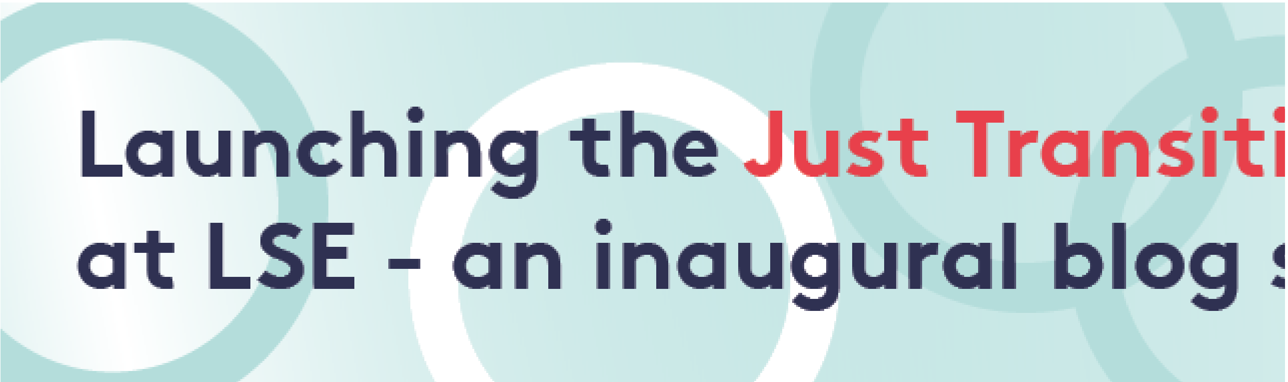
Nick Robins: "We can't speed ahead with a technocratic climate focus that leaves people behind"

The race is on to implement a "just transition" to guide climate action. Just transition is a framework to ensure that workers are not left behind when their employers make changes that will help cut emissions and make their businesses more climate-resilient. ***Nick Robins****, Professor in Practice at LSE's Grantham Research Institute, has spearheaded the creation of the Just Transition Finance Lab, which will be working with business and finance to experiment and propose financial solutions towards a just transition. In this Q&A, he explains to* ***Helena Vieira*** *(LSE Business Review) what the Lab expects to be doing in the next few years.*



Why was the Just Transition Finance Lab needed?

The urgency is absolutely clear: we are in 2024 and must step up the pace of climate action. We're seeing extreme events happening and causing loss and damage; we've just had the world's hottest year. There have been responses, but we need to scale up the transformation to clean energy, away from fossil fuels, and to regenerative agricultural practices, away from extractive agriculture.

As we do this, we must consider the impacts of the transition on workers, communities, supply chains and consumers. This is what is known as the just transition, which has moved over the past 10 years from being a trade union strategy– to ensure that the interests of workers are central, and they sit at the table as we think about sustainability transitions – to the core of climate policy. If we're going to speed up climate action, a just transition is essential and there's increasing recognition of this in the business and finance community along with policymakers and civil society.

The Just Transition Finance Lab is based at LSE's Grantham Research Institute on Climate Change and the Environment. Strategically, we want to work with other parts of the School, given its richness across disciplines relevant to the just transition. For example, we're delighted to have Professor Stephan Chambers (the director of LSE's Marshall Institute) on the Lab's strategy council, which acts as our advisory board. We are a relatively small team at the core and we want to draw on a diversity of insights from associates at Grantham as well as visiting researchers from across the world. But we're also keen to work with different departments at LSE to bring the best research into our work. There's real excitement about this.

Wouldn't it be possible to reach climate targets faster if the justice goal weren't attached to it?

One of the things that we're hearing from ministers and business leaders is that we can't just speed ahead with a pure climate focus, a technocratic approach, for a number of reasons.

The climate transition has to be driven by policy and policy involves people. We need to show that this process is respectful of them, recognising that it's a huge opportunity not just for business, but also for workers in terms of better jobs: improving the gender balance within the energy workforce, for example. Focusing on the people dimension of climate change is the right thing to do.

Then there is the political-economy reason. The fairness of the transition – and its perceived fairness – has become a central issue in country after country. We're hearing and seeing the protests against net zero, often weaponised by those who are opposed to climate action. Unless we address the root causes of these concerns, climate action could be stalled. And this means that the increasing costs of global heating get crystallised in business models and financial portfolios. So we've got to get this right from a political economy point of view. I've been really heartened to see growing numbers of companies, investors and banks making the strategic case for the just transition from a policy perspective, but also from a practical, operational point of view. Our hope is that we will be able to show that taking the just transition seriously can be a new source of value.

