

Just Transition in the Context of the European Power Utilities and Financial Institutions

The Europe Beyond Coal Campaign is calling on financial institutions (banks, investors and insurers) to demand from utilities asset-level, socially responsible plans for phasing out coal by 2030 at the latest in Europe, in line with the latest climate science.¹

Inevitably, there will be real transitional challenges for workers, communities and countries as coal's final deadline approaches. This has implications for the financial sector involved in ushering the transition. The financial institutions wedded to sustainability view their asset through the prism of environmental, social and governance (ESG) factors. The coal phase-out obliges the financial institutions to tackle the synergies and trade-offs between these three conceptual strands.





As fiduciaries and stewards of assets, the financial institutions need to ensure their coal policies also reflect the social complexity of the imminent transition. The accelerating pace of country coal phase-out announcements and the reinforcement of the EU emissions trading scheme (ETS) that renders coal increasingly uneconomic, as well as the abundance of financial institution coal policies mean that utilities are under growing pressure to diversify their business models. The speed of the transition is accelerating as individual assets are wound down or sold, so workers and communities must adapt quickly. **The just transition question is therefore brought to the forefront of the work of financial institutions that have decided to limit their portfolio exposure to coal.**

Europe Beyond Coal's ask to utilities on Just Transition

*“The asset-level roadmap for the gradual closure of existing coal plants by a utility should feature the commitment to develop a strategic **socially fair transition plan**. The plan should include as a minimum the measurable steps the utility is making to minimise the risks to workers and their communities of the short-term impacts of the closures, as well as the necessary long-term measures to facilitate a sustainable future for workers and their communities. Furthermore, the transition plan should be developed in consultation with the affected communities themselves. To be truly sustainable, it must also be in line with the objectives of the Paris Agreement and a climate neutral future.”*

A just transition must also be a sustainable transition. Therefore, a comprehensive asset-level roadmap should feature:

- **Commitment to close (not sell) plants and to a net-zero emission transformation.** Such a commitment provides the necessary certainty to communities about job security and signals the need to embrace a transition and the changes it brings, allowing communities to prepare for it. It meanwhile prevents predatory buyers from exploiting plants and abandoning contractual and social obligations for workers.
- **Commitment to, or inclusion of, comprehensive and early assessment of economic needs and opportunities.** This should define a clear framework to integrate the consultation with workers, communities and local authorities.
- **Clear, plant- and mine-level transition plans,** including details on how worker rights will be respected in the transition and how social and environmental liabilities will be addressed. Such plans should set out how workers and communities dependent on fossil fuel infrastructure will be supported to transition into the sustainable economy.



The asset-level roadmap **should not enable the prolongation of the lifetime of high carbon assets beyond the period needed for a cost-effective and just transition to environmentally sustainable energy.** Plans which foresee the conversion to alternative fossil fuel sources, or which delay the transition beyond what is necessary to secure a managed and sustainable transition will be ultimately uneconomic and lead to unnecessary hardship for communities - potentially also risking the creation of stranded assets - and 'stranded communities'.

Ideally, such asset-level roadmaps should be complemented by comprehensive forward-planning, recognising the direction and inevitability of the transition. This should contain transparent information on financing for the roadmap and for future sustainable investments aligned with coherent investment plans and developed in consultation with communities and workers.

Europe Beyond Coal asks to Financial Institutions on Just Transition (for European utilities)

Financial institutions have a crucial role and responsibility in ensuring the energy transition is fast and sustainable. We call on financial institutions to adopt just transition policies that:

- Do not lead to a prolongation of the lifetime of high carbon assets
- Ensure the affected regions/communities/workers are not pushed into sectors that are equally vulnerable or harmful³ to the energy transition and instead are actively guided into roles that support the transition to a diverse, environmentally sustainable economy
- Mainstream Just Transition into financial services across each asset class with the aim to minimise the adverse effects on regions/communities/workers and to maximize societal and environmental benefits
- Introduce restorative capital allocation, which can be harnessed through the opportunities in affected areas⁴, enhancing community and regional renewal
- Respect and build on international standards⁵
- Facilitate policy advocacy contributing to lobbying efforts to secure regulation to protect workers/communities. This could be direct, or through institutional investor coalitions and should in particular encourage accountability by coal companies for their workers for implementing the just transition.

