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## Just Transition: Strengthening cooperation between the EU and Latin America and the Caribbean (LAC)

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Real Instituto Elcano - Madrid - España  
[www.realinstitutoelcano.org](http://www.realinstitutoelcano.org)

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C/ Príncipe de Vergara, 51  
28006 Madrid  
[www.realinstitutoelcano.org](http://www.realinstitutoelcano.org)

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# Elcano Policy Paper

## Just Transition: Strengthening cooperation between the EU and Latin America and the Caribbean (LAC)

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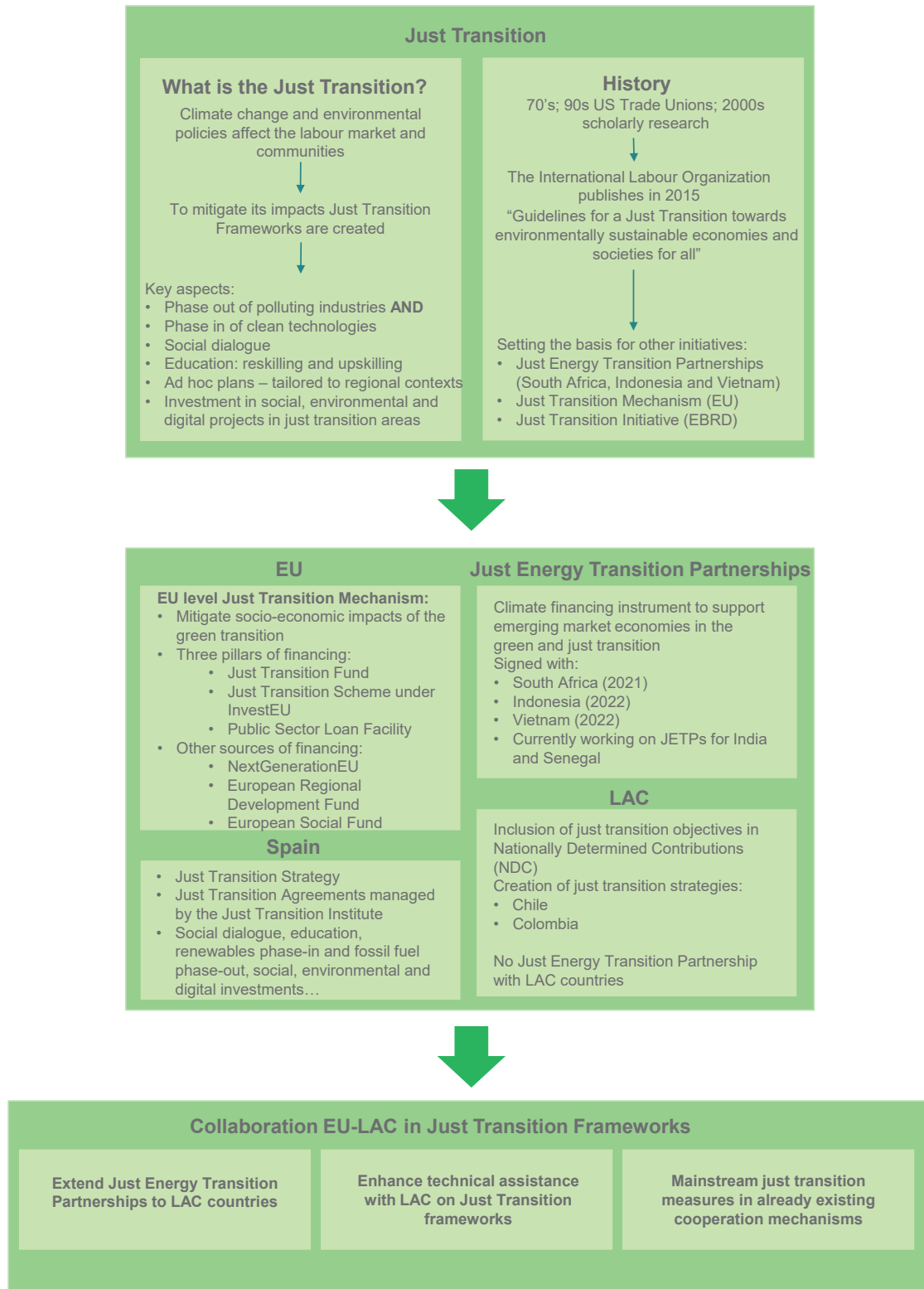
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## Key elements of the Just Transition & EU-LAC cooperation



Source: the authors.



## Executive summary<sup>1 2</sup>

This policy paper analyses the key elements of the just transition at the global, regional and national levels. It focuses on ways to strengthen collaboration between the EU and LAC, given both the European Green Deal's (EGD) goal of transitioning to a net-zero development model that leaves no one behind and the EU's New Agenda for Relations between the EU and Latin America and the Caribbean, an agenda that highlights the need to jointly address the external impacts of the EGD.

Climate change and environmental policies are rapidly transforming the fabric of the current development model, affecting workers and communities alike. To mitigate the impacts of the low-carbon transition, just transition strategies are being developed around the world, producing novel institutions and policies that seek to mitigate the impacts of the largest structural change since the industrial revolution. Just transition strategies typically include education (reskilling and upskilling<sup>3</sup>), investment in social, environmental and digital projects, and support for companies to promote the economic diversification of the supported regions. These initiatives are developed on an *ad hoc* basis to suit the specific needs of each region in transition. Just transition strategies are based on social dialogue and focus on the phase-out of polluting industries as well as on the phase-in of clean economic alternatives.

A range of international and national authorities have created and are implementing just transition frameworks. At the international level, Just Energy Transition Partnerships (JETPs) have been signed with South Africa, Indonesia and Vietnam. Their objective is to support emerging market economies to reach a green and just transition. Developed and developing economies as well as international stakeholders have shown great interest in this climate financing mechanism owing to its potential to put people at the core of the green transition, increase climate finance and promote public-private partnerships. At the EU level, the Just Transition Mechanism has been put in place to support Member States' transition to a net-zero economy. Various countries worldwide have included just transition measures and objectives in their Nationally Determined Contributions (NDCs). A few countries, such as Spain, Chile and Colombia, have created more targeted frameworks known as just transition strategies. For instance, Ecological Transition Contracts and Just Transition Agreements have been developed by France and Spain respectively to co-design projects in regions in transition alongside the private sector and local stakeholders, with Spain engaging in institutional innovation by means of its Just Transition Institute (*Instituto de Transición Justa*), created in 2020.

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1 The information and views set out in this article are those of the author and do not necessarily reflect the official opinion of the European Commission.

2 The authors would like to thank Joaquín Nieto, Francisco Barros Castro, Sofía Tirado and Gonzalo Escribano for their comments and suggestions on an earlier version of the policy paper. All errors and omissions remain the sole responsibility of the authors.

3 Reskilling refers to the process of acquiring new skills to perform a different job while upskilling means improving the existing skills to optimise the job a person is already doing.

Spain took over the presidency of the Council of the European Union on 1 July 2023. One of the objectives of the presidency is to strengthen relationships with the LAC region. On 17 and 18 July 2023, EU leaders and leaders from the Community of Latin American and Caribbean States (CELAC) convened in Brussels for the EU-CELAC Summit. However, there was no reference to the creation of a Just Energy Transition Partnership with any LAC country during the Summit. This provides Spain with the opportunity to lead the EU in strengthening cooperation between the two regions, in developing just transition frameworks and in expanding the use of just transition financing instruments, putting workers and communities at the core of the green transition, so that no one is left behind. This could be done during the Spanish presidency and also at COP28 in Dubai, United Arab Emirates.

This policy paper analyses the state of just transition initiatives across both regions and presents three policy recommendations to strengthen EU-LAC collaboration including financing, capacity building and just transition policy integration initiatives:

1. Extending Just Energy Transition Partnerships to LAC countries, increasing climate finance to this region, either under the current Global Gateway interconnectivity strategy which is based on a Team Europe approach, or under future external action, engagement and financing initiatives. So far, the international community has signed such an agreement with South Africa, Indonesia and Vietnam, and negotiations are moving forward with India and Senegal. However, there has been no announcement on the creation of Just Transition Energy Partnerships with any LAC country. The EU's Global Gateway includes numerous projects in Latin America and the JETPs with South Africa and Indonesia, so there is scope for including LAC JETPs within the Global Gateway, or under other future external action instruments.
2. Increasing and strengthening technical assistance in LAC countries on just transition frameworks. The EU and its Member States have developed expertise and a wealth of knowledge and information regarding just transition policies, based on the creation and implementation of the Just Transition Mechanism and its technical assistance platforms such as the Just Transition Platform. The knowledge and expertise acquired in the creation of such resources could be more broadly shared.
3. Mainstreaming just transition measures in already-existing cooperation programmes with LAC countries. The EU is the largest donor of development aid worldwide. It is crucial to understand the impact of climate change on workers and their communities and to mainstream just transition in already-existing cooperation while reinforcing financing.

# 1 Introduction

Climate change is having an impact on the environment and socio-economic systems alike (IPCC, 2022), disproportionately affecting those who are less well off and regions that are traditionally dependent on fossil fuels or on carbon-intensive industries. Countries around the world, and hence in Europe, Latin America and the Caribbean (LAC), have been implementing measures to mitigate and adapt to the effects of climate change. Although the transition to a low carbon economy is an essential aspect of delivering sustainable development, the risks implicit in such a transition are numerous (Xinxin Wang, 2021). A crucial area of study regarding climate action addresses its impacts on the labour market (losing jobs in the fossil fuel sector and in high-emitting industries, accepting lower paying jobs, having to relocate, having to change or update worker skill sets, etc.) and on communities that may have to forego fossil-related tax revenues and related public expenditure, among others (*ibid*). To mitigate the negative impacts of climate action, just transition frameworks have been created, growing significantly in the past few years. These frameworks focus on the social aspects of the green transition and aim at helping workers and communities that are more exposed to polluting industries to transform their economic systems by making them more resilient, protecting jobs and attaining their decarbonisation goals. The European Union is a global leader of the just transition framework. LAC countries are also working to implement measures related to this policy area. Despite this, there is a conspicuous lack of cooperation between the EU and LAC countries on the just transition.

