7%), Enel sought to test whether the island could decrease fossil fuel-generated electricity (75% of the total) from 9.6 TWh to 1.2 TWh by 2030.²⁰

Launched in 2021, the project aims to ensure a fully sustainable industry — from green ports to zero impact accommodations to fully electric mobility — to support tourism, the central pillar of the local economy. It also aims to integrate PV systems in the agricultural sector to increase crop yields.²¹

The company has been in dialogue with local institutions and NGOs, directly involving them in the projects. For example, it partnered with the Istituto Tecnico Superiore in Sardinia to ensure local workers would have

the necessary skills for renewable energy generation, installation of vehicle charging points and creation of green harbours and the digital skills to ensure the most efficient use of energy resources.

Success factors:

- Innovation and experimentation with new business models is encouraged by company leadership.
- Piloting new business models in one territory by engaging local stakeholders and collaborating closely with involved cities for tailor-made solutions.
- Reduced time-to-market by enabling daily targets and objectives, developing an understanding of the features of each individual process before scaling them up, providing remote support for the group working locally and pronounced emphasis on creativity, lateral thinking and agile techniques.

19. Enel, *Sustainability Report 2022* (2023, p. 188).

20. Enel and Rossi-Doria Centre of Economic and Social Research – Roma Tre University, *Multi-stakeholder Energy Compact: Sardinia Electrification* (pp. 1–2).

21. Ibid.

THE ROLE OF GOVERNMENTS

Governments and regulatory authorities have a central role in creating the policies needed for the transition and ensuring that just transition measures, for example, are integrated in public procurement practices and renewable energy project development. Governments should implement the ILO Just Transition Guidelines, since they provide tangible steps and policy measures to advance a just transition.

Businesses currently face a number of potential obstacles to transition into renewables or scaling up their renewables business, including significant upfront capital investment costs, lack of grid infrastructure or access especially in developing countries, regulatory hurdles, limited availability of renewable energy options, lack of expertise and balancing energy needs with sustainability goals. Some of these barriers can be addressed by governments. Beyond deployment instruments, enabling policies such as national and regional commitments as well as policies for integrating renewables into the energy system are required.²² Particularly important for the purpose of this brief are structural change and just transition policies. These must also entail a framework that guides businesses in their just transition efforts.

Special attention should be given to Micro, Small and Medium-sized Enterprises.²³ SMEs form the backbone of national and local economies (representing 90 per cent of all businesses and 50 per cent of total employment)²⁴ 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. For example, building on the recommendations of its Just Transition Commission,²⁵ the Scottish Government has included financial support to help SMEs decarbonize in its draft Just Transition Plan.²⁶ Similarly, national employers' organizations,

Chambers of Commerce or other local councils could provide such recommendations that address the concerns of SMEs as well.

Below are examples of policy instruments available to governments:

- Structural policies for economic diversification and industrialization, incorporating strong social protection measures.
- Laws and regulations that protect and promote the rights and well-being of workers (including social dialogue, Occupational Health and Safety and so forth).
- Education/skilling policies.
- Subsidy, taxation and procurement policies.
- Financial incentives.
- Strict criteria for environmental and social impact assessments.
- Permitting conditions that reduce excessive bureaucracy on the one hand but include social and environmental protection measures on the other.
- Human rights due diligence requirements and enforcement of applicable labour and environmental standards within the supply chain.
- Just transition provisions in Nationally Determined Contributions (NDCs) submitted under the Paris Agreement.

Many governments — national, regional and local — are using one or more of these approaches in their decarbonization strategies. Notable examples are highlighted in the following section.

22. IRENA, *World Energy Transitions Outlook 2022* (Abu Dhabi, 2022).

23. Refer to ILO, *ILO Policy brief: How MSMEs can contribute to and benefit from a just transition* (September 2022). Also refer to additional ILO publications: *ILO Policy brief: Sectoral Policies for a Just Transition towards Environmentally Sustainable Economies and Societies for All* (August 2022) and *ILO Policy brief: Greening macroeconomic policies: Current trends and policy options* (November 2022).