The idea is not that business or finance needs to carry the just transition all on itself. Governments have the primary responsibility. But business and finance have a key role in connecting the environmental and social pillars of their climate transition strategies and making sure that business commitments to human rights and social inclusion are incorporated in their plans for greening.

Your launch report mentions the bond markets, but not equities. Why?

We want to work across all asset classes eventually, A lot of the work started in the listed equity markets, with investors incorporating just transition into their shareholder engagement strategies with the firms they own. Governance is quite a powerful lever with businesses on many issues, and that is now being deployed on just transition. We address this in the Lab's first case study, which examines how investors have engaged with and encouraged UK-based energy company SSE to adopt a just transition strategy as part of its climate plan.

In our first year, we're turning to the bond market, one of the world's largest capital markets. Over the past 10 to 15 years, it has been a real zone of creativity, with green bonds, social bonds, sustainable bonds, blue bonds, orange bonds and so on. The bond market also connects different parts of the financial system with a broader range than listed equities. You have public sector issuers like sovereigns, municipalities or development banks. You have corporate bonds. And you have the connection with investors who buy them. So the bond market is a very good way of tackling both the public and private finance aspects of the just transition.

We want to develop credible ways in which the bond market can support a just transition. Could you have a green bond, for example, which is going to raise money for renewables but also has provisions for retraining and skills for workers? It's about making that connection. Could you have a social bond that channels money into, let's say, the transition in a coal region? This doesn't mean investing in coal, but in entrepreneurial development, small enterprises and retraining of the people who might be affected by coal mine or power plant closure. So, the bond market is a zone of innovation for the just transition.

There is also demand from both investors and issuers who are asking, how can we support it? In this area, the Lab is partnering with the Climate Bonds Initiative. But bonds is just one example. We'd very much like to think about the infrastructure asset class and also the banking world, in which the biggest part is housing, loans and mortgages.

Could you briefly touch on the obstacles? Your report mentions a few.

One obstacle is limited traction in mainstream financing. We're seeking to overcome this by looking at specific asset classes such as bonds, as we've just discussed. There is also a big move by businesses and financial institutions to adopt climate transition plans and here the Lab will be showing how to hardwire the social dimension.

Establishing metrics is also a challenge, particularly for business and finance, where it's important to allocate capital efficiently without unintended consequences. Business leaders recognise the importance of fairness for net zero but are less clear about what good looks like. We're not a standard-setting agency, that's not our job. There are already quite a few frameworks out there and we list a few in the report. We don't need to reinvent the wheel.

One of the things my colleague Jodi-Ann Wang has been doing is developing a compendium of existing social metrics on which companies and financial institutions can draw. There will be some new metrics, and we want to focus these on indicators that capture the specifics of particular places and the voices of affected stakeholders.

A lack of clear rules and incentives is another obstacle and policy reform is one way to overcome this. Governments are primarily responsible for the just transition, as they are for climate policy. We need to think about how they can set frameworks in financial regulation or tax incentives, as we've seen in the US Inflation Reduction Act, for example.

And the final obstacle is insufficient leadership, which is really important. You obviously need strong rational arguments for change, but you also need leaders, people who are willing to experiment, to break with convention and be the first on the dance floor. We think there's a gap here. There are examples of leadership, but we need more. Sitting in a university, we want to encourage leadership through our case study series to show pioneering practice, which hopefully can encourage emulation.

Can you give us an idea of metrics that could be adopted to measure achievement?

There are different pillars to this. A good place to start is with the workforce. You could look at the role and the way in which workers are involved in dialogue around company climate practices, and how deep that has been. An obvious area for metrics is around the phasing out of high-carbon operations and how affected workers are supported in this process, ideally avoiding compulsory redundancies.

There are metrics around skills development and retraining, and how companies do it. That moves into a broader theme about so-called human capital. For a just transition, besides the issue of social need, we can look at how companies think about the human capital dimension of delivering their climate goals. In countries like the UK, one of the big constraints on the transition is not having the right skilled people in the right place at the right time. It is crucial to make sure that gender equality is advanced in all this.

Inevitably this leads to questions of disclosure. At the global level, we have the International Sustainability Standards Board, which has come out with its framework for sustainability and climate and now is thinking about human capital and human rights. They have pointed to just transition.

