JUST TRANSITION OBSERVATORY 2024

PERSPECTIVES SPECIAL EDITION

Leaving no one behind in the energy transition

BNP PARIBAS
The bank for a changing world

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Editorials

Facilitating access to the energy transition

The second edition of our Just Transition Observatory offers new keys to understanding the pressures on individuals and businesses in Europe, on the path to an energy transition.

Purchasing power and the international context are leading concerns for individuals in Europe. Against this worrying background, global warming ranks no higher than third on their list of worries. Moreover, we have observed this year for the first time that people are less interested in tackling global warming.

This has resulted in individual engagement falling off and a negative effect on people's behaviour in relation to mobility, accommodation and other issues. Europeans also seem to be increasingly aware of the inequalities that the transition can produce. In other words, people have clearly begun to change their lifestyles, but, it would seem, they are taking a time-out while awaiting more consistent and encouraging signals from public authorities and companies.

As far as SMEs are concerned, our Observatory has for the first time shone a light on three sectors: energy, agriculture and real estate. These sectors have long emitted greenhouse gases and must now decarbonise their economic model and value chain. Senior executives of the European SMEs surveyed are naturally aware of the huge challenge posed by the transition, in terms of risks and opportunities. But most of them say they are being asked to make too much effort, which threatens their economic health.

This year, one can see that people's feelings about the transition are less nuanced. Stakeholders are well aware of the challenges, but they now clearly realise that the road will be rockier than expected. Consequently, as Europe's leading bank, our role is to help make the energy transition – which is vital for everyone – accessible to us all. This will entail supporting individuals and companies so they can make the investments necessary, without endangering their purchasing power and economic viability. We are talking about companies, hence our LCTM or Low-Carbon Transition for MidCaps and SMEs. For individuals, our goal is to offer more Just Transition solutions. Over time, these solutions will help to reduce or take the sting out of the expenses incurred, for example when shifting to low-carbon mobility or carrying out household energy renovation. We must make, and accelerate, the transition to a low-carbon world. This transition is costly and banks have to play a role in this solution alongside companies, individuals and public authorities.

Laurence Pessez, *Head of Corporate Social Responsibility, BNP Paribas*

An industrial transition that addresses corporate and citizen concerns

Seven in 10 Europeans say they are anxious about climate change and its consequences for their lifestyles, for their work and for equity. The BNP Paribas 2024 survey of 10,000 people reveals their desire for a fair path forward.

The European Business Network for Corporate Sustainability and Responsibility believes that businesses are uniquely placed to address people's concerns around the Just Transition. We propose a European Industrial Deal that:

- focuses on competitiveness and collaboration for sustainability, with citizens, workers, customers and suppliers in mind;
- includes an Alliance for Inclusive Prosperity, supporting enterprises to become more human-centred, fostering social equity and retraining for a changing workforce;
- supports European sector alliances to promote responsible sourcing, ensuring all communities benefit, thereby making Europe a partner of choice.

To unlock investment, we propose accelerating the European capital markets union alongside a social investment framework that prioritises projects with a social impact.

Finally, a dedicated European sustainability dialogue will mirror the European social dialogue, establishing a platform for industry and citizen voices and solutions to be onboarded by leaders. This, along with placing the fight against social exclusion at the core of the European construction, fulfils the vision of Jacques Delors, one of Europe's founding fathers.

Businesses are ready to deliver, but we need an Industrial Deal that invests in strong and workable partnerships across and beyond Europe. Together, we have a duty to build a just and sustainable society that addresses the concerns of its people and secures a sustainable legacy for all generations.

Stefan Crets,
Executive Director CSR Europe

FOR MORE INFORMATION: THE BUSINESS MANIFESTO: DELIVERING A JUST INDUSTRIAL TRANSITION FOR A SUSTAINABLE EUROPE 2030

Europe is approaching the tough part of transition

By launching the Green Deal in 2019, the European Union committed itself to an action programme unseen anywhere else in the world. Building on efforts made over some 15 years, this acceleration is starting to pay off: 2023 saw a major fall in the carbon intensity of Europe's economic activity. However, the price of these changes is also becoming increasingly apparent to Europeans.

Achieving Europe's climate ambitions calls for significant changes to our lifestyles, so today's economic and social situation is a slightly greater concern than it was during the first Just Transition survey carried out in 2023. The second poll's results underscore that more Europeans now fear the transition will increase inequality and lead to fragmented societies. Nonetheless, climate remains one of their top three concerns.

The results also indicate that people are a little less keen to adapt their individual behaviour in several areas. They are very supportive of recent farmers' protests, which have notably called into question the Green Deal's impact on agriculture. Overall, although many people are still worried about the climate, there is growing concern about the social and economic effects of the transition. Some may see this as a sign that purchasing power problems are easing. One could also conclude that Europe is finally approaching the 'tough part' of transition. And if we are to successfully counter the resistance that is now emerging, climate policies will have to be more inclusive. These policies will therefore have to help the most disadvantaged households, and spread the burden more evenly. In short, we need to implement a Just Transition.

Thierry Pech,
Managing Director Terra Nova

Just Transition: our planet's point of no return

Most people agree the climate crisis must be tackled urgently. But the green policies designed to accelerate this process increasingly attract protests linked to the potential impact on their jobs and livelihoods. The Institute for European Policymaking (IEP) is playing a key role in ensuring that these policies are well designed, successful and fair for all citizens.

One of the EU's biggest priorities is the Just Transition, something that is undoubtedly decisive for our planet's future. The IEP, at Bocconi University, is committed to working on this core issue for Europe and focuses on two aspects. The first is green policies and the second, under the leadership of Catherine De Vries, is popular support for these climate policies. A recent IEP review, for instance, concluded that leaders need to better communicate the benefits of the Just Transition, to ensure public buy-in.

The IEP strives to influence EU and national policies through a mixture of publications and events. It takes a variety of approaches, among them the networking of stakeholders via public events, webinars and smaller high-level discussion groups in Brussels to reach EU policymakers. Key past events include debates about the political dynamics of climate policies, the geopolitics of climate and the role of central banks. The IEP, which brings together researchers from Bocconi and other universities, started operations just one year ago. But it has already notched up one notable success, thanks to its analysis of the impact of the US Inflation Reduction Act on European industry. Its 2023 working paper concluded that the act's effect on the EU is likely to be small and, on balance, even positive. This should reassure European policymakers.

Looking to the future, the IEP is keen to do more work on the implications of the green transition for industry as well as for the EU's trade policy.

Daniel Gros, *Director of the Institute for European Policymaking, Bocconi University* and
Catherine De Vries, *Professor of Political Science, Bocconi University*

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How do we define the Just Transition?

This concept, originating in the 20th century from the US, can have different meanings, so they need to be specified.

BNP PARIBAS

BNP Paribas is aligned with the definitions of a Just Transition, as set out by the ILO in 2015 and by the B4IG in 2021.

For the ILO: « A Just Transition for all towards an environmentally sustainable economy (...) needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty. (...) A Just Transition promotes environmentally sustainable economies in a way that is inclusive, by creating decent work opportunities, reducing inequality and by leaving no one behind. Just Transition involves maximising the social and economic opportunities of climate and environmental action, including an enabling environment for sustainable enterprises, while minimising and carefully managing challenges"

"The ILO's vision of Just Transition is broad and primarily positive. It is a bridge from where we are today to a future where all jobs are green and decent, poverty is eradicated, and communities are thriving and resilient. More precisely, it is a systemic and whole of economy approach to sustainability. It includes both measures to reduce the impact of job losses and industry phaseout on workers and communities, and measures to produce new, green and decent jobs, sectors and healthy communities. It aims to address environmental, social and economic issues together."

According to the B4IG coalition, « Climate change and in turn climate change strategies and policies have the potential to cause major social repercussions. We can address it if we collectively take the necessary actions to support the Just Transition, putting people at the heart of climate action and converge on common indicators that will lay the foundations of a shared approach with all stakeholders. (...) Businesses have a central role to play in ensuring the social challenges of the transition are met, by partnering with governments, social partners, suppliers, and other stakeholders, and by taking action to properly integrate the social impact of their ecological transition strategies into corporate policies and action. Governments, business, and other stakeholders must collectively ensure that no one is left behind in the process."

Development of the Just Transition concept

First emerging in trade union and university circles, the concept evolved until it was taken up by business.

- **1990s** – The concept was born in the US, stemming from the trade union movement of the 1970s in the energy and chemical sectors.
- **2015** – Paris Agreement, Preamble: "Taking into account the imperatives of a Just Transition of the workforce and the creation of decent work."
- **2015** – ILO guidelines for a Just Transition: "A Just Transition for all towards an environmentally sustainable economy (...) needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty."
- **2018** – Solidarity and Just Transition Silesia Declaration
- **2019-2024** – Just Transition mechanism within the EU Green Deal + EU Just Transition Fund
- **2021** – Business for Inclusive Growth statement: "Putting people at the heart of climate action (...) to ensure that no one is left behind in the process of the energy transition."
- **2021-2024** – Development of Just Energy Transition Partnerships, a financing cooperation mechanism to help a fossil-dependent emerging economy make a fair energy transition.

Households and SMEs worry about the transition's potential impacts

Given the consequences of climate change and the impacts of the transition, every player must take action to make this transition more just.

Individuals: will the transition fuel inequality?

by **Brice Teinturier,** Deputy Managing Director at Ipsos

The impacts of global warming are a key concern, but more and more people believe the transition to a greener society will only lead to greater inequality.

This century's biggest challenge is tackling global warming. The second survey by the Just Transition Observatory – set up by BNP Paribas and carried out by Ipsos in 11 countries (Europe and Türkiye this year – gauges people's attitudes to such global challenges and how those attitudes are evolving.

The first key lesson from the survey is that people are still very worried about climate change: 70% of respondents (down two points from last year's poll) said they feel anxious when thinking about climate change and its consequences. This was the biggest concern in every country. It was highest, at 93%, in Türkiye and lowest in Germany at 55%, while France was in the upper mid-range at 71%. Given current events, other major issues, such as purchasing power and the international situation, could have overshadowed the environmental question. But this is not the case, even if these two subjects are at the top of the agenda. The invasion of Ukraine and the conflict in Gaza have made the international situation Europeans' second biggest concern, overtaking the effects of global warming.

Yet there is some bad news, as we can detect a degree of weariness. In each country, and especially in France, the results are falling, particularly in terms of issues linked to people's own involvement. There has been a fall of between two and five points: while not a collapse, this is clearly a dip. People are less inclined than they were last year to limit their travel by car or plane (-5 points), to change their heating system (-4) or to eat less meat (-3) – despite all three being crucial items. They are also more wary of any compulsory measures, such as banning diesel cars (-3), raising taxes on petrol and diesel (-4), or stopping people from flying to destinations that can be reached by train in three hours (-3).

