

## JUST TRANSITION PATHWAYS IN MAJOR COAL ECONOMIES: FINDINGS FROM THE COAL TRANSITIONS PROJECT<sup>1</sup>

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The Coal Transitions project included research teams from large coal producing and consuming economies, namely Poland, Germany, India, China, South Africa and Australia, as well as experts in economic diversification, transition policy analysis, and historical coal transitions. The project included two streams relevant to the just transition: analysis of past coal and industrial transitions (across various contexts and scales); and six country case studies on pathways to implement coal transitions compatible with the “well below 2°C” objective.

The studies found that coal transitions are already happening, driven by the economics of non-coal alternatives and by air pollution, water and health policy, and that the pace of change will likely increase as coal faces a structural decline in the future. Yet at the same time, local and regional level coal economies already face socio-economic challenges, and coal dependent regions are typically not prepared for the pace and scale of change that they face. Historically, coal transitions have happened suddenly, with limited options for regions to embrace alternatives. The research examined the socio-economic implications of coal transitions across countries with varying levels of poverty, inequality, socio-economic development, and coal dependency at national and regional scales. Nonetheless, it found that coal regions are often more similar than different, facing complex trade-offs between extractives and growth in other sectors; coal mining and air, water and health; economic growth and lock-in to dependency; and dependence on existing jobs for prosperity that are already in decline. For all countries, the creation of decent work and a managed transition is important for a low-carbon and just transition.

### Lessons learnt from the literature and case studies

Several key lessons can be found from the literature and case studies on historical and current coal transitions. Firstly, the project found that social dialogue is an important condition for appropriately supporting workers and communities to manage the transition in a way that does not exacerbate existing fragilities. Secondly, that in broad terms transition assistance needs to consider both narrow and broad interventions that target both the creation of decent work opportunities for fossil fuel workers and broader economic development activities for coal regions<sup>2</sup>. The latter is particularly important in areas with structural unemployment and high levels of poverty.

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<sup>1</sup> This synthesis note relates to the Coal Transitions project aiming to fill the gap of international dialogue and lesson learning on coal transition. It is carried out by a consortium of eight organisations, led by IDDRI and Climate Strategies. For more information, see <https://coaltransitions.org/>. The note was originally prepared for a side event “Just Transition for All” co-hosted at COP24 in Katowice by Climate Strategies, COP24 Presidency and ILO and published here: <https://climatestrategies.org/wp-content/uploads/2018/10/brochure-WEB.pdf>.

<sup>2</sup> Green, F. (2018) Transition Policy for Climate Change Mitigation: Who, What, Why and How” CCEP Working Paper 1807, May 2018.

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Finally, there are already many practical interventions to assist those who will be impacted by a transition away from coal. Below we highlight a few related to decent work and economic development.

## Finding a just transition and decent work opportunities for workers<sup>3</sup>

One key finding was that options to protect workers already exist (but implementation requires effort). While the specific contextual factors are important in each country, understanding the labour market and the age, skills, and educational profile of the workforce is necessary. Possible interventions then include:

- Setting a timeline for coal phase down and allowing existing workers to retire naturally
- Providing a bridge to pension for older workers or offering voluntary redundancy packages
- Supporting workers who have appropriate skills or are willing to retrain to take on alternative roles within the company.
- Developing regional worker transfer programmes to support the direct transfer and on-the-job retraining of workers with appropriate skills to move to an alternative local job.
- Redeploying: offering employees who may struggle to find work in other roles or sectors the option to transfer their skills to alternative coal-based sites with the company- Establishing integrated multi-purpose retraining programmes.

## Building local economic resilience

Alongside managing change for the coal workforce, policy also needs to consider how to build economic resilience in coal dependent regions. Such interventions must be context-specific and will depend on key issues such as geographical proximity of coal communities to other centres of economic activity; the size of the coal sector in the local or regional economy (GDP and employment); the financial links between the coal sector and the local government and provision of local services; and the degree of psychological attachment that workers and citizens have to the region. Nonetheless, for local regions looking to build their economic resilience and transition beyond coal, the Coal Transitions project identified a number of strategies that can be effective if well executed. These include:<sup>4</sup>

- “Related diversification”: developing industries that are related to existing economic activities and industries but do not depend on coal.
- “Smart specialisation”: supporting the growth of economic activities that build on an assessment of the region’s strengths and competitive advantages. In coal regions, this could include existing power, rail or port

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<sup>3</sup> Sartor O. (2018). Implementing coal transitions: Insights from case studies of major coal-consuming economies. IDDRI and Climate Strategies.

<sup>4</sup> Campbell, S & Coenen, L (2017) Transitioning beyond coal: Lessons from the structural renewal of Europe’s old industrial regions. CCEP Working Paper 1709, November 2017.

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infrastructure, land availability, cultural and industrial heritage, skills of the local workforce, existing industries with growth potential, etc.

- Strengthening of local entrepreneurial networks: creating or strengthening networks between higher education and training organisations, local companies and entrepreneurs, local government, organised labour, in order to identify and support the growth of suitable activities.
- Improvement of local infrastructure: for increasing the local economic attractiveness of the region, increasing opportunities for economic linkages to other zones of economic activity and employment, increasing the productivity and growth potential of local industries, creating opportunities for former coal workers to stay in their region
- Improvement of “soft attractiveness factors”: to support re-investment in the area, underpin land-value and thus the wealth of the local community, and limit or reverse demographic outflows.
- Location of public sector activities in the region: to mitigate demographic decline, provide additional economic demand for the region, and support the development of new strategic industries.
- Location of innovation or energy transition projects in the region: Often regions with a strong link to the energy sector are keen to retain it as it is part of the local identity, and may possess the infrastructure to do so

## What is still needed?

- Support for national and sub-national entities to engage in social dialogue and to design processes and institutional arrangements to explore context-specific vulnerabilities and economic resilience opportunities in coal dependent areas
- Macroeconomic analysis of the effects of climate policies needs to be supplemented by sector-specific and microeconomic assessments of local impacts on workers and communities
- Political and economic analysis of who bears the costs and benefits of the transition, contextual factors defining potential interventions, and the role of finance in mitigating the impacts of a disorderly transition are important areas of further research

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