

Taking a Just Transition Approach to Practical Decision Making

Abstract

A just transition that achieves decent work for all, social inclusion and poverty eradication is unlikely to occur without active guidance. Much of the focus for making a just transition a reality is at a more abstract policy scale, and a gap exists for concrete guidance in achieving a just transition in a practical sense. This article provides two frameworks – at a project scale, and at an organisational scale – for assessing alignment with a just transition. It uses the example of energy to illustrate both the scale of the challenge being faced, and how such frameworks could be applied in practice.

Keywords just transition, climate change, energy, decision making

One analogy for a just transition is that of a growing child. Nothing can halt a child changing and developing as they age, the same as transitions to new technology and new

ways of working inevitably occur over time in response to policy, community, economic or other drivers. But, just as a child needs support and guidance from whānau and kaiako to develop to

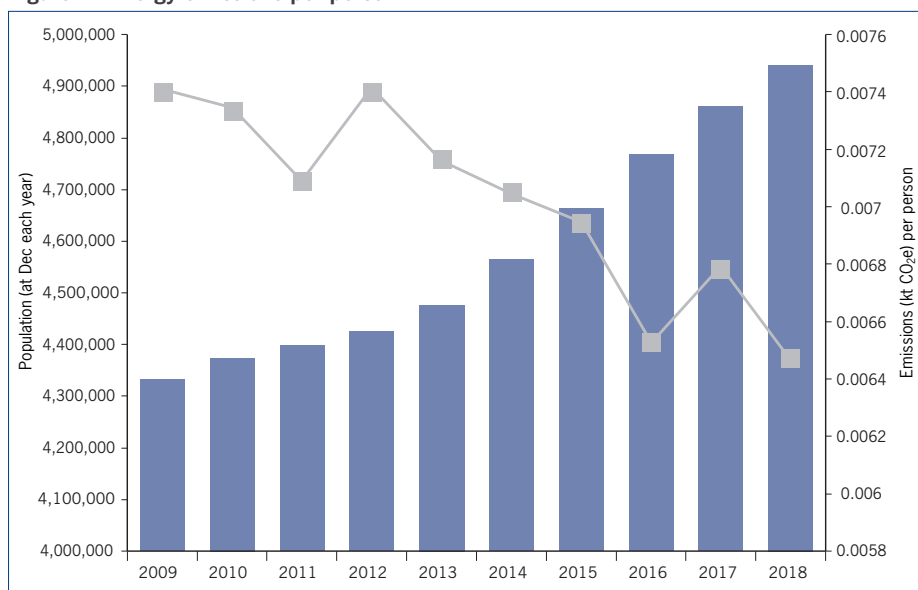
their utmost potential, so too does a *just* transition need active attention and consideration to become a reality.

So, if a just transition will not happen all by itself, what needs to be done, and who needs to do it, to actively shepherd in the type of change that will improve peoples' lives while at the same time achieving New Zealand's climate goals?

The 'just transition' is increasingly understood in the broad sense as a guiding principle for the wide and fair distribution of costs and benefits of a transition to sustainability (UNEP, 2008), or, more fundamentally, to guide a 're-valuation of the relationship between people, work and the planet' (New Zealand Council of Trade Unions, 2017, p.4). In stark contrast, in both policy and practice, many interpretations of a just transition are narrower in scope and appear to largely focus on how to manage the replacement of old-technology jobs with new-technology jobs (Dominish et al., 2019; New Zealand Council of Trade Unions, 2017).

Here I argue that a just transition can and should achieve more than this. Rather than just replacing jobs, any investments

Figure 1: Energy emissions per person



Source: Ministry for the Environment, 2018; Stats NZ, 2021

in new technology and ways of working should, as per the International Labour Organization’s definition, contribute to the goals of decent work for all, social inclusion and the eradication of poverty (International Labour Organization, 2015). Furthermore, change processes should be inclusive and impacts and outcomes fair, taking into consideration distributional effects on different strata of society.¹

These may seem like aspirational, or, frankly, unachievable goals for individual projects or even individual organisations. This is understandable given that the just transition concept is a property of systems-level change, and a principle that can be generalised at the level of policy. And it is certainly true that no one change will, on its own, create a just transition in and of itself. But small changes can, cumulatively, create the type of future that we are all aiming for.

