

The Just Transition Challenge in Scotland

Submission from the Just Transition Partnership to the Just Transition Commission

The Just Transition Partnership¹ has been developing policies for a just transition in Scotland since 2016 and welcomes the opportunity to present these to the Commission.

The Cabinet Secretary has asked the Just Transition Commission to submit an Interim Report which can help shape the new Climate Change Plan in response to the declaration of a Climate Emergency and the passing of the 2019 Climate Change (Scotland) Act.

The purpose of the Commission is to advise Scottish Ministers on how to apply [Just Transition principles](#) to Scotland (copied into Annex 1). The [outcomes](#) referenced in these principles are:

- environmentally and socially sustainable jobs, sectors and economies;
- resource efficient and sustainable economic approaches which help address inequality and poverty;
- low carbon investment and infrastructure and to create decent, fair and high value work.

This is a demanding agenda and it will be helpful at this point in the work of the Commission to map out the main constituent challenges and what is known about them.

With this in mind the Partnership's submission takes its structure from the remit of the Commission, specifically from the [actions](#) referred to in the Just Transition principles for achieving these outcomes. These actions are to **plan, invest, implement, create, design** and **deliver** leading to this structure:-

1. Plan the Just Transition
2. Invest in the Just Transition
3. Implement the Just Transition
4. Design and delivery: addressing inequality and poverty
5. Design and delivery: effect on the workforce and the overall economy; fair and high value work

Specific policy recommendations from the Just Transition Partnership are highlighted in bold in the text and brought together in the final section.

1 Plan the Just Transition

The plan to meet the targets in the Climate Change Act is the Climate Change Plan: the Climate Change (Scotland) Act 2009 requires Ministers to set out how they intend to meet emissions reductions targets in a 5 yearly report. Within 6 months of the 2019 Act passing into law an updated version of the present CCP is to be produced which should

¹ The Just Transition Partnership was formed by Friends of the Earth Scotland and the Scottish Trade Union Congress in 2016. Membership includes Unite Scotland, UNISON Scotland, UCU Scotland, CWU Scotland, PCS Scotland, and WWF Scotland.

show the emissions reductions required of each broad sector, when they will be achieved, and how they will be achieved through various actions, policies and proposals.

The Just Transition challenge is to show how the targets can be achieved both on time and in ways which protect workers and improve social equity. For this, **it is necessary to disaggregate the targets and to assess the implications for each industrial sector in terms of changes in demand and supply for their products and services; and then the implications for employment (in consultation with the workforce).**

The current Climate Change Plan 2018 - 2032 has been assessed as lacking ambition² and is not sufficiently robust – for some sectors, for example transport and agriculture, the proposals and the measures to achieve the targets are neither ambitious nor credible enough. In respect of just transition, measures to ensure that jobs are created and social and community benefits arise are not part of the current Climate Change Plan. Nor are there any considerations of the financing requirements or assessments of the capacity of the industrial structure to respond to new demands made upon it.

The new Climate Change Act 2019 now does require the Minister to have regard to climate justice principles, and:

“(a) explain how the proposals and policies ... are expected to affect different sectors of the Scottish economy and different regions in Scotland, including ... employment ...

(b) set out the Scottish Ministers’ proposals and policies for supporting the workforce, employers and communities in those sectors and regions”.

This is a welcome improvement on the previous Act and means the new CCP should begin to address the challenge of cutting emissions through a just transition approach. However, it cannot be expected that these measures on their own will deliver the desired social and economic outcomes, and the way in which the Scottish Government has defined these in the Act is vague (and differs from the remit of the Commission – see appendix) and their application may not have sufficient impact.

For a Climate Change Plan which takes a just transition approach, the challenge is to integrate economic and financial analyses and actions in preparing the Plan. It must effectively be in part an industrial plan and it should be supplemented by a Just Transition Strategy based on economic and industrial planning.

Targets and timescales should be set for electrification and decarbonisation in all sectors of the economy and the national Just Transition Strategy which will create jobs, protect workers’ livelihoods, reduce poverty and improve overall wellbeing should be drafted on that foundation and integrated with the Climate Change Plan.