Spain took over the presidency of the Council of the European Union on 1 July 2023. Two of the stated priorities of the presidency are the green transition and strengthening relationships with LAC (Ministerio de Asuntos Exteriores, Unión Europea y Cooperación, 2022). Spain and LAC countries have a long history of collaboration in a range of areas. On 17 and 18 July, EU and CELAC leaders convened in Brussels for the EU-CELAC Summit. This was the first such gathering in eight years. The leaders discussed numerous global issues and opportunities to increase cooperation between the regions, and one of the topics discussed was climate change (Council of the European Union, undated). However, there was no reference to the creation of a Just Energy Transition Partnership (JETP) with any LAC country. There is consequently an opportunity for Spain to lead the European Union in strengthening cooperation across the two regions, contributing to meeting climate targets while putting workers and communities at the core of the low-carbon transition by creating a JETP with one or more LAC countries. This could be done during the Spanish presidency or at COP28 in Dubai, United Arab Emirates.

This policy paper discusses possible EU-LAC collaboration on just transition initiatives. The second section explains what the just transition is, its impacts, origins and evolution, goals and key elements. The third section analyses how this concept has been translated into international action, focusing on Just Energy Transition Partnerships (JETPs). The fourth section explains the actions taken by the European Union regarding the just transition. The fifth section provides a detailed account of Spain's Just Transition Strategy, its Just Transition

Agreements and the integration of just transition in Spain's post-pandemic recovery and resilience plan. Section six presents the actions taken in selected LAC countries as regards just transition initiatives, focusing on Chile and Colombia, the most advanced countries in this area. Section seven suggests possible initiatives to strengthen EU-LAC collaboration to advance an inclusive just transition across both regions. Section eight summarises the key messages and offers some policy recommendations.

## 2 Just Transition: definition, impacts, origins and responses

According to the International Labour Organization (ILO), “a Just Transition means greening the economy in a way that is as fair and inclusive as possible to everyone concerned, creating decent work opportunities and leaving no one behind” (ILO, undated a). The green transition presents multiple opportunities as well as challenges to various sectors and markets, including the labour market (Rosemberg, 2010; Xinxin Wang, 2021). There is strong potential for job creation over the course of the low-carbon transformation (Saget *et al.* 2020), but jobs will also be lost and transformed (Ram *et al.*, 2022), especially in high-emission sectors such as coal mining and transportation, among others (figure 2). For example, the closure of a coal mine will lead to layoffs, increasing unemployment, affecting the region’s income tax and reducing public spending and consequently investments in education, infrastructure and health (LSE, undated a; Xinxin Wang, 2021). Therefore, these sectors and regions face numerous issues such as job losses, risks of regional and local collapse (Rosemberg, 2010), environmental degradation, depopulation and lack of investment in social, environmental and digital projects, among others. The above negative consequences of decarbonising the economy may have a significant impact on a region’s economic well-being, leading to stranded workers and communities (Rosemberg, 2010; Smith, 2017) in addition to stranded assets.

**Figure 1. Sectors most affected by the transition to energy sustainability globally, scenario to 2030<sup>4</sup>**

INDUSTRIES SET TO EXPERIENCE THE HIGHEST JOB DEMAND GROWTH		INDUSTRIES SET TO EXPERIENCE THE STRONGEST JOB DEMAND DECLINE	
SECTOR	JOBS CREATED (MILLIONS)	SECTOR	JOBS LOST (MILLIONS)
Construction	6.5	Petroleum refining	1.6
Manufacture of electrical machinery and apparatus	2.5	Extraction of crude petroleum and related services, excluding surveying	1.4
Mining and copper ores and concentrates	1.2	Production of electricity by coal	0.8
Production of electricity by hydropower	0.8	Mining of coal and lignite; peat extraction	0.7
Cultivation of vegetables fruit, nuts	0.8	Private Households with employed people	0.5
Production of electricity by solar PV	0.8	Manufacture of gas; distribution of gaseous fuels through mains	0.3

<sup>4</sup> As is evident from the table, job gains exceed job losses overall. These impacts will be heterogenous across regions, hence the need for just transition strategies.

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INDUSTRIES SET TO EXPERIENCE THE HIGHEST JOB DEMAND GROWTH		INDUSTRIES SET TO EXPERIENCE THE STRONGEST JOB DEMAND DECLINE	
SECTOR	JOBS CREATED (MILLIONS)	SECTOR	JOBS LOST (MILLIONS)
Retail trade, except of motor vehicles and motorcycles; repair of personal and household goods	0.7	Extraction of natural gas and services related to natural gas extraction, excluding surveying	0.2
<b>Total</b>	<b>13.3</b>	<b>Total</b>	<b>5.5</b>

Notes: Difference in employment by industry between the energy sustainability scenario and the IEA (2015) 6°C (business-as-usual) scenario by 2030. For further details on the data and methods used, see ILO, 2018a, Appendix 2.1.  
Source: ILO (2018a)

The origins of the just transition concept date back to the 1970s (Xinxin Wang, 2021), with further development taking place in the early 1990s in the North American trade union movement (Rosemberg, 2010; Smith, 2017) and scholarly research engaging with the topic in the 2000s (Xinxin Wang, 2021). The main aspiration of the devisers of the just transition was to support those workers who lost their jobs due to environmental policies, such as the closure of coal mines. The concept has been evolving ever since, as its definition sought to encompass both the phasing out of polluting industries as well as the phasing in of renewable energies, among others. Interest grew steadily and just transition strategies were introduced into the international debate.

At COP13, held in Bali in 2007, trade unions released a statement (ITUC, 2007) highlighting the importance and necessity of focusing on those territories that will be most affected by climate change and the green transition. The statement focuses on the need for just transition strategies to focus on justice, rights, social protection and training, respecting the needs of women and youth.

In 2013, the International Labour Organization (ILO) proposed a framework to maximise the benefits of the green transition and minimise its negative impacts on growth, communities and workers. This framework was called the "Just Transition". In 2015, the ILO published the *Guidelines for a just transition towards environmentally sustainable economies and societies for all* (ILO, 2015). The aim of these guidelines was to set out a policy framework to help countries define and implement policies towards a carbon neutral economy by promoting decent working conditions based on social dialogue in which all social and economic agents are represented at all levels. It is important to highlight that these guidelines were the result of a tripartite social dialogue, in which trade unions, private enterprises and governments from all around the world participated. Guidelines for the development of just transition plans focus on the need to build a strong social consensus, the importance of respecting and promoting fundamental rights at work, the gender dimension of green policies, the importance of aligning economic, environmental, social, educational/training and labour policies and the importance of designing *ad hoc* policies, i.e. policies that are tailored to regional contexts (ILO, 2015, Bowen and Kuralbayeva, 2015).

The importance of just transition strategies was also acknowledged in the Paris Agreement (2015: page 2), which highlighted the need to take “into account the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities”. This was the first time that the social and labour dimensions of the green transition had been introduced into international climate agreements. In 2018, the Solidarity and Just Transition Silesia Declaration, which takes the ILO guidelines into account, was signed by 53 countries at COP24 in Katowice, Poland. The Declaration recognises that workers and communities need public support to reach a net-zero carbon economy (LSE, undated a). In addition, at COP25 in Madrid, Spain, the UN’s Secretary-General and ILO’s Director-General, supported by the International Trade Union Confederation (ITUC) and the Secretary General of the International Organisation of Employers, announced the Climate Action for Jobs Initiative (ILO, 2019). This initiative aims at putting jobs, human well-being and just transition at the heart of the transition to carbon neutrality (*ibid*). 46 countries joined the initiative at COP25 (ILO, undated b), but the number of countries has since increased to 49, with Mauritania being the latest country to join in July 2022 (ILO, 2022 b).

The just transition concept progressively entered the framework of various international institutions. For instance, it appears in the following United Nations Sustainable Development Goals: decent work for all (goal 8), clean energy for all (goal 7), climate protection (goal 13), climate action (goal 10) and poverty eradication (goal 1). In addition, other institutions such as the International Trade Union Confederation (Just Transition Centre, undated), the European Bank for Reconstruction and Development (EBRD, undated), the European Commission (EC, undated), the OECD (Just Transition Centre, 2017) and the World Bank (WB, undated) have developed initiatives, programmes, strategies and collaborations with other organisations to support the development and implementation of the just transition (see figure 3 for the initiatives launched to date).

