



Committee for
Development Policy
POLICY NOTE

**A globally
just transition**

Perspectives from
the Committee for
Development Policy



**United
Nations**

Committee for Development Policy

POLICY NOTE

A globally just transition

Perspectives from
the Committee for
Development Policy

DECEMBER 2023



**United
Nations**

United Nations Department of Economic and Social Affairs

The United Nations Department of Economic and Social Affairs (UN DESA) is a vital interface between global policies in the economic, social and environmental spheres and national action. The Department's mission is to promote and support international cooperation in the pursuit of sustainable development for all. Its work is guided by the universal and transformative 2030 Agenda for Sustainable Development, along with a set of 17 integrated Sustainable Development Goals adopted by the United Nations General Assembly. UN DESA's work addresses a range of crosscutting issues that affect peoples' lives and livelihoods, such as poverty eradication, employment, social inclusion, inequalities, population, Indigenous rights, macroeconomic policy, development finance and cooperation, public sector innovation, forest policy, climate change and sustainable development. For more information, visit <https://www.un.org/en/desa>.

Committee for Development Policy

The Committee for Development Policy (CDP) is a subsidiary body of the United Nations Economic and Social Council (ECOSOC). It advises the Council on a range of issues related to development policy and sustainable development, including periodically reviewing the criteria for and composition of the least developed country (LDC) category. The 24 members of the CDP are nominated by the United Nations Secretary-General in their personal capacity and are appointed by ECOSOC for a period of three years. The Secretariat of the CDP is part of the Economic Analysis and Policy Division (EAPD) of the United Nations Department of Economic and Social Affairs (UN DESA). For more information, visit cdp.un.org.

Foreword

As the world moves rapidly towards low-carbon, “green”, sustainable economies, the call for just and inclusive green transitions has become increasingly resonant.

Moving towards low-carbon economies will require balanced tradeoffs with measures that ensure that we leave no one behind. Such transitions must therefore align with both the spirit and the substance of the 2030 Agenda for Sustainable Development, drawing on investment pathways and policy frameworks that cut across sectors and systems to deliver equitable and inclusive outcomes. This change will require a carefully considered approach as there is no simple, one size-fits-all, way that this can be implemented. The approach to just transitions will need to accommodate different viewpoints if it is to lead to meaningful action at both national and international levels.

In this Policy Note, members of the Committee for Development Policy (CDP) reflect on different aspects of the challenge of ensuring just transitions, with particular focus on its international dimensions.

I commend the CDP for its work and am sure that this publication will contribute to the formulation of effective policies that will support the achievement of our shared objectives to fight climate change and achieve the Sustainable Development Goals..



LI JUNHUA

Under-Secretary-General for Economic and Social Affairs
United Nations
December 2023

Acknowledgements

This Policy Note was prepared by the Committee for Development Policy (CDP)'s subgroup on Just Transition, with support from the Economic Analysis and Policy Division (EAPD) of the United Nations Department of Economic and Social Affairs (UN DESA). It is based on collective work of the subgroup members, discussions held during the CDP's 2023 Plenary Session and individually authored texts selected by the CDP members. Comments, corrections or updates are welcome and should be sent to cdp@un.org.

Explanatory notes

The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term “country” as used in the text also refers, as appropriate, to territories or areas. The designations of country groups are intended solely for statistical or analytical convenience and do not necessarily express a judgment about the stage of development reached by a particular country or area in the development process.

The views expressed in this publication do not necessarily reflect the opinions and policies of the United Nations. Every effort has been made to provide accurate information. This publication in no way replaces legal texts or official policy documents.

The following abbreviations have been used:

CBAM	Carbon Border Adjustment Mechanism
CEEW	Council on Energy, Environment and Water
CDP	Committee for Development Policy
COP	Conferences of the Parties of the United Nations Framework Convention on Climate Change
DAC	Development Assistance Committee of the Organisation for Economic Co-operation and Development
ECOSOC	Economic and Social Council
EU	European Union
G20	Group of Twenty
GCF	Green Climate Fund
GDP	gross domestic product
ILO	International Labour Organization
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
MICs	middle-income countries
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
NbS	Nature-based Solutions
SDGs	Sustainable Development Goals
TRIPS	Agreement on trade-related aspects of intellectual property rights
UNCTAD	United Nations Conference on Trade and Development
UN DESA	Department of Economic and Social Affairs of the United Nations Secretariat
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WTO	World Trade Organization



Summary

This Policy Note compiles perspectives from the Committee for Development Policy (CDP) and its members on different dimensions of a globally just transition to low-carbon and environmentally sustainable economies. It includes the central messages of the debates on just transition during the CDP's 2023 plenary meeting, on which the Committee reported to the Economic and Social Council, as well as pieces, individually authored and selected by CDP members, on ecologically sustainable industrialisation, breaking fossil fuel dependency, the potential and risks of carbon border adjustment mechanisms, the special challenges of middle-income countries (MICs) in securing a just transition; solutions for climate resilience, the market failures and political failures that hold back advances in sustainable development; and recent advances in multilateral action.

TABLE OF CONTENTS

Foreword	III
Acknowledgements	IV
Explanatory notes.....	V
Summary	VI
Introduction	1
1 A globally just transition	3
2 Towards an ecologically sustainable industrialisation	7
3 How middle-income energy exporters can break fossil fuel dependence	10
4 How Europe's carbon border tax could help Africa	13
5 What does Just Transition mean for middle-income countries?	16
6 For sustainable development, support the faces of climate resilience	20
7 The key to achieving sustainable growth	24
8 Green path to G20's development goals	27
Annex	
UN DESA Policy Brief No. 141 (2022): A just green transition: concepts and practice so far	30

INTRODUCTION

Ensuring that no one is left behind or pushed behind in the shift to low-carbon and environmentally sustainable economies and societies is a matter of equity and justice but also critical, pragmatically, to ensure sustained climate action over time. From its origins in compensation for job losses, the concept of just transition has grown to incorporate different notions of justice, different kinds of transition, and different levels of ambition (see Annex). The concept of a just transition has also taken root in international agreements, meetings, declarations, and reports, including the Paris Agreement, successive Conferences of the Parties (COPs) of the United Nations Framework Convention on Climate Change (UNFCCC), the reports of the Intergovernmental Panel on Climate Change, and the High-Level Political Forum. A number of Just Transition Partnerships are underway, and, in June 2023, a group of world leaders released an open letter on “a green transition that leaves no one behind”. Ensuring a globally just transition requires tackling some of the deep-rooted development challenges. This Policy Note compiles perspectives from the Committee for Development Policy (CDP) and individual members on different dimensions of a globally just transition.

The first chapter contains the central messages of the debates on just transition during the Committee for Development Policy (CDP)’s 2023 plenary meeting, on which the Committee reported to the Economic and Social Council. The Committee stressed that countries need to develop, through inclusive dialogue, approaches to a just transition that reflect the needs, priorities and realities of their societies and their historical responsibilities for climate change and environmental degradation. The Committee further emphasised that the concept of just transition, while having originated in concerns for justice at the local and national levels, cannot be separated from the broader issues of global climate justice, common but differentiated responsibilities and respective capabilities.

A globally just transition requires countries to meet their climate commitments and ensure that in doing so they do not push poorer countries further behind by creating barriers to trade or excluding them from the opportunities associated with the expansion of new product markets. It also requires policy space for developing countries to develop their productive capacities, new intellectual property co-development frameworks for clean technologies, the expansion of systems for the payment of ecosystem services and

scaled-up international cooperation to ensure financing for sustainable infrastructure and for building resilience and advancing towards green industrialisation based on resilient and inclusive value chains.

Subsequent chapters contain reflections by individual CDP members on related issues. *Ha-Joon Chang* stresses the need for industrialisation and structural transformation with ecological sustainability but warns against approaches to a green transition that take for granted that the necessary technologies will be developed in industrialised nations and that perpetuate the global division of labour which is responsible for reproducing global inequalities. *Carlos Lopes* discusses the challenges of middle-income energy exporters facing the challenges of the global transition to renewables. In a second text, Lopes discusses how the European Union's carbon border adjustment mechanism could create significant problems for developing country exporters – in particular African economies – unless it includes provisions to mitigate adverse effects and provides adequate financial and technical support. These provisions, on the other hand, could drive positive transformation both for the climate and developing countries. *Adriana Abdenur* highlights how approaches to just transition are necessarily different in middle-income countries (MICs), which face much higher levels of poverty and informality, among other challenges, and much lower financial and institutional capacity than rich countries. She stresses, in this context, the importance of strengthening North-South dialogue around just transition and ensure that just transition in rich countries does not have negative consequences for MICs. Much of her reflection also applies to lower-income countries. Finally, in a series of three articles, *Arunabha Ghosh* first discusses the importance of international support for climate resilience and prevention against the damages of extreme weather events and possible ways forward. Next, he draws attention to the need to ensure solutions for market and political failures that hold back advances in sustainable development, including the lack of insurance against non-linear climate risks, the gap between perceived and real risks in investing in sustainable infrastructure in developing countries, inadequate accounting of the ecosystem services provided by countries in the Global South, a widening clean technology divide, the absence of an energy security architecture for the fuels of the future, and a viable approach for the transition away from fossil fuels. Finally, Ghosh highlights recent advances in multilateral action in the context of the G20's Green Development Pact.

The annex contains a UN DESA Policy Brief that introduces the concept of just transition.



A GLOBALLY JUST TRANSITION

Key messages from the Committee for Development Policy's 2023 plenary meeting¹

The concept of just transition, broadly defined as ensuring that no one is left behind or pushed behind in the transition to low-carbon and environmentally sustainable economies and societies, has gathered increased interest and recognition. From its origins in the defence of the interests of workers faced with job losses as a result of the adoption of environmental regulations, it has expanded to include the broader interests of affected communities and other stakeholders, different concepts of justice, and elements of procedural justice such as inclusive and participatory decision-making. A transition that is just enables more ambitious environmental and climate action and can provide impetus to achieving the Sustainable Development Goals (SDGs).