The world is at a delicate political moment. Do you have to work around political sensibilities? Also, do you think an "unjust" transition may have contributed to a move towards the political right?

I've been working on climate issues for 30 years now. I've worked in the European Commission, in the UN, as a fund manager and in an investment bank. All this time, there was generally the narrative that we can drive climate action, but without thinking about what this means for people. For example, putting a price on carbon, maybe having some initial incentives for renewables and then the market would find a new equilibrium and we'll move on.

This is a technocratic approach that has been shown to be highly limited. We need to think in a very intentional and deliberate way about how to manage the real social implications. On a macro scale, the transition is good news in a social sense. There'll be more and perhaps better jobs. We can have better sharing of value with communities, etc. But it won't happen automatically.

My trigger for thinking about just transition was the election of President Trump in 2016. His argument, I think a false argument, for pulling out of the Paris Agreement was the focus on jobs and coal miners. Our climate policy focus had not sufficiently thought about how to address these issues, which are real and are clearly manipulated by political forces who do not want climate action. We saw a similar thing in France with the *gilets jaunes* [yellow vests].

After those moments in 2016, 2017 and 2018 there was a policy response. We've seen the Green Deal in the European Union, which is by no means perfect but has very clear just transition mechanisms. The US Inflation Reduction Act has explicit labour and environmental justice provisions around communities. Will that be sufficient? Maybe not, but we have seen that first shock taking just transition out of the world of theory and into industrial strategy.

Now we're seeing a second shock. The Lab is being launched at this second point at which the transition is happening and the fairness of the transition is becoming very sensitive in many countries. The human dimensions of energy and agriculture are central to how the environmental transition happens.

Net zero is existential for business and finance. If you're a pension fund and climate change is out of control, you won't be able to pay pensions in the decades ahead. We're moving into a phase in which the political context is increasingly important. We are not political at the Lab. We won't engage in politics. We want to work on good research, evidence-based engagement with the financial sector and other stakeholders to show how practical just transition solutions can accelerate climate action and potentially respond to some of the underlying aspects of this political debate. Politics is not our place. We focus on the operational aspects.

Are you planning immediate 2024–2025 outputs?

We would like to show what a credible just transition investment package would look like in particular locations or particular sectors. In the UK, there's been a lot of coverage of the closure of the blast furnaces at Port Talbot in Wales and the 3,000 jobs that will likely be lost. Before the decision, early in 2024, the conversation around just transition took place mainly in the policy world. Port Talbot was the first moment when I saw it enter the national conversation. Just transition was on the evening news. We would like to be able to show what a just transition investment plan in such circumstances could involve working with different groups.

The high-level agenda of the just transition needs to be rooted in the realities of different countries and places. In the UK, we're going to be focusing deliberately on particular regions that are affected by transition and seeing how you can develop a just transition investment plan, for example, in Cumberland. We're also working to show how just transition priorities can be incorporated in net-zero planning frameworks for business, not least those developed by the UK's Transition Plan Taskforce.

A second focus country is India. We're working with partners there to show how the just transition can come alive in the particular conditions facing the most populous country in the world. We're seeing increasing interest from business and finance in India, with real demand for practical applications.

Strategically, we're also keen to show that the just transition is not only a social imperative, but is also the smart thing to do as a business. I talked to the Italian energy company Enel about it. They want to show that this is going to help create long-term shareholder value. The just transition is clearly linked to investment in the human capital and the social capital that's needed for climate action. It's obviously about a firm's social licence to operate, but in quite profound ways it is also about value creation.

I'll give you an example. I was struck when we met with a trade union in India called SEWA, the Self-Employed Women's Association, which represents three million day-labourers – construction workers, farm workers, etc. It's a trade union, but these women are very interested in value creation. They're entrepreneurs.

The just transition is not just this strategic climate or policy imperative. We think of it as a value creation idea. That's something that resonates with a lot of people. For us, the touchstones of the just transition are to protect, involve and create, which really gets traction with workers and communities, but also with business and finance.

- *This Q&A was produced as part of a joint series with LSE's Grantham Research Institute on Climate Change and the Environment.*
- *The interview represents the views of the interviewee, not the position of LSE Business Review or the London School of Economics and Political Science.*
- *Featured image by Chris Watt Photography for the Grantham Research Institute.*
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