**Figure 2. Summary of selected just transition Initiatives launched by international organisations<sup>5</sup>**

<p><b>Guidelines for a just transition towards environmentally sustainable economies and societies for all – International Labour Organization (ILO)</b></p> <ul style="list-style-type: none"> <li>Established in <b>2015</b>.</li> <li>The <b>objective</b> is to set a policy framework and create a practical tool for countries to implement just transitions.</li> <li>Guiding principles: <ul style="list-style-type: none"> <li>Social consensus;</li> <li>Respect for fundamental rights at work;</li> <li>Gender dimension;</li> <li>Coherent policies across economic, environmental, social, education and labour portfolios;</li> <li>Creation of more decent jobs;</li> <li>Tailored support;</li> <li>International cooperation.</li> </ul> </li> </ul>	<p><b>Just Transition Centre – International Trade Union Confederation (ITUC)</b></p> <ul style="list-style-type: none"> <li>Established in <b>2016</b>.</li> <li>The <b>objective</b> is to bring together all types of stakeholders to make sure that labour is represented while defining a Just Transition.</li> <li>Just Transition based on <b>social dialogue</b>.</li> <li>The centre works to accelerate the just transition through: <ul style="list-style-type: none"> <li>Empowering workers and their allies;</li> <li>Documenting best practices in social dialogue;</li> <li>Starting and supporting social dialogue processes;</li> <li>Strategic input to national and international dialogues.</li> </ul> </li> </ul>	<p><b>Climate Action for Jobs Initiative – ILO and UN</b></p> <ul style="list-style-type: none"> <li>Established in <b>2019</b>.</li> <li>The <b>objective</b> is to ensure decent jobs and social justice in climate action, provide broad-based support to countries and promote an inclusive recovery from COVID-19.</li> <li>In 2023, <b>49 countries</b> were part of the initiative.</li> <li>What this Initiative promotes: <ul style="list-style-type: none"> <li>Coordinated environmental, employment and social policies;</li> <li>Broad-based support;</li> <li>Strengthening national capacity;</li> <li>Public and private investments and green business models; and</li> <li>Social protection measures to minimise risks.</li> </ul> </li> </ul>
<p><b>Just Transition Initiative – European Bank for Reconstruction and Development (EBRD)</b></p> <ul style="list-style-type: none"> <li>Launched in <b>2020</b>.</li> <li>The <b>objective</b> of this initiative is to ensure that the benefits of the green transition are shared, while preventing vulnerable countries, people and regions from falling behind.</li> <li>The initiative is based on <b>two strategic priorities</b> of the EBRD: “<b>green</b>” (Green Economy Transition Approach) and “<b>inclusive</b>” (Economic Inclusion Strategy).</li> <li>Implementation based on <b>three pillars</b>: <ul style="list-style-type: none"> <li>Green economy transition;</li> <li>Human capital development;</li> <li>Regional economic diversification.</li> </ul> </li> </ul>	<p><b>Just Transition Mechanism – European Commission (EC)</b></p> <ul style="list-style-type: none"> <li>Launched in <b>2020</b>.</li> <li>The <b>objective</b> is to provide targeted support to the most affected areas by the green transition, so no one is left behind.</li> <li>The mechanism provides targeted support to <b>the most affected areas</b> by the green transition to <b>mobilising EUR 55 billion</b> between 2021-2027.</li> <li>Three lines of financing: <ul style="list-style-type: none"> <li>Just Transition Fund;</li> <li>InvestEU “Just Transition” scheme;</li> <li>Public Sector Loan Facility.</li> </ul> </li> </ul>	<p><b>Just Transition For All – World Bank Group (WBG)</b></p> <ul style="list-style-type: none"> <li>Launched in <b>2021</b>.</li> <li>The <b>objective</b> is to work with stakeholders to create the plans, policies and reforms needed to mitigate the negative effects of environmental policies.</li> <li>The initiative's approach is organised in <b>three pillars</b>: <ul style="list-style-type: none"> <li>Governance;</li> <li>People and communities;</li> <li>Repurposing of mining land and assets.</li> </ul> </li> </ul>

Source: authors’ own compilation based on *Guidelines for a Just Transition towards environmentally sustainable economies and societies for all* (ILO, 2015), *The Initiative. A bold, human-centered agenda for climate and employment* (ILO, undated b), *Just Transition Centre* (undated), *Just Transition Initiative* (EBRD, undated), *Just Transition Mechanism* (EC, undated a), *Just Transition For All* (WB, undated).

<sup>5</sup> Note that billion = 10<sup>9</sup>

In light of the above, a broad consensus is arguably emerging regarding the need to design just transition strategies as a conceptual framework to mitigate the negative impacts of the green transition on employees and communities that are most severely impacted by the low-carbon transition, (LSE, undated a). Such strategies are to be complemented with projects and initiatives co-designed with local stakeholders and being mindful of the local economic structure. This is achieved through the implementation of various policies such as active labour market policies, reskilling and upskilling, social protection schemes and investments in digital, social and environmental projects as well as in new and already-existing enterprises, to promote the economic diversification of the affected regions.

To achieve carbon-neutral societies, communities need to be onside for the implementation of such structural changes. Hence, the institutionalisation of social dialogue is key to securing an effective transition (Rosemberg, 2010). It has been shown that the inclusion of trade unions, private enterprises, communities and civil society can have a positive outcome in resolving the economic and social impacts of the low-carbon transition while improving governance, enabling social and industrial stability and promoting economic development (UNEP and Sustainlabour, 2008). This is because social dialogue promotes the discussion of the needs of the society, facilitating understanding between the actors and integrating agreed solutions into policy making. Therefore, trade unions and civil society need to play an active role and work closely with governments and enterprises to achieve policies that are acceptable to all.

One concrete example of how local communities can be involved in accelerating renewable deployment is the French 10-point plan detailing measures to upscale renewable energy (Ministère de la Transition Écologique, 2021). This plan divides the 10 measures into three different groups. The first group refers to accelerating the dynamics of projects managed by local governance arrangements and includes four measures: A) implementing 1,000 new renewable energy projects managed by communities and citizens; B) defining a strategic roadmap for the development of energy communities in the Multiannual Energy Programme (PPE); C) specifying by decree the characteristics and the set-up of renewable energy communities and citizens' energy communities; and D) encouraging and supporting projects managed by local governance arrangements through public support schemes for renewable energy. The second group relates to communicating and supporting these projects, and includes three measures: A) increasing by 50% the number of advisors for projects with local governance arrangements in the regions, B) launching a national communication campaign to raise awareness of the benefits of renewable energy projects for citizens and their communities; and C) creating an observatory of renewable energy projects managed by local governance arrangements and launching a study analysing the impact of local ownership and buy-in of renewable energy. The third group aims at simplifying the development and financing of projects, and it includes three measures: A) removing the financial barriers to financing projects managed by local governance; B) reducing power connection costs for small projects (with less than 500 kW); and C) continuing working in the working group on energy topics that require regulatory changes.

Beyond academia and countries such as France, the need to engage local communities has also been recognised by the ITUC and by the Trade Union Advisory Committee to the OECD (TUAC) based on the case of the Kyoto Protocol. One of the lessons learnt during the implementation of the Kyoto Protocol was the need to obtain workers' support to implement climate change policies successfully (UNEP and Sustainlabour, 2008). This is why social dialogue needs to be put at the centre of just transition plans (ILO Guidelines; Smith, 2017; Sharan Burrow, General Secretary ITUC (2013); UNEP and Sustainlabour, 2008).

One of the top priorities of the labour dimension of climate change policies, and therefore of just transition strategies, is education, focusing on skills, training and capacity-building (ILO, 2018). As part of social protection schemes, just transition strategies aim at including reskilling and upskilling programmes that target those individuals who become unemployed due to the closure of polluting industries as well as young people and women. These measures contribute to the phase-in of clean economic sectors such as renewable energies.

To develop efficient reskilling and upskilling programmes it is necessary to consider the economic, labour and sectoral structures of each region (Bowen and Kuralbayeva, 2015). Therefore, just transition strategies should be developed *ad hoc*, since green policies will not impact every region homogeneously. Schwartz *et al.* (2019) analyse the impact of investment projects on direct job creation in Honduras, Brazil and Peru, and the results are heterogenous. They show that the investment in the rehabilitation of the water network in Honduras has a bigger impact on the creation of jobs than hydroelectric schemes in Brazil. In addition, Fabra *et al.* (2023) analyse the impact of investments in renewable energy on local employment and unemployment in Spain. Their conclusions suggest that the impacts of different renewable energy projects, whether solar or wind, on employment and unemployment are heterogenous, depending on the size and type of project, as well as on the timing. For instance, installing solar plants affects local employment positively, but the development of wind projects has no significant impact on local employment.

Climate change policies can exacerbate inequality and increase the number of individuals in vulnerable situations (Pucheta and Sánchez, 2022). Therefore, social protection schemes, focusing not only on education but also on health, income security and other social services, are indispensable to securing a just transition (ITUC, 2014; ILO, 2014; Just Transition Centre, 2017; LSE, undated a). These social protection schemes also need to be devised *ad hoc*. It is important to understand that not all countries have the same characteristics or safety nets. For instance, emerging market economies face higher levels of informal work and lack safety nets such as unemployment benefits (Pucheta and Sánchez, 2022; OECD *et al.* 2022 a; LSE, undated a). In this case, social protection schemes should accelerate the formalisation of these workers (Rosemberg, 2010), their representation and the creation of unemployment benefits, among others. The next section explains how the international debate on just transition has been transformed into international agreements to deliver a just and inclusive transition.

### 3 Just Energy Transition Partnerships (JETPs)

Just Energy Transition Partnerships are financing agreements of various sizes whereby developed countries finance less developed countries' fossil fuel phase-outs while taking into account the social impacts of the low-carbon transition. The first Just Energy Transition Partnership (JETP) was agreed in November 2021 at the 26<sup>th</sup> UN Climate Change Conference in Glasgow, UK (COP26). The objective of this agreement is to support South Africa's green transition and to help the country meet its Nationally Determined Contribution (NDC), focusing on the highly coal-dependent power sector and the phase-in of green energy, ensuring that no one is left behind. To this end, the UK, the US, France, Germany and the European Union agreed to mobilise USD 8.5 billion in grants, concessional loans and risk-sharing instruments over the following three to five years (UK, 2021). This partnership was well received by the international community, as it is an innovative funding mechanism that helps an emerging market economy (EME) meet its climate goals, focusing not only on the technological aspects of the energy transition, but also on the social, economic and environmental ones. In addition, the Political Declaration on the Just Energy Transition in South Africa (*ibid*) also acknowledges the challenges that EMEs face while implementing green transition plans and highlights the need of advanced economies to increase climate financing and international cooperation in this matter.