The core focus of this article is, therefore, to understand how a just transition could be made a reality in a practical sense. It looks at both a project-level and an organisational-level approach for assessing alignment with a just transition. The intent is to provide a possible way forward for organisations wrestling with the concept of how to achieve a just transition in practice. It also uses the example of energy to illustrate both the scale of the challenge we are facing, and how such frameworks could be applied in practice. Energy is relevant because the transition away from fossil fuels represents a complete upheaval

of life as we know it – for, as Zenghelis argues, ‘it is not too much to say that capitalism was founded on carbon’ (Zenghelis, 2016, p.173).

Energy and a just transition

A just transition aims to achieve emissions reductions while at the same time improving peoples’ lives through better work opportunities, conditions and outcomes. New Zealand has good reason to aspire to improvement in both areas. Looking at energy in particular, while per person energy emissions have decreased over the last decade (Figure 1), energy emissions still comprise over 40% of New Zealand’s total net emissions (Ministry for the Environment, 2018). And New Zealand is also a highly unequal country, with 70% of household wealth being held by just 20% of households (Statistics New Zealand, 2018). Therefore it comes as no surprise that, as the recent draft advice to the government from the Climate Change Commission noted, ‘transformational and lasting change across society and the economy’ is needed, not least in terms of decarbonising ‘how we produce and use energy’ (Climate Change Commission, 2021, pp.10, 15).

In the year to June 2021, New Zealand’s electricity generation was about 80% renewable electricity (slightly lower than previous highs of nearly 85% due to a relatively dry previous 12 months, meaning more reliance on fossil generation and less hydropower generation). In terms of total

renewable energy across New Zealand, we sit at about 40%. This measure of total renewable energy, as opposed to electricity, is important, because it gives a greater sense of all the energy used across the economy and the scale of the change that New Zealand is facing.²

The Climate Change Commission would like to see the government establish a target of 60% renewable energy by no later than 2035 (with the 100% renewable electricity target treated as aspirational and considered in the broader context of the overall energy system). Achieving such a target would see most light passenger vehicles coming into New Zealand by 2035 being electric, substantial changes in our buildings and how we move around urban areas, and the elimination of the use of coal (and near elimination of all other fossil fuel uses). Each one of these changes has a human face. There are diesel mechanics, gas fitters, and a myriad other people working in the broader energy ecosystem who will need help to retrain and prepare for a future based on very different technologies (Productivity Commission, 2020).

I contend that to achieve a just transition for energy, all those working in the energy sector have a responsibility to work towards a just transition. While the transition to a low-emissions future is ‘primarily policy-driven (because it is focused on meeting a pre-determined set of (scientifically-linked) policy actions and targets)’ (Productivity Commission, 2018, p.106), the business community and civil society also have a fundamental role to play in the implementation of abatement measures and the achievement of these targets. They need clear guidance on their investments and activities to achieve material change.

Better decision making

So, given the need for good guidance, how should a just transition be achieved in practice, and what are the roles and responsibilities of different economic and social actors in making it happen? To answer these questions, it is first necessary to recognise that there are multiple levels to the concept of a just transition. Most discussion is about change on a national or regional scale, although some information

is available at an organisational level. Table 1: Example definitions of a just transition at a national and an organisational level provides examples of some different definitions, focusing on just transition outcomes (rather than procedural justice elements, such as outlined in UNEP (2008)).

However, there is little practical guidance in terms of *how* organisations such as businesses could or should change their processes and practices in a more concrete way to achieve the goals of these lofty statements. For example, what exact questions does an energy sector company need to ask to achieve a 180-degree pivot in its business so that it can, in effect, turn around the proverbial supertanker and set course for a completely different future?

This gap has been recognised globally: Robins et al. state, the ‘just transition is a new agenda and a complex and challenging topic for investors and other stakeholders’ (Robins et al., 2018, p.7). But a significant degree of work is underway globally to address it. For example, the Climate Action 100+ Net-Zero Company Benchmark, which assesses the world’s largest corporate greenhouse gas emitters on their progress towards a net-zero future, has included an indicator on the just transition in its most recent set of disclosure indicators (Climate Action 100+, 2021).³ While the content of this indicator (that ‘the company considers the impacts from transitioning to a lower-carbon business model on its workers and communities’) is still in development and is not yet being assessed, it is encouraging to see that it is on the minds of some of the globe’s largest investors.

