Financing a Just Transition in the Extractives Sector

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Framing the Just Transition

- Origins in trade union movement
- Included in the Paris Agreement
  - Maximising social opportunities
  - Leaving no-one behind
  - Ensuring social dialogue
  - Respecting human rights
- COP28: central to climate action in every sector and every country

SYSTEM TRANSFORMATION

Source: “Making Transition Plans Just” by Curran et al. 2022
What do we mean by “justice”?

**ENVIRONMENTAL JUSTICE**

**DISTRIBUTIVE JUSTICE**
Over representation of toxic waste sites in communities of colour
Need equal distribution of environmental harms and benefits

**PROCEDURAL JUSTICE**
Communities’ ability to participate in environmental decision-making process, to prevent inequity and better involve affected communities in site clean-ups

**RECOGNITIONAL JUSTICE**
Acknowledgement and respect of different cultural norms and conceptions of justice and questions of the hierarchies of knowledge (i.e. Indigenous knowledge of the land and ecosystems)

**GLOBAL JUSTICE**

**PERSPECTIVE OF UNIVERSAL HUMAN RIGHTS**

Source: Adapted from “Multispecies city: Justice Perspectives for the Planetary Planning of a Carbon-negative City” by Eräranta 2023
What does a just transition look like in the extractives sector?

<table>
<thead>
<tr>
<th>Facets of transition</th>
<th>Workers</th>
<th>Communities</th>
<th>Local Economy</th>
<th>Future Generations</th>
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</thead>
<tbody>
<tr>
<td><strong>Opportunities</strong></td>
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<tr>
<td>Identifying, and enabling social opportunities of the transition</td>
<td>Prioritise stable, decent jobs for local workforce (vs. fly-in fly-out logic)</td>
<td>Enhance local community or Indigenous co-ownership of mines</td>
<td>Active policy measures to foster linkages with other economic sectors, including SOE creation, local content requirements, long-term financing.</td>
<td>Establish future generations fund (i.e. Norway) with proceeds from mineral sale, and equal distribution of fund dividend</td>
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<tr>
<th>Risks</th>
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<td>Anticipating, assessing, and addressing social risks of the transition</td>
<td>Strengthen occupational health and safety for employees and contractual workers</td>
<td>Addressing and minimising environmental contamination and destruction from and near mine sites</td>
<td>Provide social and economic support to local businesses and suppliers affected by coal mine closures</td>
<td>Cap extraction (and other demand side measures) to keep cumulative environmental damage within limits</td>
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<th>Decision-making</th>
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<td>Ensuring stakeholder dialogue and participation in decision-making</td>
<td>Informed and continuous dialogues with unions and representatives in the transitioning out/in</td>
<td>Practice and ensure free, prior and informed consents on mine developments</td>
<td>Informed and continuous dialogues with unions and representatives in the transitioning out/in</td>
<td>Standard setters amend standard to treat extraction as the scale of inherited wealth, co-designed with representatives</td>
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The role of financial institutions

Where are the investor leverage points?

INVESTORS

Dialogue:
- Policy advocacy and sovereign engagement
- Capital allocation: Sovereign & sub-sovereign bonds

Dialogue:
- Bond roadshows and sovereign engagement
- Capital allocation: SOE bonds

Dialogue:
- Engagement, resolutions & voting
- Capital allocation: Equity shares & corporate bonds

GOVERNMENTS

Dialogue:
- Policy advocacy and sovereign engagement
- Capital allocation: Sovereign & sub-sovereign bonds

STATE-OWNED ENTERPRISES

Dialogue:
- Bond roadshows and sovereign engagement
- Capital allocation: SOE bonds

COMPANIES

- Mining & refining companies
- Downstream companies

Source: Adapted from forthcoming paper "Unjust Minerals" by Scheer et al. 2024

Evaluate outcomes to iterate investor just transition strategies informed by relevant tools & standards

UNECE

Actions towards

TRANSITION IN
& TRANSITION OUT

while...

1. RESPECTING COMMUNITIES

2. PROTECTING WORKERS

3. DEVELOPING LOCAL ECONOMIES

4. SECURING RIGHTS OF FUTURE GENERATIONS
The role of financial institutions
Stewardship and corporate transition planning

- Assess investee company’s performance on the energy and/or climate transition through a just transition lens
- Undertake social impact assessments/environmental due diligence
- Commit to active ownership, stewardship, and engagement strategies

Example 1: Dependencies of the transition plan on the natural environment
An entity depends on terrestrial ecosystems for flood and storm protection, to increase the climate resilience of their operations.

- Nature-related risks
  - ecosystems around tailings providing flood protection are degraded, increasing risk of tailings collapse and damage to an entity’s operations.
- Nature-related opportunities
  - conducting ecosystem restoration around tailings provides flood and storm protection, protecting operations and local communities.

Example 2: Impacts of the transition plan on society and the economy
To supply critical minerals for use in renewable energy technologies, an entity conducts exploration and development activities in close proximity to a local community.

- Social risks
  - local opposition to mining activities results in delays to permitting and development.
- Social opportunities
  - establishing partnerships with the local community allows for the sharing of benefits, in turn encouraging consent and permitting for mining activities.

Stakeholders, society, the economy, and the natural environment

Entity’s transition plan

Risks and opportunities that may affect the entity’s prospects

Source: "Metals & Mining Sector Guidance" by the UK Transition Plans Taskforce 2024
The way forward

- **Clarify and strengthen institutional investors’ strategy** around transitioning out of coal and into energy transition minerals, including in transition planning.

- **Support responsible mining standards** with consistent tools and methodologies that can be integrated into existing sector-specific reporting frameworks (i.e. commercial application and adoption of the UNFC).

- **Engage in robust dialogues and allocation**: with corporates, governments, state-owned enterprises, development banks, and workers, Indigenous peoples, and local communities as an iterative, continuous, and patient process.

- **Operationalise an intergenerational “shared inheritance” paradigm for resource management** while leveraging extractions for broader economic development.
Thank you!

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