In June 2022 G7<sup>6</sup> leaders showed an interest in supporting JETPs, and started negotiations with Indonesia, India, Senegal and Vietnam (G7, 2022). Indonesia's JETP was announced in November 2022 at the G20 Summit in Bali (The White House, 2022) and was endowed with USD 20 billion to be spent in the following three to five years. Around USD 10 billion will be provided by the signatories of the agreement – Japan, the US, Canada, Denmark, the European Union, Germany, France, Norway, Italy and the UK – and the other half is expected to be provided by private investors. Vietnam's JETP was announced in December 2022 and was endowed with USD 15.5 billion to be spent in the following three to five years (EEAS, 2022). USD 7.75 billion will be provided by the International Partners Group (IPG)<sup>7</sup> in cooperation with the Asian Development Bank and the International Finance Corporation. The other USD 7.75 is to be provided by private investment. Various private financial institutions have shown an interest in participating in this international agreement, including Bank of America, Citi, Deutsche Bank, HSBC, Macquarie Group, Mizuho Financial Group, MUFG, Prudential PLC, Shinhan Financial Group, SMBC Group and Standard Chartered, and the operation will be coordinated by the Glasgow Financial Alliance for Net-Zero (GFANZ).

These three JETPs highlight advanced economies' interest in helping EMEs reach carbon neutrality and develop and implement just transition mechanisms. For instance, the number of donors participating in Indonesia's and Vietnam's JETPs (10 donors) has increased in

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6 The G7 countries are the United States, Canada, Japan, Germany, France, Italy and the United Kingdom. The European Union also attends G7 meetings.

7 The European Union, the US, Japan, Canada, Denmark, France, Germany, Italy, Norway and the UK.

comparison to South Africa's JETP (five donors). Moreover, multilateral banks, development banks and development finance agencies have also expressed a willingness to participate in this cooperation mechanism (Kramer, 2022), as in the case of Vietnam's JETP. JETPs can also be used to include the private sector and investors in the just transition framework, promoting public-private partnerships and maximising resources.

The announcement of these JETPs shows the will of some advanced economies and financial institutions to help foster an inclusive just transition. However, implementation will be the real test of their success (*ibid*). At the recent UNFCCC Bonn meetings in June 2023, criticisms were repeatedly voiced regarding the fact that the JETP with South Africa is structured largely through loans rather than grants, while trade unions have complained that they were excluded from the negotiations, which calls into question the just transition element of the JETP. Assuming increasingly ambitious climate commitments, as per the Paris Agreement and in response to Intergovernmental Panel on Climate Change (IPCC) reports, the interest in developing JETPs is expected to continue growing. Expanding JETPs and disseminating good practice could help guide future just transition initiatives. In light of the experience accumulated in the EU and in Spain, the next sections explain their just transition initiatives, which could be evaluated by, and adapted to, other geographies.

## 4 The European case

In 2019, the European Commission adopted the European Green Deal, which includes various policies to be coordinated among Member States to build a new economic model and reach carbon neutrality by 2050 (European Council and Council of the European Union, 2022). The European Green Deal includes the Just Transition Mechanism (JTM) (European Commission, 2019), whose objective is to mitigate the socio-economic impacts of the green transition in Member States.

As is the case in other geographies, the JTM targets those areas, sectors and workers most affected by the transition towards a low-carbon economy. The areas most affected by the transition – known as just transition territories – are jointly identified by Member States in dialogue with the Commission. Under the JTM, each territory has to define a Just Transition Plan that can be financed under the mechanism. This acknowledges the importance of involving regions in the design of just transition strategies. The plans set out targets for 2030 and they are developed *ad hoc*, identifying the challenges faced by each area as well as their development needs. The plans are implemented by a shared management framework, in which national, regional and local authorities, as well as stakeholders such as trade unions, are represented.

The mechanism aims at mobilising public and private investment of at least EUR 55 billion from 2021-2027. The JTM has three pillars: the Just Transition Fund (JTF), the Just Transition Scheme and the Public Sector Loan Facility, all of which provide funds for the EU's just transition (European Commission, 2019) (figure 4).

1. The Just Transition Fund (JTF) is the first pillar of the JTM. It is part of the European Union's Cohesion Policy and as such bound by its rules. It has a budget of EUR 19.2 billion (at current prices; fully in grants) and is expected to mobilise around EUR 25.4 billion with national co-financing and other Cohesion Policy Funds. This fund supports investments to transform the economic and social framework of the recipient areas, such as reskilling and upskilling schemes for workers and job search assistance, investments in existing small and medium enterprises (SMEs) and new enterprises, environmental rehabilitation, renewable energy and investments in adaptation of infrastructures (Official Journal of the European Union, 2021).
2. The Just Transition Scheme under InvestEU, which aims at crowding private and public investment into just transition regions. InvestEU is a European Fund promoted by the European Commission with partners such as the European Investment Bank (EIB) and other financial institutions. Its objective is to promote sustainable and innovative investments as well as job creation to increase Europe's resilience and speed up the green and digital transitions. The loans under InvestEU are expected to help mobilise EUR 372 billion in the period 2021-2027, and it has a budget guarantee of EUR 26.2 billion to back up investments of implementing partners (EC, undated b). Of this, EUR 10-15 billion is expected to be mobilised in just transition regions. It has a broader

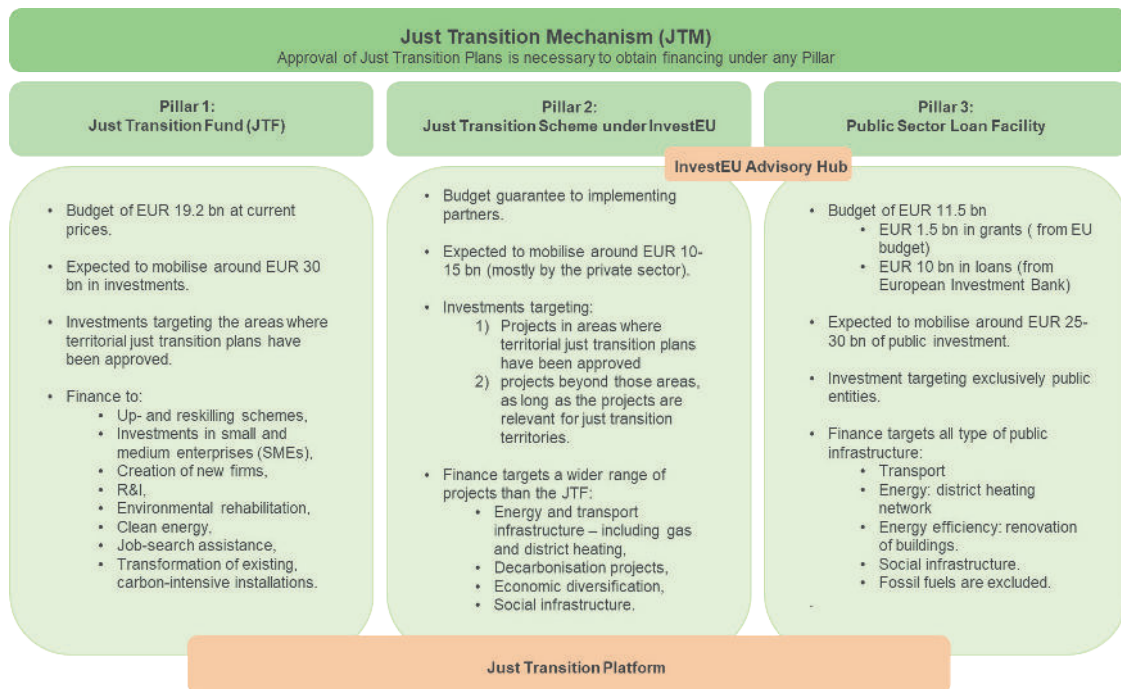
approach than the JTF as it covers a wider range of projects, and it can finance projects related to energy and transport infrastructure (including gas and district heating), decarbonisation projects, economic diversification and social infrastructure (EC, undated a).

3. The Public Sector Loan Facility is a joint effort between the European Commission and the European Investment Bank (EIB). It aims at mobilising between EUR 25 billion and EUR 30 billion, combining grants from the EU budget (EUR 1.5 billion) and EIB loans (EUR 10 billion) (EC, undated c). This pillar targets public entities, funding projects that do not generate sufficient revenue to be financed under market conditions. It can support a wide range of projects, including energy efficiency, social and public infrastructure, biodiversity, upskilling and reskilling schemes, digitalisation and public research, among other activities. It explicitly excludes projects supporting fossil fuels.

The Just Transition Mechanism also includes the Just Transition Platform, whose objective is to provide technical assistance at all levels, including central and regional governments and stakeholders. The second pillar also offers technical assistance for project development and implementation through the InvestEU Advisory Hub (also available for pillar three) and the InvestEU Portal, a platform that brings together different stakeholders to share practical information such as best practices (EC, undated a).

Member States, in close collaboration with the European Commission, have identified eligible just transition territories in all Member States and have developed territorial just transition plans for each identified region. These plans, which are part of Cohesion Policy programmes, set out various actions to address the economic and social challenges faced by the region due to the green transition and can be financed via the national budget and any of the three pillars of the just transition mechanism.

**Figure 3. Summary table of the Just Transition Mechanism**



Source: based on European Commission (undated).

At the European level, Member States and regions can also access other funds to finance projects related to the just transition. The European Regional Development Fund (ERDF) aims at reducing economic, social and territorial inequalities across Member States, supporting investments to promote a greener and more social economy, among other goals (EC, undated d). The European Social Fund+ (ESF+) focuses on employment, education and skills, the latter being a crucial topic in just transition strategies (EC, undated e). In addition, as part of the Fit for 55 package, and in order to address the impacts of the expansion of the ETS on buildings and the transport sector, the Social Climate Fund targets vulnerable individuals, SMEs and transportation users to finance projects related to energy efficiency, renewable energy and zero- and low-emission mobility (EC, undated f). Furthermore, the cornerstone of NextGenerationEU, the Recovery and Resilience Facility (RRF), also includes investments related to the just transition. For instance, Spain has included in its National Recovery and Resilience Plan (NRRP) a specific component related to the just transition (component 10) (EC, 2021). As can be seen, multiple EU funds finance measures and projects that are crucial to promoting a just transition, such as reskilling and upskilling schemes, investments in environmental, social and digital projects, and in key sectors that will be affected by the green transition, such as transport.