Moving towards a low-carbon and environmentally friendly economy can reprioritise development objectives towards sustainable, equitable development, harness the opportunities associated with the development of products and services, increase the participation of women in labour markets, ensure the protection of ecosystems and biodiversity and build resilience. Greater availability and affordability of renewable energies can be instrumental for new and more equitable models of urban organization and mobility. The concept of a just transition acknowledges that potential as well as the need to address trade-offs on the path towards sustainability. It should involve not only targeted compensatory measures, but also a process of embedding equity, inclusiveness and respect for human rights in sectoral and cross-cutting policy areas.

The concept of just transitions goes beyond addressing the impacts of changing energy paradigms. For example, in countries where deforestation is a major source of greenhouse gas emissions, just transition strategies may need to prioritise the challenges of the fight against environmental crimes such as illegal deforestation, illegal logging and mining in forested areas, and the creation of

¹ Adapted from Committee for Development Policy, *Report on the twenty-fifth session (20–24 February 2023)*, Economic and Social Council Official Records, 2023, Supplement No. 13. The Committee for Development Policy (CDP) held its plenary session on 20–24 February 2023. In addition to the discussions during the meeting, the CDP held an open panel discussion on 21 February, with the participation of CDP members Ha-Joon Chang, Carlos Lopes, José Antonio Ocampo and Kori Udovicki, and moderated by Sakiko Fukuda-Parr.



sustainable sources of livelihood for local populations, such as systems for the payment of environmental or ecosystem services.

Countries need to develop approaches to a just transition that are commensurate with the demands, priorities and realities of their societies and their historical responsibility. Developing countries face incomparably more challenging circumstances: greater fiscal constraints and more limited access to financing; underfunded social security systems; higher poverty rates; greater food insecurity; substantial gaps in the provision of basic services and infrastructure, including energy; high rates of unemployment and underemployment and high degrees of informality; limited scientific and technological capacities; greater vulnerability to external shocks, including climate change; and often greater economic dependence on fossil fuels. For a least developed country with significant gaps in energy access and a negligible contribution to greenhouse gas emissions, the objectives of ensuring access to affordable, reliable and modern energy services for all and enabling energy consumption commensurate with development needs cannot be secondary to the objective of moving away from fossil fuels as energy sources.

Just transition in the global context

The concept of just transition was born out of concerns for justice at the local and national levels, but it cannot be separated from the broader issues of global climate justice and common but differentiated responsibilities. Neither can it be removed from the realities of global inequalities in consumption and emissions patterns and productive and financial capacities. The global transition to low-carbon economies can be used strategically as an opportunity to reduce dependency on fossil fuel- and pollution-intensive exports, make production processes more efficient and advance structural transformation, avoiding the inequality-perpetuating traps of commodity dependence. However, developing countries face many of the challenges of the past in terms of constraints in productive capacities, financial resources and policy space, aggravated by increasingly integrated and interdependent global markets and a rapidly shrinking carbon space. Greater financial and institutional capacity as well as multilateral rules allow developed countries to provide subsidies for the development of new products, technologies and infrastructure that are out of reach for developing countries trying to implement their structural transformation strategies, thereby widening technology and development gaps.

Furthermore, there is a risk that, in the transition towards low-carbon economies, policy measures may be designed in ways that push companies from developing countries – particularly small and medium-sized enterprises – behind. Increasingly complex standards, including private standards, and reporting requirements can constitute barriers to trade, excluding developing countries from effective participation in emerging value chains, jeopardizing their traditional exports and further widening the technological divide.

At the same time, developing countries have critical assets for the development of technologies, products, and markets of global relevance in climate action. It will be necessary to form new systems of technology co-development that acknowledge the contribution of developing country markets in securing commercially viable scale for new technologies and enable the pooling of financial, human, technical and other resources and intellectual property rights, in a system of co-ownership of such intellectual property.

A globally just transition requires that climate financing commitments be met, loss and damage compensated for, and mitigation undertaken in accordance with the Paris Agreement without shifting the burden to developing countries. It requires transition strategies that consider the structure of global and regional supply chains – with the inclusion of relevant workers and stakeholders throughout the supply chain – in dialogue and decision-making. Furthermore, a globally just transition requires greater financing to meet the needs of climate-vulnerable and marginalised communities, as well as solutions to lower the cost of capital for sustainable infrastructure investment in developing countries. Multilateral and regional development banks should de-risk and crowd-in private sector investment, while supporting universal access to essential services, especially water, sanitation and electricity. Financing by development banks for climate change mitigation should not divert resources away from financing other issues under the SDGs. New and expanded systems of payment for ecosystem services should be developed.

It will be necessary to put in place international mechanisms that ensure investments in clean energy and energy security, reflecting the specific challenges of clean energy, including security in the supply of critical minerals. International mechanisms that de-risk investments in sustainable energy infrastructure, whether large-scale or distributed, and against physical climate risks in the developing world, are also needed.

Matters the Committee for Development Policy (CDP) highlighted in its report for action by the Economic and Social Council (ECOSOC)^a

1. The Committee recommends that, in line with the concept of a just transition, the Economic and Social Council encourage Member States to pursue strategies that will secure climate action, environmental sustainability and resilience-building in a way that reinforces the ambitions to meet all the Sustainable Development Goals. The strategies should be founded on structured and inclusive processes of social and political dialogue based on transformative and strategic thinking that reflects the specific contexts of each country.
2. With the understanding that historical responsibility is at the heart of a just transition, and in line with the principle of common but differentiated responsibilities, the Committee recommends that the Council:
 - (a) Urge developed countries to formulate their mitigation strategies in ways that promote the participation of developing countries in emerging value chains in the clean tech economy and that avoid imposing prohibitive barriers to their current exports, particularly those of small and medium-sized enterprises, through compliance costs and conditions that are incompatible with local financial resources and technical capabilities. Transition periods and support for compliance must be compatible with the challenges faced;
 - (b) Promote systems of technology co-development that acknowledge the contribution of developing country markets in securing commercially viable scale for new technologies and enable the pooling of financial, human, technical and other resources and intellectual property rights in a system of co-ownership of such intellectual property;
 - (g) Ensure that international agreements do not constrain the policy space for developing countries that are pursuing industrial policy as a means of developing productive capacities and upgrading their economies in the context of their just transitions;
 - (d) Draw attention to the need for lower cost of capital for sustainable infrastructure investment in developing countries and engage with multilateral and regional development banks to promote the use of their capital in de-risking and crowding in private sector investment, while ensuring universal access to essential services, especially water, sanitation and electricity;
 - (e) Draw attention to the need to avoid the possibility that increasing the engagement of multilateral development banks in climate action might draw resources away from productive capacity development and other issues under the Sustainable Development Goals;
 - (f) Encourage the development of capacity to regulate the environment and social actions of non-State entities to eventually participate in more regulated markets and tap into the resulting international investment.
3. The Committee also recommends that the Council call for:
 - (a) Immediate capitalization of the loss and damage finance facility;
 - (b) Significantly increased financing for investment in resilience-building, especially for climate-vulnerable and marginalised communities, and for the mitigation of inequalities that have an adverse impact on those communities on the road to a more sustainable economy;
 - (c) Establishment of effective international mechanisms of payments for ecosystem services.
4. In line with its recommendations on a new generation of voluntary national reviews (see below), the Committee recommends that the Council urge Member States to report, through the reviews, on how the principle of leaving – and pushing – no one behind is being applied in transitions to low-carbon and environmentally sustainable economies. It also recommends that the Council promote cooperation, dialogue and the sharing of experience on just transitions and their international dimensions.

^a Committee for Development Policy, *Report on the twenty-fifth session (20–24 February 2023)*, Economic and Social Council Official Records, 2023, Supplement No. 13.



TOWARDS AN ECOLOGICALLY SUSTAINABLE INDUSTRIALISATION

Ha-Joon Chang²

The idea that industrial transformation should be at the heart of our attempt to ensure ecological sustainability is about to enter the realm of conventional wisdom, as industrial policy plans are released in every country of the Global North.³ Advanced economies have suddenly identified the absolute necessity to adapt their industrial structures to the challenges posed by the ecological crisis. This does not only respond to the competitive compulsions – i.e., winning the ‘green industrial race’, or at least not falling behind China – but also from domestic security concerns associated with threat of trade disruptions posed, among other factors, by climate change.

What all of this means for developing countries is, however, not widely discussed. Yet, this is precisely where the idea of sustainable development could take on its full meaning. Indeed, while sustainable development is most often held a universal aspiration, this does not obviate the need to consider what it concretely means for developing countries to be sustainably developing.

Most often than not, it appears that sustainable development in the developing world is expected to take the form – shaped by decades of neoclassical hegemony in thinking about development – of the acceptance of ‘sustainable practices’ as defined by the rich countries; the development of small-scale and environmentally friendly economic activities;⁴ and the adoption of foreign ‘green’ technologies. What sustainable development in developing countries never means is environmentally sustainable industrialisation by these countries.

-
- 2 Ha-Joon Chang is a member of the CDP and Distinguished Research Professor of Economics at SOAS University of London. This article is based on H-J. Chang, A. Lebdioui and B. Albertone (2023), *Decarbonised, Dematerialised and Developmental: An ecologically sustainable industrialisation model*, a forthcoming report for the United Nations Conference on Trade and Development (UNCTAD).
 - 3 The Inflation Reduction Act in the United States, the Green Deal Industrial Plan in the European Union, the Korean Green New Deal, among others.
 - 4 According to UNDP’s *2020 Human Development Report*, these activities are expected to contribute to the preservation of resources that are crucial to the livelihoods of certain communities, to empower communities by giving them more control and, eventually, to help generate new production practices and new livelihoods. The multiplication of such actions in the developing countries is expected to help build, according to the same institution, a “nature-based human development”.