This weariness is not just a question of purchasing power or a reluctance to see personal freedom restricted. People are increasingly concluding that efforts to fight global warming are driving up inequality: 72% believe these efforts will result in inequalities between affluent and low-income groups, an increase of four points; 71% (+2) foresee inequalities between those who must use their car and those who can do without it; and 67% (+5) expect inequalities between countries. This problem therefore affects society worldwide. It is a part of the Just Transition.

Companies: driving the Just Transition with regenerative model

by **Arnaud Algrin,** Head of Low-Carbon Transition for MidCaps & SMEs initiative, BNP Paribas and **Aymeric Olibet**, Sustainable Business Advisor, BNP Paribas Fortis


Companies that are part of the regenerative movement can play a key role in the transition to a just and sustainable economic model, by helping to identify the damage caused to the environment and to society.

The concept of ecological regeneration grew from the definition of nine planetary boundaries by Johan Rockström and his colleagues at the Stockholm Resilience Institute in 2009. These nine defined biophysical processes regulate our planet's stability, and persistently crossing them threatens our survival as a species. Six of these nine boundaries have now been crossed. The conclusion is obvious: we need a paradigm shift if we are to preserve a habitable planet.

Consequently, the regenerative model – inspired by permaculture, which originated in Australia in the 1970s – aims to foster economic systems that create market value while restoring ecosystems and by regenerating natural resources from them. It therefore generates positive impacts, making it a more ambitious and disruptive model than sustainability, which simply limits negative externalities.

By applying this model to companies, we can place transition issues at the heart of our strategies. The regenerative concept is already relatively mature in sectors whose activities are closely linked to the natural world, such as agriculture and textiles. A growing number of economic players are adopting the principles of this concept. They have clearly understood the importance of investing in natural capital, as a way to ensure the sustainability of their activities. Other sectors will have to analyse the value chain in order to identify the various connections with the natural world, as most activities are indirectly dependent on it.

Such a model is only possible if ecosystems are properly integrated, both ecologically and socially. In the regenerative model, economic stakeholders create real value locally and holistically for all stakeholders. By helping in this way to preserve equal access to resources, the regenerative economy can become a powerful vehicle for justice and social cohesion.

Energy, agriculture, construction: the need for a sectoral Just Transition

This year's study sheds light on the needs and expectations of SMEs in three key sectors – agriculture, energy and real estate – when it comes to the Just Transition.

Accounting between them for at least 60% of CO_2 emissions in Europe, agriculture, real estate and energy have a key role to play in the Just Transition. They represent several million jobs that will be directly or indirectly impacted by the energy transition.

Highlighting SMEs in these sectors via this year's observatory enables us to understand future needs, so we can better anticipate the years ahead and limit the potential negative effect of the transition, especially its social impact. It also looks at the mindset of companies evolving in the middle of supply chains.

Three pillars were named as a priority by respondents when asked about guaranteeing a fair transition

FINANCIAL SUPPORT AND STABLE POLICIES (≈75%)

To implement a fair energy transition, there is a demand for **financial assistance** for individuals and businesses, through multiple tools.

Subsidies, tax advantages and **accessible financing** are the most called-for tools. Providing grants for companies adopting sustainable practices or allowing tax breaks for firms investing in clean technologies would definitely help, respondents say. It is also important to give access to affordable loans for sustainable projects.

Politics has an important part to play through tax incentives, and by creating a stable regulatory framework to enable companies to have a long-term investment plan. Simplifying bureaucracy for permits and approvals would also help.

SOCIAL EQUITY AND COLLABORATION (≈65%)

Safeguarding the most vulnerable groups is crucial. This means protecting low-income households from high energy bills, supporting workers in transitioning industries and ensuring that everyone has easy access to sustainable solutions.

These solutions include training for workers in the fossil fuel sectors, to give them the right opportunities and tools to navigate the change.

This social equity and inclusion require collaboration on a local, national and international level. Local people could, for example, be involved in planning sustainable construction projects, as they will directly impact their lives. International cooperation, knowledge sharing and common technology development plans are also useful.

INFRASTRUCTURE DEVELOPMENT (≈50%)

All three sectors are calling for new infrastructure for the energy transition. This includes modernising energy grids, building photovoltaic fields or wind farms, or water management systems for farmers.

These **infrastructures should benefit both sector professionals and the general population.**

There is a continuous need for research and development of clean and sustainable technologies to ensure the fair energy transition.

The transition crystallises many concerns

At a glance, you can see the main results of our Just Transition Observatory 2024.

Methodology of survey of the general public

- Respondents were interviewed by the Ipsos **Online Panel** from 1 March to 2 April 2024
- Sample included **10,424 individuals** aged 16 and over, in each of the 11 countries of the scope of the study
- The representativeness of the sample was ensured using **the quota method** (sex, age, location type, occupational group)

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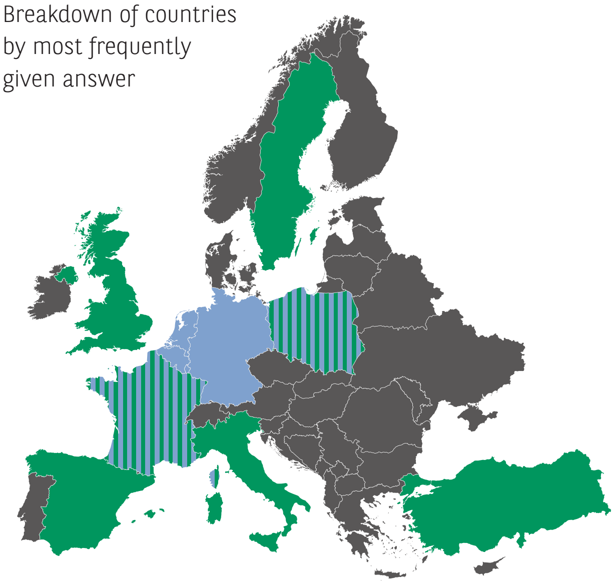
Europeans' principle concerns

As well as these three principle issues, respondents cited **10 other concerns**, among them the future of public services and the level of uncertainty.

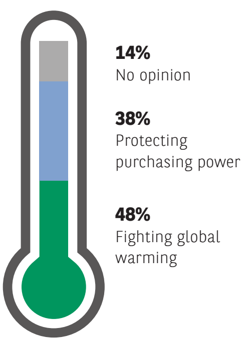
End of the world or end of the month: which is the priority?

Breakdown of countries by most frequently given answer



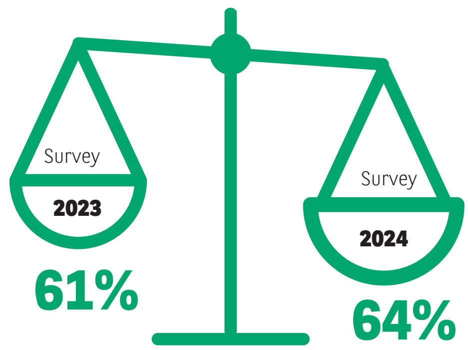
- Fighting global warming, even if it affects your comfort and quality of life
- Protecting your purchasing power and quality of life, even it means doing less to counter global warming
- The same proportion for both priorities
- Countries not surveyed

Global-level barometer



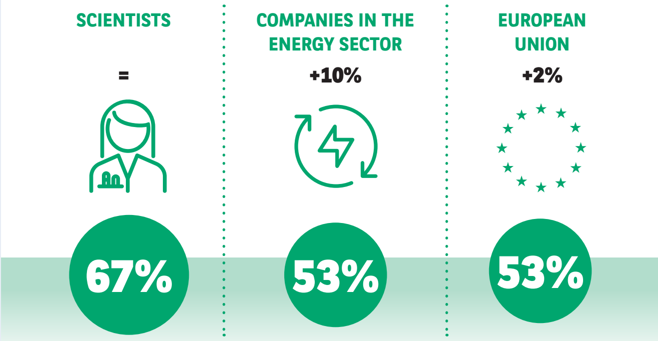
Energy transition and social inequalities

Proportion of respondents who believe the fight against global warming will lead to social inequalities



Key stakeholders in the energy transition

Proportion of respondents who believe this group is acting in line with the energy transition and the fight against global warming (change since 2023 survey)



Podium among the 19 groups/institutions assessed

READ THE FULL REPORT HERE

Individual actions implemented to fight global warming

- Proportion of respondents who say they have adopted this behaviour in recent years
- Change since 2023 survey

TRANSPORT MOBILITY

Action	Proportion	Change since 2023
Limiting car journeys	60%	-5%
Cycling or using public transport more	60%	=
Limiting air travel	51%	-5%
Switching to an electric vehicle	31%	-2%

HOME ENERGY

Action	Proportion	Change since 2023
Limiting heating and/or air-conditioning in the home	77%	-3%
Insulating your home better	55%	-3%
Changing mode of heating/ energy source	49%	-4%

EVERYDAY CONSUMPTION

Action	Proportion	Change since 2023
Buying second-hand products and repairing broken items	63%	+5%
Avoiding buying products made in distant countries	58%	-1%
Eating less meat or cutting out meat altogether	50%	-3%

The Just Transition: an electoral issue

80% Proportion of respondents from EU countries who believe the Just Transition is an important subject ahead of the next European elections

Methodology of the survey of SMEs

- **406 companies** from **six countries** interviewed
- **SME** with up to **250 employees**
- **202 companies** in the **energy sector** (oil and gas, electricity)
- **100 SMEs** in the **construction sector** (code NACE F)
- **104 farm operations** (code NACE A)

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SMEs' principle concerns

1	COST OF RAW MATERIALS AND ENERGY	48%
2	MARGINS AND PROFITABILITY	33%
3	ENERGY AND ENVIRONMENTAL TRANSITION	23%

Impact of the energy transition on SMEs

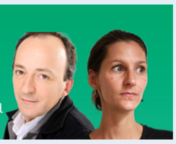
	Agree	Disagree
APPLYING MEASURES RELATED TO THE ENERGY TRANSITION COULD IMPACT MY COMPANY'S PROFITABILITY	78%	21%
THE ENERGY TRANSITION WILL OBLIGE ME TO OFFER SPECIFIC TRAINING TO EMPLOYEES	66%	29%
STANDARDS AND REGULATIONS RESULTING FROM THE ENERGY TRANSITION ARE RESTRICTIVE FOR MY COMPANY	48%	47%

Europeans are concerned as much about their purchasing power as about the world's safety

Climate change is a worry, but people are also concerned about the decline in their purchasing power and the current geopolitical situation.

