



# THE NEW SOCIAL CONTRACT: A JUST TRANSITION

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# Political context

## *Europe will not be able to build walls big enough to keep out the impacts of a 1.5 degrees world*

- The window to stay below 1.5 degrees expected to close within a decade. World already close to 400ppm.
- Paris Agreement targets good but heading to 2.7-4 degrees world. This is not acceptable.
- Role of the EU is to change the current conversation towards delivering 1.5 degrees. No other developed country is in this space at the moment. It is as much in the EU's interest as it is in the global interest.
- Unless there is a substantial redesign, policy will remain ineffective threatening global peace and prosperity.
- The policy choice is between an humane and inclusive transition or a turbulent and potentially violent break with the fossil-fuel complex.

## *Changing the conversation.....*

- Current EU climate policy is inadequate and ineffective. Without a credible offer to polluters which involves and incorporates them in a clean, modern and safe world, it is unlikely the status quo will change.
- Climate change is an environmental issue but it is mainly about a socio-economic **deconstruction of the fossil fuel world** whilst **constructing a business models based on clean technology** and making sure no one is left behind in the transition. This is the *Just Transition*.
- The transition will happen on a sectoral level and have regional impacts. Sectors such as coal mining and utilisation, steel, petroleum refineries, etc require an EU-wide approach to avoid unfair State Aid for failing business models, the application of technological solutions and specific market support structures.
- Regional and local governments have considerable expertise in managing regional transition. They are also accountable to local communities.

# Case studies

## *Three stories of transition*

- Case histories made of North Rhine-Westphalia (NRW) in Germany, Bilbao in Spain and coal mining regions of the UK.
- **Strong identities:** Each region had strong local identities often associated with particular industries (NRW was once the land of coal and steel; Bilbao shipbuilding and steel and coal in the coal regions).
- **Systemic crisis:** Most crises were driven by the oil shock in 1973, long-term structural change and environmental catastrophe. Sometimes violent conflict with trade unions. Restructuring involved early retirement and retraining.
- **Ownership:** Local authorities turned crisis into an opportunity. Created special entities to deliver transformative investments.
- **Financing regeneration:** NRW and Bilbao had access to own funds as well as support from the national government. Bilbao Ria 2000 public-private partnership company created. Similar model deployed in the UK of land cleanup followed by development.







# *Lessons from the case studies*

1. Deep transformation is possible within two decades. But it means we have to start now.
2. Lasting success depends on who owns and is accountable the transition and regeneration dialogue.
3. Sectoral approaches are the remit of the Commission and Member States because they are subject to the internal market, State Aid law, specific legislation for abatement solutions such as carbon capture & storage.
4. Local transformation is the remit of local and regional authorities because they take responsibility for the future of their locality.
5. Where regional and local authorities do not have access to finance, EU funding is the key driver determining the success of local regeneration.
6. There has to be a strong policy driver to get polluting companies to enter into discussions about a Just Transition.
7. Polluters have to take more responsibility and financial commitments to ensure they are able to pay for their damages, support transitions and not socialise their costs.



**Policy solutions**

## *The new social contract means:*

- **Empowering those responsible for change:**
  - Identifying Just Transition Regions (single or multiple large polluting installations covered in the EU ETS);
  - Building regional transition/SECAP plans
  - Systemic reporting for EU governance framework
  - establishing forum to decide, monitor and manage transition like European Climate Change Programme (ECCP).
- **Financing transition:**
  - Just Transition Fund must have contribution from the EU ETS because the perception is that this is the source for job and investment losses.
  - MFF financing for SECAPs or other clean technology regional investment plans.
  - Reinstate sectoral funds like RECHAR, RESIDAL, etc
- **Bringing polluters to the negotiation table:**
  - Accelerator Fund to incentivise early closure - receive full compensation. Sliding scale applied afterwards.
  - Avoid socialising costs eg Single Resolution Board equivalent for fossil fuel polluters paying X% of their turnover towards pensions, training costs and environmental remediation.