2 Invest in the Just Transition

The scale and pace of investment required to transition to an environmentally and socially sustainable jobs, sector and economies is enormous. One recent estimate has put the sum at £170 bn³ over 25 years. By comparison the current Scottish Government infrastructure investment budget is approximately £5 bn p.a. and although these two figures are not comparable (e.g. because other sources of investment will contribute to the total needed for a just transition to a zero carbon economy) they give an indication

² <https://www.commonspace.scot/articles/12422/climate-change-plan-step-backwards-say-environmentalists>

³ Our Common Home, Common Weal, Glasgow 2019

of scale: this sum is far larger than the financing mobilised for any policy initiative taken within the prevailing system. Indeed, apart from in war time, it is hard to identify any time at which the management of the economy has had to be directed to achieving such specific, non-economic outcomes. Therefore the ways in which this can be achieved require serious attention.

The mechanisms for generating this scale of investment, which the CCP should describe, have two sides, which constitute demand for and supply of investment; and requires a financial system which can effectively link the two.

On the demand side is the creation of a 'pipeline' of investment-ready projects. This must be done either by the public sector or by the private sectors under the direction of public policy and regulation. In parallel it will be necessary to ensure that the supply of the necessary finance is available and is on appropriate terms. The overall challenge is to put these in place and to integrate together both sides of this equation. The Just Transition challenge is to ensure that this is done quickly enough to meet the targets and in ways which bring wider social and economic benefits. A first step is an assessment of scale and readiness.

There is disturbing evidence that there has been a decline, not a growth, in investment in renewable energy projects – the House of Commons Environmental Audit Committee reported that “in cash terms, investment in clean energy fell by 10% in 2016 and 56% in 2017”⁴. Another symptom of an investment deficit is that the failure to create domestic supply chains for renewables is in part because of lack of investment compared to competitors.

It is evident that the existing system has not delivered the scale and pace of investments which have been and are needed. Despite this we are not aware that there has been any mapping or estimation of the large-scale investments needed in public infrastructure and in private sector capacity. To fulfill these, the Government will need to develop innovative financial measures e.g. investment banks, use of pension funds and green bonds. Public agencies such as Scottish Enterprise, HIE, the SNIB and government investment programmes should drive this and private investors must be primed and aligned.

It is therefore positive that the Scottish Government is setting up a Scottish National Investment Bank (SNIB) and taking other measures to encourage investment, like the Green Investment Portfolio⁵. However the scale of these (£2 billion and £3 billion respectively) is very small compared to the estimated need, especially since some of the SNIB's investments will go into other purposes/missions. These measures have been based on what is regarded as feasible, rather than on an assessment of the scale and urgency of the need.

The objective “To promote economic development which delivers a just transition to meet climate change emissions reduction targets and improves social inclusion” should be written into the objectives of Scottish and UK National Investment Banks and into the legislation which will set them up.

⁴ House of Commons' Environmental Audit Committee, May 2018, <https://www.parliament.uk/business/committees/committees-a-z/commons-select/environmental-audit-committee/news-parliament-2017/green-finance-report-published-17-19/>

⁵ Programme for Government, Scottish Government 2019,

The current Scottish Economic Strategy, dated 2015, is inadequate for these since it does not prioritise just transition and a more circular economy. It should be re-written. Similar changes are needed in the strategy documents of Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland. At present, moving towards a low-carbon economy is only one of many objectives in these; meanwhile investments in others continue to rely on burning fossil fuels.

3 Implement the Just Transition

Responsibilities for the implementation of the Just Transition Strategy have to be shared widely but effective leadership by government is the central challenge. The setting of targets alone is far from sufficient. The approach of government must be to set a clear and strong direction of travel within which all of the main economic actors will be expected to play their part. It must co-ordinate of inputs from all sectors to ensure delivery of outcomes and targets.

The model underlying decarbonisation in UK energy policy has been one in which privately-owned companies are incentivised by a series of measures like Feed In Tariffs, Contracts for Difference and Power Purchase Agreements. The record of achieving emissions reductions is mixed. Decarbonisation of electricity supply has happened relatively rapidly, while other sectors which together make up the majority of the economy have made very little progress. When consumption emissions are taken into account Scotland has only reduced emissions for which it responsible by 4.8% between 1998 and 2013, meaning that the large part of emissions reductions has come from offshoring of manufacturing.