Another major gap is that, below these national- or organisational-level descriptions, practically no information or guidance exists about whether a specific *project* is likely to contribute to a just transition. This is in terms of both achieving a just transition outcome and making sure that the process of transition is also just.⁴

A framework for decision making

Project level

Better guidance is needed for taking practical steps towards achieving a just transition. Table 2: Elements of a just transition at a project level proposes

Table 1: Example definitions of a just transition at a national and an organisational level

| National or regional just transition | Organisational just transition |
|---|---|
| ‘An economy-wide process that produces the plans, policies and investments that lead to a future where all jobs are green and decent, greenhouse gas emissions are at net-zero, poverty is eradicated, and communities are thriving and resilient.’ | ‘An enterprise-wide process to plan and implement companies’ emissions reductions efforts, based on social dialogue between workers and their unions, and employers. This includes a company’s supply chains. The goal is to reduce emissions and increase resource productivity in a way that retains and improves employment, maximizes positive effects for workers and local communities, and allows the company to grasp the commercial opportunities of the low-carbon transition.’ |

Source: Just Transition Centre and the B Team, 2018, p.2.

Table 2: Elements of a just transition at a project level

| Element |
|--|
| <p>Emissions reduction goal(s)</p> <ul style="list-style-type: none"> Project directly contributes towards emissions reduction goal(s) for sector or organisation. Project has measurable indicators of success for its contribution to the emissions reduction goal(s). |
| <p>Commercial opportunity</p> <ul style="list-style-type: none"> Project is directly aimed at capturing the commercial opportunities of low-emissions transition to help create new supply chains, markets etc. for low-emissions products or services. |
| <p>Gender</p> <ul style="list-style-type: none"> Project supports gender equality (e.g., employing women/LGBTQI+ in leadership positions, or leads to increased overall industry representation for women/LGBTQI+). |
| <p>Iwi and community involvement and benefits</p> <ul style="list-style-type: none"> Project involves local iwi and community in decision making around scope, aims, benefits, processes etc. (i.e., not just as a party to ‘consult’) and provides tangible benefits.⁵ |
| <p>Poverty eradication</p> <ul style="list-style-type: none"> Project pays the living wage (at a minimum). Project creates jobs and is likely to employ low-income workers and upskill them for work in sunrise technologies. Project has measurable indicators of success that directly contribute towards organisational/sector plan for a just transition (e.g., worker upskilling, creation of decent jobs, equal opportunities for training/employment, investment in community economic diversification or renewal). |
| <p>Strategic fit</p> <ul style="list-style-type: none"> Project contributes to the overall sector/regional plan for a just transition (if a plan is available). Project contributes to organisational plan for a just transition (e.g., retraining in identified sunrise areas). Project is supported by organisation/worker/community representatives as a way to improve resource productivity while maximising positive social effects. |
| <p>Workers</p> <ul style="list-style-type: none"> Project employs existing workers, particularly those whose prior role is likely to be made redundant due to the low-emissions transition. Project participation supports worker upskilling (either on-the-job or in a more formal sense, e.g., micro-credentials). |

a framework for better just transition decision making at a project level. This framework is designed to be incorporated into pre-engagement decision making (i.e., at the point at which projects are green-lit). Using the filter statements in Table 2, it is

possible to highlight those opportunities that are more likely to contribute towards a just transition. And, for those opportunities that do not score well under some or each of these elements, it enables a dialogue to be held with the organisation

