



Just Transition
Delivering green
opportunities to all





For any business, a sustainability strategy must integrate environmental and social goals in a complementary way to ensure it addresses all material ESG issues.

If a climate action plan does not consider pressing social issues facing marginal groups, it is likely to face public and political obstacles. Conversely, if social development plans do not build in climate measures, their progress can quite literally be washed away or turned to ashes.

"A lack of consideration for social aspects of the transition can create new business risks, including risk of public resistance to climate action or, conversely, radicalized climate activism from a perceived lack of action. Either of these can result in social instability and reduced economic activity."

—The Chairperson's Guide to a Just Transition¹

Some of the rapid, far-reaching transitions needed to reduce global warming will affect existing industries through employment and price changes. Addressing these issues and reducing the risk to those most vulnerable means pursuing a "just transition" for workers and communities.

The risks of failing to manage a just transition are stark, according to The Chair's Guide to Realizing Value from a Just Transition: "Mismanagement of the social aspects of the transition could increase inequality and amplify social polarization, exposing businesses to risks such as reputational damage, political instability, reduced economic activity, public resistance and weakened decarbonization efforts."²



The concept of a just transition emerged from the labor movement to address potential job losses in high-carbon economic sectors such as the fossil fuel industry. It was then incorporated into the Paris Climate Agreement as a concept urging governments to preemptively meet the social challenges emerging from climate action.

*Work Towards Net Zero: The rise of the green collar workforce in a just transition*³ sets out the case that far from causing job losses, the net zero economy will create a massive "green collar" workforce if handled in the right way.

Proactive public policy can lead to a new industrial policy that re-skills workers and expands job opportunities. The Deloitte Economics Institute calculates that a well-managed transformation could grow the world economy by USD43 trillion between 2021 and 2070.⁴ Unmitigated climate change, on the other hand, would cost the global economy USD173 trillion.

The opportunities are clear: "A just transition benefits businesses by helping to reduce systemic risk, enhance human capital and social value, provide competitive advantage, and improve corporate reputation."⁵

With climate strategies that apply the principle of a just transition, Deloitte believes 300 million green collar jobs can be created as we move to a net zero future.

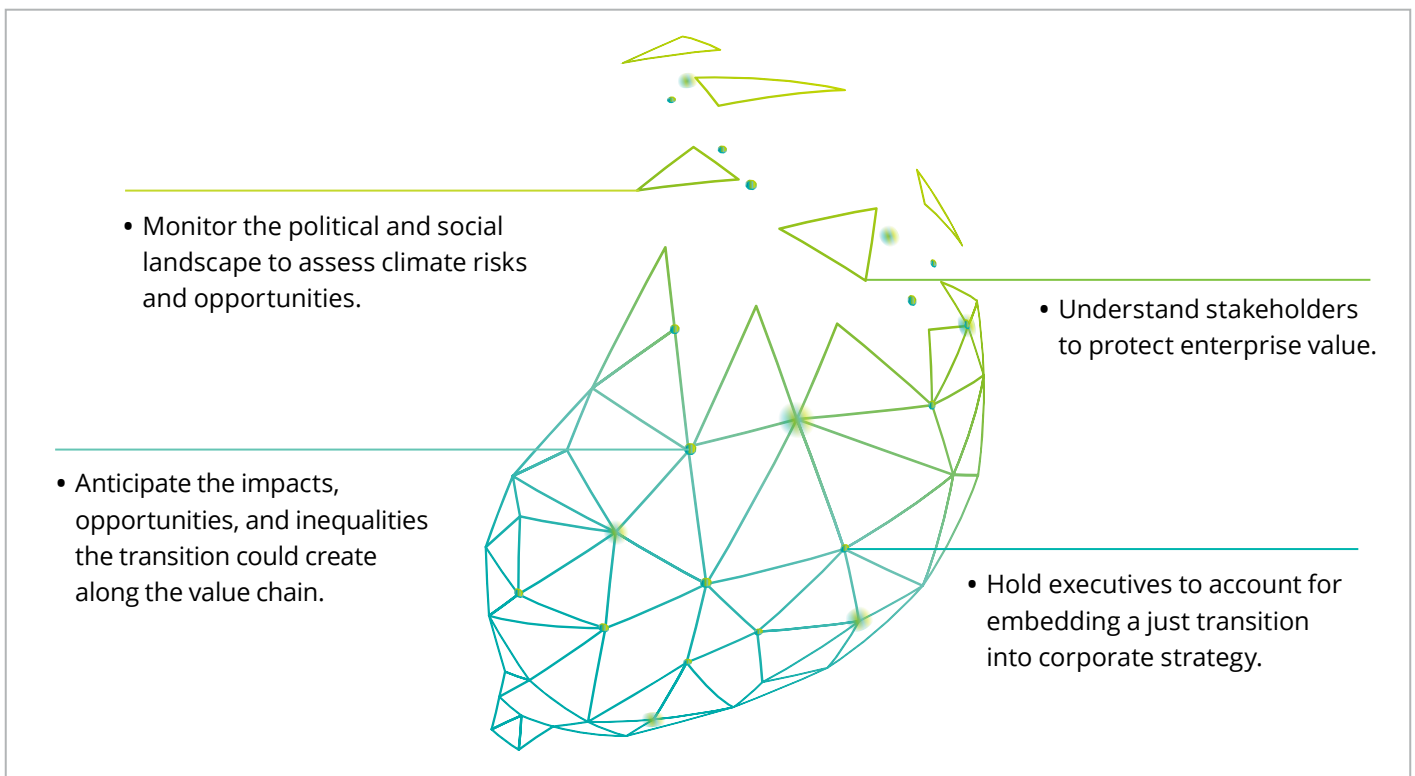
Planned right, workers and their skills can drive necessary economic change rather than fall victim to it. We have for too long socialized the costs and privatized the benefits of training and finance. The costs and benefits need to be socialized, allowing people to flourish while allowing private sector initiatives to add their advantages to finance and skills development.