24. UN Global Compact, *SME Engagement Strategy 2021–2023* (2022, p. 4).

25. The Scottish Government, *Just Transition: A Fairer, Greener Scotland* (Edinburgh, 2021).

26. The Scottish Government, *Draft Energy Strategy and Just Transition Plan – delivering a fair and secure zero carbon energy system for Scotland* (Edinburgh, 2023, p. 35).

FIGURE 1

JUST ENERGY TRANSITION PARTNERSHIPS

Just Energy Transition Partnerships (JETPs) are novel funding models designed to help emerging economies transition away from coal. The first JETP was announced at COP26, with an initial goal to mobilize \$8.5 billion for South Africa to enable the just transition.²⁷ Additional JETPs have been established with Indonesia and Vietnam, and discussions are underway with other countries. Partners include Governments, multilateral development banks, national banks and development finance agencies.

As with any agreement, how it is implemented will determine its success. To be successful, JETPs will need to pay attention not only to deploying renewables and phasing out fossil fuels but also to social justice elements such as workforce development, education and immediate relief for those displaced by the transition, among other social policies. They also must ensure that local autonomy over energy systems is maintained.

Careful planning, including social dialogue with affected workers and consultation with communities (and, where relevant, indigenous peoples), will need to address the following considerations:

Finance: JETP financing will not be sufficient to cover all costs of the transition. For example, it will cover less than 10 per cent of the total needed for South Africa's energy transition²⁸ and a small fraction of what Indonesia will need.²⁹ Sustained political will and long-term policy and economic

stability will be necessary to attract additional investment especially for renewable energy projects. Moreover, JETPs 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 the JETP scheme. Moreover, the "just" elements in a JETP are the most challenging to establish and finance.³⁰

Labour: A lack of skilled personnel in the renewable energy sector may pose a challenge, requiring specialized expertise in areas such as project development and construction, installation and maintenance of renewable energy systems. Training and skilling are core to a just transition, benefiting not only workers but future employers, and JETPs should provide sufficient funding to cover these needs.

Social and environmental impacts:

A JETP is not just if it does not provide funding to anticipate and address social and environmental impacts. It must take into account the impacts of the transition on communities as a whole, particularly in terms of job losses and the displacement of people, and avoid harming those who are most vulnerable. Site remediation or repurposing of polluted areas and avoidance of further environmental damage also is essential.

27. United Kingdom and United Nations Climate Change, "[Political Declaration on the Just Energy Transition in South Africa](#)", 2 November, 2021.

28. European Commission, "[Joint Statement: South Africa Just Energy Transition Investment Plan](#)", 7 November, 2022.

29. Bloomberg NEF, "[Net-Zero Transition Potentially a \\$3.5 Trillion Investment Opportunity for Indonesia](#)", 11 November, 2022.

30. IRENA and Climate Policy Initiative (CPI), "[Global Landscape of Renewable Energy Finance 2023](#)" (Abu Dhabi, IRENA, 2023, pp. 110–111).

GOVERNMENT APPROACHES TO JUST TRANSITION

There is no one-size-fits-all just transition policy framework that works for every country. Some Governments have developed comprehensive strategies, while others have adopted policies to address specific aspects of the transition.

Many Governments have referenced just transition in their submissions under the Paris Agreement. Sixty-two countries have directly referenced just transition in their enhanced/updated NDCs, with more than half of the 51 low-emissions development strategies submitted directly or indirectly referencing just transition (as of March 2022).³¹ In addition, more than 19 countries have established national just transition commissions, task forces, dialogues and/or related policies.³² This is a clear sign of the importance many countries attach to the imperative that the transition be just, although to be effective they must be codified through concrete, binding commitments in national/regional law.

31. Sangji Lee, *Issue Brief: Just Transition* (New York, United Nations Development Programme Climate Promise, 2022, p. 3).