Once seen as a necessary means of expanding national autonomy, of breaking down international relations of domination, and of elevating standards of living, industrialisation has long disappeared from the official agenda of development. Questions of production – of productive structures, of productive capacities, and of their impacts on the socio-economic development outcomes – are no longer central to development theory – sustainable or not.⁵ Thus, it is often taken for granted that the development of the technologies at the heart of global processes of decarbonisation (and less frequently dematerialisation) is a task limited to the industrialised nations.

Therefore, although implicitly, the pursuit of sustainable development is designed to reproduce the current global division of labour, in which advanced economies pursuing industrial diversification in new (green) sectors and providing the means (the technologies) for the ‘greening’ ambitions and needs around the world and in which developing nations greening their economies without substantially transforming their economies and at best providing the raw materials for the green transition (e.g., solar radiation to be converted into hydrogen fuel, lithium for electric car batteries, platinum for the electrolyser-producing hydrogen).

This is made even worse by the almost total disregard for the principle of *common but differentiated responsibilities*. Indeed, the pressure on developing countries to green their economy whatever the developmental costs is tantamount to a green version of the ‘ladder-kicking’ metaphor.⁶

Thus, we need to recognise the extremely problematic potential consequences of the currently dominant approach to ‘green’ transition. Above all, we need to recognise that not only is the current global division of labour responsible for reproducing deep asymmetries between countries but that the current ecological crisis is also going to make this reality even more severe. And in the context of high levels of developing countries’ indebtedness,⁷ the

5 See H-J. Chang (2010), *Hamlet without the Prince of Denmark : How development has disappeared from today’s “development” discourse*, in *Towards New Developmentalism*, S. Khan and J. Christiansen, eds., Abingdon, Routledge; and H-J. Chang and A. Andreoni (2021), *Bringing production back into development: An introduction*, *The European Journal of Development Research*, vol. 33, no. 2.

6 The metaphor of ‘kicking away the ladder’ was originally used by the 19th century German economist Friedrich List, in order to criticise the British preaching of free trade to Germany, the United States, and other nations despite the fact that Britain itself had developed on the basis of protectionism. This metaphor was revived in the modern context in H-J. Chang (2002), *Kicking Away the Ladder – Development Strategy in Historical Perspective*, London, Anthem Press, which criticises today’s rich countries preaching free trade to today’s developing nations, despite the fact that they had initially developed their economies through protectionism, subsidies, and other forms of state intervention.

7 See UN News (2022), *Developing countries face ‘impossible trade-off’ on debt: UNCTAD chief*.

need to import green technologies will put additional pressure on these countries to generate more export revenue, which in turn will force them to produce even more fossil fuels and/or destroy more of their forests to expand agricultural exports, thereby worsening the ecological crisis.

Currently, exports by developing countries are to a large extent based on natural resources – 87 out of 136 developing countries are classified by UNCTAD as commodity dependent – and manufacturing products based on cheap labour.⁸ And in the absence of import substitution of ‘green imports’ or development of manufactured exports that are not reliant on the exploitation of nature or labour – both of which require industrialisation – the need to finance ‘green imports’ will lead to increased environmental pressures, increased labour exploitation and/or increased macroeconomic vulnerability.⁹ To make things worse, several key export segments by developing countries are both highly exposed and vulnerable to climate change, e.g., agricultural and silvicultural products, so many developing countries that are reliant on those products may not be able to increase their exports to meet their ‘greening’ needs.

In this context of the twin pressures – new import requirements and export vulnerability – the productive transformation and industrialisation of developing countries is an imperative. However, this does not mean that we can go back to the 1960s and the 1970s, when industrialisation progressed with little regard to ecological boundaries. The new forms of industrialisation in the era of ecological crises should be pursued with the issue of ecological sustainability. And ecological sustainability should be defined not simply in terms of carbon intensity (as in the dominant ‘greening’ agenda) but also of in terms of material use.

We do not want forms of industrialisation and structural transformation that pay no heed to the planetary boundary, but neither do we want a narrowly defined ‘greening’ (instead of maintenance of broader ecological sustainability) of developing countries without fundamental transformations in their productive structures and capabilities.

⁸ UNCTAD (2021), *Commodities and Development Report 2021*, Geneva.

⁹ UNCTAD (2019), *Trade and Development Report 2019: Financing a Global Green New Deal*, Geneva.



HOW MIDDLE-INCOME ENERGY EXPORTERS CAN BREAK FOSSIL FUEL DEPENDENCE

Carlos Lopes¹⁰

Volatility in oil and gas markets has been devastating for middle-income energy exporters, which produce nearly half of the world's oil and gas. As the world shifts to renewables, these countries must adopt strategies to ensure that the transition does not harm workers and communities.

The ongoing volatility in oil and gas markets has come as a shock to many people across the developed world. But its impact on developing countries that rely on producing fossil fuels has been far worse.

Over time, as the world increasingly shifts to cheaper and cleaner energy sources, fossil fuels will likely become less profitable, forcing energy-exporting countries to find other sources of income. What would that mean for “middle-income” developing countries which together account for 48 per cent and 52 per cent of global oil and gas output, respectively?

While oil and gas have propped up the economies of countries like Nigeria, Mexico, Ghana, and Argentina over the years, dependence on them has led to a host of problems, from environmental pollution that harms public health to overreliance on fossil-fuel exports at the expense of the development of other sectors.

But breaking free from the addiction to fossil fuels will not be easy. Middle-income energy exporters are poorer than their developed-country counterparts and therefore have fewer resources with which to support workers and communities through the clean-energy transition. Nearly half the world's fossil-fuel workers live in Africa, Asia, or South America, and they would need to find new jobs – and the training to fill them. In addition, these countries' oil and gas industries employ many more people indirectly,

¹⁰ Carlos Lopes is a member of the CDP and Honorary Professor at the Nelson Mandela School of Public Governance, University of Cape Town. This article was originally published in Carlos Lopes' blog, [Africa Cheetah Run](#) in May 2023.

including contract workers who do not have the same protections as permanent and unionised workers.

But worker displacement is only one of the risks for which middle-income countries must plan if they are to kick their fossil-fuel habit. Given that the oil and gas industries are a major primary source of their tax revenue, many cash-strapped governments would be unable to fund essential services, such as health care and education, if those proceeds suddenly disappeared.

Price volatility has already devastated economies that grew too dependent on fossil fuels. Following the 2020 crash in oil prices, for example, Nigeria proposed cutting education spending by up to 55 per cent. And in response to the 2014 oil-price crash, Mexico pared public spending by close to 0.7 per cent of GDP. Although high prices may lead to economic booms, they inevitably fall – and often drag down the economy with them. Ultimately, relying on finite resources is no way to fund a twenty-first-century economy.

Developing and implementing the right strategies to shift away from fossil fuels will not happen overnight. But policymakers in middle-income energy-exporting countries can already take three immediate steps to ensure that the clean-energy transition does not harm their workers, communities, and economies – and that it lays the groundwork for a more prosperous future.

First, governments must engage in long-term planning, particularly when it comes to the economies of regions that would most likely be affected by the green transition. To that end, policymakers should consult various stakeholders, develop inclusive plans to help displaced workers and affected communities, and strengthen social safety nets. Closing data gaps regarding demographics, wages, and skills will be essential to assisting oil and gas workers, especially female workers.

Second, given that oil and gas revenues will most likely decline over the long term, middle-income exporters must double down on economic diversification. This would involve studying and developing other promising sectors, such as agricultural processing, manufactured goods, and business services.

By developing domestic clean-energy sectors, policymakers could complement their diversification strategies. Given the changing geopolitical landscape and growing demand for energy, renewables could stabilise prices, revenues, and employment. To support these efforts, governments should harness the power of civil society and the private sector, including oil companies.

Lastly, governments must provide the funding necessary to complete the clean-energy transition. In the near term, they could use income from fossil-fuel production to diversify their economies and invest in green projects. They could also reallocate funds currently used for subsidy programs and require the oil and gas industries, especially multinationals, to help cover the costs of environmental remediation and support programs for affected workers and communities.

But while middle-income countries could fund some of these measures by mobilizing internal resources, developed countries and international financial institutions must also offer the financing and technical assistance that these countries need to pursue their diversification strategies.

Shifting away from fossil fuels is not only necessary to avert a climate catastrophe, but also represents an opportunity to build a healthier and more equitable future for all. But developed countries must not expect middle-income fossil-fuel exporters to give up their main revenue source without international assistance. Ensuring that the net-zero transition does not leave anyone behind is a moral imperative. It is also smart climate policy.



HOW EUROPE'S CARBON BORDER TAX COULD HELP AFRICA

Carlos Lopes¹¹

The European Union (EU)'s carbon border adjustment mechanism (CBAM) is designed to lower greenhouse-gas emissions and encourage cleaner industrial production beyond its borders. But the mechanism can achieve meaningful change only if it is implemented with developing countries' unique challenges in mind.

As the European Union (EU) pursues vigorous efforts to achieve its targets under the Paris climate agreement, the bloc's proposed carbon border adjustment mechanism (CBAM) offers the tantalizing promise of cleaner industry and reduced emissions within and beyond its borders. By putting a price on the carbon dioxide emitted during the production of certain imports, the system aims to level the playing field between EU and third-country businesses and prevent so-called "carbon leakage" – the shifting of carbon-intensive industries to countries with weaker environmental standards.