Taking a Just Transition Approach to Practical Decision Making

Table 3: Organisational decision-making framework

| Unaware | Aware | Building capacity | Integrated into decision making |
|---|--|---|--|
| Emissions reduction goal⁷ | | | |
| Organisation is unaware of the need for individual organisations to have a science-based, individual emissions reduction goal(s). | Organisation is aware of the need for individual organisations to have a science-based, individual emissions reduction goal(s) but has not yet set one. | <p>Organisation is in the process of determining its emissions (scope 1, 2 and 3)⁸ to establish its emissions reduction goal(s).</p> <p>Organisation is benchmarking itself against comparator organisations to set its emissions reduction goal(s).</p> | <p>Organisation has set a science-based, individual emissions reduction goal(s) and this is/these are actively tracked and reported on to shareholders (and the public where relevant).</p> <p>Organisation actively benchmarks its performance on emissions reductions against comparator organisations.</p> <p>Organisation works with supply chains to reduce emissions as widely as possible</p> |
| Dialogue and engagement | | | |
| Organisation is unaware of the need for dialogue and engagement (e.g., with workers or worker representatives) about a just transition. | Organisation is aware of the need for dialogue and engagement about a just transition but does not yet have processes in place to do so (or has not yet included a just transition as a topic in existing engagement). | <p>Organisation has initiated dialogue and engagement with worker representatives (e.g., internal representatives or union representatives) about a just transition and how best it can reduce emissions and increase resource productivity while maximising positive effects for workers and local communities.</p> <p>Organisation is a member of networks where dialogue and engagement between workers/worker representatives, government, community organisations, iwi etc. can occur about a just transition.</p> | <p>Organisation actively involves worker representatives at the outset, and on a continuing and formal basis, in operational and strategic decision-making processes about a just transition.</p> <p>Organisation actively facilitates/participates in discussions of a just transition with network members (e.g., government, iwi etc.).</p> <p>Organisation includes discussion of/targets relating to a just transition in its supply chain contracts.</p> <p>Organisation has an enterprise-wide understanding of a just transition and how its activities will influence workers and the communities more broadly, with ongoing dialogue and engagement about a just transition enshrined in its formal processes.</p> |
| Taking responsibility | | | |
| Organisation is unaware of the need for a just transition/ does not recognise its role in creating a just transition. | Organisation is aware of the need for a just transition and accepts that it has a role in creating a just transition, but has not yet instituted just transition policies or processes. | <p>Organisation has staff actively responsible for ensuring worker upskilling and redeployment in respect to new climate-aligned projects or initiatives.</p> <p>Organisation is actively collating information on transition risk (both its contribution to transition risk, and the risk of transition on the organisation).</p> | <p>Organisation has an agreed vision of the future of its activities, publicly accessible and agreed to by workers (through dialogue and engagement, including with iwi).</p> <p>Organisation reports on transition risk to shareholders/the public and has active processes in place to mitigate transition risk.</p> <p>Organisation is actively planning for opportunities (e.g., commercial opportunities) in transitioning to a low-emissions future via a just transition.</p> |
| Iwi involvement | | | |
| Organisation is unaware of the need to involve iwi in planning for its future operations. | Organisation is aware of the need to involve iwi as it plans for its future operations but does not yet engage actively with iwi on a just transition specifically. | <p>Organisation has initiated dialogue with iwi about its role in a just transition and how iwi and the organisation could work together.</p> <p>Organisation has staff member(s) whose remit includes understanding how the organisation's current and future operations may influence iwi, and how iwi involvement may occur.</p> | <p>Organisation includes iwi at the outset in decision-making processes where current and future operations relating to a just transition influence iwi.</p> <p>Iwi involvement in the organisation's just transition decision making is on terms mutually agreed by iwi and the organisation and iwi involvement is adequately recompensed.</p> <p>Organisation actively learns from iwi involvement in decision-making processes and updates its processes as a result.</p> |

| Unaware | Aware | Building capacity | Integrated into decision making |
|--|---|---|--|
| Action | | | |
| Organisation is unaware of the need to advocate for and enact a just transition. | Organisation is aware of the need to advocate for and enact a just transition, but has not yet created a plan to do so. | <p>Organisation is developing/has developed its just transition plan, but has not yet enacted it.</p> <p>Organisation is assessing its contribution to social protection (e.g., paying the living wage, adequate contributions for retirement, full payment of all relevant taxes, etc.).</p> | <p>Organisation has a clear 'transition plan' for its shift from sunset technologies to sunrise technologies and how it is planning to ensure workers are redeployed. This plan is time-bound, complementary to the organisation's emissions reduction goal(s), measurable and organisation-wide.</p> <p>Organisation has a long-term training and upskilling plan developed in conjunction with worker, iwi and community representatives.</p> <p>Organisation regularly reports on its achievement of its transition plan and identifies areas needing further work (and takes action on them).</p> <p>Organisation regularly reports on its contribution to social protection and identifies areas needing further work (and takes action on them).</p> |
| Future focus | | | |
| Organisation does not understand the need to forecast (e.g., for worker skill needs or the effect of emissions reduction goal(s) on worker retention). | Organisation is aware of the need to forecast, but does not yet have processes in place to do so. | <p>Organisation has established data collection processes to aid in forecasting.</p> <p>Organisation has entered dialogue with local/regional training organisations about future skills requirements.</p> | <p>Organisation clearly articulates the implications of its emissions reduction goal(s) for future worker requirements to workers/worker representatives/the local community.</p> <p>Organisation actively works with training organisations about future skills requirements (e.g., apprenticeship schemes).</p> <p>Organisation advocates for government policies that support a just transition to help bring the future forward.</p> |

in question about their activities, and how they could incorporate these elements into their projects in the future.

These elements can be approached in numerous ways. For example, consider the situation where a project team's personnel resourcing for an offshore renewable energy generation project is already confirmed, and in its current form it perpetuates existing biases.⁶ In order to improve gender representation, statements added to advertisements for any vacancies that explicitly support applications from women, or from people of any sexual identity or gender orientation, will help to reorient the project towards one that is more explicitly supportive of a just transition. Such efforts acknowledge that change may not be immediate, but that it must also be actively encouraged to occur.