This model has allowed energy companies to pass costs onto consumers, enabling high shareholder profits, while requiring very little in terms of economic and social impacts from the companies, except the generation of electricity from renewable sources. This current policy framework is not fit for purpose from either a decarbonisation or a social justice perspective, nor for the scale of change needed.

While investments in renewable energy, energy efficiency and low/zero-carbon infrastructure and industry should be driven by regulation, licensing, subsidy and fiscal policies, the regulation and tweaking of market mechanisms has not achieved the transformation of the energy system which is required, nor will it. A Just Transition within the targets set by the Climate Change (Scotland) Act 2019 requires a whole-system, interventionist approach. The expectations of and obligations on privatised utilities will need to be significantly more directive.

There is also a strong case for public ownership of the core parts of the energy system, in order to be assured that there is co-ordination of all parts of the system⁶. **It is the view of the Partnership that it will be necessary for the public sector to lead the transformation of the energy sector and that public ownership should be extended through a well-capitalised public energy company with powers to own distribution networks and generate energy, intervening in and leading the wider energy market in just transition. Municipal energy companies should also be developed.**

Within such a clear and strong direction of travel set by government, specific

⁶ Going Public: the failure of energy liberalization, Vera Weghman, PSIRU, University of Greenwich 2019

mechanisms have to be put in place to ensure a Just Transition. **Industry-level plans drawn up between employers, trade unions and government will be essential, supplemented by agreements at enterprise and sectoral levels. Targets for investment and jobs created should be integral to them. Public sector procurement and licensing should build in these expectations, including licensing of oil and gas decommissioning and building of offshore wind installations. To ensure justice for affected communities, regional or local JT plans should be developed as well. There is a clear need to standardise terms and conditions, as well as training requirements, if workers are expected to transition from high to low-carbon employers.**

The clear and strong direction of travel necessary of all of the main economic actors requires consistency and longevity. **Therefore to support the planning of, investment in and implementation of a just transition, the Just Transition Commission should be established on a statutory basis for the duration of legally binding emissions reductions targets, until the transition is complete. The Commission should be empowered to advise Government and all relevant agencies on making the transition to a low-carbon economy in which the costs and rewards are shared fairly; and report on measures put in place to ensure that livelihoods of workers and of communities are protected and social equity is enhanced.** It can play a central role in energising these changes through securing engagement with unions, employers and civil society; scrutinising and advising all of the actors and sectors involved; and ensuring a Just Transition approach runs through the Climate Change Plan. **The Commission should report to Ministers, and its reports should also be laid before Parliament.**

4 Design and delivery: addressing inequality and poverty

The economic and social benefits which a just transition is expected to bring, in addition to decarbonisation, include reductions in fuel poverty, stronger and more inclusive communities, increased job security and workforce diversity. These will not happen automatically. It will be the nature of the plans made and the methods of implementation which will determine whether they increase or decrease inequality. If these outcomes are valued then they would be quantified and it would be made clear in the Just Transition Strategy how they will be achieved. Conversely, if they are left as aspirations, relying on an expectation that they will arise from the decisions of private companies in the markets, then disappointment is predictable.

Clear expectations must be placed on all enterprises and projects which receive support from or are regulated by government agencies. These should include standards regarding job quality, redeployment of affected workers and participation in sectoral training initiatives.

There is evidence that policies on climate change in the UK have been economically regressive i.e. that the cost burdens fall disproportionately on the poor⁷. Furthermore the most recent energy transition, the closure of coalmining in the UK, was catastrophic for many mining communities. Therefore, to ensure that this most necessary of energy transitions does not result in the same negative impacts, deliberate steps have to be taken and incorporated into the Climate Change Plan. **Social and environmental**

⁷ Climate Change and Social Justice: an evidence review, Joseph Rowntree Foundation, 2014.

benefits expected from investing in decarbonisation and energy efficiency should have specific targets in the Plan.

All investments supported by government should require that jobs created are of good quality and that employers sign up to Fair Work principles. Within state aid rules, the aim should be that the majority of jobs created should be in local supply chains, the development of which should be included in the investment plans.

In parallel the public sector will have to design and fund labour market interventions like training and positive action programmes which are therefore necessary parts of any plan for just transition.

