

# Framing Response Measures Just Transition – Economic Diversification

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2<sup>nd</sup> KCI Meeting 29 – 30 December 2019



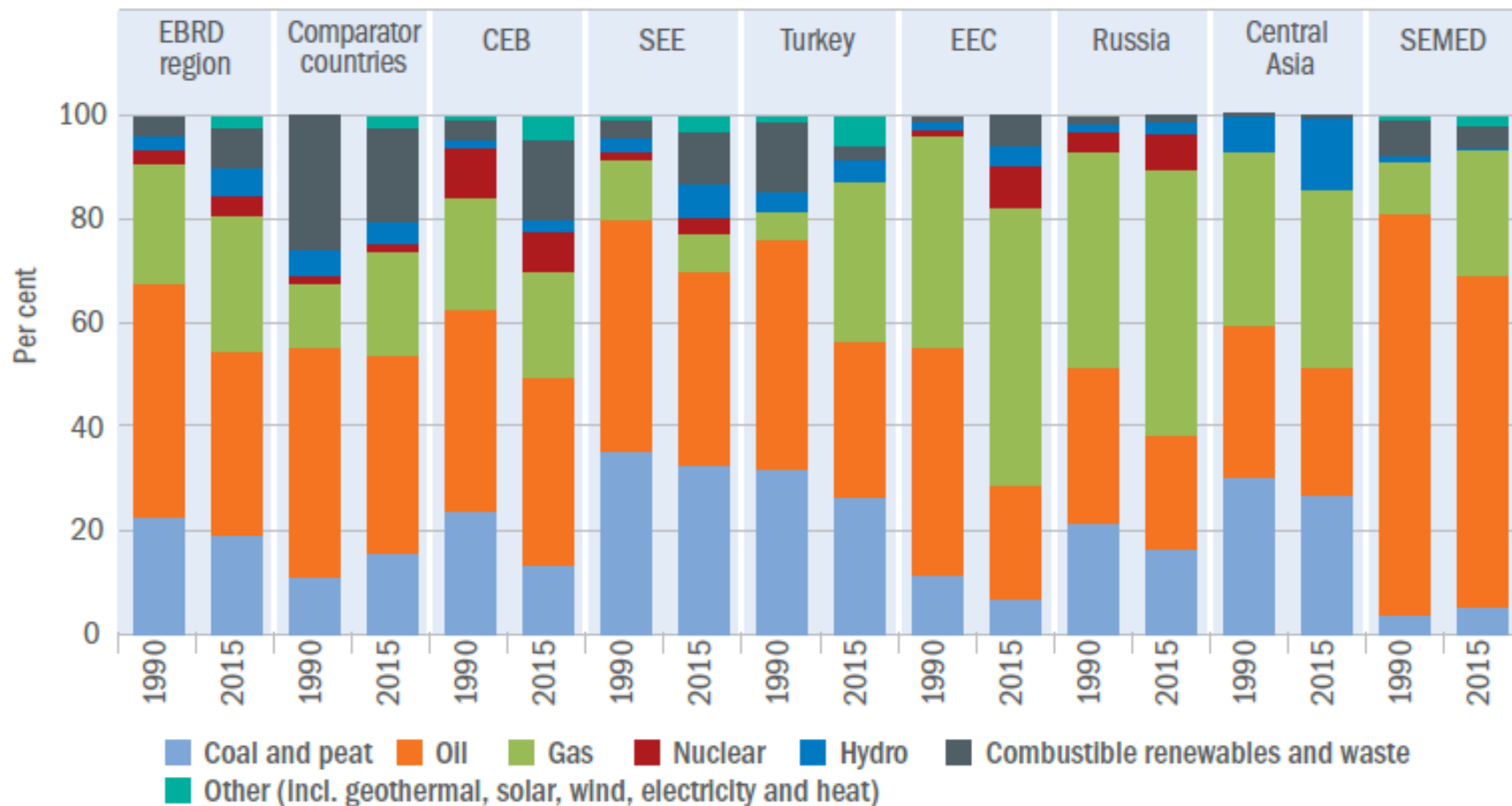
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- September 2019 High Level MDB Statement at UNSG Climate Action Summit committed for MDBs to continue working with national development banks and other financial institutions, to develop, by COP26, financing and policy strategies supporting a ***just transition*** that promotes economic diversification and inclusion.
- Just transition shifts towards a climate-resilient and low-carbon economy and seeks to mitigate potential negative impacts on workers and communities (e.g. through economic diversification).
- There is increasing momentum on the topic at the international (e.g. ILO), regional (e.g. EU, Western Balkans) and national (e.g. German Coal Commission) levels.
- **The EBRD region is a heavy fossil fuel producer and consumer.** As countries move away from carbon-intensive assets and sectors, jobs and economic prosperity linked to them are put at risk.
- Support to Low Carbon and Climate Resilient Pathways, NDC ambition and implementation, policy and regulatory developments and investments.

