Financing a Just Transition in the Extractives Sector

Jodi-Ann Wang

Policy Analyst, LSE Grantham Research Institute Member, RMYMG



RESOURCE MANAGEMENT WEEK 2024



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



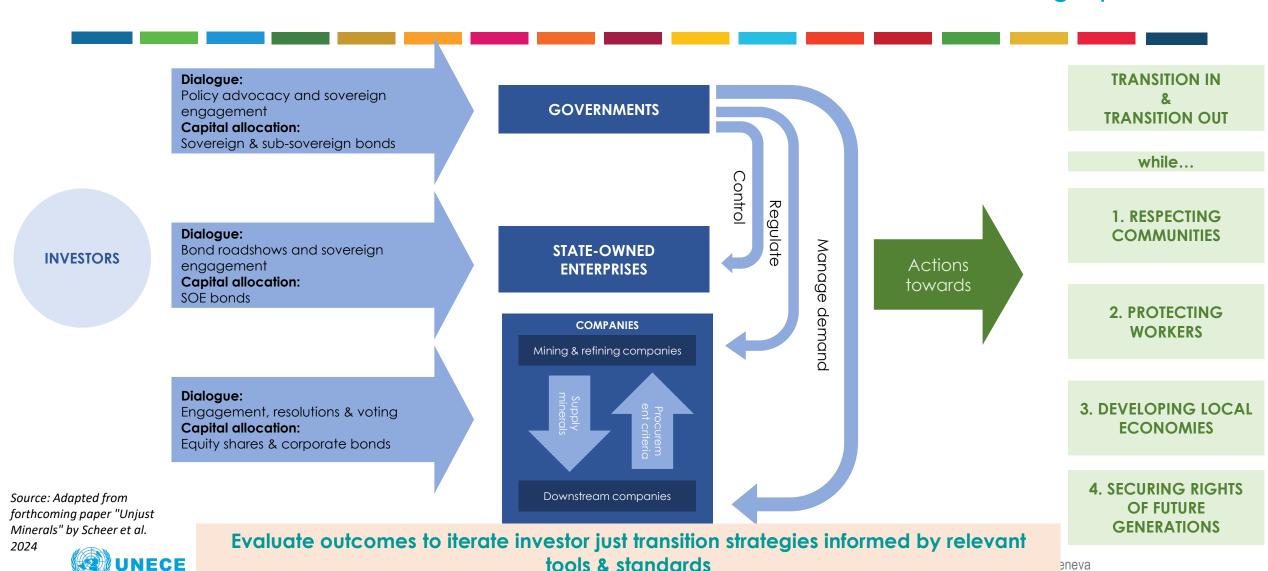
What does a just transition look like in the extractives sector?

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



The role of financial institutions

Where are the investor leverage points?



The role of financial institutions

Stewardship and corporate transition planning

Example 1: Dependencies of **Entity's** Example 2: Impacts of the the transition plan on the transition plan on transition plan natural environment its stakeholders, society and the economy An entity depends on terrestrial ecosystems for flood and storm To supply critical minerals for use protection, to increase the climate in renewable energy technologies, Risks and pependencies resilience of their operations. an entity conducts exploration and opportunities development activities in close Impacts that may affect proximity to a local community. Nature-related risks the entity's prospects ...ecosystems around tailings providing flood protection are Social risks degraded, increasing risk of tailings collapse and damage to an entity's ...local opposition to mining operations. activities results in delays to permitting and development. Stakeholders, Nature-related opportunities Social opportunities society, the ...establishing partnerships with ...conducting ecosystem economy, and restoration around tailings the local community allows for the sharing of benefits, in provides flood and storm the natural protection, protecting operations turn encouraging consent and permitting for mining activities. and local communities. environment

- 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

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

THE VIEWS EXPRESSED ARE THOSE OF JODI-ANN WANG & LSE GRANTHAM RESEARCH INSTITUTE AND DO NOT NECESSARILY REFLECT THE VIEWS OF THE UNITED NATIONS.

Thank you!

Jodi-Ann Wang

Policy Analyst, LSE Grantham Research Institute

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