A key objective of the CBAM is to generate "own resources" for the bloc: the EU expects that, by full implementation in 2030, the mechanism will raise around €10 billion (\$11 billion) annually, which is earmarked to repay the bloc's pandemic recovery debt. Perhaps more importantly, the CBAM will have global implications. While the mechanism could accelerate the green transition by effectively exporting the EU's stringent climate targets, it could also adversely affect developing economies, particularly in Africa.

One of the main concerns is that the CBAM, which officially begins its transitional phase in October 2023 and will initially apply only to cement, iron and steel, aluminium, fertilisers, electricity, and hydrogen, could significantly increase the cost of exporting to the EU. This would be especially problematic for African economies, which already face some of the highest trade barriers in the world and often rely heavily on exports to drive growth. David Luke, a London School of Economics professor specializing in

¹¹ This article was originally published in Carlos Lopes' blog, [Africa Cheetah Run](#) in January 2023.

African trade policy, recently warned that the CBAM tax may reduce African exports to the bloc by almost 6 per cent.

More broadly, the tariff may have a disproportionate impact on countries with weaker economies and limited infrastructure. Lacking the capacity to meet the EU's stringent carbon standards would put these countries at a competitive disadvantage and further widen the economic gap with the bloc. An analysis by the Center for Global Development found that Mozambique's GDP, for example, could plausibly fall by 1.6 per cent, given that the country sent more than half of its aluminium exports to the EU in 2019.

There are also concerns that the EU might, at a later point, impose trade sanctions against African States that fail to meet its emissions targets, exacerbating economic precarity and straining an already fragile global trading system. More immediately, managing the CBAM, which requires countries to calculate emissions associated with goods produced domestically, will require technical knowhow and administrative capacity that many governments simply do not possess.

At the same time, it is important to recognise the CBAM's potential to drive positive change in African economies. By encouraging a reduction in greenhouse-gas emissions, the tariff could lead to the development of new industries and technologies that are less reliant on carbon-intensive processes. This, in turn, would create new economic opportunities and support more sustainable growth. The green transition is often touted as a job creator globally, and in Africa, the renewable-energy sector has the potential to create up to four million new jobs by the end of this decade.

Furthermore, African countries that are already making efforts to decarbonise would benefit from the EU's strategy to rein in carbon leakage. A clean-energy revolution will also go a long way toward boosting full electricity access, which, according to the International Energy Agency, could be achieved by 2030 with an annual investment of \$35 billion – less than 1 per cent of global GDP. More than half of the estimated 770 million people currently living without access to electricity are located in Africa.

Ultimately, any implementation of the CBAM must consider the unique challenges African countries face. For starters, the EU currently accounts for about 8 per cent of global greenhouse-gas emissions (and is historically a large emitter), while Africa's contribution is relatively small, around 4 per cent. And yet the latter will bear the brunt of future global warming. Moreover, implementation requires a differentiated approach that makes allowances for widely varying levels of development. This could include providing

financial and technical support to help African governments meet the EU's carbon standards and exempting certain products or sectors that are of particular importance to the continent's economies.

A carbon border tax is just one tool in the fight against climate change. It may prove to be a powerful force, but only if it includes provisions to mitigate adverse effects on developing economies. Just as addressing global warming requires a collaborative approach, applying the CBAM requires the EU to work closely with governments in Africa to support the continent's climate resilience. Failure to do so would undermine the mechanism's transformative potential.



5 WHAT DOES JUST TRANSITION MEAN FOR MIDDLE-INCOME COUNTRIES?

Adriana Abdenur¹²

Fifty years after the first United Nations conference on the environment, held in Stockholm in 1972, many of the concerns at the intersection between environment and development continue to be relevant as countries are confronted with the depth of the transformations required to transition towards greener, more resilient and climate-neutral economies and societies. It has become increasingly evident that, for this transition to be successful, it has to be done in a way that, among other challenges, addresses socioeconomic disparities and avoids creating new ones – the concept of a “Just Transition.”

However, debates about Just Transition are still heavily dominated by Global North discourses that focus narrowly on mitigation – reducing greenhouse gas emissions – placing energy and cutting-edge technologies squarely at the centre. These visions are based on the particular energy mix of rich countries, their labour market structures, policy frameworks and capacity – including financial capacity – to prepare and adjust to the social impacts, for example re-qualifying the labour force in sectors where job losses are anticipated towards the types of skills that will be necessary for activities that will emerge in the “green economy”.

These priorities do not always correspond to the demands and realities of developing countries, including middle-income countries (MICs). Around 75 per cent of the world’s population, and 62 per cent of the world’s poor, live in MICs – a diverse group of over 100 countries, ranging from small nations such as Belize and the Marshall Islands, to large ones such as Brazil, the Russian Federation, India and China. Getting Just Transition right in these countries could mean concrete change for a large proportion of the world’s population.

¹² Adriana Abdenur is a CDP member and Special Advisor to the Presidency of the Republic in Brazil. This article was originally published in the [United Nations Climate Action website](#).

How are middle-income countries different?

Greater informality: When compared to industrialised economies, in MICs there is a much greater level of informality in labour markets. This means that a far greater proportion of the population, especially groups such as women, minorities and migrants, are highly susceptible to economic crises, policy changes, or a combination of both. In addition, in MICs it is not uncommon for a single formal job to sustain more than one household, so even one formal job displacement may impact a much larger group of people. Add to this the fact that entire countries and even regions are dependent on a single commodity, and the socioeconomic ripple effect of job displacement in MICs is far greater than in industrialised countries.

Younger population: From a demographic standpoint, while many rich countries already have sizable older-age populations and rapidly declining population growth, many low- and middle-income countries remain relatively young. Looking to the future, population ageing is expected to boom in large MICs, including India – already the world’s second most populous country – as well as Indonesia and Nigeria, even as it further slows in the already-aged countries of Western Europe. And youth are among those hit especially hard by the unemployment and education disruptions exacerbated by the pandemic. This means that the creation of dignified, green jobs, especially for youth, will be paramount for MICs.

Higher poverty levels: Poverty remains a major challenge and has been aggravated by the COVID-19 pandemic. Recent data indicates that 82 per cent (or 72 million people) of the newly extreme poor (those pushed below the \$1.90/day threshold by the pandemic) will be in MICs, as compared to 60 per cent of the existing global extreme poor. Add to this the high levels of conflict and the increasing exposure to climate change, including through extreme weather, droughts, and floods. This means that special precautions must be taken, not only to avoid aggravating this scenario, but also to lift people out of poverty.

Distinct ecological and climate challenges: Ecological and climate challenges don’t always look the same from the point of view of MICs. The energy matrix of MICs varies widely. Some of the biggest economies, such as Brazil, are not heavily dependent on fossil fuels. Even if they should also move further away from oil and gas, the issue of energy may not be as central to transition as, for instance, illegal deforestation. The international dimension of the ecological crisis is also central to many MICs, although domestic actors and consumption patterns have their share of blame in

carbon emissions and environmental destruction. In particular, the role of the North in fueling environmental destruction is felt acutely, for instance through the pressure created by global demands for commodities on sensitive biomes like the Amazon forest, or of transnational corporations in the extractive sector causing widespread pollution and contamination in MICs.

Lower access to capital: Access to capital, including for the purposes of implementing much-needed infrastructure and industrial policies, is scant; climate financing in particular remains both scarce and murky, including for the development, adoption or adaptation of technologies. The gaps are aggravated by the failure of industrialised countries to fulfill their commitments, not only to official development assistance but also to climate financing.

Limited institutional capacity: And finally, in many MICs, there is limited institutional capacity to undertake the kind of multi-sectoral, multistakeholder, integrated approach across levels of government. With the exception of countries that have an established tradition of policy planning and centralised government, decision making, response design and implementation are often far less coordinated and effective than in industrial economies. Integration across public, private and civil society spaces – but also harmonisation between different levels of government, from the national to the local – remain major challenges as sectors lack a shared vision of development. This means that, at the political level, Just Transition policies can encounter resistance and contestation from many fronts, and are far less likely to be a shoo-in. And even when they are agreed upon, implementation may not be effective.

What are the paths forward?

One central element of Just Transition in MICs is the creation of decent green jobs, especially for youth, through national employment policies in line with ILO recommendations. Depending on the context, new jobs might cluster around renewable energies, climate-smart agriculture and fisheries, ecotourism, resource conservation and restoration (such as reforestation efforts) and the circular economy. This parcel of the population will also need upgraded education and training for skills required by those jobs. More broadly, decision-making about Just Transition should incorporate the meaningful participation of youth – especially since debates, decisions and resources relevant to Just Transitions, whether in industrialised or developing countries – remain heavily concentrated in the hands of older people, and therefore often fail to adequately incorporate an intergenerational perspective.

Robust social protection systems, including public health and public education, are needed that boost the economic and climate resilience of disadvantaged groups such as women, indigenous groups, migrants and youth. These protection systems must cover workers in both the formal and informal economies, for instance through broad payment for environmental services programmes, and they should include enhanced safeguards for occupational hazards.

While new technologies – including cutting-edge types – have a role to play in Just Transition in MICs, they should not be viewed as a panacea, and the risks they introduce in MICs – including job displacement, threats to data privacy, and enhanced socioeconomic inequalities, should be better understood, anticipated and mitigated. In addition, there is a need to promote social technologies in areas such as public education, public health and agriculture, which have long been the object of South-South Cooperation and that can also be fomented through assistance or triangular cooperation arrangements.

There are broad needs for capacity-building at many different levels. In addition to the expanded access to public education and vocational training, efforts should target institutions, from research organizations and think tanks – where research and development should be fomented with sustainability in mind – to government bodies, so as to strengthen capacity to design, implement and monitor Just Transition policies.