# EBRD CoOs are reliant on the use of fossil fuels

## Breakdown of primary energy supply by fuel type



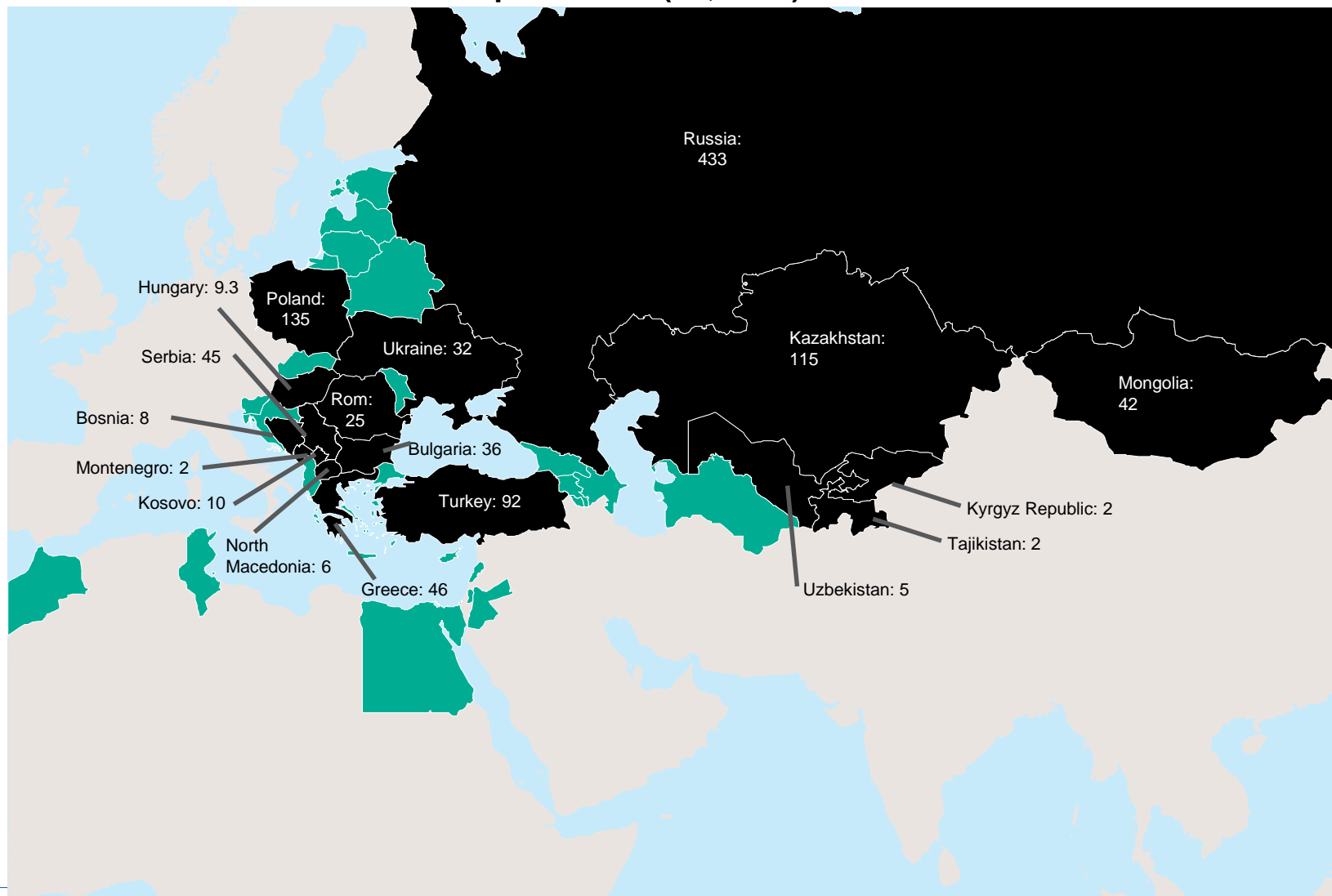
Source: EBRD (2017) 2017/18 Transition Report