Multiple crises can't hide the ecological emergency

by **Thierry Pech,** Managing Director Terra Nova and **Suzanne Gorge**, Deputy Managing Director Terra Nova



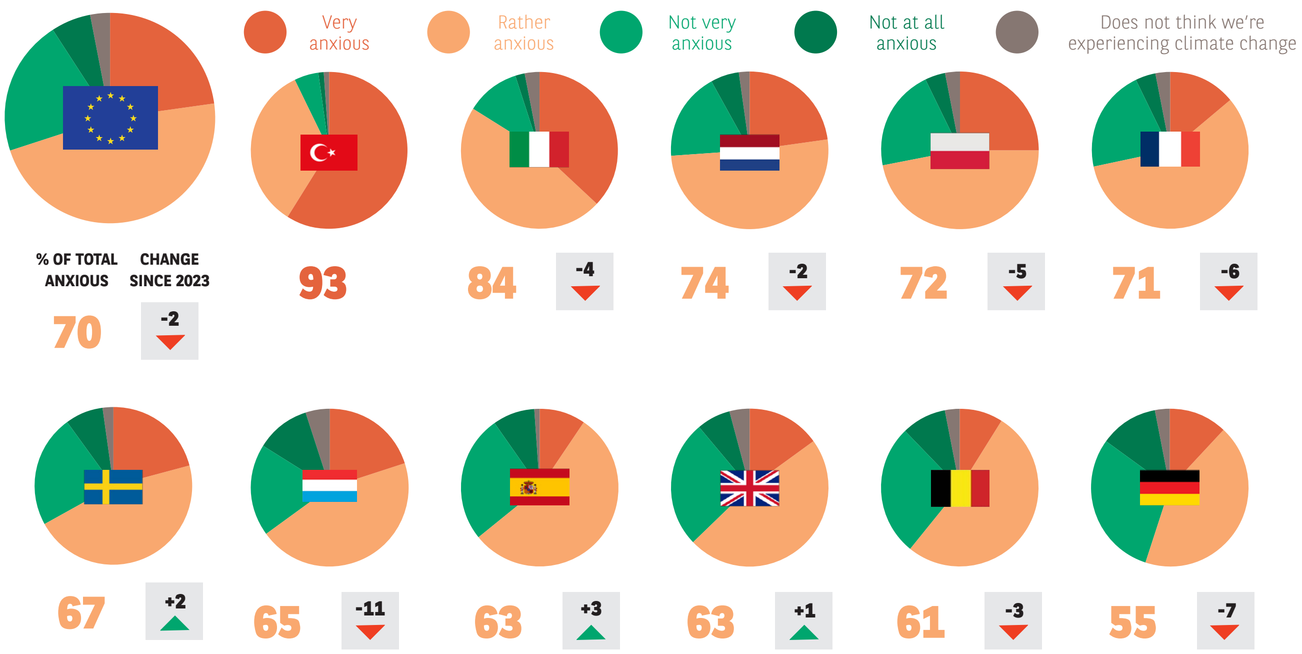
The second poll of the Just Transition survey has confirmed that Europeans are very aware of the climate challenge.

Although people are increasingly worried about international conflict and purchasing power, the effects of climate change still feature among the top three concerns for Europeans. Possibly for the first time, the ecological situation is not 'overwhelmed' by the occurrence of other crises. Over two-thirds of Europeans say they are very or fairly worried about the issue, and more than half say they are personally affected by the impacts of climate change.

However, the 2024 poll also highlights a fall in climate anxiety compared with the previous year's survey. This anxiety has receded in every country apart from Sweden, the United Kingdom and Spain: down 4 points in Italy (84%), 5 in Poland (72%), 6 in France (71%) and 7 in Germany (55%). Similarly, the proportion of individuals who feel they are personally affected ('a lot' or 'a little') is in sharp decline in most of the countries observed: 4 points in Italy, 5 in France and Germany and 6 in Poland and the Netherlands.

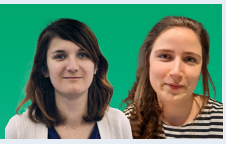
These trends may be linked to multiple factors. Chief among them is that the first poll of this survey was undoubtedly marked by the occurrence of numerous disasters during the second half of 2022, which was called the 'year of all extremes' by the Copernicus programme. Secondly, although the international crisis and economic slowdown have not swept aside the environmental issue, they have certainly played a role in escalating other concerns that rival the climate emergency in people's minds, as shown by other survey results. Lastly, the green backlash that is being fuelled across Europe by populist political parties has likely encouraged some people to deny climate change again. Given these factors, it is remarkable that our sensitivity to climate change is so resilient.

7 in 10 Europeans are anxious about the issue of global warming



Fuel taxes are a touchy issue for Europeans

by **Estelle Chandèze**, Deputy Head Corporate Reputation at Ipsos and **Margaux Schmitt**, Research Manager Corporate Reputation at Ipsos



The yellow vest protests in France began after arguments about fuel, and this topic still sparks public debate.

The results of our Observatory's second survey on the Just Transition indicate there is growing pushback, in several countries, to some measures being considered for the energy transition: particularly those measures that could affect individuals' transport and mobility.

For instance, the share of citizens who believe that taxing fuels is "not effective" in fighting climate change has risen by 4 points and now stands at 41%. Diving deeper, we see the strongest increases in Germany (47%, +8), Italy (46%, +8) and the Netherlands (39%, +4). In France, the share remains stable: 48% of the population think this taxation is ineffective (-1); the country had the highest score in the zone last year. Overall, the demands expressed some years ago by the yellow vest protestors are increasingly viewed as valid (68%, +10).

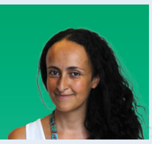
This question also reflects divides among the population, especially along generational lines: almost half of Europeans aged 55 and over believe that fuel taxation would not be effective (47%), compared with one-third of those under 35 (35%). As expected, this measure is also seen as more ineffective by those who rely heavily on their car in rural areas (51%, +7) than by people living in big cities (38%, +1).

This year, the territorial divide is even more obvious between those who have to use their car to get around and those who do not. So this measure runs the risk of making life tougher for one group, without offering any practical alternatives. All in all, individuals who anticipate that the energy transition will have adverse effects – further fragmenting society, eliminating jobs and generating social inequalities – are far more likely to consider these taxes ineffective in combating climate change.

This divide, much like many others within our societies, shows that the Just Transition is a subject that is more topical than ever, and one that will no doubt crop up very soon in the European elections of June 2024. Citizens have already taken note of it: four in five Europeans (80%) said that this is an important subject for them in this election, while almost a third believe it is "very important" (29%).

Investing in companies with a positive environmental and social impact

by **Maha Keramane,** Head of the Positive Impact Business Accelerator, BNP Paribas



Nobody today can ignore the climate emergency. The investment world is no exception, thanks to increased financing linked to the ecological transition. However, the social side is far less integrated, despite repeated warnings about inequalities.

If the ecological transition is to be acceptable, it must be just, i.e. accessible and affordable, especially for the more vulnerable. So how do we integrate social justice into this transition? This is not just about energy but about mobility, agriculture and housing. All these sectors have production methods and skills that are sure to change, thus rendering the skills of many people obsolete.

As an impact investor, BNP Paribas is focused on companies whose primary goal is to make a positive impact on both social inclusion and the environment. As a result, when a company under review is working on the ecological transition, the issues of Just Transition take centre stage. In particular, this includes supporting employees through professional retraining, involving local communities in the design and redistribution of income for projects aimed at restoring natural capital, and shielding customers from fuel poverty.

Investments in the best solutions for the transition must also be accessible and affordable, particularly for poorer people. Often this work involves investing in research and innovation, in order to discover new levers for creating social value and inclusive growth.

By fostering the development of regions, Ecov highlights how the Just Transition concept can work in the transport sector. This mobility player, active in sparsely populated areas not served by public transport services, offers car-pooling solutions and contributes to accessible, affordable and sustainable mobility. Ecov works with local authorities and strives to meet this mobility need in rural and peri-urban areas. More mobility means more people can access jobs and benefit from increased social contacts.

The focus of BNP Paribas' impact investment approach is anticipating the social issues likely to affect business activities, as well as assessing progress on financial, environmental and social performance. This underlines how the three issues go hand in hand and are closely related.

Fighting green policy backlash through public buy-in

by **Catherine De Vries,**
Professor of Political Science,
Bocconi University

Green policies are being rolled out in many countries in a bid to tackle climate change. But various societal groups are voicing concerns about these initiatives' impact on their life, jobs and income, in tune with right-wing populists in Europe and beyond.

The green transition is well under way, driving numerous efforts to better protect the environment and fight climate change. Society at large has accepted the urgency of living more sustainably. Yet a small minority increasingly push back on the green policy agenda, often echoing the views of right-wing populist parties.

This worrying trend is highlighted by researchers from Bocconi University (Climate Change and Politics: Green Backlash and Right-Wing Populism, 2024), in a review of the political implications of green policies. It underlines a noticeable 'green backlash' in parts of Europe and North America. Examples include local opposition to wind turbines introduced under renewable energy policies, protests about mining industry job losses as fossil fuels are phased out, and challenges to city restrictions on polluting vehicles.

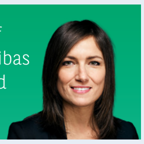
Thousands of European farmers have been taking to the streets to complain about green policies they say damage their livelihoods. In response, the European Commission has watered down some of the EU's key green policies on agriculture.

Right-wing populist parties have clearly contributed to waning public support for ambitious green policies. These parties are traditionally sceptical of climate action's purported benefits. Their anti-elite stance also appeals to voters who feel abandoned by politicians and scientists in the rush to greater sustainability.

If the green transition is to be sustained in the long term, broad support will be required among political and business elites, as well as the wider public. Leaders should talk more about the 'just' part of the Just Transition, by reassuring people their lives will not be negatively impacted forever by green policies. For those who are, compensatory schemes should be introduced, as these have proved successful.

Wealthier French worry more about the climate and are ready to act

by **Vanessa Bouquillion,** Head of Company Engagement, BNP Paribas Wealth Management France and Private Banker for Non-profits



The effects of global warming are the number one concern of France's top earners, those with an annual income of more than €48,000.

While the richest French households emit on average 2.2 times more CO_2, they feel more affected by global warming: 75% say they are worried about the issue. This group is less affected by inflation, and 53% have prioritised the fight against global warming, compared with 46% of the rest of the population.

> "82% OF THE WEALTHIEST FRENCH BELIEVE THAT FIGHTING GLOBAL WARMING WILL LEAD TO INEQUALITIES."

In common with the general population, the wealthiest support incentives such as financial assistance for buying low-carbon energy appliances (86% vs 80% in the general population), electric cars (73% vs 62%) or electric bikes (78% vs 69%). Overall, they are more inclined than average to embrace actions to combat global warming, including mandatory measures. They are also more in favour of compelling homeowners to carry out energy renovation work (78%), although this concerns them more than others.

Eighty-two percent of the wealthiest French believe that fighting global warming will lead to inequalities. So to what extent are they willing to accept constraints? Unsurprisingly, this group is not so keen on wealth redistribution measures that would require them to contribute more.

Nevertheless, the more affluent are aware of their carbon footprint and they support the 'polluter pays' principle. Transport, especially by plane, accounts for the largest share of their carbon footprint (carbon footprint survey, Ademe, July 2023). This group is prepared to play its part: 76% (vs 62% for the rest of the population) support the idea of taxing kerosene to finance rail transport. Reflecting a shift in attitudes, 78% of them (vs 65% in France as a whole) are also in favour of banning flights to destinations that can be reached by train in under three hours, and more than half even support a maximum quota of flights per individual.