There is a risk that Just Transitions in rich countries and regions may have negative consequences for MICs, from job displacement to undermining local capacity for adaptation and resilience. In order to avoid these negative transnational impacts, North-South dialogue around this topic should be strengthened, and cooperation structured so as to address the displacements underway as rich countries transition away from fossil fuels, change consumption habits, and introduce new regulatory frameworks and policies in areas such as trade, investments, and science and technology. This will also require more serious follow-through by industrialised countries to commitments made in international development and climate financing.

Just Transition in MICs will not just benefit the people living in those countries. Ultimately, positive change will also ripple out to other countries, especially low-income ones. Simply put: without Just Transition in middle-income countries, there will be no global Just Transition.



FOR SUSTAINABLE DEVELOPMENT, SUPPORT THE FACES OF CLIMATE RESILIENCE

Arunabha Ghosh¹³

With the El Niño phenomenon still developing, the Indian meteorological department declared a 29 per cent chance monsoons this year would be “below normal”. But unseasonal weather (including both rainfall and temperature variations) might have already led to a loss of 1–2 million tonnes of India’s wheat crop. It is such unseasonality and unpredictability that is at the heart of the climate crisis. The paths to sustainable development are already challenged by repeated shocks. But they do not account for climate variability. This must – and can – change if we let nature show the way.

Climate variability manifests itself in several ways. The most visible is extreme weather. There is evidence of the rise in extreme weather events across the world (India is seeing heat waves, floods hit California and Auckland, and Cyclone Freddy wreaked havoc in southern Africa). Analysis by the Council on Energy, Environment and Water (CEEW) finds that three-quarters of Indian districts are already exposed to extreme climate events.¹⁴

Climate-related disasters impact the economic infrastructure and household assets of lower-middle-income and low-income economies far more. Between 1998 and 2017, these economies lost 1.14 and 1.17 per cent of their GDP, respectively, due to such disasters. The comparative impact for high-income economies was just 0.41 per cent of GDP.¹⁵

Climate change impacts water as well. As the Global Commission on the Economics of Water recently reported, global warming is adding about 7 per cent of moisture for each 1°C of temperature rise.¹⁶ Land use change is also impacting precipitation patterns and how water gets apportioned between green water (soil moisture and water vapour) as well as blue water (runoff/liquid) flows. These changes can wreak havoc on agriculture, industry, cities

¹³ Arunabha Ghosh is a CDP member and the CEO of the Council on Energy, Environment and Water (CEEW). This article was originally published in the [OECD Forum Network](#) on 21 April 2023.

¹⁴ CEEW (2020), 75% districts and half of India’s population vulnerable to extreme climate events: CEEW study, New Delhi, India.

¹⁵ World Bank (2022), Disaster Risk Insurance Platform.

¹⁶ See, Global Commission on the Economics of Water, [Turning the Tide: A Call to Collective Action](#).

and built infrastructure, not to mention their impact on food security. In turn, drought-related forest fires and loss of wetlands deplete key stores of carbon.

The response to the climate crisis is not an emissions mitigation challenge alone. It is about putting the vulnerable at the heart of climate response. For this, we must build resilience to catch the fall, recover beyond the status quo, and prioritise nature-based solutions.

Resilience to catch the fall

It starts with creating a cushion for the vulnerable to fall back on. Disaster relief is not enough. What we need is a global mechanism — a Global Resilience Reserve Fund (GRRF) — to increase resilience and allow economies to bounce back after climate shocks hit above a specified threshold.¹⁷ Such a fund could be capitalised using the IMF's Special Drawing Rights and would assume the first loss. Pooling risks across geographies could help to lower the peaks of risk curves.

Recovering beyond the status quo

Catching the fall and minimising climate damage is just the start. In order to bounce back, countries must be able to go beyond the current status quo. For this, we must understand the importance of the recovery of ecosystems and communities after a disaster event. Ecosystem recovery helps to restore ecological balance and avert loss and damage from future disasters whilst providing opportunities for adaptation-mitigation co-benefits. For instance, women's self-help groups in the Puri district in India's Odisha state have started tackling the impacts of extreme cyclones by planting a belt of Casuarina trees along the coastline. Combined with state-run early warning systems and community-run storm shelters, the loss of lives to supercyclones has dramatically fallen in Odisha.

We must also understand the value of prevention. Every US\$ 1 invested in wetland and ridge restoration could save US\$ 7 in avoided damages.¹⁸ By this measure, more than US\$ 50 billion worth of damages against extreme flood events could have been saved in the past 20 years.

17 Arunabha Ghosh and Shuva Raha (2022), *Renewed multilateralism to alleviate chronic risks and enhance human security*, CEEW.

18 Abinash Mohanty (2022), "Adapting to a changing climate through nature-based solutions," in *The Palgrave Encyclopedia of Urban and Regional Futures*, Robert C. Brears, ed., Palgrave Macmillan.

But this does not happen because of persistent market failures. There is very limited accounting of uncertainty associated with implementing nature-based and community-led solutions. The market often fails to capture the factors that result in stronger community participation and, therefore, discounts the returns on possible investments. When cost-benefit calculations are restricted to grey infrastructure, GDP grows when a concrete flood embankment is built but not when the mangrove in the same area is preserved.

Currently, less than 5 per cent of climate finance goes towards dealing with climate impacts, and less than 1 per cent goes to coastal protection, infrastructure and disaster risk management.¹⁹ Broadening the definition of infrastructure to include natural ecosystems offers an opportunity to deploy more sustainable and climate-resilient responses.

Let nature show the way

Nature-based solutions (NbS) help with climate regulation, water management, biodiversity conservation, soil fertility, and offer economic benefits to communities. Many natural ecosystems, such as wetlands, mangroves, and forests, provide valuable services that reduce the risk of disasters. For example, mangroves can act as a buffer against storm surges. According to IUCN, US\$ 57 billion in flooding damages are averted by mangroves in China, India, Mexico, the United States, and Viet Nam annually. One immediate opportunity is for the Coalition for Disaster Resilient Infrastructure (with 31 member countries) to mainstream NbS in its programmes, particularly via the Initiative for Resilient Island States.

Furthermore, climate-smart and sustainable agriculture practices can reduce greenhouse gas emissions, build soil health, and increase resilience to climate change impacts. Practices like agroforestry and conservation agriculture also have the potential to reduce the risk of disasters such as floods and landslides. In cities, building green infrastructure such as green roofs, rain gardens, and permeable pavements can help to reduce the risk of flooding, improve water quality and mitigate the urban heat island effect as temperatures rise. Developing a common assessment framework to evaluate NbS is the need of the hour if more public and private capital is to be directed towards sustainable solutions.

Community-led natural resource management gives local communities agency in decision-making whilst tailoring the

¹⁹ Miguel Inácio, et al. (2022), "Nature-Based Solutions to Mitigate Coastal Floods and Associated Socioecological Impacts," in *Nature-Based Solutions for Flood Mitigation: Environmental and Socio-Economic Aspects*, Carla Ferreira, et al., eds. Springer Link.

interventions to their needs. In the Ambojwadi settlement in Mumbai, youth groups have marked the areas prone to flooding that need mangrove conservation and have formed first-response teams for disasters. In the Himalayan state of Uttarakhand, a rural women's collective in Almora district now works closely with the state forest department officials to fight the increasing amount of forest fires. These are the faces of climate resilience which are not just of climate vulnerability.²⁰ Rather than treat their efforts as anecdotal or episodic, such communities across the world deserve support that is both environmentally friendly and sustainable over the long term.

²⁰ *Faces of Climate Resilience* captures the voices of climate vulnerable populations in 16 stories from 5 Indian States. The project, in partnership with India Climate Collaborative, Edelgive Foundation, and Drokpa Films, strives to make climate change more tangible through the lived experiences of people. The focus is on how individuals and communities are responding to the climate crisis. They are embracing nature-based solutions and traditional wisdom. They are mobilising collective action and collaborating with non-profit organisations and local government officials to build climate resilience.



THE KEY TO ACHIEVING SUSTAINABLE GROWTH

Arunabha Ghosh²¹

Global financial leaders are convening for the World Bank's spring meetings this week. Amid much talk of reform, our focus must be on the most vulnerable when aligning development and climate action. The food, fuel, finance and fever (pandemic) crises all impact the poor disproportionately. A just green transition must rest on four pillars of finance, technology, people, and partnerships, which are embedded in several G20 working groups and the agenda items put forward by India's presidency. For sustainable development, however, we must solve three market failures and three political failures.

The biggest market failure is the lack of insurance cover against non-linear climate risks. Insurance works on averages and probabilities, with risks spread across different entities and geographies. The climate crisis is different. What is a tail risk today (a super cyclone that occurs, say, only once in 30 years) becomes normal 10 years from now (with more frequent and intense cyclones). It is this nonlinearity that makes it difficult to insure against climate shocks.

Countries do not just need disaster relief but also a mechanism to increase resilience and allow economies to bounce back after shocks above a threshold. A Global Resilience Reserve Fund (GRRF) could be a multilateral mechanism for countries with varying levels of vulnerability to pool their risks to climate shocks to lower the peaks of risk curves. After assuming an initial loss, GRRF would transfer the bulk of the subscribed risk to existing market insurance mechanisms.

The second market failure is the gap between perceived and real risks in investing in sustainable infrastructure in developing economies. There is no doubt that there is some risk involved in investing in poorer countries but it is also true that the risks perceived by institutional investors are higher than what is often observed.

The real challenge is associated with non-project risks, particularly currency risks as well as off-taker risks, or policy uncertainty.