# The EBRD region has significant coal resources



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## Total domestic mined thermal coal production (Mt, 2018)



# Illustrative considerations on the road to low carbon and climate resilient economies



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## Scope

- **Exposed assets** to green economy transition. These include Coal and other fossil fuel sectors and linked assets (i.e. oil and gas) and also energy intensive industries (e.g. steel, cement, plastics, etc).
- Indicators: technical efficiency, cost exposure, indicative margins and the specific product markets.

## Vulnerability to climate change\*

- **The impacts of climate change** will fall disproportionately in some countries (e.g. Tajikistan, Egypt and Albania ranked as “high risk” from climate impacts)
- Main climate change concern in EBRD is the impact on water resources placing emphasis on investment in water infrastructure, hydropower, industrial water efficiency and coastal infrastructure.

## Vulnerable groups when climate change policies implemented

- **Climate change policies will have distributional impacts** dependant on the policy tool, the sector, the design and the initial conditions of the country. Introduction of policies without adequate consideration of distributional consequences will undermine success.
- For example, carbon taxes passed through to electricity can be regressive as low-income households spend higher shares of income on power and due to inelastic demand.

## Minimise negative impacts of green investments

- Implementation of **green investments to be done in a considered manner**. For example, “poor working conditions; health problems caused by toxic wastes; and the dispossession of vulnerable communities.

# Emerging international initiatives with an emphasis on coal...



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## World Bank – Supporting Energy Transitions in Coal Regions

- Launched at COP24, a program to support coal regions with policy and investment support.
- Partnered with Energy Community to launch dialogues in Ukraine and Western Balkans.



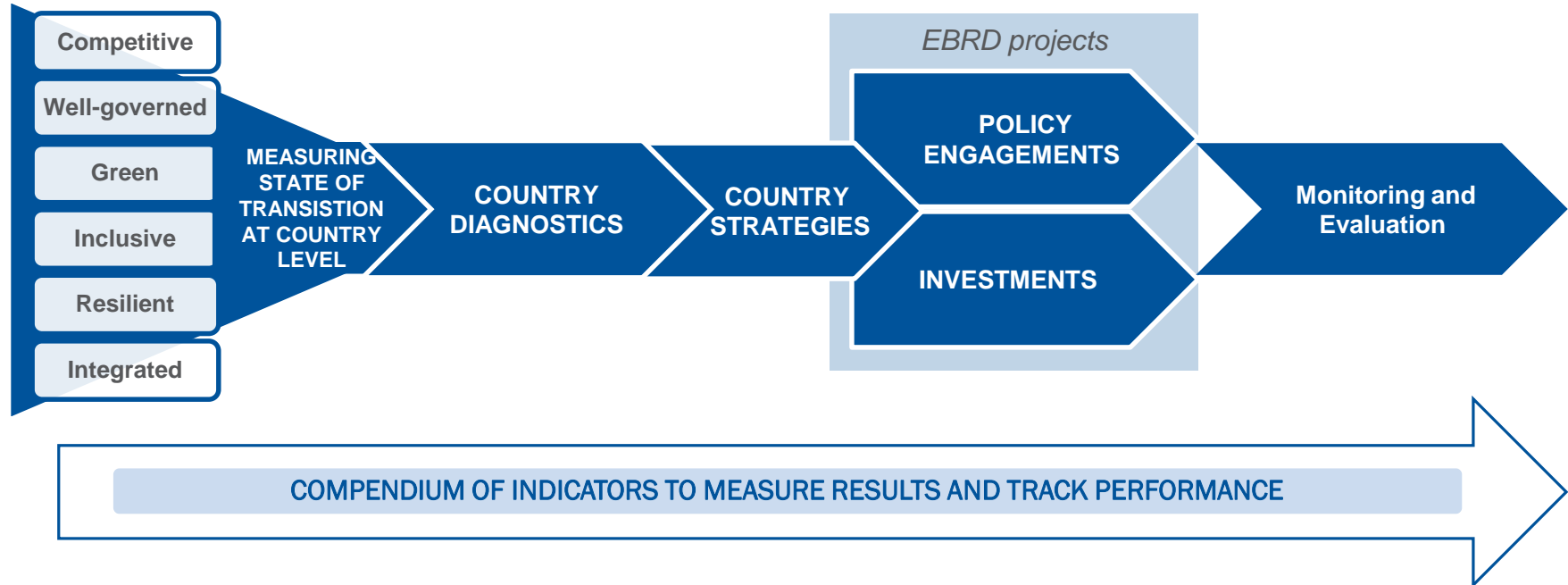
## European Platform for Coal Regions in Transition