The following section explains how Spain, in collaboration with the ILO, has integrated a just transition strategy into policy making.



## 5 The Spanish case

Spain took the first steps towards developing a Just Transition Strategy in 2018. The Spanish Government signed a strategic framework to implement the just transition guidelines issued by the International Labour Organization in 2015 (Ministerio para la Transición Energética y Reto Demográfico, 2020). In addition, the Spanish government also signed an agreement entitled *Acuerdo Marco para una Transición Justa de la Minería del Carbón y el Desarrollo Sostenible de las Comarcas Mineras para el Periodo 2019-2027* with trade unions and private enterprises. This agreement aims to reactivate economic activity in coal regions, ensuring a structural transformation and social and economic well-being (Just Transition Institute, undated a).

In February 2019, Spain presented a draft of its Just Transition Strategy, which underwent a thorough public participation process, promoting social dialogue (Ministerio para la Transición Energética y Reto Demográfico, 2020). It is important to acknowledge that this public participation process broadened the traditional concept of social dialogue in which trade unions, government and private enterprises are represented, as more stakeholders such as NGOs, individuals, regional and local entities were also invited to participate. This helped to ensure a more streamlined and inclusive implementation. The Just Transition Agreement signed by the government, trade unions and enterprises on 24 March 2021 (Ministerio para la Transición Energética y Reto Demográfico, 2020 a) is also a good example of arguably seamless implementation. Covering all the coal-fired power plants on Spanish soil, the agreement exhibits significant consensus, and the parties agreed to work closely to reactivate the economic and employment prospects of the areas concerned (*ibid*).

Stakeholders showed great interest during the public participation process, as shown by the fact that the draft strategy received 434 submissions from stakeholders (Estrategia de Transición Justa, 2020), compared to 152 reports and/or submissions received for the National Integrated Energy and Climate Plan (BOE, 2021). The highest number of contributions came from individuals, especially from just transition territories, followed by NGOs, trade unions and the business sector (Estrategia de Transición Justa, 2020). Political parties, associations, autonomous communities, local entities and academia also participated in the process, which ended in April 2019 (*ibid*).

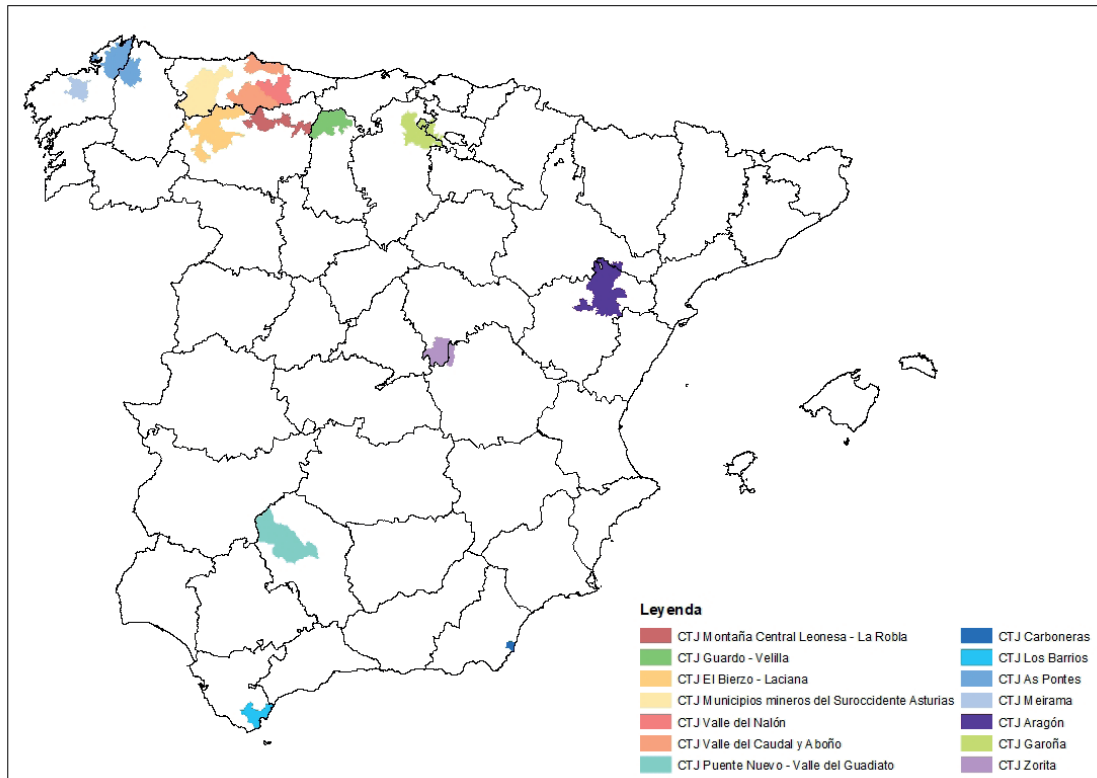
The Just Transition Strategy, aligned with the ILO guidelines, started to be implemented on 1 January 2020. It focused on the transformation of economic sectors and the creation and protection of jobs and sought to support women, vulnerable groups and rural communities. The strategy presents an analysis of the context of the country, analysing key sectors for the Spanish economy and their relevance in the transition. It also analyses the current employment situation in Spain and the necessary changes in employment to reach a carbon-neutral economy.

The strategy sets out eleven objectives. They include:

- Active labour market policies and reskilling and upskilling schemes;
- The promotion of social dialogue to align the interest of different stakeholders such as private enterprises, workers and communities;
- Just Transition Agreements to direct investment towards strategic sectors in transition and minimise the negative effects on communities and workers;
- Identification and implementation of sectoral plans to reach a carbon-neutral economy;
- Promoting policies to avoid depopulation and promote the necessary investment to reach a green and just transition, among others.

Finally, the Strategy presents eight measures in which different policies will be implemented to achieve the aforementioned objectives. Moreover, the strategy presents Just Transition Agreements as a tool to implement the strategy. These agreements have been created targeting those areas that will be negatively affected by the green transition and set out *ad hoc* regional action plans to minimise the impact of the transition and maximise its opportunities, protecting the regional economy, workers and communities (figure 5). These agreements have been designed by the government, regional and local entities, trade unions, associations, private enterprises, universities and other relevant stakeholders. The agreements were thus reached on the basis of a wider social dialogue that included the government, trade unions, companies, NGOs, universities and local entities, among others. The design of these agreements was inspired by the French Ecological Transition Contracts (*Contracts de Transition Écologique*, CTEs), with both the French and the Spanish just transition agreements aiming to bring together all relevant stakeholders to create and implement just transition measures.

**Figure 4. Geographical areas included in Just Transition Agreements**



Source: Just Transition Institute, available online here.

In addition, the Strategy sets out the governance framework, which is based on social dialogue, the creation of the Just Transition Institute and the Just Transition Institute advisory body. Lastly, the strategy sets out an urgent action plan for those regions that are already being affected by the closure of coal mines from 31 December 2018, coal power plants and nuclear plants that have no industrial restructuring plan<sup>8</sup>. The objective of the urgent action plan is to provide solutions to urgent problems with no margin for anticipatory work. This will entail several actions:

1. Compensating those workers who lose their jobs in mining companies.
2. Maintaining employment in the regions in the short term through the Mine Restoration Plan, the Renewable Energy and Energy Efficiency Plan and other plans yet to be created.
3. Aiming to create Just Transition Agreements in the just transition areas that have been identified.

<sup>8</sup> For further information, please see: Páginas - La Estrategia de Transición Justa ([transicionjusta.gob.es](https://transicionjusta.gob.es))

To achieve this, the urgent action plan sets out 10 measures including: financing support to develop Just Transition Agreements; requesting the mining companies to devise a reactivation plan to support employment in the area; creating a framework to reach agreements in the process including companies, trade unions and various administrations; speeding up the implementation of economic promotion schemes and extending the deadline for this aid until December 2023; maintaining employment and social protection in the regions; launching an initial scheme to support and promote green employment; redesigning the role of *Ciudad de la Energía* (CIUDEN) to play a crucial role in R&D&I activities related to the green transition; launching the Just Transition Institute; creating a roadmap for nuclear power plants to optimise employment, activity and social cohesion; and launching a platform named the Country Team of the European Platform for Coal Regions in Transition to encourage exchanges to obtain EU funds for the promotion of strategic projects.

The Spanish Just Transition Strategy is being financed by national funds and various EU funds such as the European Regional Development Fund, the European Social Fund, the Just Transition Fund and the Recovery and Resilience Facility.

### *5.1 The Spanish Just Transition Strategy and the Recovery and Resilience Plan*

This section will explain the actions of the Spanish Just Transition Strategy, which are being financed under the Spanish Recovery and Resilience Plan (RRP). The Recovery and Resilience Facility (RRF) was created in August 2020 to support European Member States in their recovery from the Covid pandemic (EC, undated g). Member States, in collaboration with the European Commission, designed the RRP. These plans include both reforms and investments, which are translated into milestones and targets that need to be fulfilled by the second quarter of 2026 (Lázaro, Averchenkova and Escribano, 2022).

Spain is the only European Member State that has included a just transition chapter in its RRP. This chapter is component number 10 of the plan (EC, 2021) and is endowed with EUR 300 million (Feás and Steinberg, 2021). The component includes one reform and one investment (which has four so-called 'lines of action'). The reform has two outputs: the development of the Just Transition Agreements (EC, 2021)<sup>9</sup> and the creation of the Just Transition Institute, both of which have been described above.