Are redistribution and climate justice the keys to a Just Transition?

by **Grégoire Lusson,**
Head of NEST,
BNP Paribas

We are all responsible for the transition, but not everyone is equally responsible. This is the message Europeans are sending.

To facilitate a just energy transition, a majority of Europeans are in favour of wealth redistribution. In other words, they believe the richest should pay more. Redistribution is an issue that is top of mind for Germans, Belgians and the Dutch. The second most frequently cited measure is providing citizens with better information about the risks and impact of climate change. Third is the need for specific measures to tackle the varying levels of climate and social vulnerability among individuals.

Employers' initiatives, aimed at preparing teams for the energy transition, are the least popular solution. The Dutch, Belgians and French in particular are not keen on this measure. However, the younger generation – those under 35 – view employers and companies as key players. Most young people would like to see training programmes and higher education focus more on the new jobs being created by the energy transition. Young people would also like to compel companies to be more transparent and to avoid greenwashing. Among Europeans, the Swedes are the most concerned about companies' sincerity.

Overall, the ideas of redistribution and climate justice underpin the solutions favoured by Europeans. French citizens especially are pushing for wider redistribution, a greater focus on vulnerability and more clarity around the 'polluter pays' principle. This choice of measures reflects a demand for the transition to be gradually implemented, by protecting the most vulnerable people and involving the biggest polluters.

Measures favoured for a Just Transition for energy

What would it take to achieve a fair energy transition that leaves no one behind?

Up to 3 answers possible

	AS GLOBAL %	BE	FR	DE	IT	LUX	NL	PL	ES	SE	UK	TR
Measures to **redistribute wealth** by making the richest contribute more	33%	38	35	43	35	25	37	23	29	33	28	28
Better informing citizens about the risks and potential impact of climate change in their daily lives	30%	27	27	29	26	35	31	32	27	30	29	41
Energy transition measures that **take into account the vulnerability** of individuals/groups	30%	37	31	19	31	30	40	21	37	31	37	15
The **promotion of new professions** created by the energy transition in vocational training and higher education	29%	25	30	29	32	27	20	32	30	31	29	34
Energy transition measures that **take into account the fact that some people pollute more than others**	28%	30	33	31	28	20	29	25	26	24	30	23
Encouraging companies to be more transparent about the impact of their actions on the environment	27%	24	28	25	26	25	29	27	28	32	29	25
Teaching children at school about the challenges of the energy transition	24%	23	29	25	22	28	23	19	24	21	26	29
Banks **offering favourable conditions for investments** in the energy transition	24%	22	20	21	24	25	17	33	24	24	19	33
Better explaining initiatives taken by authorities in relation to the energy transition	18%	17	17	14	15	23	18	25	18	16	18	23
Employers' initiatives to prepare employees for the energy transition	13%	10	10	13	12	12	9	18	16	13	15	18

Supporting small businesses threatened by low-emission zones

by **Jeremy Daumard,**
Head of sustainable finance
BCEF Retail

When it comes to transition regarding mobility, banks can provide expertise to support micro-enterprises.

Since France voted for the Climate and Resilience Law in 2021, all the nation's territorial collectivities with a population of more than 150,000 have been obliged to set up Low Emission Mobility zones (ZFE-m) by the start of 2025. Almost half of France's citizens live in a ZFE-m. Zones that exceed the fixed pollution thresholds – such as Lyon and Paris – must implement even stricter measures, with the exclusion of all vehicles in the Crit'air category 3 and higher from the 1st of January 2025, representing a third of all French vehicle fleet. These thresholds will become more restrictive after 2030 and will likely contribute to accelerating the decarbonisation of transport.

The establishment of these zones will obviously affect individual citizens, as well as businesses that typically drive old and polluting vehicles. Solutions must be found to help these people to join the Just Transition, as underlined in a recent study by the association Action Tank Entreprise et Pauvreté: 73% of micro-enterprises use light commercial vehicles for professional purposes, but 64% of these vehicles are today categorised as Crit'air 3 or higher so will be excluded from Paris and Lyon as of January 2025. If professionals living in these cities do not switch to a less-polluting vehicle, they may find their business threatened.

There is often a lack of knowledge about the support available at local or national levels, and this aid is rarely adapted to the actual situation. Many small businesses buy second-hand vehicles, for which there is no support. What is more, such support focuses on electric vehicles, which are still hard to come by and remain costly. Although some businesses can call on new forms of mobility such as cargo bikes, these solutions are not suitable for every scenario.

The banking sector can play a key role by supporting the Just Transition for micro-enterprises. This may take the form of advice based on knowledge of the regulations or the aid available, or financial support via long-term rental contracts, leasing or preferential rate loans.

The Spanish are confident the energy sector will transition successfully

by **Penelope Salas,**
Company Engagement Manager,
BNP Paribas

Spaniards' expectations of the Just Transition are similar to those of their European neighbours, according to the latest poll on the topic by Ipsos and BNP Paribas. Their views are shaped by the country's geography and key assets such as solar power.

Despite recent experience of successive heat waves, Spanish respondents are less anxious than those in other countries polled about the effects of global warming. They are also more sceptical about the role of institutional and private players in the fight against global warming. Spaniards are particularly critical of companies. However, they are more positive about the scientific community, educational establishments and NGOs.

Yet they have greater confidence in energy companies, which are something of an exception. Spain is a benchmark in renewable energies, largely thanks to its geostrategic position and natural wealth.

> **"SPANIARDS WORRY LESS ABOUT GLOBAL WARMING THAN THEIR NEIGHBOURS, BUT INCREASINGLY FAVOUR A JUST TRANSITION."**

Like other countries around Europe, Spain is struggling to quickly transform its SME, agricultural and industrial sectors. It faces many challenges accessing the necessary technologies, resources and new production processes.

Spaniards would like to see their companies and institutions do more for the transition. But they are less keen on taking individual action, such as reducing meat consumption, buying electric cars or investing in energy-efficient homes.

So with the European elections around the corner, the survey also revealed, unsurprisingly, that this Just Transition is highly important for them.

Vulnerability and optimism in the face of climate crisis

by **Berna Özay Düzcü,**
Corporate Companies Sales Group
Director & Chair of SASECOM

Global warming is a widespread concern in Türkiye, and its people are open to change.

Like most Mediterranean countries, Türkiye is highly vulnerable to the impacts of climate change. In recent decades, the country has seen increasingly frequent and intense flooding, heat waves, droughts, wildfires and landslides. Such climate-related disasters combined with rising unemployment have hit vulnerable groups significantly across the world. The Just Transition is an opportunity to overcome the social challenges of both climate change and the rapid shift to a low-carbon economy.

Türkiye is in a unique position in terms of receiving investment and advancing transition and digitalisation. Its dynamic economy benefits from investments in industrial manufacturing, the proximity to its biggest export market, Europe, and competitive labour costs. The Just Transition would generate high-quality jobs along the supply chain, in high value-added sectors that stimulate the upgrading of jobs and skills, and improved productivity in labour-intensive industries that offer employment opportunities on a wide scale.

The findings of the Ipsos survey of 11 countries also has some interesting results. Unlike in most economies, the effects of global warming are not among top three concerns for people in Türkiye. The leading issues in Türkiye are purchasing power, the future of the school system and immigration. However, while 70% of respondents across the sample countries are anxious about climate change, Türkiye has the greatest proportion of respondents who say climate change is a concern (93%), while 90% say they feel personally affected by climate change. The Turkish sample had the highest proportion of respondents – 69% – who say they would choose to fight against global warming at the expense of purchasing power and quality of life.

Other findings from Türkiye include:
- Above-average changes to people's behaviour in areas such as changing heating/energy sources and switching to an electric vehicle.
- A belief that the Just Transition would have more positive than negative effects, especially on mobility and transportation, well-being, economic activity, energy bills and purchasing power.
- A belief that an energy transition will create jobs, rebuild society and social ties, create new sectors of activity and enable development of technologies to fight global warming.

"TÜRKIYE IS IN A UNIQUE POSITION IN TERMS OF RECEIVING INVESTMENT AND ADVANCING TRANSITION AND DIGITALISATION."

When it comes to what it would take to achieve an energy transition that leaves no one behind, the sample group in Türkiye is more confident than other countries in certain areas. These include informing citizens about the risks and potential impacts of climate change in their daily lives, and promoting new jobs created by the transition in vocational training and higher education.

While Türkiye has structurally different priorities to other countries, it is clear that its people have faith in the fight against global warming and are sensitive about the effects of climate change and energy transition.

93%
of people in Türkiye say they are worried about global warming

49%
of Turkish workers expect to have to train/retrain due to the impact of the energy transition

#1
Keeping citizens better informed about the impact of climate change is Turkish people's favoured solution for creating a Just Transition for energy

Making the transition more accessible

Companies are taking action to ensure they are contributing to the transition rather than losing out through it.

When it comes to consumer behaviour, every little helps!

by **Cécile Moitry,**
Chief Sustainability Officer,
BNP Paribas CIB

Everyday purchasing habits are often overlooked, but they play a decisive role when it comes to sustainability. These small steps have a significant impact, and can contribute in their own way to a fair ecological transition.

Transport, energy and thermal insulation of buildings are the three main levers for a transition to a carbon-neutral society. However, besides major political decisions, and solutions that require significant investment and huge infrastructure, our habits also play a key role. The International Energy Agency explicitly refers to changing consumer behaviour in its scenario to achieve carbon neutrality by 2050.

This includes our consumption choices, a subject that is also attracting considerable attention from companies. At the ChangeNOW Summit in March, Nancy Mahon, Chief Sustainability Officer of the Estée Lauder group, challenged her audience to “understand the values of the companies from which we buy products” and to realise that “we vote with our wallets”.

Companies are gradually taking on board this aspect of the fair ecological transition, by giving more consideration to the social challenges. Like Estée Lauder, some brands are committed to informing consumers, in order to direct them to more sustainable products. Other businesses have deliberately made the switch to a sustainable range of products. Mustela went so far as to announce it will stop making baby wipes that are seen as incompatible with sustainability goals. Such developments also raise questions about the price of more eco-friendly products like these, which can only have the greatest impact if they are made accessible to as many people as possible.

The other challenge revolves around the environmental impact of using products and their end-of-life cycle, including packaging. In 2021, Unilever estimated that more than half of its total carbon footprint was linked to the way customers use its products.

Getting customers to consume and use products optimally (including at the end of their life cycle) is therefore a significant challenge. Recent cases of major corporations being sued for plastic pollution clearly indicate that corporate responsibility is broadening its scope. Yet this should not take any focus off the role of consumers themselves, since every little helps.

Ensuring as many people as possible can access the transition

by **Vincent Sussfeld**, Deputy CEO – Head of Global Business Lines, BNP Paribas Personal Finance, and **Miruna Senciuc**, Chief Sustainability Officer, BNP Paribas Personal Finance

To help everyone to adopt more sustainable solutions, financial actors like BNP Paribas Personal Finance must work with partners.