- Launched in 2017, it covers 18 coal regions, which regularly meet to exchange knowledge. It also offers opportunities to access EU funds for the regions.
- Regions: Moravia-Silesia, Usti, Karlovy Vary (Czech Rep.), Brandenburg, Saxony, Saxony Anhalt, North Rhine-Westphalia (Germany), Silesia, Lower Silesia, Greater Poland (Poland), Western Macedonia (Greece) Jiu Valley (Romania) Trencin (Slovakia), Zasavska, Savinjska (Slovenia) Asturias, Aragón, Castilla-y-León (Spain).



**Coal Transition Initiative in Western Balkan and Ukraine was established in 2019 (EC, WB, ECS and EBRD).**

# EBRD Business Model and Interaction with JT / ED



The EBRD has an existing approach to strategic planning for the implementation of its transition concept (defined by 6 qualities of a sustainable market economy).

# Approach – under development



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## Organisation

- EBRD Working Group
- Co-operation with other MDBs, and other stakeholders like ILO
- Participate – lead on Just Transition Platforms – e.g. Western Balkan - Ukraine

## Develop knowledge products to inform the approach

- Highlight the most vulnerable EBRD regions and assets. Country diagnostics. Modelling approaches
- Extract lessons learnt and good practice from previous similar transitions, inside and outside the energy sector

## Operationalise

- Integrate consideration in country strategies (incl economic diversification), low carbon pathways, project design.
- Implications for donor and climate funding

## Influence operations

- Policy Dialogue – capacity building / knowledge sharing
- Investments – project design (e.g. resilience, gender, social inclusion) – technical assistance / concessional finance blending



# Building on EBRD inclusion impact...



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An aerial photograph of a busy city square with many people walking. Three blue rounded rectangular callout boxes are overlaid on the image, containing text. The top-left box contains the text 'Access to employment and skills', the top-right box contains 'Entrepreneurship and access to finance', and the bottom-center box contains 'Access to services'.

Access to  
employment and  
skills

Entrepreneurship  
and access to  
finance

Access to services

# Areas under development



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## Scope and Definition

- Taxonomy and criteria for JT engagement
- Development of knowledge products (e.g. case studies on lessons from previous transitions).

## Interventions

- Client level (supporting client dialogues and actions, tied to investment activities)
- Investments: e.g. Direct lending through loans, SME corporate lines through local banks in specific regions, Priority infrastructure projects, Social or green bonds linked to JT.
- Policy: Country level engagement; Regional and global level engagement

## Link to long term strategies

- Role of JT considerations in NDC development and long-term strategies.
- Supporting strategic planning at the national and regional level to support JT.

## Indicators

- Metrics to identify sources of impact of JT activities

## Finance

- Sources of potential market and concessional financing.
- Climate Funds and Article 6
- Integrate in strategies

# Existing activities relevant to JT and ED



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## Investment

- Credit lines and advice.
- Direct lending.
- Infrastructure.
- Bonds.
- Green cities.
- Environmental and Social Action Plans (ESAPs).

## Policy and Technical cooperation

- NDCs and LTS
- Policy reforms to support private sector development of regions
- Skills and labour market policies as part of EBRD approach to economic inclusion.
- Vulnerability assessments.
- Participation in EU Platform for Coal Regions in Transition.

# Financing a Just Transition

Side Event at COP25, Madrid, Spain

13:30 – 15:00, 11th December 2019 MDB Pavilion