5 Design and delivery: effect on the workforce and the overall economy; creation of fair and high value work

The investment of large sums in measures to decarbonise Scotland rapidly will have far-reaching consequences for the economy. Overall it will stimulate the economy and create employment as well as change the numbers and natures of some jobs. While it can be predicted with confidence that the overall impact on the number of jobs will be positive^{8,9} it is not so evident that the same kind of jobs will be created – specifically that there will be as many well-paid, highly-skilled jobs as there are in the fossil fuel industries, their supply chains and in energy-intensive sectors at present. Such a loss would be damaging to its place in the world economy and the long-term prospects of Scotland.

In this respect the recent record of the renewable electricity industry has been poor. “Past predictions of employment in the LCRE economy have not translated into the jobs boom promised. The LCRE economy is characterised by overseas financial interests, a limited industrial base and precarious work.” says a recent STUC report¹⁰. The failure of offshore wind to bring many fabrication or manufacturing jobs to Scotland, resulting in the crises of the BiFab and CS Wind have recently illustrated this starkly.

It is clear that specific and robust measures are needed to ensure that the economic benefits of manufacturing and fabrication jobs are created in Scotland. **Licensing and regulation of the energy sectors must specify tightly a required proportion of local content, within state aid limits, but that will not be sufficient – planned investment in building the capacity of sectors and enterprises in the supply chain is needed too.** Public ownership would be a more reliable route than carrots and sticks for private companies because public policy can drive public enterprises directly rather than seek to bend profit-driven activities of private companies to objectives which they would not otherwise seek.

The sectoral Just Transition Agreements, negotiated by government, employers and unions in line with emissions reductions targets, should include the delivery of training necessary for the expected jobs in the net-zero-carbon economy. Employers should be expected to pay for the transition of their own workforces. However the public sector has a role in ensuring that overall the training planned will result in the numbers of skilled workers which are estimated to be needed, especially in

⁸ Rebooting the UK's Green New Deal, new economics foundation 2019
<https://neweconomics.org/2019/01/a-green-new-deal-for-the-uk>

⁹ The Case for the Green New Deal, Ann Pettifor 2019

¹⁰ Broken Promises and Offshored Jobs, Scottish Trade Union Congress, 2019

growing sectors where current employers may not be in a position to do so, and support some of this with grants and funding. **Training and skills, inclusive labour market programmes and career development support should be delivered by colleges, universities and industry-based bodies as part of regional skills plans.**

The skills training, FE and HE sectors have plans which seek to anticipate changes in employment demand but on the one hand the employment growth anticipated in some sectors has failed to take place; and on the other, projections for the scale and pace of change will need to be revised upwards on the basis of CCP and JT plans/agreements. There is a danger that conservative bias in the apprenticeship system, whereby training places are based on the existing employment capacity of employers (often artificially reduced by labour-only contracting out) in a number of sectors will constrain the rapid expansion of some trades and professions. **Discussions with employers' federations, trade unions and training providers should be initiated well in anticipation of this problem.**

Workers in fossil fuel sectors should be offered equivalent employment opportunities which can use their skills and experience in the decarbonisation of our energy systems, without erosion of pay or conditions. Without this, support for the transition from workers in workers in high-carbon sectors is unlikely. **Redeployment and retraining should be both planned and responsive to the needs of industry and the workforce as these develop, and will be agreed by employers and public bodies in the proposed Just Transition Agreements.**

Conclusion: Policy recommendations extracted from the report

Plan the Just Transition

It is necessary to disaggregate the (Climate Change Act) targets and to assess the implications for each industrial sector in terms of changes in demand and supply for their products and services; and then the implications for employment (in consultation with the workforce).

For a Climate Change Plan which takes a just transition approach, the challenge is to integrate economic and financial analyses and actions in preparing the Plan. It must effectively be in part an industrial plan and it should be supplemented by a Just Transition Strategy based on economic and industrial planning.

Targets and timescales should be set for electrification and decarbonisation in all sectors of the economy and the national Just Transition Strategy which will create jobs, protect workers' livelihoods, reduce poverty and improve overall wellbeing should be drafted on that foundation and integrated with the Climate Change Plan.

Invest in the Just Transition

The objective “*To promote economic development which delivers a just transition to meet climate change emissions reduction targets and improves social inclusion*” should be written into the objectives of Scottish and UK National Investment Banks and into the legislation which will set them up.