Since 2019, BNP Paribas Personal Finance, a specialist in consumer credit, has measured its sustainable finance exposure in two fields: sustainable mobility and the energy transition of homes. In late 2023, its total exposure was €8.9 billion, mainly because of robust partnerships, which contributed to developing new solutions for energy saving and reaching as many people as possible.

Sustainable mobility
For mobility, a collaboration with the huge car-maker Stellantis now enables people to buy clean vehicles. Different solutions must be offered if the transport shift is to be feasible for everyone. Besides electric cars, finance is also available for rechargeable hybrid vehicles with emissions of less than 50g of CO_2 per km, in line with the EU Taxonomy. This type of vehicle is a response to the need for transition, as well as the specific requirements of households that may lack recharging infrastructure but need access to urban centres in low-emission zones.

Energy-saving homes
Targeting the energy transition for homes, BNP Paribas Personal Finance and EDF were trendsetters when they jointly set up Domofinance in 2003. Domofinance offers some of the lowest rates on the market thanks to the active participation of EDF, which subsidises part of the loans in exchange for the Energy Savings Certificates generated by renovation works. This helps to make energy renovation accessible to the broader public. However, the facility does not completely replace the need for public aid, as was confirmed by the results of the second Just Transition Observatory.

Financial inclusion
If the Just Transition is to be accelerated, simply increasing finance for mobility and sustainable homes will not be enough. It is also essential to measure the social impact of our credit portfolio. So for 2024, one of the main objectives is to clearly define the criteria for financial inclusion. This will help us to identify and track the finance, so it can be boosted for sectoral initiatives.

Promoting inclusion worldwide

by **Guillaume Hervé,**
Head of Alternative Growth,
BNP Paribas Cardif

C. Entrepreneurs invests in companies that promote wider access to the goods and services that are vital for a Just Transition.

C. Entrepreneurs is a fund that invests in young companies in regions where BNP Paribas Cardif provides insurance – Europe, Asia, Latin America – and where there is a low penetration rate for financial services. The fund acquires minority participations in companies that are likely to become our distribution partners for insurance products in the near term.

As a result, C. Entrepreneurs enables certain categories of clients to call on products or services associated with our insurance business, in line with our mission to make insurance more accessible to more people. Through a range of projects, the fund stimulates initiatives that will contribute to boosting a fairer energy transition; see the examples of Beem Energy and Upway.

" C. ENTREPRENEURS ENABLES CERTAIN CATEGORIES OF CLIENTS TO CALL ON PRODUCTS OR SERVICES ASSOCIATED WITH OUR INSURANCE BUSINESS, IN LINE WITH OUR MISSION TO MAKE INSURANCE MORE ACCESSIBLE TO MORE PEOPLE."

Upway:
electric mobility for everyone

A refurbished electric bike helps to significantly reduce the cost of this new form of mobility.

One of the chief hurdles to expanding electric mobility is the high cost of a bike. Upway is focused on offering a more affordable solution for individuals, by refurbishing electric bikes with an eye on a circular economy. Upway operates in France, Germany, Belgium, Austria, the Netherlands and the US, and is part of a cyclical and structural growth market.

Our investment in this company enables us to increase the accessibility of this kind of bike to a larger part of the population, by developing the second-hand market and reducing by around 40% the cost of an electric bike. These bikes are popular in cities that have a soft mobility policy. Thanks to our partnership, we can also offer Upway's customers full insurance products for their bike, giving them coverage for all possible risks.

Beem Energy:
simplifies access to solar power

By offering solar panels that cost as little as €600, Beem Energy is turning the concept of a Just Transition into a reality.

Beem Energy is making domestic solar energy accessible to more people. Typically, installing solar panels costs at least €15,000. However, this French company offers small panels costing from €600. They are connected to an electric socket and can be placed in a garden or on a balcony.

These panels help to power all electric appliances running permanently in a home, such as fridges and televisions, by covering up to 25% of the consumption of a four-person home. This means installing solar panels will make a big difference to people's personal finances.

This investment is in keeping with the goal of broadening access to self-generated energy for a Just Transition. It also allows us to offer insurance products for a wider coverage of the installation.

Mobility: social acceptability at the core of the transition

by **Basma Ben Romdhane,**
CSR Group, BNP Paribas

The results of the survey carried out by Ipsos this year once again underline that the mobility sector's transition, especially for road transport, must mainstream the concept of a Just Transition.

Access to mobility is a fundamental right. This must be defended at a time when the ecological transition is so necessary, including the impacts on households' purchasing power. The Ipsos survey shines a fascinating light on the social acceptability of environmental measures linked to mobility. As the survey indicates, any measures that most affect purchasing power, just like new taxes on petrol and diesel, are perceived as having little environmental impact. However, most of the respondents viewed measures for developing public transport, multimodal transport and soft mobility – all solutions that are theoretically less costly for households – as effective measures.

This highlights the importance of people's perception of social justice, if they are to support strategies for ecological transition. That said, an environmental strategy will only succeed if it is widely implemented, which depends on the extent of its social acceptability. In short, if citizens consider environmental measures to be ineffective, these measures may actually become so.

One of this survey's notable results is about the measures already set up in Europe for the energy transition: 66% of respondents said they thought these measures would have more negative than positive effects on purchasing power. This share has increased by 32 points from last year. The result emphasises how the transition is adding costs for households and the pushback created by this.

Regarding mobility, 71% of the respondents reckon that tackling climate change is leading to social injustice and inequalities between those who have to use their car and those who have other options. That is hardly a surprise, given that a new electric car typically costs 30% more than its combustion-engine equivalent.

If Europe's road transport mobility is to make a successful transition, going beyond electrification of cars on the road, our transport systems, needs and use will all have to be reassessed. This will require developing innovative solutions, so that everyone can access sustainable mobility.

Navigating the Just Transition: safeguarding futures, sustaining returns

by **Sindhu Janakiram,**
Equality Lead, ESG Analyst at
BNP Paribas Asset Management

A net zero economy demands both a successful energy transition and greater equality in our societies.

Achieving a net zero economy necessitates not only large-scale economic shifts but also a profound societal transformation. Our Global Sustainability Strategy outlines our belief in an optimal economic model built on '3Es': a successful Energy transition, healthy Ecosystems and greater Equality in our societies. Our Just Transition (JT) strategy sits at the intersection of two of the 3Es – Energy and Equality – and is a lens through which we evaluate systemic social and environmental risks that pose long-term challenges to society and investors alike.

Most investors are still too early in their journey to understand the social risks of the energy transition. We are committed to building industry knowledge and shaping views through our active participation in industry working groups. For example, we joined the JT working group of AFG, a French investment management industry group, to advise investors on regulatory guidelines for climate transition assessments.

As stewards of capital, we understand the imperative of integrating JT into our corporate engagement strategies. Our recently launched Net Zero Transition Fund illustrates this drive – we embed JT into our ongoing work engaging with portfolio companies on sustainably implementing their climate strategies. Our approach centres on mitigating the social risks of portfolio companies' transition plans to workers and communities.

Collaboration lies at the heart of our efforts, and this is especially true in emerging markets. We lead the China Climate Engagement Initiative JT working group and are active participants in the Asia Investor Group on Climate Change's Asia Utilities Engagement Program. Through the latter, we co-lead engagement with CLP Group, one of the largest power businesses in Asia-Pacific, to ensure that JT is at the forefront of their decarbonisation journey. We recently worked with CLP subsidiary EnergyAustralia to ensure that JT principles are incorporated into their plans to close Australia's oldest coal-fired power station in 2028.

Tangible action such as this demonstrates that JT is not merely a theoretical framework but a practical imperative in the realm of financing the energy transition. By embracing this ethos, we pave the way for economic prosperity to align with social equity and environmental stewardship.

The energy sector is at the centre of the transition

SMEs in the energy sector, including oil and electricity firms, are worried about various effects of the transition on their business. Many of them also anticipate a range of opportunities.

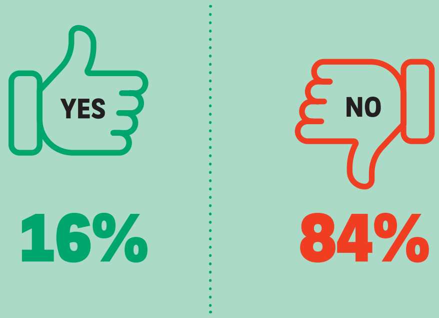
Involvement of stakeholders in the energy transition

Are stakeholders taking enough measures to support the energy transition and fight global warming?

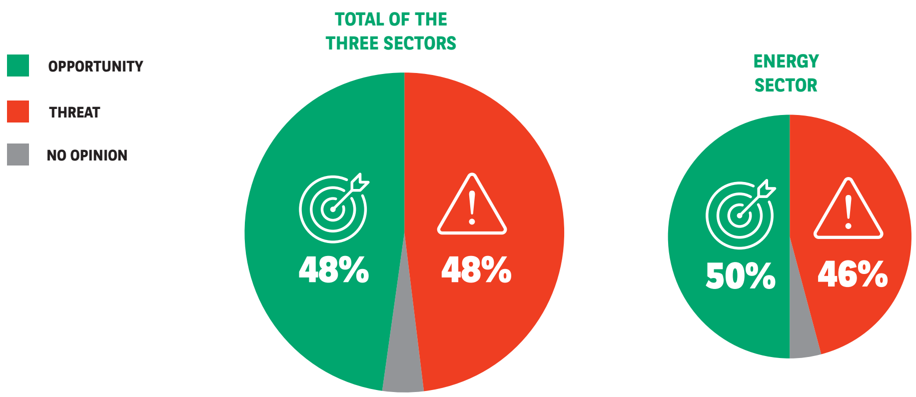
Response of SMEs in the energy sector

Feasibility of the energy transition

DO YOU THINK THE EU'S OBJECTIVE OF REACHING A SHARE OF 42.5% OF RENEWABLE ENERGIES BY 2030 IN THE EUROPEAN ENERGY MIX IS EASILY ACHIEVABLE?



Energy transition: threat or opportunity?



69%

OF SME'S IN THE ENERGY SECTOR ASSUME THE ENERGY TRANSITION WILL OBLIGE THEM TO OFFER SPECIFIC TRAINING FOR STAFF

by **Céleste Allard,** Experts Coordinator, NEST, BNP Paribas

The energy sector is in two minds about the transition

A key player in the ecological and social transition to which Europe is committed, the energy sector is fully aware of its crucial role.

Although the energy sector has always emitted greenhouse gases, it also develops innovations for a carbon-free future. From a social standpoint, we can see the same duality. Because while jobs are disappearing in the fossil fuel industries, new ones are being created in the fields of renewable energies and energy efficiency.

The energy sector's SMEs are therefore faced with numerous challenges: changing business models, constantly evolving regulations, adapting to a new energy market or even energy independence. To meet these challenges, these companies will have to invest more in new technologies and develop the skills they need for the future.

All these changes can be seen in the mindset of the sector's SME managers. When asked about the opportunities offered by the energy transition, 50% were positive, while the other half saw more threats. However, a majority recognise that the entire sector must be involved, from small to large companies. This confirms that the sector is broadly aware of its key role in the energy transition.