32. Ibid.

33. Spain, Ministry for Ecological Transition and the Demographic Challenge, *Just Transition Strategy Strategic Energy and Climate Framework* (Madrid, 2020).

34. Spain, Ministry for Ecological Transition and the Demographic Challenge, Instituto para la Transición Justa, *Spain, towards a just energy transition* (2022, pp. 4–5 and 16).

35. South Africa, National Planning Commission, *National Development Plan 2030: Our future – make it work* (2012, p. 211).

36. South Africa, Presidential Climate Commission, *A Framework for a Just Transition in South Africa* (2022, pp. 4 and 16–20).

37. European Commission, "[Joint Statement: South Africa Just Energy Transition Investment Plan](#)", 7 November, 2022.

EXAMPLES OF NATIONAL JUST TRANSITION EFFORTS

In line with its efforts to phase out coal, **Spain** launched a Just Transition Strategy in 2019.³³ This strategy included Just Transition Agreements, a tool to address socio-economic challenges of the energy transition based on wide-ranging public participation processes. Measures deployed include social assistance for those affected by early retirement or voluntary redundancy; the creation of job banks to support affected employees into dismantling operations, environmental restoration projects and any other business activities supported within the Just Transition Agreement framework; and investments in strategic sectors to advance a green transition and create a diversified and sustainable economy. The Just Transition Agreements are included in the Just Transition Strategy and now enshrined in Spain's Law 7/2021, on Climate Change and Energy Transition.³⁴

South Africa integrated just transition in its National Development Plan 2030 that it launched in 2012.³⁵ This was followed by the 2022 Just Transition Framework that involved extensive consultations with communities and social partners. The Framework includes policy measures to address human resource and skills development; industrial development, economic diversification and innovation; and social protection measures.³⁶ South Africa announced a Just Energy Transition Partnership at COP26, and a Just Energy Transition (JET) Investment Plan at COP27, along with its partners France, Germany, the United Kingdom, the United States and the European Union.³⁷ (See [Figure 1](#)).

FIGURE 2

PROTECTING HUMAN RIGHTS THROUGHOUT THE SUPPLY CHAIN

Labour rights are human rights, and therefore companies must consider human rights in their just transition strategies as well. The UN Guiding Principles on Business and Human Rights have been embraced by countries and companies. The Business & Human Rights Navigator of the UN Global Compact helps companies understand and address human rights impacts in their operations and supply chains.³⁸ However, hundreds of attacks against human rights defenders working on business-related human rights issues continue being reported in every region of the world, including linked to the renewable energy sector.³⁹ Governments have a key role to develop and enforce measures focused on business and human rights and are increasingly introducing legislative regimes to encourage or require companies to carry out human rights due diligence.⁴⁰

To give a regional example — in addition to its corporate sustainability reporting requirements,⁴¹ the European Union is working on a due diligence directive which would establish obligations for large companies to prevent adverse impacts on human rights and the environment from their own operations, their subsidiaries and their business

partners. Companies would incur penalties and civil liability for violating these obligations. The directive also would require companies to ensure their business models and strategies comply with the Paris Agreement.⁴²

At the national level, other efforts include:

- A 2021 German Act that requires companies to fulfil due diligence obligations in their supply chains by respecting internationally recognized human rights and certain environmental standards.⁴³
- A 2017 French Law on the Corporate Duty of Vigilance that requires large companies to publish an annual “vigilance plan” to establish effective measures to identify risks and prevent severe impacts on human rights and the environment resulting from the company's own activities, subsidiaries, subcontractors and suppliers.⁴⁴
- Due diligence legislation and policies are under development in Spain, the Netherlands and other countries.

38. UN Global Compact, “[Business & Human Rights Navigator](#)”.

39. Office of the United Nations High Commissioner for Human Rights, [Sustainable Global Supply Chains: G7 Leadership on UNGP Implementation](#) (2022, p. 20).