21 This article was originally published in the [Hindustan Times](#) on 12 April 2023.

The latter two could be mitigated by standardised contracting and first-loss guarantees. But currency risk continues to plague developing countries. When interest rates rise in developed countries in response to domestic inflation, project developers in developing economies suffer. A Global Clean Investment Risk Mitigation Mechanism (GCI-RMM) could offer de-risking solutions at scale. Risks could be pooled across projects and across countries. The double pooling would spread the risks and lower the cost of hedging currency (and other non-project) risks.

The third market failure relates to unpriced or under-priced externalities, not just carbon but also land, water, air, and biodiversity. Not accounting for the real value of ecosystem services deprives many countries in the Global South of access to financial resources for preserving natural resources that contribute to the global commons. In order to mobilise capital for developing countries, we could tap the proceeds of carbon markets (voluntary and international compliance markets). For instance, the rules for international carbon markets under the Paris Agreement's Article 6.4 mechanism provide for a 5 per cent share of proceeds at issuance to be transferred to the Adaptation Fund.

Compounding the market failures are at least three political failures. The first is technology mercantilism that could result in a widening clean tech divide. Trade in renewable energy products has become increasingly concentrated. Four countries dominate more than 70 per cent of solar photovoltaic cells and lithium-ion batteries exports and more than 80 per cent of wind gensets exports. Only 15 countries produce 70–95 per cent of critical minerals for low-carbon technologies. Import concentration levels – and thereby vulnerability – are particularly high for middle-income countries.

The response must be to increase the capacity of developing countries to participate in clean tech manufacturing and have a stake in more diversified and resilient supply chains. Sectoral co-operation is one way. Technology co-development is another, by pooling financial, technical and human resources, co-owning intellectual property, and coordinating green procurement policies at scale.

A related political failure is that we do not have an energy security architecture for the fuels of the future. Whether it is solar modules, wind turbines, green hydrogen electrolyzers or critical minerals embedded in these products, the lack of common standards and definitions makes it harder to develop energy-secure supply chains where standards are interoperable. We need an

architecture of rules that responds to the needs of emerging energy demanders, reduces non-tariff trade barriers, and increases the security of the supply of emerging energy fuels.

The third failure is that we have yet to find a politically viable approach to an orderly transition away from fossil fuels. This matters not just for stranded physical or financial assets, but also for communities that are dependent on fossil fuel mining, extraction, processing and use. As much as large-scale renewable energy deployment could generate net additional jobs, they might be in places far away from the concentrated sources of fossil fuels.

One response should be to bring the energy transition closer to people and communities. Distributed renewable energy could power livelihoods at scale (a market opportunity worth at least \$11 billion in sub-Saharan Africa or over \$50 billion in India). When livelihoods are created and entrepreneurs and micro-entrepreneurs supported, communities become empowered as subjects of the energy transition, rather than objects of our top-down largesse.

The finance policymakers meeting in Washington, D.C. must realise that the greatest political failure is a lack of accountability and trust that promises made will be delivered. Reforms of multilateral development banks must deliver outcomes that are substantial in scale and credible in delivery.



GREEN PATH TO G20'S DEVELOPMENT GOALS

Arunabha Ghosh²²

At the G20 Leaders' Summit, India pulled off a historic feat with the adoption of the Leaders' Declaration on the very first day. This was a sign that India could bridge divisions and deliver a cooperative and collaborative outcome, rather than a combative stalemate, at a time when multilateralism seemed particularly fractured. The 83-paragraph Declaration, with consensus among all member countries, underscores peace, prosperity, people and the planet – and bringing it all together is an important pact.

The G20 comprises the world's largest economies accounting for over 80 per cent of global gross domestic product (GDP). Through the Leaders' Declaration, however, New Delhi has given "GDP" a new meaning – a Green Development Pact. This does not choose between development and environment but seeks to align people-centric growth with planetary sustainability.

In 2021, this columnist had highlighted the need to focus on lifestyles, on diversifying clean energy supply chains, and that calls for climate action must be matched with a deal for development for developing countries. In 2023, the New Delhi Leaders' Declaration put these issues front and centre. Hosting the first G20 summit after the pandemic, India sought to build consensus around a green developmental pathway that can be resilient against the compounding shocks of debt and disaster while also transitioning to a cleaner economy. The pact lays the foundations to balance these.

First, it focuses on resource efficiency and sustainable consumption. The G20 unanimously adopted the High-level Principles on Lifestyles for Sustainable Development. It is a push for sustainable lifestyles to lower our resource footprints and it sends out the signal to create circular economies at scale, from metals and minerals to plastics and packaging.

A second key component is the emphasis on an inclusive energy transition. This is crucial for bringing the energy transition closer to people (for energy access) in geographies where clean

²² Arunabha Ghosh served on the Government of India's G20 Finance Track Advisory Group and advised the Sherpa Track for India's G20 presidency. The views expressed are personal. This article was originally published in the [Hindustan Times](#) on 14 September 2023.

energy infrastructure is needed. The pact endorses a target to triple renewable energy capacity and notes the voluntary action plan to double the rate of improvement in energy efficiency by 2030. It announces a Global Biofuels Alliance. It seeks transparent and resilient global markets for hydrogen. And it calls for diversified and responsible supply chains for critical minerals and semiconductors.

Thirdly, the pact focuses on climate and sustainable finance. The Leaders' Declaration finally endorses the need for trillions of dollars for the billions of people living in the Global South, in particular \$5.9 trillion needed by developing countries to achieve their climate targets by 2030, as well as \$4 trillion needed per year for clean energy. Recognising the importance of leveraging the role of multilateral development banks, the pact calls for blended finance and risk-sharing facilities.

Fourthly, the pact links the triple planetary crises by drawing attention not only to the climate crisis but also reducing plastic pollution and preserving biodiversity. These include the G20 Global Land Initiative to reduce land degradation, the High-Level Principles for a Sustainable and Resilient Blue/Ocean-based Economy, and the sharing of best global practices on water.

The final crucial component is building disaster-resilient infrastructure. India introduced a Disaster Risk Reduction Working Group into the G20. It will be incumbent on member countries, all of whom have faced weather extremes, to ensure robust early warning systems and include people as stakeholders in and enablers of resilient infrastructure.

As with all negotiations, not all objectives were achieved. While there is language to phase down unabated coal power, efforts to get an agreement on a phase-down of all fossil fuels could not get consensus. At the same time, G20 leaders recognised that limiting temperature rise to 1.5 degree Celsius would need emissions cuts of 43 per cent by 2030 relative to 2019.

If these seeming contradictions have to be squared, the G20 Leaders' Summit must be viewed as the first leg of a four-part relay. India has kicked off this race with a comprehensive Leaders' Declaration, which includes the Green Development Pact.

The next leg is the United Nations General Assembly and the United Nations SDG Summit next week, when non-G20 leaders can propose their visions for doubling down on the energy transition and climate sustainability. Next, the baton will pass to the World Bank annual meetings in Marrakech in October. G20 leaders

have called for the reform of the multilateral development banks but will the World Bank's biggest shareholders agree when it really matters? So far, it seems close to \$200 billion of additional lending could be possible with the proposed reforms.

But the journey from billions to trillions will be a long one for the Global South, which needs resources to build sustainable infrastructure at lower costs. The anchor of the race will be the COP28 climate meetings in Dubai in November–December. It will be the venue for an honest conversation about the global stocktake and the state of the planet.

The ideal outcome would be a genuine financial platform to deliver large volumes of institutional capital that the G20 has called for – in a manner that reinvigorates trust in the process. The new GDP – Green Development Pact – can serve as a bridge between the Global South and the North. It is a combination of ambition and action, where each G20 member (including the African Union as the newest member) has something to take home. Now, we need effective multilateralism and hard resources to demonstrate solidarity with the vulnerable and commit to the planet.

UN DESA POLICY BRIEF NO. 141 (2022)

A just green transition: concepts and practice so far²³

Key Messages

- » Securing a low-carbon future is a matter of justice, as poor people and countries are the most affected by climate change. Ensuring no one is left behind in the transition is critical both as a matter of fairness and because failure to address social concerns can lead to stalemates and reversals in climate action.
- » As the concept of just transition gains ground, several countries have defined, or are in the process of defining, what a just transition means in their contexts. There is no blueprint for a just transition, which needs to reflect local realities and be based on stakeholder engagement, but there is an increasing body of experience from which to learn.
- » A globally just transition requires international support for developing countries that takes into account their realities, capacities, and priorities. Greening measures and strategies shouldn't push people in other countries behind.

Achieving the transition to an environmentally sustainable and climate-safe future is a matter of justice in itself—people in vulnerable situations, poor countries and future generations stand to suffer the most from climate change and environmental degradation – but how it is done also matters. A green transition is already taking place, creating jobs and economic opportunities, and its potential in the medium—and long-term is much greater. Inevitably, however, a transformation on the scale necessary to contain climate change also implies losses of jobs, livelihoods, and public and private revenues in many areas and not necessarily where the benefits will accrue most directly. It also entails changes in the way energy and food needs are met and land is used, generating other types of social and environmental challenges. Breaking the inertial high-carbon development paths requires strong political support worldwide and at all levels. Greening strategies that do not take into account the political economy of the transition and the economic and social well-being of affected

²³ Originally published in November 2022 as [UN DESA Policy Brief No. 141](#) by Marcia Tavares, Economic Affairs Officer in the Economic Analysis and Policy Division of UN DESA. Research for this policy brief was undertaken in the context of UN DESA's support to the Committee for Development Policy (CDP). The author acknowledges and is thankful for inputs from Adriana Abdenur, Matthias Bruckner, Roland Mollerus, and UN DESA's Population Division and Financing for Sustainable Development Office.

communities are therefore likely to be politically fragile and vulnerable to stalemates and reversals. In this context, calls for a just transition have been increasingly prominent in global, national and subnational policy circles.