The current Scottish Economic Strategy, dated 2015, is inadequate for these (purposes) since it does not prioritise just transition and a more circular economy. It should be re-written. Similar changes are needed in the strategy documents of Scottish Enterprise, Highlands and Islands Enterprise and Skills Development Scotland.

Implement the Just Transition

It is the view of the Partnership that it will be necessary for the public sector to lead the transformation of the energy sector and that public ownership should be extended through a well-capitalised public energy company with powers to own distribution networks and generate energy, intervening in and leading the wider energy market in just transition. Municipal energy companies should also be developed.

Industry-level plans drawn up between employers, trade unions and government will be essential, supplemented by agreements at enterprise and sectoral levels. Targets for investment and jobs created should be integral to them. Public sector procurement and licensing should build in these expectations, including licensing of oil and gas decommissioning and building of offshore wind installations. To ensure justice for affected communities, regional or local JT plans should be developed as well. There is a clear need to standardise terms and conditions, as well as training requirements, if workers are expected to transition from high to low-carbon employers.

The Just Transition Commission should be established with a statutory remit, with an obligation to take evidence from a wide range of workers, communities, and interest groups. It should continue to work for the duration of legally binding emissions reductions targets, until the transition is complete.

Design and delivery: addressing inequality and poverty

Clear expectations must be placed on all enterprises and projects which receive support from or are regulated by government agencies. These should include standards regarding job quality, redeployment of affected workers and participation in sectoral training initiatives.

Social and environmental benefits expected from investing in decarbonisation and energy efficiency should have specific targets in the Plan.

All investments supported by government should require that jobs created are of good quality and that employers sign up to Fair Work principles. Within state aid rules, the aim should be that the majority of jobs created should be in local supply chains, the development of which should be included in the investment plans.

In parallel the public sector will have to design and fund labour market interventions like training and positive action programmes which are therefore necessary parts of any plan for just transition.

Design and delivery: Effect on workforce and the overall economy; creation of fair and high value work

Licensing and regulation of the energy sectors must specify tightly a required proportion of local content, within state aid limits, but that will not be sufficient – planned investment in building the capacity of sectors and enterprises in the supply chain is needed too.

The sectoral Just Transition Agreements, negotiated by government, employers and unions in line with emissions reductions targets, should include the delivery of training necessary for the expected jobs in the net-zero-carbon economy. Employers should be expected to pay for the transition of their own workforces.

Training and skills, inclusive labour market programmes and career development support should be delivered by colleges, universities and industry-based bodies as part of regional skills plans.

Discussions with employers' federations, trade unions and training providers (of potential limits within the employer-based apprenticeship system of rapid growth in specific trades) should be initiated well in anticipation of this problem.

Workers in fossil fuel sectors should be offered equivalent employment opportunities which can use their skills and experience in the decarbonisation of our energy systems, without erosion of pay or conditions.

Redeployment and retraining should be both planned and responsive to the needs of industry and the workforce as these develop, and will be agreed by employers and public bodies in the proposed Just Transition Agreements.

Annex 1

Just Transition Principles referred to in the remit of the Just Transition Commission

These principles have been summarised as:

1. plan, invest and implement a transition to environmentally and socially sustainable jobs, sectors and economies, building on Scotland's economic and workforce strengths and potential
2. create opportunities to develop resource efficient and sustainable economic approaches, which help address inequality and poverty
3. design and deliver low carbon investment and infrastructure, and make all possible efforts to create decent, fair and high value work, in a way which does not negatively affect the current workforce and overall economy

Annex 2

Just Transition Principles included in the Climate Change Act 2019

Just Transition principles (Section 35C)

“the “just transition principles” are the importance of taking action to reduce net Scottish emissions of greenhouse gases in a way which—

- (a) supports environmentally and socially sustainable jobs,
- (b) supports low-carbon investment and infrastructure,
- (c) develops and maintains social consensus through engagement with workers, trade unions, communities, non-governmental organisations, representatives of the interests of business and industry and such other persons as the Scottish Ministers consider appropriate,
- (d) creates decent, fair and high-value work in a way which does not negatively affect the current workforce and overall economy,
- (e) contributes to resource efficient and sustainable economic approaches which help address inequality and poverty.