40. Office of the United Nations High Commissioner for Human Rights, “[Mandatory Human Rights Due Diligence \(mHRDD\)](#)”.

41. European Commission, “[Corporate sustainability reporting](#)”.

42. Council of the European Union, “[Council adopts position on due diligence rules for large companies](#)”, 1 December, 2022.

43. Markus Krajewski, Kristel Tonstad and Franziska Wohltmann, “[Mandatory Human Rights Due Diligence in Germany and Norway: Stepping, or Striding, in the Same Direction?](#)”, *Business and Human Rights Journal* 6, No. 3 (2021).

44. Business & Human Rights Resource Centre, “[France's Duty of Vigilance Law](#)”.

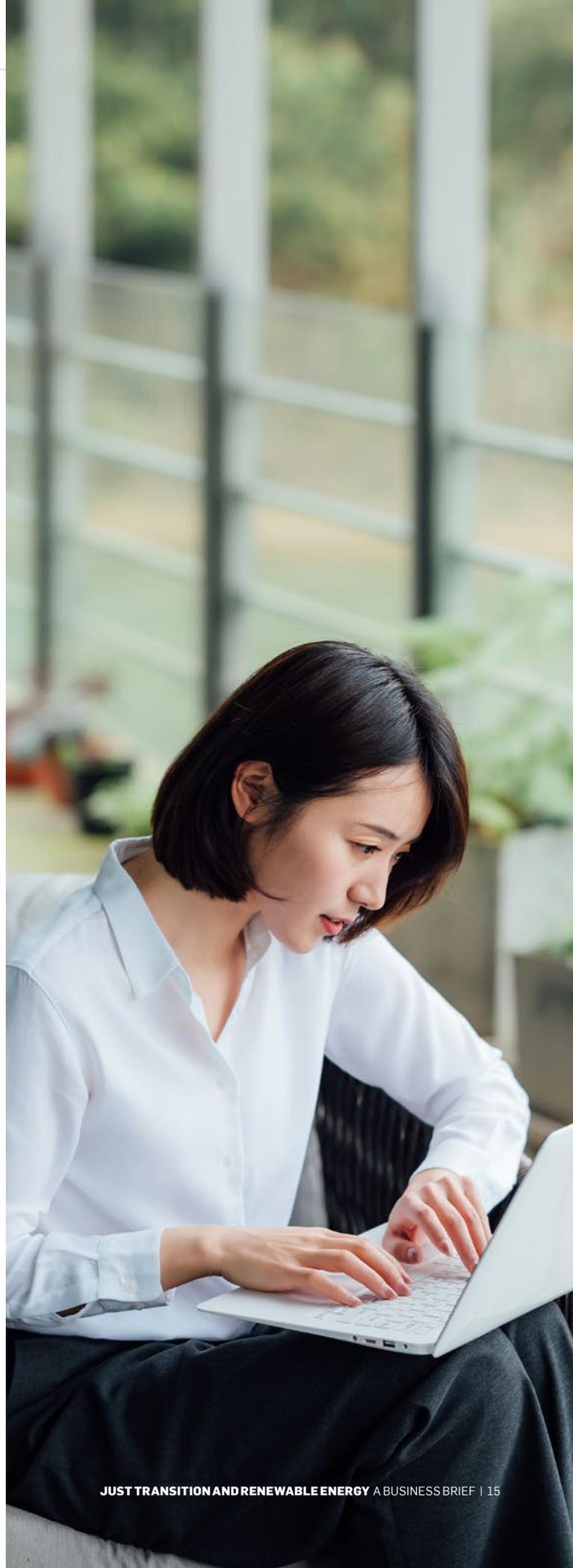
A BUSINESS ADVOCACY AGENDA

By working with Governments and formulating their needs and challenges clearly and coherently, businesses can play a proactive role in supporting the advancement of just energy transition policies and legislation, including by reporting their energy transition plans and related just transition policies. This can set in motion an ambition loop that accelerates the energy transition and creates trust between Governments and the private sector, is economically beneficial to communities and consumers and is equitable for workers. Employer and Business Membership Organizations (EBMOs) play a key role in supporting and organizing businesses to advance efforts on mitigation and adaptation.⁴⁵