Such policies should also be consolidated into climate reporting so that it includes details on how the investee companies advance just transition (to be incorporated into the Task Force on Climate-related Financial Disclosures, for example).



When engaging with companies, financial institutions should:

- Oblige utilities to develop detailed, plant-level closure plans in line with Just Transition. Utilities should ensure their plans correspond with any regional level strategies for economic restructuring of the region in the transition.
- Must ensure that power utilities do not sell their assets to predatory buyers, which would otherwise allow the prolongation of assets, evade social and environmental liability and leave workers exposed to the negative impacts of the transition without support.
- Include just transition in public statements, by addressing it during the company Annual General Meetings (AGMs), by filing shareholder resolutions, by pressuring the company leadership and by using other available escalation tactics, as well as in one's policies.
- Harness investor coalitions. For example call on CA100+ signatories to incorporate just transition into the engagement work towards coal mining companies and power utilities.

ENDNOTES

1. Climate Analytics (2019): "[Global and regional coal phase-out requirements of the Paris Agreement: Insights from the IPCC Special Report on 1.5°C](#)", the findings conclude four key dates: Global coal emissions should peak in 2020; global coal use in electricity generation must fall by 80% below 2010 levels by 2030; OECD nations should end coal use entirely by 2030; all coal-fired power stations must be shut by 2040 at the latest.
2. Including the high quality land restoration of old mining sites.
3. This includes, for example, "clean" coal and in many cases retrofits into gas and biomass.
4. Private equity and venture capital (to boost cleaner options in affected areas), real estate and property (green infrastructure), fixed income (incl. green bonds), for example.
5. These include, for example, the following:



ANNEX

What is the Just Transition?

A just transition means delivering the transformation required to address climate change, whilst reducing inequalities in the most affected regions and ensuring the costs and benefits of the transition are spread fairly. Essentially, it means a transition to a sustainable economy that leaves no-one behind.

The just transition is of particular relevance for coal utilities, as the continued use of coal is incompatible with fulfilling the commitments under the Paris Agreement. In Europe, we must phase out coal use by 2030 at the latest. This means that coal utilities need to plan for closure within the next decade or earlier.

What does Just Transition mean in practice?

Four main features of a just transition can be identified:

1. A swift transition (for coal, this means closure as soon as possible and by 2030 at the latest). Climate change negatively impacts the most vulnerable and will cost more if we do not tackle it immediately.
2. A clear move towards net-zero emissions, as the costs of unmitigated climate change for people's health and the economy are catastrophic
3. No fossil fuel investment or infrastructure, including new mines. Investing in old technologies, ignoring the growing competitiveness of renewables and stifling green innovation through lock-in effects reinforce mono-industrial economies prone to boom and bust, potentially leading to sudden community collapse.
4. Creation of decent, environmentally sustainable jobs, capitalising on the employment potential presented by investing in new industries.

What underpins a successful Just Transition?

- Commitment to closure of plants (not sale) and to the net-zero emission transformation
- Commitment to supporting workers and communities
- Early economic need and opportunity analysis, in consultation with workers, communities and local public authorities
- Clear, plant- and mine-level transition plans
- Transparency over any funding support for the transition
- A participatory implementation of the transition, which includes the workers, their communities and local public authorities in every step
- Regulation to ensure accumulated funds are set aside by utilities for financing the just transition and environmental restoration.



This Paper was issued by Europe Beyond Coal campaign on 20 November 2019.

Europe Beyond Coal is an alliance of civil society groups working to catalyse the closures of coal mines and power plants, to prevent the building of any new coal projects and hasten the just transition to clean, renewable energy and energy efficiency. Our groups are devoting their time, energy and resources to this independent campaign to make Europe coal free by 2030 or sooner.

<https://beyond-coal.eu/>

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