Results from the SME sample must be interpreted with caution, considering the margin of error: for a sample of 400, the margin of error is 1 to 5 points depending on the proportion observed. Results therefore indicate observable trends. Differences between sectors should not be analysed in absolute terms.

Upskilling the workforce to leave no one behind in the transition

by **Sébastien Soleille,**
Global Head of Energy Transition
and Environment, BNP Paribas

A paradigm shift is required in the energy sector: energy sobriety and workforce upskilling are key to achieving the Just Transition.

According to our survey, European individuals view positively some of the impacts of the energy transition, especially in relation to air quality and health (78%) and quality of life and welfare (64%). On the other side, 66% believe it will have more negative than positive impacts on their purchasing power. As far as economic activity is concerned, although a growing share of individuals (53%, up 3 points) think the energy sector is well placed to face the transition, the challenges for companies in this sector should not be underestimated.

It should not come as a surprise that most professionals from energy sector SMEs say their sector has a significant impact on climate change (74%) and they are taking action (57%). But the transition remains a challenge: 84% of respondents among sector professionals think the targets set by the European Union – increasing the share of renewable energy in the EU's overall consumption to 42.5% by 2030 – are difficult to achieve.

"TRAINING NEW WORKERS AND UPSKILLING THE EMPLOYEES OF ENERGY COMPANIES (...) IS A KEY FACTOR IN ENSURING THAT THE TRANSITION WILL BE FAIR."

Views on the impacts of the energy transition on the creation and loss of jobs and sectors are rather balanced. Nonetheless, respondents fear the transition could have more negative impacts than positive ones on economic activity in their sector (62%) and for their company (65%), as well as on employment in their sector (76%) and their company (77%).

This reflects the fact that adapting to the shift in business model is a key challenge, and that upskilling of the workforce is one of its main components: 69% of respondents assume the energy transition will oblige them to offer specific training on the transition or its repercussions for staff.

The interaction of a Just Transition and the energy sector can be considered from different angles:

- For companies in this sector, to what extent will they be able to adapt, train their employees and adjust their business models to seize the opportunities created by the fight against climate change and avoid being left behind on the road to a low-carbon energy system?
- For consumers, both individuals and companies, the key question is how this transition – which is likely to result in scarcer, more expensive energy – can be implemented without putting too much of a burden on more vulnerable populations and companies. If energy bills increase too much, especially for low revenue households, for SMEs and for companies facing competition from countries with less climate constraints and lower energy prices, it could jeopardise the acceptability of the entire transition.

The most efficient way to address this is to rely as much as possible on energy sobriety and energy efficiency, and to seize the opportunities generated.

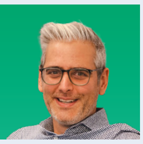
Companies in the sector have to produce more low-carbon energy, in a more decentralised way. They also have to develop new services to help their clients reduce their energy consumption, in order to be more resilient to the challenges raised by the energy transition – for example, cost increases and difficulty in forecasting future energy prices.

This important change to their business models is a driver for energy companies to guide their employees to develop the skills necessary in a new low-carbon energy system. More generally, three in 10 individuals consider that promoting new jobs created by the shift through education is one of the most important measures in achieving a Just Transition.

Training new workers and upskilling the employees of energy companies to enable them to cope with these challenges – energy sobriety, energy efficiency, production of decentralised low-carbon energy – is a key factor in ensuring that the transition will be fair for workers in the sector and their clients, both households and companies.

SMEs must take back control of their energy

by **Dieter Dierickx,**
Senior Green & Cleantech Advisor,
Sustainable Business Competence
Centre, BNP Paribas Fortis



It will be tough to reach the climate objectives, but the energy transition also offers local opportunities.

The world is at a crossroads. We must transition away from fossil fuels to renewable energy sources if we want to avoid the worst impacts of climate change. In Europe, this is translated into three consecutive policy packages: Green Deal, Fit for 55 and REpowerEU. These set the goals respectively for climate neutrality by 2050, an interim target of a 55% reduction in greenhouse gases by 2030 and a short-term plan to tackle the energy crisis.

This last package resulted in a reduced dependency on Russian fossil fuels (down 80% in eight months), a 20% reduction in primary energy demand and an increase in the renewable part of our electricity to 39% in 2022. At the COP28 summit, these policies were confirmed with a simple conclusion: double the rate of energy efficiency improvements and triple the rate of renewable energy capacity increase by 2030.

Energy efficiency requires a significant reduction in the overall primary energy used by our companies. Electrification is a large part of these energy efficiency measures, so Europe will need more electricity, preferably from renewable sources. In the Just Transition Observatory, 65% of SMEs indicate that the transition is not easy to achieve.

In the past, energy was a commodity supplied by a limited number of suppliers; the main impact SMEs had was a pricing strategy on this commodity. Over the past 10 years, however, this has entirely changed. Companies need to consider ways to integrate renewable energy in their energy mix. This ensures a reduction of greenhouse gases, and it fixes part of their energy bill in the long term, significantly reducing cost fluctuations on which they have limited impact.

Some companies are developing these projects themselves, but they can also work with external partners that focus on renewable energy. For example, the BNP Paribas Fortis Sustainable Business Competence Centre works daily with these developers to facilitate the transition for Belgian companies. This ensures that a lot more companies have access to renewable energy in an efficient way, without insourcing all knowledge that is not core to the SMEs.

"THE TRANSITION TOWARDS MORE RENEWABLE ENERGY IS ALSO A CHANGE FROM CENTRAL TO MUCH MORE DECENTRALISED, LOCAL PRODUCTION UNITS."

The transition towards more renewable energy is also a change from central to much more decentralised, local production units. First, these installations are installed by local teams, ensuring economic growth in Europe despite materials often coming from outside Europe.

On the other hand, many more actors are producing electricity, with the excess transferred to the grid. This requires grid operators to adapt to this new reality. They need to facilitate opportunities for new models of cooperation, like energy communities. These models allow many more parties – individuals, companies and governments – to participate in the energy transition without having to invest significant time and money.

Renewable energy installations typically have a high capex cost and limited operational costs. Banks can play a major role in spreading this capex cost over the necessary years. Companies and developers rely on us to ensure bankability of the necessary projects for the energy transition.

#2
The energy and environmental transition is the second biggest concern for SMEs in the energy sector

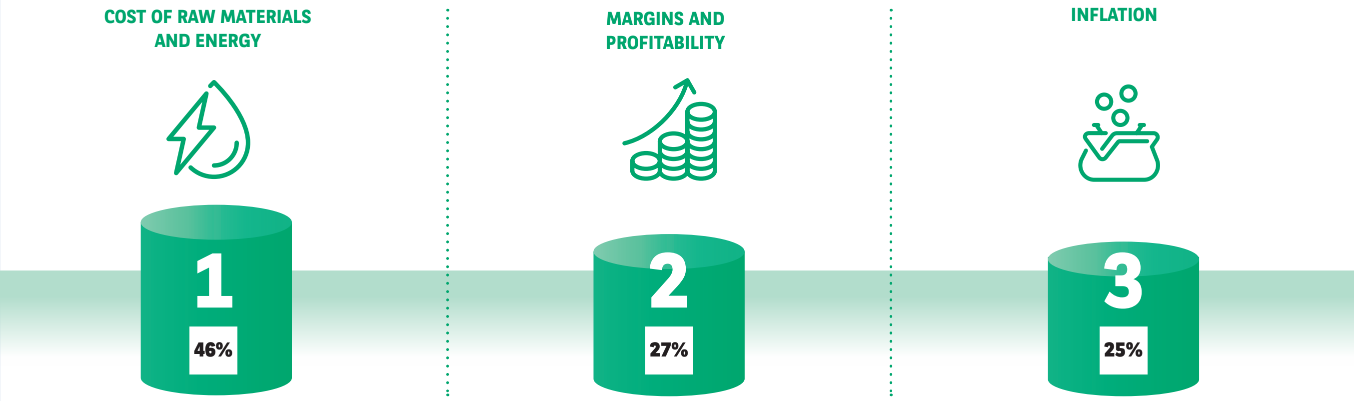
74%
of SMEs in the energy sector believe they have a major impact on global warming

Real estate sees both risks and opportunities

The construction sector predicts new business models, driven by energy renovation and the need to tackle the rising cost of raw materials.

Principle concerns of SMEs in the construction sector

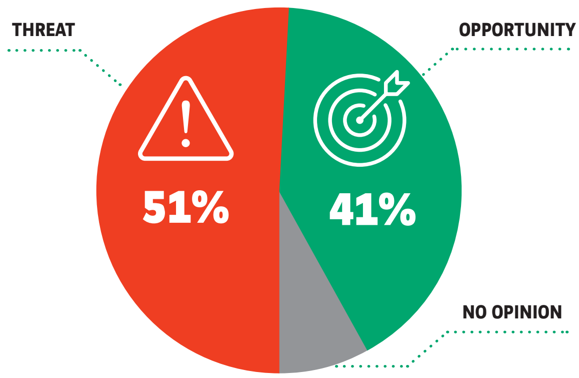
As well as these principle issues, SMEs in the construction/real estate sector cited **8 other concerns**, among them the challenges of recruitment and the increase in interest rates.



Views of SMEs in the construction sector

	THE CURRENT CRISIS WILL LAST FOR SEVERAL YEARS	ENERGY RENOVATION IS A GROWTH OPPORTUNITY	CURRENT ENERGY EFFICIENCY STANDARDS ARE EASY TO COMPLY WITH
agree	58%	53%	42%
disagree	38%	42%	54%

Energy transition: threat or opportunity?



by **Gisèle Lavelette,** ESG Analyst, CSR Group

The opportunities of energy renovation

The Just Transition is at the heart of the challenges for energy renovation of buildings, but it is also a source of opportunities for stakeholders in the whole real estate sector.

The real estate sector is today responsible for around a third of greenhouse gas emissions at European level. According to ADEME, 7.2 million French homes are currently poorly insulated, affecting 12 million people. Some studies have even demonstrated a link between the poverty of households and the least energy efficient buildings.

There are many challenges. There must be an accelerated renovation of the overall housing stock, while focusing on homes that are the least energy efficient. It is also crucial to develop a network of advisors and qualified professionals to meet the needs of individuals for whom the lack of information or keys to implementation are often sticking points.

Another major issue is the cost of the works: grants and subsidies aim to reduce out-of-pocket expenses for low-income households, which is one of the main hurdles to renovating homes. To combine the social and ecological impacts, schemes encourage complete renovations, and these are the most efficient.

Results from the SME sample must be interpreted with caution, considering the margin of error: for a sample of 400, the margin of error is 1 to 5 points depending on the proportion observed. Results therefore indicate observable trends. Differences between sectors should not be analysed in absolute terms.