The investment in the Recovery and Resilience Plan includes four different lines of action, and all of them will be implemented in the areas governed by the Just Transition Agreements. The first line of action entails restoring at least 2,000 hectares of degraded land. The second line of action consists of implementing at least 130 innovative environmental, digital and social infrastructure projects in selected areas. These projects were presented by local entities, private enterprises and other stakeholders to the Just Transition Institute, which made a final decision based on various criteria (figure 6) (BOE, 2021). These projects are considered pilot projects, and will be developed in other territories if they are implemented

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<sup>9</sup> These Agreements are also referred as Just Transition Protocols.

successfully. Due to the strong interest in the first call for projects, the Spanish authorities have reinforced the financing for this line of action, increasing the number of projects to be finalised from 100 to 130 in the Addendum of the Spanish Recovery and Resilience Plans<sup>10</sup>. The third line of action supports the rehabilitation and adaptation of the installations and laboratories of CIUDEN (*Ciudad de la Energía*)<sup>11</sup> for projects related to energy storage and green hydrogen. The last line of action consists of reskilling and upskilling 840 workers who have been affected by the closure of coal mines. The reskilling and upskilling schemes will focus on green skills, such as the maintenance and installation of renewable energy projects, environmental restoration of degraded areas and the energy overhaul of buildings. In the addenda process, the Spanish authorities requested a reduction in the number of individuals receiving reskilling and upskilling schemes from 4,000 to 840 individuals. The reason for the reduction was an unexpectedly large reskilling and upskilling offer provided by the private sector (EC, 2023 a). As a consequence, the implementation of this line of action has been delayed by a year and nine months. This shows the importance of public-private cooperation and coordination for effective design and implementation of just transition strategies.

**Figure 5. Criteria established to select social, digital and environmental projects in Just Transition Territories**

Criteria to select projects	Maximum number of points awarded
a) Innovative aspects of the projects, economic and social benefits	28
b) Economic criteria	19
c) Maturity of the project	14
d) Contribution to climate objectives	14
e) Contribution to digital objectives	6
f) Location	19
	<b>100</b>

Note: in order for a project to be financed with these funds it must have a score of at least 45 points.

Source: Order TED/1476/2021, published in the Spanish *Boletín Oficial del Estado* on 29 December 2021. Adapted by the authors.

The reforms and investments laid out in the RRP, which result in achieving specific milestones and targets, show the cross-cutting nature of the just transition. To implement just transition strategies successfully to ensure no one is left behind, it is important to understand that this transition affects different economic and social agents as well as the environment. It is thus necessary not only to focus on the phase-out of polluting industries but also on the phase-in

<sup>10</sup> Due to the latest developments in the economic, energy and geopolitical arena, the European Commission and Member States opened a process of amending the Recovery and Resilience Plans. The amended Spanish RRP was adopted by the Council on 17 October 2023.

<sup>11</sup> A Research, Development and Innovation Centre, attached to the Just Transition Institute.

of new economic models. This needs to take into account the characteristics of each region and community while involving all relevant stakeholders in the creation and implementation process, perhaps through the development of 'socio-environmental contracts' for the phase-in of renewables (among others). Such contracts could be modelled on existing Just Transition Agreements and managed via the Just Transition Institute, perhaps building on the experience and methods gathered in research projects such as EUDEMON or GALxClima, among others.

In addition, it is important to set out a mission-orientated approach, creating milestones and targets that need to be reached at a given point in time. This will help stakeholders understand the expected outcome of the reforms and investments and will also help to identify possible errors or issues faced during implementation and best practices. Setting out a mission-oriented approach, with milestones and targets in a given timeframe, seems to have been successful so far. The reforms and investments included in the Spanish RRP seem to have acquired forward momentum. Two out of seven milestones and targets to be implemented from 2020 to the second quarter of 2026 have already been successfully achieved. These two milestones were creating the Institute for the Just Transition Fund (milestone 137 of the Spanish RRP) (EC, 2021) and setting up the legal framework for both the aid training programme for individuals in just transition territories and granting aid for the economic development of just transition territories (milestone 139 of the Spanish RRP) (EC, 2022).

In the next subsection the authors present some examples in which the implementation of renewable energy projects has been put into practice, taking into account the interests and needs of the communities concerned.

### *5.2 Renewable energy implementation best practice in Spain*

A key aspect of the just transition is the phase-in of renewable energy projects as well as parallel investments in social, environmental and digital projects in the affected region. Rey Juan Carlos University, in collaboration with ECODES, conducted a study analysing the implementation of 13 successful renewable energy projects in Spain (see figure 7). Their study analyses the economic, environmental and social aspects of these projects aimed at creating a framework to promote the phase-in of clean economic models while addressing the interests and needs of the local community.

**Figure 6. Best Practices in the 13 projects analysed**

Best practices of the 13 projects analysed	
PV projects	Wind projects
1. Belorado (Burgos).	8. Muras (Lugo).
Minimum negative effect on the territory.	Direct aid to the local population and promotion of local employment.
2. Talayuela Solar (Cáceres).	9. Higuera (Albacete)
Promotion of local employment.	Promotion of local employment, direct aid and tax reduction for local population
3. Las Corchas y Los Naranjos (Seville).	10. Fuendetodos (Zaragoza)
Pioneer projects on apiculture and involvement of the local community.	Promotion of skilling schemes and local employment.
4. Minglanilla (Cuenca).	11. Falces (Navarra)
Awareness raising programmes for the local population regarding the various uses of land.	Promotion of local employment and local economy
5. Cordovilla (Navarra).	12. El Cabrito (Cádiz)
Measure to protect fauna, promotion of local employment and measures to avoid depopulation.	Conservation actions for fauna and flora, promotion of social measures in the municipality and implementation of a plan to minimise the visual impact of the wind turbines
6. Herrada del Manco (Murcia).	13. Barásoain (Navarra)
Projects promoted by local enterprises and households, sharing economic benefits.	Promotion of local employment and economic benefits for the municipality
7. Extremadura I, II, III (Badajoz).	
Creation of natural reserves for birds and protection of flora.	

Source: based on ECODES and Rey Juan Carlos University, Madrid (2022).

As far as photovoltaic energy is concerned, the report analyses seven projects implemented in Spain. In the case of Belorado (Burgos), the company in charge of implementing the photovoltaic energy project conducted a succinct analysis of the territory and found an area with low agricultural productivity (a fundamental economic activity for the wider community) and the lowest environmental and social impact. The company also ran initiatives to promote biodiversity protection and restoration, including environmental and energy education programmes. Furthermore, the company included the regional (Autonomous Community of Castilla and León) and local administrations (Belorado town hall) as well as the local community in the whole implementation process, promoting local employment by hiring residents for the creation and implementation of the project (Sanz Pérez *et al.*, 2022).

With regard to wind power, the report analyses six different projects in Spain, identifying both good and bad practices. The municipality of Muras (Lugo) hosts more than a third of the total wind power installed in the region, including 282 wind turbines. These projects started in 1995 and were completed in 2009. There is evidence that during the first phase of these projects, renewable deployment was not based on social dialogue and consensus, and therefore the local community did not fully benefit from them (*ibid*). For instance, during the initial stages of these projects, the local community was threatened with expropriation, the price offered for their land was very low and the local authorities did not provide solutions. However, this governance framework changed over the years and the community started reaping the benefits of the projects. For example, due to the implementation of these projects, five direct jobs were created in Muras and around 40 additional jobs were created for the population in the area. The income of this area is mainly based on these projects and the local authority has used its revenues to increase the quality of life of the community by offering (*ibid*):

- Support to families and SMEs (depending on income) to pay their energy bills (with a maximum of EUR 1,500 for SMEs and EUR 1,500 for families)
- Financial schemes to promote births,
- Strengthened social services,
- Infrastructure renovation, and
- Construction of the facilities needed to bring drinking water to eight districts.

The region of Albacete also developed numerous wind farm projects. In the area of Higuera there are 243 wind turbines in total. The development of these projects was based on social dialogue, including the developer, the local and regional authority and the community. Consequently, in 2022, the area received the Eolo Prize awarded by the Wind Business Association. This prize is awarded to areas that have been able to secure a balance between the development of a wind project, its socio-economic impacts and the welfare of the community. The main economic activity of this area was formerly agriculture and livestock, but this completely changed owing to the deployment of these projects, and the region's income increased by 40%. Higuera town hall has invested this money in (*ibid*):

- Construction of a home for the elderly;
- A school canteen;
- Free transport for students in their last years at high school and daily transport to the university centres in Albacete;
- Construction of a sports facility;
- Creation of a toy library for children;
- A programme to support the elderly; and
- A reduction of taxes for the community.

In addition, these projects have created 42 new jobs in the area and the project developer constructed a building in which various training programmes are run (*ibid*).

These projects were not undertaken in just transition areas. However, the governance framework, which is the same as the one proposed in the Spanish Just Transition Strategy, based on social dialogue, *ad hoc* projects for the area and investments in social, environmental and digital projects, has yielded positive impacts on the economic, environmental and social development of the areas concerned.

The next section will provide some context regarding climate change, the socio-economic context and some of the ongoing just transition initiatives being developed in Latin American and Caribbean (LAC) countries, focusing on Chile and Colombia.



## 6 The case of LAC

LAC countries are located in one of the world's regions that is most affected by climate change (Pucheta and Sánchez, 2022). 13 out of the 50 countries in the region are considered among the climate-vulnerable countries globally (Averchenkova, Lázaro and Escribano, 2023). Between 1920 and 2022, 11,933 climate-related extreme weather events were registered around the world. 17.1% of these events occurred in LAC countries (OECD *et al.* 2022). Moreover, in 2019 around 78 million people were working in sectors that will be negatively affected by climate change and climate policies (Sánchez and Torres, 2020). Green measures and just transition strategies are therefore urgently needed in the region.