The following advocacy agenda reflects ideas that emerged from discussions in the Think Lab on Just Transition and can be tailored for country- and region-specific advocacy efforts by companies towards governments:

- **BALANCE PRICE AND SPEED WITH ENVIRONMENTAL AND SOCIAL EXPECTATIONS:** Governments generally seek lowest-price projects that can urgently meet renewable energy targets on the one hand, while expecting companies to deliver on environmental and social measures that increase costs on the other. 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 the U.S., 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

⁴⁵ ILO, [The role of Employer and Business Membership Organizations \(EBMOs\) in supporting business adaptation and mitigation to climate change](#) (Geneva, 2022).



marginalized 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.⁴⁶

- **INCENTIVIZE INVESTMENTS IN AND SUPPORT FOR SKILLS AND TRAINING:** Governments must help ensure a qualified workforce that is fit for purpose. 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.
- **HARMONIZE RULES AND STANDARDS 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. Moreover, there is no guarantee that rules will outlive changes in Government. 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.
- **REDUCE RED TAPE TO FAST-TRACK RENEWABLES:** 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 South Africa, for example, the Government has incentivized renewable energy uptake by increasing the threshold for registering embedded generation projects from 1 MW to 100 MW.⁴⁷

46. IRENA, *Renewable energy auctions: Status and trends beyond price* (Abu Dhabi, 2019).

47. IRENA Coalition for Action, *Scaling Up Renewable Energy Investment in South Africa* (2021, p. 1).



- RECOGNIZE THE SPECIAL CIRCUMSTANCES OF SMEs:** 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.
- SUPPORT EFFECTIVE AND FAIR USE OF RENEWABLE ENERGY RELATED TECHNOLOGIES AND INFRASTRUCTURE:** Government-led programmes such as subsidy reforms could support levelling the playing field to close the cost competitiveness gap between fossil fuels and renewable energy, including developing the associated infrastructure. It is important to note that any government programme must be done with care, include social protection measures to protect the most vulnerable people and be underpinned by the principle of universal energy access for all.⁴⁸
- CREATE ENABLING CONDITIONS TO STEER PRIVATE CAPITAL TOWARDS RENEWABLE ENERGY INVESTMENTS IN DEVELOPING COUNTRIES:** Leaving no one behind in the energy transition means increasing access to affordable, reliable, sustainable and modern energy for all. Investment in renewable energy projects requires significant up-front investments and the cost of capital may be as much as seven times higher in developing countries.⁴⁹ With developing countries only receiving a fraction of global renewable energy investments, governments and financial institutions can play an important role in creating enabling conditions to steer private capital towards renewable energy investments in developing countries, for example by de-risking investments.⁵⁰

48. [Sustainable Development Goal 7](#) calls for access to affordable, reliable, sustainable and modern energy for all. Target 7.1 aims to ensure universal access to affordable, reliable and modern energy services by 2030.

49. United Nations' High-Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities, [Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities and Regions](#) (2022).

50. IRENA and CPI, [Global Landscape of renewable energy finance, 2023](#) (Abu Dhabi, IRENA, 2023).



Photo: IL0/Legoupi S.

TEN RECOMMENDATIONS FOR BUSINESS

The Think Lab on Just Transition has produced a series of [briefs](#) on how businesses can accelerate the just transition in the context of finance, adaptation and supply chains (in addition to this brief on renewable energy). Companies are encouraged to consider the full suite of recommendations in those briefs, as well as the following:

1

PREPARE A PLAN FOR A JUST TRANSITION:

The number of companies adopting net-zero commitments is growing. Explicitly planning for and implementing them in a way that is just based on the ILO Just Transition Guidelines confers significant advantages not only for those impacted but for businesses themselves and in particular early movers.