The Just Transition, a challenge for real estate

by **Séverine Chapus,** Deputy CEO of Property Development at BNP Paribas Real Estate in charge of Development

The need to protect our resources, to renovate properties rather than demolish them, as well as the goal of halting human encroachment in natural areas, will drive genuine changes to development models in order to limit society's footprint. The value chain for real estate is evolving, so property companies and promoters must reinvent themselves!

The models set up 50 years ago unleashed our capacity to rebuild urban areas and to meet the needs of their inhabitants. Nowadays, the models promoted by green finance should enable us to assess the environmental and social value of assets. Fortunately, we can call on an excellent French ecosystem of architects, technical engineers, financial engineers, and so on.

Building materials must be reconsidered in the transition to a more sustainable lifecycle for real estate. The transition highlights the benefits of trucking wood from northern Europe and underscores those of harnessing low-carbon concrete from local re-use sources. Digitalisation will also play a role in encouraging the creation of banks of certified construction materials, facilitating their reuse.

This transition will only be seen as 'just' if the most vulnerable people receive support. One lever for the energy transition is banning the rental of 'heat sieves', i.e. homes that leak heat. However, this ban must avoid two pitfalls: excluding a substantial share of the housing stock from the rental market, and penalising low-income households that own homes with very poor EPD (Energy Performance Diagnostics) ratings. This must be simplified and adapted.

Homes are thus a key challenge in the Just Transition and many points must be considered:

- The basic social and environmental challenge of an affordable and quality housing supply, in catchment areas, and proximity to public transport;
- The opportunity to restore a strong link between employment and housing, to boost the attractiveness of territories and to focus especially on active youth;
- The development of new solutions at the interface of rental and purchase, for individuals and institutional investors.

Faced with rising energy prices and higher interest rates, everyone is seeking low-cost solutions. Grants and subsidies are available. One of the main challenges is to ensure they are targeted at low-income households. This means communicating widely about the schemes available, particularly banking schemes, and mobilising the entire energy improvement sector to complete the work, both quickly and efficiently.

Rent-to-buy housing project brings green and social benefits

by **Tine Bourgeois,**
Head of Sustainable Business CPBS,
BNP Paribas Fortis Belgium

Launched in 2023, HappyNest enables people on lower incomes to buy energy-efficient, new-build homes. This 'rent now, buy later' initiative has been hugely successful, attracting thousands of candidates, and is now expanding from the Flemish region to the rest of Belgium.

HappyNest is backed by BNP Paribas Fortis and Matexi, leaders on the Belgian market in mortgages and property development respectively. A potential buyer rents a new-build house or apartment under a 3-6-9 rental contract and at the market price. In years five and six, this agreement enables the renter to buy their home if they wish, with 50% of the previous four years' rent deducted from the purchase price.

This innovative solution is aimed at people struggling to find the 20% deposit required for a mortgage. Through HappyNest, they can get onto the sustainable housing property ladder, in line with the bank's 'Ready for your world' strategy.

The project was sparked by three key triggers. First, a new Flemish regulation that obliges people buying or inheriting a property with a low energy efficiency performance rating to upgrade it within five years. The other two triggers are finance-related: rising energy costs and high interest rates on mortgages, which in 2023 led to a 30% fall in the number of mortgages taken out in Belgium.

All 50 HappyNest homes have been rented. In the last six months, 3,000 candidates expressed an interest in the project – mostly young people starting their career with a modest salary, single-income families or older people rebuilding their lives after changes in their personal or professional life.

These positive figures are driving a second phase in 2024, with a scaling up of the project to include Wallonia and Brussels. The goal is to double the number of units built annually, to reach 100. If there is sufficient demand, other construction partners may be invited to join.

In Belgium, only a tiny minority of homes – 1% of houses, 5% of apartments – meet the Paris Agreement's energy performance goals. Up to 600 homes a day would need to be renovated every day for 26 years to catch up.

HappyNest is a small step on this path. The project, which can be copied anywhere, helps people with limited capital to buy a new-build home that is very energy efficient. It thus ties in with the 'E' and 'S' of ESG metrics – environment and social – a vital concept for all future investments.

Farmers are increasingly concerned

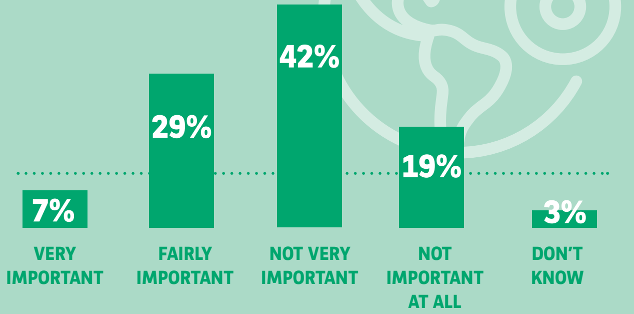
Companies in the agriculture, forestry and fishing sectors are concerned about the impact on profitability, but they see opportunities for new business models.

Main concerns of the SMEs in the agricultural sector

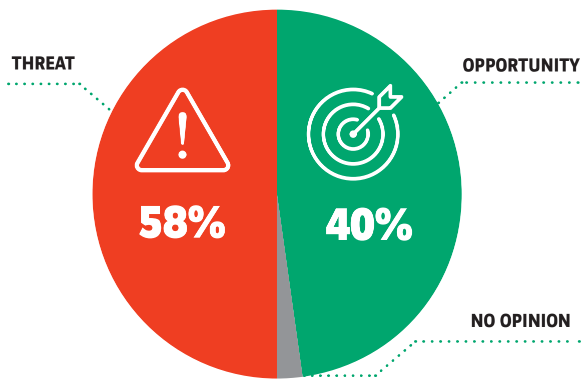
To explain these three main concerns, agricultural and food industry SMEs also cited **8 other concerns**, among them the increase in interest rates and taxes.

Perception of the impact of the agricultural sector on global warming

Responses of the 102 SMEs in the agricultural, forestry and fishing sector, from six European countries



Energy transition: threat or opportunity?



by **Sarah Colombie,** ESG Analyst, CSR Group

Giving a future back to agriculture

A key link in a carbon-free society, the agricultural sector is equally worried about climate change and the transition.

Based on a survey done with around a hundred SMEs from parts of the agriculture, forestry and fishing sector, these results highlight the importance of raw materials for the agricultural sector.

Fears about standards and rules are unsurprising for a sector that is administered at European level. The sector does not think it is directly responsible for global warming (insignificant impact for 61% of respondents), despite representing 20% of the global emissions of greenhouse gases. It is also the main sector affected by climate change. So if there is to be a Just Transition, it is essential to improve agriculture's resilience to climate hazards.

Furthermore, the vast majority (58%) of agricultural companies surveyed view the energy transition as a threat, underlining how they are more pessimistic than other sectors. Yet agriculture as a whole is a source of solutions, thanks to its capacity to store carbon (soil, plants), to improve biodiversity and to produce renewable energy (biomass and solar panels): these all represent business and transition opportunities.

Results from the SME sample must be interpreted with caution, considering the margin of error: for a sample of 400, the margin of error is 1 to 5 points depending on the proportion observed. Results therefore indicate observable trends. Differences between sectors should not be analysed in absolute terms.

Helping farmers to reach climate goals

by **Suzanne Gorge,**
Deputy Managing Director at
Terra Nova

Amid the complex and globalised landscape of modern agriculture, farmers and agri-food SMEs have a key role to play. But financial support is vital, given the economic challenges posed by the transition.

Farmers and agri-food SMEs have always been closely linked, as they work together in the same economic framework. They guarantee the production and accessibility of food, and contribute to food sovereignty. However, farmers and SMEs today find themselves at a crossroads. They are pressured by sometimes contradictory obligations, with ever-stricter ecological requirements versus consumers that have less purchasing power.

In recent months, farmers' protests have increased across Europe at large. They have focused on a range of demands: more pay, value sharing, free-trade agreements, cutting red tape, and taxation, etc. Over the last 18 months, 16 EU countries have seen at least one farmers' protest. The reasons for these actions differ by country. In most cases, the demands go far beyond environmental issues and the implementation of the new Common Agricultural Policy (CAP). The heterogeneous nature of the demands underscores the diversity of farming models, farmers' economic situations, and the disparities among areas of production – both in France and Europe as a whole.

Although their demands are varied, farmers are well aware they must change the way they work. Facing a loss of soil fertility and water stress in more and more regions, European agriculture will have to adapt if it is to safeguard its future in the medium and long term. The rise in climatic hazards and soil erosion are already causing a drop in production. In France, cereals production dropped significantly in 2022 (-10.5%) compared to 2021, while that of maize (a plant that needs a lot of water in the summer months and is widely used in animal feed) is at its lowest level for over 30 years.

If Europe is to become carbon-neutral by 2050, European agriculture will have to be decarbonised, because today it generates close to 12% of Europe's greenhouse gases. We need to introduce sustainable agricultural practices, reduce the use of pesticides and synthetic fertilisers, and promote access to agroclimatic knowledge. This will involve developing agroclimatic methods and services tailored to the needs of each agricultural sector. To ensure that this transition is accepted, it will be essential to combine ecological resilience with value creation for farmers. This transition will have to take into account the needs of farmers, who are usually the stakeholders under the most pressure in the food value chain, as well as those of consumers and our planet. Every part of the value chain will have to be involved (production, transformation, distribution, consumption, and transport). Farming SMEs are often well placed to lead this transition, thanks to their scale and proximity to local players.

More broadly, the agricultural transition will require a reassessment of business models and supply chains. It poses significant economic challenges for agricultural SMEs and farmers alike. The initial costs associated with implementing these practices can be high, depending on the needs and challenges of different regions, production areas and supply chains. Yet farms in France have a high debt ratio, thus limiting their investment capacity. The solution will involve developing new sectors and funding infrastructures, albeit at a time when yields may fall or income could be reduced in the short term (as happens with organic farming).

"AGRICULTURAL TRANSITION WILL MEAN REASSESSING BUSINESS MODELS AND SUPPLY CHAINS."

The farmers alone will not be able to finance such investments. Given that 45% of farmers will cease working by 2026, we need to support those setting up new businesses through subsidies, tax credits and other forms of financial support. This will allow them to invest in sustainable technologies and practices, while ensuring the long-term economic viability of farms. Generational renewal is an opportunity to accelerate the ecological transition.

Supporting change in the agri-food model

by **Michal Siwek,**
Head of Decarbonization & Biodiversity Product,
BNP Paribas Poland

The stakeholders in agri-food systems are unaware of their overall impact, and do not get enough support.

Food production is a significant contributor to global warming and progressive climate change. According to the latest data from the Intergovernmental Panel on Climate Change, food systems are responsible for approximately 30% of global greenhouse gas emissions from human activities. More than 60% of these emissions are related to primary production, particularly animal husbandry and land use change. If we do not change the model of food production and distribution to a more sustainable or even zero-carbon model, disaster awaits us.

The current geopolitical situation, rapid climate change and environmental degradation make undisturbed access to good quality but competitively priced raw materials, as well as diversification of energy sources, crucial for SME agri-food companies. Both factors have a direct impact on the profitability of these companies. It should be clear that companies that can already manage them will increase their competitiveness in the market.