EMEs, including those in LAC countries, face numerous challenges that limit their ability to implement green agendas and just transition strategies (Rosemberg, 2010). These challenges include: difficulties accessing capital, higher costs of capital, weaker social safety nets and high levels of unemployment and inequality (Pucheta and Sánchez, 2022, OECD *et al.* 2022; LSE, undated a). An additional challenge faced by LAC countries is the high level of informal economic activity and precarious labour market conditions. According to the ILO (2022a), the average informality rate in the LAC region is 49% (86.6% in the Andean countries, 74.8% in Central America and Mexico, 40.1% in Chile, 60% in Colombia and 23.9% in Uruguay). This can negatively impact the creation of inclusive measures and strategies, since economic agents will not be represented in policymaking. These challenges highlight the importance of international organisations and development finance institutions in mainstreaming climate change in development aid while increasing climate finance. In addition, just transition strategies can go beyond mitigating climate change by putting people's well-being at the centre of the low-carbon transition and reinforcing social protection schemes. These strategies will help communities to become more resilient to climate change while encouraging sustainable development pathways.

LAC countries are setting just transition goals and developing and implementing a range of measures to deliver it. Some countries such as Argentina, Chile, Colombia, Costa Rica, the Dominican Republic, Guatemala, Honduras, Paraguay, Antigua and Barbuda and Belize have included measures and objectives related to delivering a just transition in their Nationally Determined Contributions (NDCs) (UN, 2022). Similarly, Uruguay has been promoting its just transition since 2016 (ILO, 2018) under the ILO Green Initiative and in cooperation with the Swedish International Development Cooperation Agency (ILO, 2016), although it has not yet published a national just transition strategy. The programme designed for Uruguay has two objectives. First, the creation of employment, protection of natural resources and safeguarding social well-being and decent working conditions. Second, setting a conceptual framework for other countries to follow and the promotion of green job strategies (ILO, 2018). This pilot project could be emulated by other countries. To strengthen the framework, these objectives were reinforced through consultations with stakeholders, undertaking research on key sectors such as renewable energy and reskilling and upskilling programmes for capacity-building. This has improved understanding of the

impacts of climate change on the country and created pathways to mitigate them and help communities in transition. However, only two countries have developed more targeted strategies, namely Chile and Colombia.

### *6.1. Chile (Ministerio de Energía de Chile, 2021)*

Chile has been at the forefront of climate change action for the last two decades. In October 2021, Chile published its Long-Term Climate Strategy and in June 2022 it passed a Law on Climate Change, setting out a pathway to reaching carbon neutrality by 2050 (Averchenkova, Lázaro and Escribano, 2023).

In December 2021, Chile published a Just Transition Strategy, which was designed in collaboration with the ILO. The objective of this strategy is to mitigate the negative effects of the closure of coal mines in various regions by providing economic and social alternatives for their communities. The implementation at a regional level will be based on local plans, taking into consideration the structures and needs of the communities concerned. The strategy focuses on i) people, ii) economic development and productivity, iii) local low-carbon development, and iv) shared governance and promotion of public-private partnerships.

- I) People: the strategy includes various initiatives to promote employment and reskilling and upskilling programmes for people who have been affected by the closure of a coal mine and to provide social protection for workers.
- II) Economic development and productivity: the strategy seeks to promote clean new investments in the regions and invest in research, development and innovation (R&D&I).
- III) Local low-carbon development: under this pillar, the strategy will strengthen the regulatory framework to find alternatives to coal infrastructures.
- IV) Shared governance and public-private partnerships: the strategy promotes shared governance among all stakeholders, with a special focus on local and regional entities.

The strategy also highlights the importance of social dialogue, with an emphasis on collaborative and inclusive dialogues and considering gender throughout the whole process. The process to create the Just Transition Strategy contained five different steps. First, in June 2020, an initial webinar was organised to discuss the topic with various stakeholders, such as the Ministry of Energy and trade unions, among others. Subsequently, three workshops were held: one for trade unions with members employed in the coal sector; a second for civil society and communities where coal mine closures were going to occur; and thirdly, workshops open to all types of stakeholders, in which various NGOs, trade unions, academics, public sector representatives, international organisations and private enterprises participated. The objective of the workshops was to diagnose social, economic and environmental needs in order to propose solutions and measures to include them in the Strategy. The output of the workshops was discussed in a working group to exchange ideas and structure the strategy. A wide range of stakeholders was represented in this working group as well. External stakeholders, such as international organisations, revised the strategy

at various meetings. Afterwards, the strategy was presented for public consultation, and it received more than 165 submissions.

## 6.2. Colombia

Colombia updated its National Determined Contribution (NDC) in 2020. One of the objectives of its NDC is to devise a Just Transition Strategy. According to the NDC, the objective of the strategy is to improve the working and economic conditions of the population to avoid leaving anyone behind in the transition. To achieve this, Colombia will implement the ILO Guidelines for a Just Transition and will promote social dialogue in which governments, companies, workers and communities are involved in the development and implementation of such a transition. This strategy will be reinforced by the Long-Term Strategy for carbon neutrality (E2050) and the Colombian Strategy for adaptation and resilience in low-carbon development (Ministerio de Ambiente y Desarrollo Sostenible de Colombia, undated).

In November 2022, at COP27 in Sharm el-Sheikh, Egypt, Colombia announced its intention to create a Roadmap for a Just Energy Transition. The government created a timeline for this project and expects to launch the roadmap in February 2024 (Ministerio de Minas y Energía, 2022). The objective of this first phase is to analyse the country's current energy situation, addressing issues such as reskilling and upskilling schemes for workers in the mining sector, identifying actions and protecting and improving the economic and social situation of regions and communities, with a focus on gender. The roadmap will include a programme for energy communities, including projects related to solar, wind and bioenergy. The government also expects to create a National Institute for the Energy Transition and promote green industrial policy (*ibid*). At COP27, the Colombian government signed a statement with the European Investment Bank (EIB) to accelerate the transition towards carbon neutrality. This initiative seeks to foster the development of clean energy industries, focusing on green hydrogen, solar, wind and geothermal energy. The statement also includes a reference to a just transition, endeavouring to ensure that the transition is inclusive and local communities play a crucial role in the process (European Investment Bank, 2022).

LAC countries acknowledge the importance of just transition measures. However, the region needs to focus on the development of just transition strategies, including reforms, investments and targeted objectives that will enable the evaluation of progress, while strengthening social protection schemes and safety nets such as unemployment benefits. The next section presents possible collaboration between the European Union and LAC countries to accelerate the implementation of just transition measures and strategies.



## 7 Possible EU-LAC collaboration

The above experience and initiatives highlight the shared views and potential for strengthening EU-LAC collaboration around just transition. This collaboration could occur in areas such as finance, technical support and just transition policy integration (mainstreaming). More concretely, collaboration could entail: i) extending just energy transition partnerships (JETPs) to LAC countries ii) enhancing technical assistance; and iii) mainstreaming just transition measures in existing cooperation with LAC countries.

### *7.1. Expanding Just Energy Transition Partnerships to LAC countries*

More than 90% of global climate finance goes towards carbon-neutral investments, including renewable energy deployment (O'Donohoe, 2021). These investments are crucial and need to be accelerated. However, it is also important to focus on the social dimension of climate action. This will help communities adapt to transformative changes, become more resilient and create new sectors with high quality jobs. Just Energy Transition Partnerships (JETPs) have been created with this objective in mind, to support not only the green technological transformation but also to focus on the social aspect of the green transition.

JETPs are new financing cooperation mechanisms that have been signed with South Africa (November 2021), Indonesia (June 2022) and Vietnam (December 2022). Other EMEs, such as India and Senegal, have expressed an interest in creating these partnerships for themselves. In the G7 Chair's statement (Germany, 2022), 12 countries and the EU<sup>12</sup> agreed to "join forces to accelerate a clean and just transition towards climate neutrality". This statement welcomes the progress made by South Africa in its JETP and the progress made by Indonesia, India, Senegal and Vietnam on their JETPs. It also highlights the importance of and intention to continue developing JETPs to support other EMEs in the transition. However, the statement does not make any reference to a possible JETP with Argentina (signatory of the statement) or other LAC countries; the statement only indicates "their commitment to work with Argentina to achieve climate neutrality by 2050"<sup>13</sup>.

The green transition offers significant job opportunities. According to the ILO 2018, around 25 million jobs could be created globally by 2030. However, the same analysis concludes that around 7 million jobs will be lost. Therefore, a key aspect for the transition in EMEs and for the implementation of JETPs is climate finance. The need for climate finance for the transition was noted in point 15 of the political declaration on South Africa's JETP, which acknowledged "the commitments of developed countries to provide support, including finance, to developing countries' mitigation and adaptation efforts". At COP27, a year after the JETP with South Africa was signed, South Africa published its JETP Implementation Plan

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12 Argentina, Germany, Canada, France, India, Indonesia, Italy, Japan, Senegal, South Africa, the United Kingdom, the United States of America and the European Union.

13 100364066.pdf (mofa.go.jp)

(Presidency of the Republic of South Africa, 2022). In this report, the necessary amount of climate finance needed to secure the JETP was set at USD 98 billion, more than 10 times the amount agreed at COP26 (USD 8.5 billion). This underlines the crucial need to increase climate finance to reach carbon neutrality, leaving no one behind, and that JETPs have major potential to leverage climate finance (Kramer, 2022).

The EU's Just Transition Mechanism (JTM) and its participation in JETPs (financed under the Global Gateway (EC, undated h)) show the importance the EU is placing on supporting the just transition globally, yet it makes no reference to LAC countries. This should be an area for further consideration.

### 7.2. Enhanced technical assistance with LAC: the EU and Spain

The EU and its Member States have gained experience in the development and implementation of just transition mechanisms and strategies. This has been achieved through the implementation of various EU and national funds. The Just Transition Mechanism is an instrument designed to address just transition issues. However, as explained above, other funds are also relevant to the implementation of just transition strategies and measures to the extent that they focus on regional development, territorial cohesion, developing or upgrading workers skills and environmental restoration, among others. In addition, the EU is gaining expertise with regard to international just transition partnerships, as it is a donor for the three JETPs signed to date, with South Africa, Indonesia and Vietnam.