Many workers already have the skills necessary to succeed in an economy focused on renewable energies, energy efficient buildings and transport, low carbon equipment, and smart grids. Others will need re-training and skills development. As the trade union movement points out, to support the minority who cannot reskill or relocate and who might also be approaching retirement, well designed social protection should be part of climate plans.

As with any sustainability policy, awareness of the employment and social impact of climate decisions needs to start at the top of the business to ensure this is embedded throughout the company. This is what prompted Deloitte's work on the abovementioned guides for Chairs on ensuring good governance of a just transition within their companies.

"Ultimately, decision-makers who do not place people at the heart of the transition may undermine the achievement of climate action ambitions."⁶

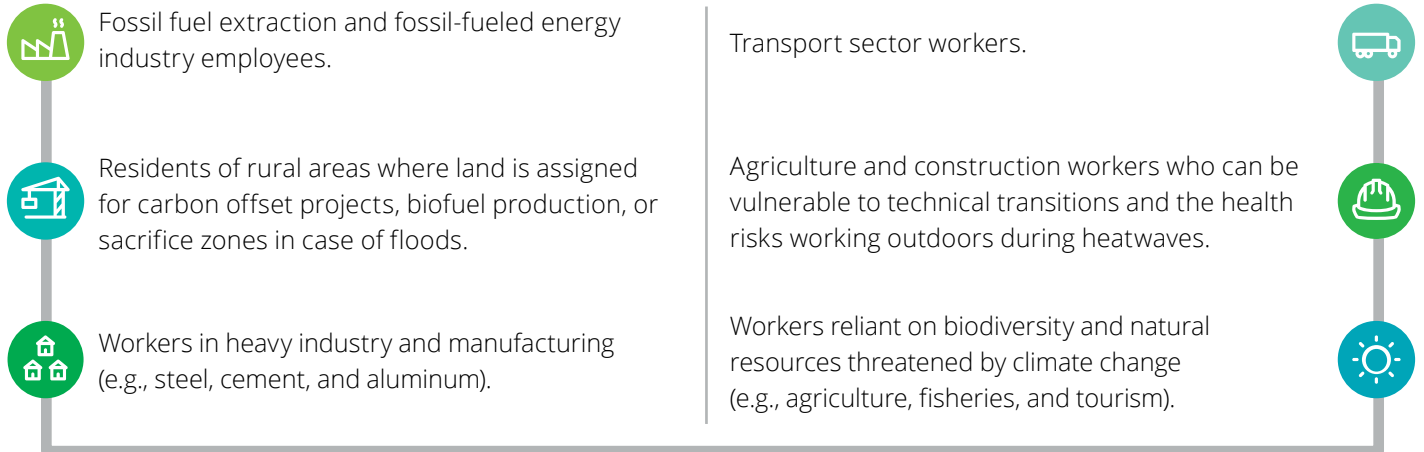
Deloitte advises company Chairs and Boards to grasp the just transition torch to ensure their companies' sustainability efforts succeed:



The Deloitte studies make the case that the transition will be economically more beneficial, and less problematic, for all affected workers if just transition considerations are

planned from the start, led by clear government policies, implemented in every country, and promoted by good governance and leadership at each company.

Affected groups



In a region like Hong Kong, just transition concerns will focus on prices. With no significant fuel, manufacturing, or agricultural sector, Hong Kong imports almost all its food, consumer goods, and building materials. Although there are few workers in Hong Kong producing these goods, low-income consumers are vulnerable to price changes that might result from regulations related to low-carbon goods and services. This could increase the cost of transport, electricity, and more energy-efficient housing.

In the energy generation sector, the transition from coal to renewable energy, including the interim use of gas, will require re-skilling of some power generation and distribution workers. Skills development in smart grids, long distance power transmission, and renewable energy technology including small-scale solar will increase.

Deloitte makes the case that a "system-of-systems" approach to the new green economy will see more interconnected systems linking energy supply, mobility, industry, and agriculture in a low emissions system that could also enable greater job mobility for those with green skills.

Sufficient awareness among policymakers, governing bodies, and senior business managers of the importance of a just transition will enable the shift to a low carbon future—generating new job opportunities and ensuring no one is left behind.

1. [The Chairperson's Guide to a Just Transition](#). WEF Climate Governance Initiative in collaboration with Deloitte. September 2022.

2. [The Chair's Guide to Realizing Value from a Just Transition](#). Deloitte. September 2022.

3. [Work Towards Net Zero: The rise of the green collar workforce in a just transition](#). Deloitte. November 2022.

4. *ibid.*

5. [The Chair's Guide to Realizing Value from a Just Transition](#).

6. [The Chairperson's Guide to a Just Transition](#)

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