2

PUBLICLY ANNOUNCE AMBITIOUS TARGETS AND REPORT ON PROGRESS:

Setting 100% renewable energy targets drives change. Just transition requires setting equally ambitious social and environmental targets through the entire value chain, communicated publicly by company leadership and with full engagement company-wide.

3

BE INCLUSIVE AND TRANSPARENT:

Social dialogue is at the heart of the ILO Just Transition Guidelines. Dialogue between employers and labour is essential, as well as between companies and communities in which new investments will take place and, where relevant, with indigenous peoples. Environmental impact assessments that properly embed social considerations should provide early and clear identification of negative impacts — and how they can be avoided, mitigated or compensated. They need to be prepared in a transparent manner, with the full involvement of those potentially impacted. Being transparent and communicative can help overcome fears in surrounding communities and help avoid future delays and costs.

4

RESPECT HUMAN RIGHTS:

In addition to the fundamental rights of labour, respect for human rights must be central to project development, operation and decommissioning. It is important to recognize the principle of free, prior and informed consent⁵¹ when a project leads to displacement, relocation and resettlement of indigenous peoples from their traditional lands and resources. Consultation with others living on or adjacent to lands being considered for renewable energy projects, or who may be otherwise impacted, also is critical. Stakeholder concerns should be meaningfully addressed in the project planning phase, and continuous dialogue should be maintained going forward. Businesses should respect human rights and use due diligence to avoid infringing human rights. They should address adverse human rights impacts as outlined in the UN Guiding Principles on Business and Human Rights.

5

PROACTIVELY SEEK DIVERSITY IN THE WORKFORCE:

Business has a responsibility to invest in local skills training systems in new investment areas. In doing so, they should pay attention to ensuring greater diversity in the workforce — gender, age and ethnic minorities. This is not only beneficial for society but when done well it has been shown to improve productivity, lead to better decision-making and improve company culture. Women are underrepresented in the energy sector as a whole, and although they are better represented in the renewable energy sector, more needs to be done to remove the barriers they face.⁵² This could include training and mentorship, more flexible working conditions and more support for childcare. Companies and industries will need to contribute financially to shared skills initiatives, ideally through sector-wide agreements.

51. This principle of free, prior and informed consent is recognized in the United Nations Declaration of the Rights of Indigenous Peoples.

52. IRENA, *Renewable Energy: A Gender Perspective* (Abu Dhabi, 2019, p. 3).

6

INVEST IN LOCAL COMMUNITIES: Regions transitioning out of fossil fuels often suffer misalignments in the labour market — jobs lost are not always replaced with comparable new jobs in the same area, and this may have significant impacts on the broader community.⁵³ Businesses can provide early retirement and social protection for workers being laid off. Furthermore, areas rich in fossil fuels may not be equally rich in renewable resources but where siting conditions permit, reinvesting with renewable projects is desirable. Ensuring that new jobs are decent jobs will be critical to gaining the buy-in of workers. Also, communities that benefit from renewable energy investments — including through shared ownership — are more likely to embrace local developments.⁵⁴

7

RESPECT LOCAL ECOSYSTEMS: Renewable energy developments (throughout the entire value chain) should avoid biodiversity loss and the degradation of forests or other ecosystems. The livelihoods of many rural and coastal communities are dependent on healthy ecosystem services. “There are no jobs on a dead planet” is an oft repeated slogan. A particular concern is the mining of rare earth metals and minerals needed for many sustainable energy technologies. Companies should take note of Resolution UNEP/EA.5/Res.12 adopted by the United Nations Environment Assembly of the United Nations Environment Programme on the environmental aspects of minerals and metals management.⁵⁵

8

ADVOCATE FOR A JUST TRANSITION: Companies (individually or through/together with EBMOs) can use their considerable resources and influence with governments to strengthen climate and energy policy to meet this challenge. Likewise, they can advocate within trade associations to support government policies that accelerate rather than undermine net-zero and just transition strategies.