The concept of just transition is not new (see Box 1) but it gained traction internationally particularly since 2015, when it was referred to in the Paris Agreement, the ILO published its Guidelines for a just transition towards environmentally sustainable economies and societies for all, and the 2030 Agenda for Sustainable Development was adopted, with the pledge of “leaving no one behind”. Numerous international commitments have been made and strategies have been, or are in the process of being, developed. In 2021, just transition was a central theme at COP26. In 2022, ahead of COP27, the concept is addressed in the priorities of the United Nations Secretary-General, in the IPCC report on Mitigation of Climate Change, and in the Ministerial Declaration of the 2022 High-Level Political Forum. A number of countries have references to and commitments for just transitions in their Nationally Determined Contributions (NDCs).

Box 1

“Just transition” timeline

- 1990s** Unionists and activists in the United States call for mechanisms to address job losses related to new environmental regulations; the Just Transition Alliance is formed, bringing together unionists and environmentalists
- 2000s** International trade union coalitions bring the concept into international debates, including COP15 (Copenhagen) in 2009
- 2011** COP17 (Durban); South Africa begins discussions on a just transition
- 2015** ILO Guidelines, 2030 Agenda, Just Transition included in Paris Agreement
- 2018** Solidarity and Just Transition Silesia Declaration signed by 50 countries at COP24
- 2019** UN Climate Action Summit, 46 nations committed to developing just transitions strategies
- 2021** Just transition prominent at COP26 (Glasgow). Just Transition Declaration – Supporting the conditions for a just transition internationally signed by a group of developed countries. Global Accelerator on Jobs and Social Protection for Just Transitions launched and €8.5 billion support for South Africa’s just transition committed by EU, US, UK, Germany and France
- 2022** References in IPCC (working group III) report, HLPF, Secretary-general’s priorities

References

Just Transition Research Collaborative (2018), [“Mapping Just Transition\(s\) to a Low-Carbon World”](#), UNRISD.

Labor Network for Sustainability and Strategic Practice: Grassroots Policy Project, [“Just transition” – Just What Is It? An Analysis of Language, Strategies and Projects](#).

What does just transition mean?

Definitions differ, and there is widespread recognition of the importance of context-specific analysis and strategies, but just transition refers generally to strategies, policies or measures to ensure no one is left behind or pushed behind in the transition to low-carbon and environmentally sustainable economies and societies (the term has also been used in relation to other types of transitions, such as the transition to a digital economy, for example in the Global Accelerator on Jobs and Social Protection for Just Transitions launched by the UN Secretary-General in 2021).

The origins of the concept lie in trade union activism, and the original emphasis was on addressing the loss of jobs resulting from the implementation of environmental regulations and policy. This remains a central element, but as more countries and a broader range of stakeholders have been engaged in understanding the challenges at hand and developing strategies for specific contexts, the definition of what a just transition consists of has expanded. When the ILO published its Guidelines in 2015, it defined just transition as “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”. The principles in its Guidelines refer, among others, to the need for social dialogue; respect, promotion and realization of rights at work; policies that address gender dimensions and promote the creation of decent jobs and provide social protection and skills development; and international cooperation. Approaches have varied in terms of how and to what extent they incorporate different dimensions of justice considered (distributive, procedural, and/or restorative (Newell and Mulvaney, 2013; Presidential Climate Commission, South Africa, 2022)). They also vary in terms of the degree to which a green transition would be transformative in terms of justice or equity: from a status quo approach whereby job losses are compensated for, to approaches that imply a deeper transformation of political and economic systems, or that consider the shift to a low carbon future an opportunity to correct historical inequities or injustices (Just Transition Research Collaborative, 2018).

And in practice?

Policies for a just transition have included strategies to support workers and communities in specific areas, such as the state of Colorado in the United States, or the province of Alberta in Canada; sectoral policies at national level such as Chile’s Strategy for a Just Energy Transition; and cross-cutting national frameworks, such as the recently launched Just Transition Framework

in South Africa (see Table 1 for examples). At the regional level, the EU's Just Transition Mechanism includes funding and technical support to EU member states to “ensure that the transition towards a climate-neutral economy happens in a fair way”. There have also been corporate just transition strategies, though a review of action in the oil and gas, electricity and automotive manufacturing industries concluded that action has been limited so far (World Benchmarking Alliance, 2021).

Consistent with the original concept, the main focus of many just transition policies has been to support workers and communities affected by the phasing out of polluting activities (frequently but not exclusively coal mining and coal-based energy plants) through temporary financial support and early retirement, employment services, training, business incentives, and support to small and medium enterprises (SMEs) (Krawchenko and Gordon, 2022). Securing diversification of economic activity in affected areas is an important component of strategies towards a just transition. It is also among the most complex and longstanding challenges, especially in developing countries (see, for example, CSIS and CIF, 2021 on the coal-dependent regions of Mpumalanga in South Africa and Jharkhand in India).

Reflecting a broader concept of just transition, South Africa's Framework for a Just Transition includes a commitment to restorative justice, which comprises “remediating past harms by building on, and enhancing, existing mechanisms such as equitable access to environmental resources, land redistribution and Broad-based Black Economic Empowerment” and addressing energy poverty.²⁴ Other countries have reported on efforts to ensure that job creation in new (green) sectors is more equitable. For example, Antigua and Barbuda reports in its NDCs on efforts to ensure greater opportunities for women as they implement their Green Climate Fund (GCF) programme.

Most of the discussion on just transition focuses on the move away from fossil fuels or other greenhouse-gas-generating activities such as practices that lead to deforestation, but the alternatives (the activities that are being “transitioned in”) and measures taken to adapt to climate change can also have social and environmental impacts for which just transition frameworks are as relevant (Atteridge and Remling, 2017; Atteridge et al., 2022; Institute for Human Rights and Business, 2021). Failure to identify and address environmental and social impacts of large-scale hydropower

24 On the concept of energy poverty, see “Ending energy poverty saves lives and the planet”, interview with Damilola Ogunbiyi, Special Representative of the UN Secretary-General for Sustainable Energy for All, 2021.

plants, for example, have generated conflict and in some cases proven ultimately unfeasible.

Effective stakeholder engagement is broadly recognised as a core element of a just transition, both as a matter of procedural justice (fairness in decision-making) and as a means to identify the impacts that need to be addressed and feasible solutions. Reviews of experiences so far (Krawchenko and Gordon, 2021; Atteridge et al., 2022; WRI) highlight positive experiences but also shortcomings such as consultation processes that begin late in the game, are just pro forma, do not take into account local realities in terms of literacy, digital access and other elements, or face challenging political contexts.

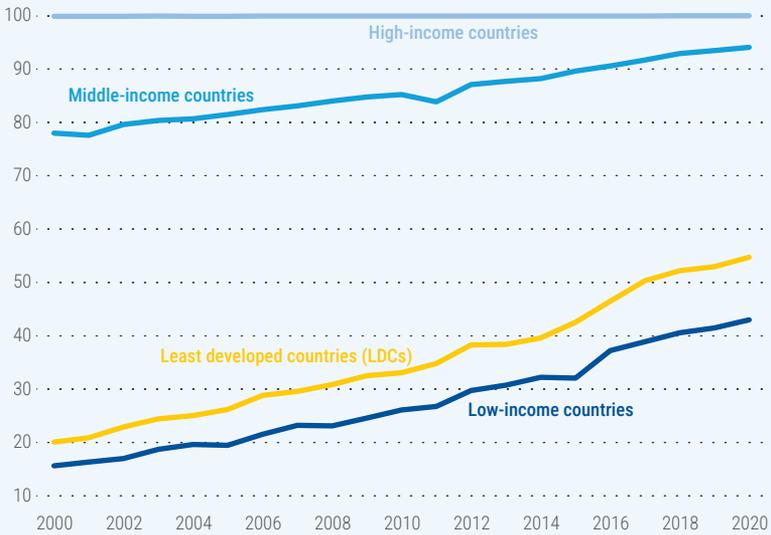
There is no blueprint for a just transition, but the growing body of experience can provide important references for the development of context-appropriate processes, strategies and solutions.

A globally just transition

While securing just transitions is a challenge for countries at all stages of development, developing countries face distinctive difficulties. Abdenur (2022) identifies factors that define the context for a just transition in middle-income countries (MICs). Relative to high-income countries, MICs face high poverty rates; informality; young populations and high dependency ratios; reliance on single commodities; distinct ecological and climate challenges; limited access to capital; and limited institutional capacity, among others. These characteristics apply in even greater measure to low-income countries, where policymakers face particularly limited fiscal resources compared to pressing social demands (including the need to expand access to electricity—see *Figure 1*—and invest in adaptation and climate resilience) while having marginal contributions to global emissions (*Figure 2*). Many developing countries also face significant challenges in terms of their productive capacities and their ability to diversify economic activity. Several, including a number of least developed countries (LDCs), rely on fossil fuels as an important source of energy and fiscal revenue, and some are just starting to reap the benefits of investments in their reserves.