Organisational level

Beyond this specific project level, there is also the potential for broader engagement at the organisational level on a just transition. The decision-making framework in Table 3: Organisational

decision-making framework highlights six elements that I suggest are particularly relevant for an organisation when aligning itself with the goal of a just transition. These are:

- emissions reduction goal(s);
- dialogue and engagement;
- taking responsibility;
- iwi and community involvement and benefits;
- action;
- future focus.

Each element is then divided into four groupings (unaware, aware, building capacity, integrated into decision making), with associated example indicator statements. For example, if an organisation is mostly falling into the left-hand side groupings (unaware or aware), it is unlikely to be currently prioritising a just transition in decision-making processes. However, as with current approaches towards investor engagement in achieving greater climate action, these indicator statements can serve as a starting point for further discussion, with the aim being for the organisation to move higher up the scale over time.

The intent of this framework is to encourage organisations to think about how their overall processes and practices are contributing towards a just transition and to incorporate these elements into strategic planning discussions and systems. It is not intended to replace the project-level decision-making framework, but to ensure that there is alignment between project decisions and the overarching goals and direction of the organisation.

Not all elements will be relevant to all organisations – this will be more relevant to energy companies with fossil fuel-related activities as opposed to, for example, some professional services companies. However, given approximately 90% of industries are exposed in some way to climate risk (BlackRock, 2020), raising the potential relevance of these elements in strategic planning discussions is recommended.

Conclusion

To make a just transition a reality, it must be actively encouraged as an organisational priority. The logic for prioritising a just transition in business

strategy and decision making is very similar to that of climate disclosure requirements more broadly: disclosure encourages change because it elevates the importance of the issues in question and directly relates them to strategic performance and risk. The above project-level and organisational-level decision-making frameworks are therefore akin to models in transition finance which aim to improve performance (rather than screen out projects or organisations that do not perform well on such metrics at the outset).

These frameworks also represent a significant shift in focus from so-called ‘business-as-usual’ activities, both for energy sector companies in particular, and for any other organisations as part of the wider economy. But, to allude to the (in) famous words of the shampoo commercial,

while change won’t happen overnight, it will happen. I hope that these frameworks I have proposed can inspire organisations to start to think about which small, but concrete, steps they may start with on their path towards helping to achieve a just transition for New Zealand.

- 1 A further element of a just transition is that of restorative justice: that is, making good the injustices of the past.
- 2 For example, the category of ‘energy’ includes things like fuels used in vehicles and sources of energy like geothermal and solar (the latter of which, aside from electricity generation, is also used directly for activities like space heating, timber and milk drying and horticulture).
- 3 Climate Action 100+ represents over 570 investors, responsible for over US\$54 trillion in assets.
- 4 It is important to acknowledge that debate exists over definitions of a just transition. Some consider that the term has been co-opted by governments and other powerful players and that many climate solutions (such as carbon capture and storage, and cap and trade systems) will deepen inequality. Such solutions are criticised for dispossessing marginalised people of land and resources, privatising public goods and services, and furthering the exploitation of workers (Transnational Institute, 2020). For example, given that New Zealand has an emissions trading scheme

and operates within a capitalist, largely free-market system, some would argue that any project that does not also seek to actively dismantle these systems should not be considered ‘just’. A 2018 report from the United Nations Research Institute for Sustainable Development maps approaches to just transitions and finds that there is a large range along a continuum from status quo approaches, through managerial and structural reform approaches, to transformative approaches. By mapping these various approaches, the aim is to allow people to ‘situate themselves, as well as other actors and initiatives, within the broader Just Transition landscape’ (UNSRID, 2018, p.11).

- 5 See also Bargh, 2019 for a much deeper examination of how te ao Māori can be interwoven with the just transition concept.
- 6 For example, in a 2015 snapshot, only 9% of engineers at management level with direct reports were female (IPENZ, 2015).
- 7 Having an emissions reduction goal does not necessarily mean the organisation is also aware of/prepared for a just transition. However, it is an important prerequisite: an organisation cannot be preparing for a just transition without also having an emissions reduction goal.
- 8 ‘Scope 1 covers direct emissions from owned or controlled sources. Scope 2 covers indirect emissions from the generation of purchased electricity, steam, heating and cooling consumed by the reporting company. Scope 3 includes all other indirect emissions that occur in a company’s value chain’ (Carbon Trust, 2021).

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