As explained above, the JTM includes a Just Transition Platform, which was established in 2020 and built on the already-existing Initiative for Coal Regions in Transition. The platform provides technical assistance and advice by offering guidance, information and knowledge to all stakeholders (at all levels) in the design and implementation of just transition measures. The platform also includes a helpdesk, where stakeholders can ask questions directly to the European Commission. In addition, the platform organises regular events so that stakeholders such as trade unions, governments, businesses and experts can discuss just transition challenges, find solutions and identify best practices.

The InvestEU Fund provides technical assistance and support through the InvestEU Advisory Hub (EC, undated a). The projects implemented under the InvestEU Just Transition scheme (second pillar of the JTM) and the Public Sector Loan Facility (third pillar of the JTM) can also receive technical assistance and support under the InvestEU Advisory Hub (*ibid*). The Hub aims to support project promoters and intermediaries in the identification, preparation and development of investment projects (*ibid*).

It is evident from the information set out above that the EU has developed a significant pool of information and knowledge for identifying challenges and best practices in just transition frameworks. In addition, Member States such as Spain and Portugal already have a platform for sharing information, knowledge and best practices with LAC countries regarding climate change: the Ibero-American Network of Climate Change Offices (RIOCC). Increasing and strengthening technical assistance in cooperation frameworks with new instruments (the

Just Transition Platform and InvestEU Advisory Hub) and already-existing tools (RIOCC)<sup>14</sup> provide fertile potential for strengthening cooperation between EU and LAC countries.

Technical assistance could be increased and strengthened in different ways. First, the EU could support LAC countries to develop their own platforms. This technical assistance should focus on the design and structure of the platform, on the mechanisms to obtain data and promote exchanges between different stakeholders and on how to process and transform the information obtained in order to be useful for policymaking. This would allow LAC countries to develop their own pool of information and knowledge. Secondly, the EU could make information on best practices available to LAC countries. Such information has been obtained through its technical assistance platforms: the Just Transition Platform and InvestEU Advisory Hub. Thirdly, the RIOCC mandate could be extended to address the just transition directly. Fourthly, financial support could be increased to facilitate bi-regional knowledge exchange related to the just transition.

### *7.3. Mainstreaming just transition measures in already-existing cooperation with LAC countries and reinforcing finance for these mechanisms*

The EU is the largest international donor of development aid. In 2021, the EU provided EUR 70.2 billion in official development assistance (ODA) (EC, 2022). This is 0.49% of the EU's Gross National Income, which is however below the globally agreed 0.7% target (*ibid*). ODA is channelled through various instruments and focuses on different areas (figure 8) (EC, undated j). For instance, the Global Gateway is a new European strategy created in September 2021, which aims at mobilising EUR 300 billion between 2021 and 2027. The objective of this fund is to promote sustainable investments in the digital, climate and energy, transport, health, education and research sectors in partner countries (EC, undated k). The JETPs with South Africa and Indonesia are financed under the climate and energy area of the Global Gateway (EC, undated h). In addition, in May 2023 the EU officially launched the EUROCLIMA+ programme for the Caribbean, the objective of which is to help LAC countries in their green and just transitions. The programme has a small budget of EUR 35 million and will be complementary to the Global Gateway Agenda (EC, 2023 b).

<sup>14</sup> In 2004, 21 countries of the Ibero-American Community of Nations created a network of climate change offices, the RIOCC. The objective of this network is to create a platform for Ibero-American countries to promote climate change in political debates, strategies for sustainable development and a low-carbon economy. In addition, the network aims to identify common problems and best practices regarding climate change impacts, vulnerability and adaptation. The working programme was last updated in 2013 and includes various objectives such as the promotion of skills, sharing information, integrating climate change into the cooperation framework and identifying resources to finance projects on climate change. However, there is no reference to the just transition in its 12 objectives.

**Figure 7. Focus of EU's International Partnerships**

EU International Partnerships focus:	
Pillars:	Policy areas:
Climate, environment and energy	Biodiversity and ecosystems; climate change; forests; nuclear safety; nutrition and food security; oceans; sustainable energy; sustainable food systems; transboundary water cooperation; water, energy, good and ecosystem nexus.
Digital and infrastructure	Responsible digitalisation; sustainable cities; transport
Gender equality	Ensuring freedom from gender-based violence; gender equality and empowering women and girls
Human development	Access to water and sanitation; child labour; culture; education; EU global response to COVID-19; health and demography; reducing inequalities; skills and vocational training; social protection, strengthening health systems.
Migration and forced displacement	n/a
Peace and governance	Civil society; democracy; human rights and fundamental values; justice and rule of law; peace and security
Sustainable growth and jobs	Business environment and investment climate; economic integration, trade and connectivity; employment and decent work; financing sustainable development; private sector and sustainable industries
Youth	Youth Action Plan; youth participation

Source: European Commission, undated h.

The policy areas on which the EU International Partnerships focus (figure 8) do not identify the just transition as a specific area of interest. There is no reference to just transition frameworks or specific measures under climate, environment and energy nor under sustainable growth and jobs, which does not however preclude the recent support for JETPs under initiatives such as the Global Gateway.

Climate change and environmental policies have a strong potential for disrupting and transforming current economic and social systems, and hence, the labour market. This needs to be considered when implementing development cooperation. To this end, it is necessary to strengthen political dialogue and develop stronger mechanisms for development cooperation (Sanahuja, 2022). It follows that mainstreaming just transition measures – for instance, reskilling and upskilling schemes in green sectors, strengthening social protection schemes such as unemployment benefits, digital, environmental and social projects in just transition territories and rehabilitating infrastructure and/or land – in different areas and measures in already-existing cooperation are deserving of further study. In addition, reinforcing financing of existing actions should be a priority, especially given the capital requirements needed to reach carbon neutrality by 2050. Otherwise, cooperation mechanisms may fail to provide communities and workers with the tools to adapt to the transition, leading to stranded workers and communities with the potential of sowing social unrest.

## 8 Conclusions and policy recommendations

Climate change and environmental policies will disrupt and transform current economic and social systems worldwide. Given the impacts of the energy transition on high-emission sectors, workers, trade unions, international organisations, governments, regional authorities and communities around the world are developing just transition initiatives to shield themselves from the negative impacts of the transition to a low-carbon economy. Just transition initiatives will pose challenges to, and will provide opportunities for, the EU and LAC countries. Both regions have strong historical, socio-economic and cultural ties and have shown a strong interest in addressing the challenges posed both by climate change and the actions undertaken to cope with it.

Just transition strategies should focus not only on phasing out polluting industries but also on phasing in the technologies, instruments and processes that will enable net-zero development models. Therefore, the policy tools created to enable a just and inclusive transition need to take into account the economic and social structures and challenges facing the regions where renewable projects are deployed. In addition, these strategies should be created and implemented with a shared-governance approach that enables social dialogue with relevant stakeholders, such as trade unions, companies and civil society. Furthermore, to ensure that the transition is just, it is crucial that advanced economies support emerging market economies by both scaling up climate finance and facilitating access to such finance.

The EU has developed the European Green Deal, an economic development strategy designed to transform the European economy into one that is carbon neutral by 2050, while gaining competitiveness and ensuring no one is left behind. One of the initiatives within the European Green Deal is the Just Transition Mechanism, whose objective is to use just transition plans/strategies to support regions that will be most impacted by environmental and climate policies. Spain's just transition strategy has been analysed as a potential model for other geographies and is aligned with the ILO guidelines for a just transition. Spain's strategy is based on social dialogue and shared governance. It includes local and regional entities, develops *ad hoc* plans for regions undergoing transition, integrating the needs of the community, and is investing in social, environmental and digital projects in just transition areas.

Selected LAC countries are also setting just transition goals and developing and implementing various measures to deliver an inclusive just transition. 10 LAC countries have included just transition goals in their Nationally Determined Contributions (NDCs). However, only Chile and Colombia are developing a more targeted approach by developing just transition strategies. Chile launched its Just Transition Strategy in December 2021, which focuses on people, low-carbon local economic development and productivity and on shared governance and promotion of public-private partnerships. Colombia is currently working on a roadmap for a Just Energy transition aligned with the ILO guidelines, which is expected to be launched in February 2024.

Areas where collaboration could be strengthened between the EU and LAC countries to deliver an inclusive and just transition include scaling up climate and transition finance, enhancing capacity-building and integrating just transition across policies by:

- Negotiating Just Energy Transition Partnerships (JETPs) with LAC countries, either under the current Global Gateway interconnectivity strategy, based on a Team Europe approach, or under future external action, engagement and financing initiatives. So far, JETPs have been agreed with South Africa, Indonesia and Vietnam, and negotiations are moving forward with India and Senegal. Yet hitherto there has been limited interest in developing these partnerships with LAC countries, although Commissioner Urpilainen recently placed the just green transition at the heart of EU-Caribbean relations (EC, 2023 b).
- Increasing and strengthening technical assistance for LAC. This could be done through existing mechanisms. The EU and its Member States have acquired significant expertise in the design and implementation of just transition measures. Existing knowledge and expertise could be more broadly shared with LAC partners. Furthermore, EU Member States such as Spain and Portugal are part of an existing network in which information and knowledge could be exchanged: the Ibero-American Network of Climate Change Offices (*Red Iberoamericana de Oficinas de Cambio Climático*, RIOCC). This network could include just transition as a specific thematic area of work.
- Mainstreaming just transition measures in already-existing cooperation with LAC countries and increasing climate finance for this region, possibly under EUROCLIMA+. The EU is the world's largest donor of official development aid (ODA). Understanding how climate change and environmental policies will transform our economic and labour systems should be mainstreamed and the financing reinforced in already-existing cooperation.

Science tells us that mitigation and adaptation measures should be accelerated. However, civil society needs to be at the core of such measures. Otherwise, there is significant potential for social unrest to occur, thwarting or delaying the green transition.

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