9

CHANGE THE DOMINANT NARRATIVE TO SHOWCASE THE OPPORTUNITIES FOR PEOPLE-CENTRED CLIMATE ACTION:

Numerous energy companies have transitioned away from fossil fuel-heavy assets and are embracing a just renewable energy transition. Massive corporate consumers and offtakers are committed to sourcing from responsibly produced renewables. Some countries are enshrining just transition into law and policy. Business leaders have both the opportunity and responsibility to counter narratives which suggest that a renewable energy future is too costly, too unreliable or simply too difficult.

10

LESSONS FOR OTHER SECTORS FROM THE RENEWABLE ENERGY SECTOR

EXPERIENCE: While the focus of this brief is on the renewable energy sector, lessons learned by companies 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. The most successful transitions are rooted in social dialogue and stakeholder consultation more broadly. They set ambitious targets, publicly communicate them, engage in social dialogue and work in partnership with stakeholders to secure results.

53. IRENA and ILO, *Renewable Energy and Jobs: Annual Review 2022* (Abu Dhabi, Geneva, 2022).

54. IRENA Coalition for Action, *Stimulating investment in community energy: Broadening the ownership of renewables* (Abu Dhabi, IRENA, 2020).

55. United Nations Environment Assembly of the United Nations Environment Programme, *UNEP/EA.5/Res.12* (7 March 2022).

ABOUT THE THINK LAB ON JUST TRANSITION

The Think Lab on Just Transition aims to shape and define business and thought leadership on critical areas linked to just transition; address key business challenges; identify policy advocacy opportunities and good business practices; and scale-up learnings through the network of the UN Global Compact. Company participants include A.P. Møller – Mærsk, Accenture, AIA Group, CEMEX, DP World, Enara Capital, Enel SpA, Garanti BBVA, Iberdrola, Johnson Controls, Lenovo Group, LONGi, Mahindra Group, Majid Al Futtaim, Meta, Microsoft, Moody's Corporation, National Australia Bank, Nestlé, Novozymes A/S, Ørsted, ReNew Power Pvt. Ltd., Sappi Southern Africa Ltd., TriCiclos, Unilever, Wipro Ltd. and Woolworths Holdings Limited.

Created in collaboration with the participating companies and partner organizations of the United Nations Global Compact Think Lab on Just Transition, this Business Brief describes the context of emerging national just transition policies; an advocacy agenda for business to influence those policies responsibly; company best practice examples and success factors; and 10 recommendations for businesses to advance the just transition within and beyond their companies, in support of the goals of the Paris Agreement and the 2030 Agenda.

Disclaimer: The views expressed in this Business Brief are not necessarily those of the United Nations Global Compact or of the participants and partners of the Think Lab on Just Transition. The inclusion of company names and/or examples in this paper is intended strictly for learning purposes and does not constitute an endorsement of the individual companies by the United Nations and authors of this report. This report has benefited from the input of the organizations comprising the Think Lab on Just Transition but does not represent the views or positions of the businesses and stakeholders with which these organizations work. The material in this publication may be quoted and used provided there is proper attribution.

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Maritime Just Transition TASK FORCE

The partners of the United Nations Global Compact Think Lab on Just Transition include:

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THE B TEAM



United Nations Global Compact



WORLD RESOURCES INSTITUTE

THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT



HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.



LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.



ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.



ANTI-CORRUPTION

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

The Ten Principles of the United Nations Global Compact are derived from: the Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

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ABOUT THE UNITED NATIONS 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 over 160 countries, and 62 Local Networks, the UN Global Compact is the world's largest corporate sustainability initiative — one Global Compact uniting business for a better world.

For more information, follow [@globalcompact](https://twitter.com/globalcompact) on social media and visit our website at unglobalcompact.org.



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