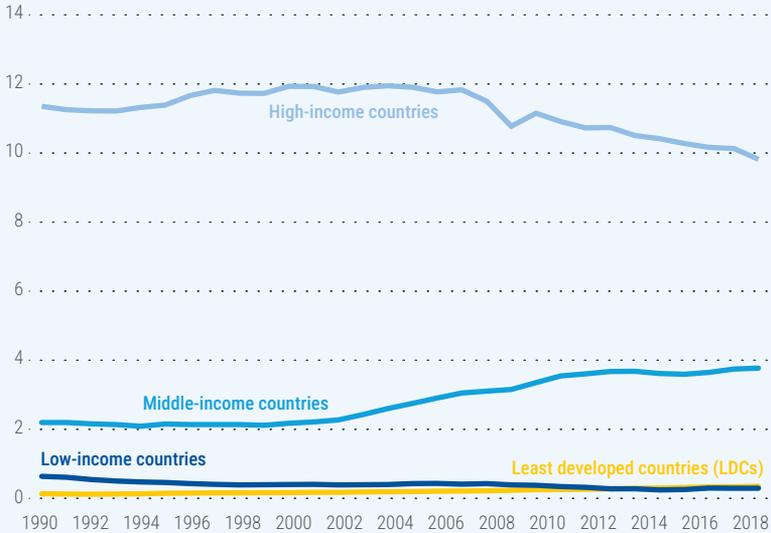
The concept of just transition cannot be dissociated from global climate justice and the principle of common but differentiated responsibilities. In addition to the fulfillment of climate action and climate financing commitments, a globally just transition requires support for developing countries' transition paths (including just transition strategies) in ways that take their realities in terms of capacities and needs into account (see Walsh et al., 2022 for one

Figure 1
Access to electricity (*% of population*)



Source: World Development Indicators Database, World Bank

Figure 2
CO₂ emissions (*metric tons per capita*)



Source: World Development Indicators Database, World Bank

perspective on what this could mean for Africa). It also requires that countries consider and address the impacts of their own greening strategies on other countries, avoiding the creation of trade barriers and the exclusion of developing countries from opportunities in nascent value chains (CDP, 2022).

Table 1

Examples of just transition strategies and measure

<p>Cross-cutting or sectoral strategies</p>	<p>South Africa began discussions on a cross-cutting just transition strategy in 2011 and included a chapter in its National Development Plan in 2012. This was followed by social dialogue, vulnerability assessments and engagement over specific contentious issues (WRI). International support was pledged to South Africa’s just transition strategy at COP26. The Just Transition Framework for South Africa was published in mid-2022, identifying principles for a just transition, at-risk sectors and value chains (trade/environment; coal; automobiles; agriculture; tourism) and key policy areas (human resource and skills development; industrial development, diversification and innovation; social protection) as well as governance and financing requirements and solutions (WRI, government website).</p> <p>Chile updated its NDC in 2020 to include a social pillar focused on just transition, which would create synergies between climate action and the SDGs. The Strategy for a Just Energy Transition, published in December 2021, together with the plan for the phasing out of coal-fired power plants includes a commitment to identify, in each affected area, the people at risk of being pushed into poverty due to closures in order to target support programmes and mitigate negative impacts for the most vulnerable. In the course of its elaboration, the draft policy was submitted to review under criteria established by an inter-ministerial group to ensure the integration of gender in climate policy (WRI; NDC Registry; government website).</p> <p>The Republic of Korea’s Carbon Neutrality Act (2021) requires the Government to address “inequality that could arise in the societal transition to carbon neutrality” and provides for support to populations vulnerable to both climate change and loss of jobs related to climate action. It also stipulates support for small enterprises, support for reemployment, and funding from the Korea Climate Action Fund to prevent vulnerable populations from being disproportionately affected in the transition (NDC Registry).</p>
<p>Measures for displaced workers</p>	<p>When <i>Uruguay</i> decided to retire part of its fossil fuel-based energy plants in 2014, it worked in the context of the Decent Work Country Programme with the ILO and held negotiations regarding plant closures with the relevant unions. Impacts were addressed mostly through early retirement, while the country sought to expand employment in renewables, in consultation with stakeholders in the context of its participation as a pilot country for the application of the ILO’s Guidelines (WRI).</p> <p>To implement its commitment to phase out coal by 2030, the province of <i>Alberta, Canada</i>, based on a process of engagement with workers, communities and First Nations, has a programme for compensation of coal utilities for stranded assets, anticipation of retirement payments financial assistance for workers to find jobs in other areas or retrain, and financial assistance for economic diversification in communities (WRI).</p> <p>In the context of <i>Spain’s</i> Just Transition Strategy, an Urgent Action Plan for mining regions and regions where power plants are to be closed provides for compensation to workers, investment in employment in renewable energies and other activities in the former mining/power plant regions, retraining, a job bank, and other measures.</p>

Measures for displaced workers <i>(continued)</i>	<p>The <i>state of Colorado (United States)</i> enacted legislation in 2019 to promote policies to support workers and communities affected the closure of coal mines and plants as well as communities affected by pollution from the coal industry (WRI).</p> <p>In the context of its Green Climate Fund (GCF) country programme, <i>Antigua and Barbuda</i> established retraining and employment schemes for affected workers in energy, construction, and transportation. It is also investing in diversification and the creation of new jobs, with greater opportunities for women (NDC Registry).</p>
Diversification	<p><i>Liberia</i>, in its NDC, commits to developing programmes for alternative livelihoods for forest-dependent people in five counties in order to ensure a just transition from forest extractive models. This includes the development of models and markets for non-timber forest products and for sustainable eco-tourism (WRI).</p> <p>To address the impacts of its NDC actions on employment, <i>Mauritania</i> aims to invest in new infrastructure for fisheries, diversification in agriculture and the development of new industries (NDC Registry).</p> <p><i>Greece's</i> Just Transition Development Plan (2021) focuses on transforming the productive model in the lignite areas of the country, promoting clean energy, industry and trade, smart agricultural production, sustainable tourism, technology and education (VNR).</p>
Corporate strategies	<p><i>Italy's</i> Enel energy company (majority state-owned) implemented a plan to migrate away from fossil fuels for electricity generation, which included measures to protect workers through early retirement, retraining and relocating within the company (WRI).</p> <p>In 2020, <i>Scottish and Southern Energy (SSE)</i> adopted a just transition strategy consisting of a set of 20 principles to guide its decision-making towards ensuring "fairness for those impacted by the decline of high-carbon economic activity and increase opportunities of climate action".</p>
Financing mechanisms	<p>The Just Transition Fund in the <i>EU's</i> Just Transition Mechanism (17.5 billion euros at 2018 prices) supports EU countries in their green transition, alleviating the socio-economic costs triggered by the transition, supporting economic diversification and reconversion of territories, supporting SMEs, providing reskilling and job-searching assistance, among other measures.</p>
Institutions	<p><i>South Africa's</i> Presidential Climate Commission, a multistakeholder body, facilitates dialogue between social partners on a just transition to a low-carbon, climate resilient economy and society and the country's climate change response.</p> <p><i>Costa Rica</i> committed to establishing, by 2022, a system for Just Transition Governance, which is led by three ministries (energy and environment, human development and social inclusion, and labour and social security), intended to secure intra-governmental coordination and tripartite and social dialogue, integrating women, youth, indigenous peoples, and afro-descendant communities in addition to unions, employers (NDC Registry).</p> <p>The <i>state of Colorado in the United States</i> created a Just Transition Office and a Just Transition Advisory Committee. The latter has the responsibility of developing a just transition plan for the state (WRI).</p>
International frameworks and guidelines	<p><i>ILO</i>: Guidelines for a just transition towards environmentally sustainable economies and societies for all</p> <p><i>Global Accelerator</i> on Jobs and Social Protection for Just Transitions</p> <p><i>OECD</i>: Equitable Framework and Finance for Extractive-based Countries in Transition (EFFECT) (to be launched at COP 27)</p>

Sources: World Resources Institute (WRI) Just Transition and Equitable Climate Action Resource Center; Nationally Determined Contributions (NDC) Registry; Voluntary National Review (Greece); government and institutional websites as indicated.

Note: No evaluation of these initiatives was conducted for this paper. References do not imply endorsement.

References

- Abdenur, Adriana (2022). [Stockholm+50: What does Just Transition mean for Middle Income Countries](#). Op-ed, United Nations Climate Action, 31 May.
- Atteridge, A. S. et al. (2022). [Exploring Just Transition in the Global South](#). Climate Strategies.
- Atteridge, A.S., and Elise Remling (2017). Is adaptation reducing vulnerability or redistributing it? WIREs Climate Change, vol. 9, January/February 2018.
- Committee for Development Policy (CDP) (2022). [Report on the twenty-fourth session \(21–25 February 2022\), Economic and Social Council Official Records, 2022, Supplement No. 13. E/2022/33](#).
- Center for Strategic and International Studies (CSIS) and Climate Investment Funds (CIF) (2021). [Understanding Just Transitions in Coal-Dependent Communities](#). Just Transition Initiative.
- International Labour Organization (ILO) (2015). [Guidelines for a just transition towards environmentally sustainable economies and societies for all](#).
- Institute for Human Rights and Business (2021). [What is Just Transitions?](#)
- Intergovernmental Panel on Climate Change (IPCC) Working Group III (2022). [Climate Change 2022 – Mitigation of Climate Change](#).
- Just Transition Research Collaborative (2018). [Mapping Just Transition\(s\) to a Low-Carbon World](#). United Nations Research Institute for Social Development, Rosa Luxemburg Stiftung, University of London Institute in Paris.
- Krawchenko, T. A., and M. Gordon (2021). [How Do We Manage a Just Transition? A Comparative Review of National and Regional Just Transition Initiatives](#). Sustainability 2021, 13,6070.
- Newell, Peter, and Dustin Mulvaney (2013). [The political economy of the ‘just transition’](#). The Geographical Journal, vol. 179, No. 2, June, pp. 132–140.
- Presidential Climate Commission, South Africa (2022). [A Framework for a Just Transition in South Africa](#).
- Walsh, Gareth, Imad Ahmed, Jonathan Said, Martim Faria e Maya (2021). [A Just Transition for Africa: Championing a Fair and Prosperous Pathway to Net Zero](#). Tony Blair Institute for Global Change.
- World Benchmarking Alliance (2021). [2021 Just Transition Assessment](#).
- World Resources Institute (WRI). [Just Transition and Equitable Climate Action Resource Center](#).

For more information

<https://cdp.un.org/>



**United
Nations**