Why is this not happening? Most players in the food systems value chain argue that their business does not have an impact on global warming and that only global food producers should be taking action in this direction. They insist that their sector is too heavily burdened with the need for environmental transformation through regulatory, market and financial pressures. They forget about their value chain, which can account for up to 97% of emissions.

Food producers along the chain, including SMEs, point to insufficient public support in the form of repayable and non-repayable instruments for transformational investments, or indeed for changing their business model. They feel similarly about financial institutions, which do not offer much in the way of dedicated and tailor-made financial products and non-financial services to support transformation activities.

The European Commission stresses that its subsidy scheme, planned as part of the European Green Deal, can only initiate change, but it is the financial market that has the instruments to sustain it so it becomes the new economic order. It's our responsibility to seize this opportunity!

Responsible transition to a green and digital agriculture

by **Claire Murat,**
Head of Agriculture and Construction Market,
BNP Paribas Leasing Solution

The world of agriculture is undergoing a digital revolution. Farm machinery manufacturers are no longer solely focused on building the sturdiest tractors; they're creating a connected ecosystem for optimal production.

Digital farming takes precision farming to the next level, using connected systems and data-driven insights to optimise production processes. Machinery is designed to seamlessly integrate with a farm's digital infrastructure, allowing for real-time monitoring and adjustments.

However, the transition to a high-tech future can't ignore the existing fleet of reliable, combustion-engine powered machinery. These machines have a long lifespan, so any shift to new engine technologies and energy sources needs to consider these assets. While advancements in electric tractors, bio-methane tractors and even vineyard robots are promising, a single solution isn't likely to replace everything. The high cost of new technologies is another hurdle.

The answer lies in exploring alternative fuels and energy-efficient solutions that can be integrated into existing fleets. This move towards a smart, connected and flexible agricultural industry requires innovative financial solutions.

BNP Paribas Leasing Solutions facilitates this transformation by offering:

- asset financing that helps farmers invest in the latest connected technologies;
- flexible options like operating leases, which ensure producer or owner responsibility of the asset for the duration of its economic lifecycle, in line with the principles of the circular economy;
- usage-based leasing that caters to the seasonality of the agricultural sector.

Furthermore, new business models are needed to ensure farmers adopting sustainable practices like carbon farming – a set of land management practices to sequestrate carbon in the soil – receive fair compensation. Incentives, research and support programmes are crucial to encourage early adopters and ease the transition period. Governments play a vital role by providing long-term strategies with clear targets and incentives that guide farmers towards the most effective CO_2-friendly technologies.

Ultimately, farmers require long-term investment plans that consider both their machinery and compatible implements. They can't be expected to adopt every new technology at once. By embracing a collaborative approach, machinery manufacturers, financial institutions and governments can work together to build a sustainable and prosperous future for agriculture.

Views of the European federations

The adoption of the Energy Performance of Buildings Directive (EPBD)

by **Vince Harney,** Chief Executive Officer Anisorian Ltd

As part of the EU's energy and climate goals, the EPBD aims to ensure a fully decarbonised building stock by 2050. The success of its 2023 revision will hinge largely on funding, provided by individual member states and/or the EU, to retrofit existing and older buildings.

First published in 2002, the revised directive sets out clear steps to fight climate change and meet the Fit for 55 package's targets:

- A new definition of zero emission buildings (ZEB) to replace nearly zero emission buildings.
- Member states' National Building Renovation Plans to deliver set targets for renovation by 2030, 2040 and 2050.
- Calculation of Life cycle Global Warming Potential for all new builds from 2030 and large buildings (more than 2,000 m²) from 2027.

The new EPBD sets out mandatory minimum energy performance standards, renovation passports (plans for deep renovations over a longer period) and phasing out of fossil fuelled stand-alone boilers. New builds must be solar-ready, with a focus on renovation of the worst-performing buildings to decrease average primary energy use.

Significant funds must come from member states, which must finance measures to incentivise renovations to fight poverty and reduce energy bills. Another goal is to target the most vulnerable customers and worst-performing buildings, in which a higher share of energy-poor households live. The EPBD has strict time challenges. All new builds must be ZEB by 2030, only six years away. Member states must also ensure the directive passes into national law and applicable building regulations.

A Just Transition for European farmers and agri-cooperatives

by **Patrick Pagani,** Deputy Secretary General, Copa Cogeca

People who work the land must battle with climate change's negative impacts on their crops, livestock and trees. Supported by a competitive cooperative model and the right EU policy for the sector, farmers can cultivate a brighter and more productive future – one that is also more sustainable for our fields and forests.

Agriculture and forestry have traditionally served as the cornerstone of the European project, because of their strategic significance. Our sectors, the world's largest exporters of food and agricultural goods, produce a wide range of commodities essential to all and are key players in ensuring food security for 450 million EU citizens.

This strategic role must be constantly borne in mind, particularly in the years ahead, as the challenges become more numerous for the entire European agricultural sector.

In all parts of Europe, the effects of extreme climatic events and geopolitical tensions are having immediate consequences on our rural communities and our sector's ability to provide society with affordable commodities.

Farmers are the first to feel the consequences of extreme weather events, while contributing to the green transition and implementing it on the ground. Furthermore, we actively engage in climate-smart and sustainable agriculture, as well as forestry initiatives across our regions.

A Just Transition is a transition that sees farmers as part of the solution and not as the problem. It is a transition that allows our farmers, forest owners and agri-cooperatives to have stability, visibility and predictability, so that they will be able to look to the future with confidence.

This can be achieved by using all the policy tools available at EU level, to make sure that the pace of change is sufficient but not overly disruptive for the farming community. We need a fair transition, in which sustainability can be improved. However, this must be done in a manner that strikes a balance between the economic, environmental and social dimensions. And in a way that does not leave anyone behind – especially farmers.

With the support of investment and innovation, we are providers of solutions by developing a climate-smart and sustainable agriculture. When it comes to achieving the EU's ambitious objectives, the agriculture and forestry sectors clearly are – and will be – indispensable partners.

We are committed to contributing to the goal of EU climate neutrality by 2050. This will be achieved by reducing our emissions and producing biofuels, bioenergy and bio-based materials. It will also mean increasing the carbon sink that agriculture and forestry can represent, by optimising the CO_2 absorption of ecosystems while replacing fossil fuels. Nevertheless, the production of food, including feed, remains a central factor, as per Article 2 (b) of the 2015 Paris Agreement.

Key to ensuring the transition is a competitive cooperative model. This should be aimed at improving the bargaining power of farmers in the food supply chain, facilitating joint investments to allow farmers to obtain more added value for their products, and encouraging farmers' economic, social and environmental sustainability. Our productive autonomy and the transition to a climate-neutral Europe must be the EU's strategic compass.

Supporting and financing the Just Transition

Public and private initiatives: every player must be involved in financing the fight against both climate change and social inequalities.

EU initiatives on Just Transition are a catalyst for further action

by **Wilfried Remans,**
Senior Manager European Public Affairs, DAI, BNP Paribas

A regional and social approach to sharing expertise aims to ensure that nobody is left behind in the EU's shift away from fossil fuels.

When the EU launched the European Green Deal at the end of 2019, it integrated an approach to dealing with the social consequences of the transition to become the first climate neutral continent. The Just Transition Mechanism was created to mobilise planning, technical and financial resources to address the social and economic effects of the transition, focusing on the most affected regions, industries and workers. No person or region is to be left behind.

Across the EU, regions have been identified that are dependent on fossil fuel sourcing – like coal and lignite mining – and on heavy industries depending on fossil fuel-based energy, like steel and cement. These regions can introduce reconversion projects for financing by the Just Transition Fund: consider the Greenwise Campus in the former Dutch gas fields investing in infrastructure, innovation and education; the H2Labs studying the acceleration of green hydrogen in the steel and mining region of the north of Sweden; or Poland's Katowice initiative to create a publicly accessible information platform on post-industrial and degraded sites.

The transition is not only about financing but also about sharing expertise and creating an eco-system of communities that face similar but different challenges. That is why the European Commission created the Just Transition Platform, which brings together dedicated working groups such as young people from the affected regions, provides a list of experts and technical assistance via a help desk, and unites the people involved in rolling out these transformational projects. In April, the Commission hosted the ninth Just Transition Platform Conference.

In addition to this regional approach, the EU launched the Social Climate Fund to make renovation and mobility feasible for the most vulnerable. Based on €65 billion from the EU Emissions Trading System, member states can introduce plans by June 2025 to directly support the most affected vulnerable groups, such as households in energy or transport poverty.

The work is far from done, but the experience in these priority sectors and regions might become a blueprint for other sectors in transition. The ground has been prepared to further integrate the Just Transition in the next EU mandate. At the request of the Belgian presidency of the Council of the EU, a report from the European Economic and Social Committee was published at the end of 2023 listing 70 policy proposals to enable a more social European Green Deal, including proposals for enterprises to become competitive in a fair way, and to become sustainable, stronger and more resilient.

Sustainable financing puts the most vulnerable at the forefront

by **Claudia Belli,** Head of Inclusive Finance & Relations with Civil Society, Group Company Engagement, BNP Paribas, **Alexandre Nayme**, Head of Inclusive Finance Europe & Africa, Group Company Engagement, BNP Paribas and **Davide Forcella**, Director of the JuST Institute

In recent years, there has been a remarkable surge in sustainable finance, reflecting a growing recognition of the urgent need to address climate change, social inequalities and biodiversity loss.

Global sustainable finance product issuance reached $717 billion in the first half of 2023*. Innovative instruments such as Inclusive & Sustainability-Linked Financing (ISLF+) have emerged as powerful tools for driving the transition towards a more just economy and society.

ISLF+ is a ground-breaking approach to financing, blending traditional financial products with incentives for environmental sustainability and social inclusion. It is designed to support financial institutions and corporations on their sustainability journey by integrating both financial and non-financial performance targets into financing arrangements.

In practice, ISLF+ operates similarly to sustainability-linked loans (SLLs). Notable distinctions are their transformative capacity, thanks to financing bundled with technical assistance, and their Just Transition focus in the selection of KPIs. Co-developed by BNP Paribas and the JuST Institute, ISLF+ has initially been used by inclusive finance service providers working with microbusinesses and rural communities. JuST Institute plays a pivotal role in structuring non-financial aspects of the deal and helping to deliver technical assistance, while both parties are working to extend this innovative product to corporates.

By integrating considerations of climate, biodiversity and inclusivity into financial decision-making, ISLF+ contributes to building resilience to climate change and biodiversity loss for the most vulnerable, driving positive change and creating value for stakeholders at every level.

* ING, Big swings in 2023, but global sustainable finance remains in rude health.

International climate commitments and the Just Transition

If the climate commitments are to be acted on, we need to roll out inclusive policies and support vulnerable populations.

Time to capitalise on the climate commitments

by **Dina Kasrawi,**
BNP Paribas Head of Company Engagement, MEA

COP28 made significant progress on the Just Transition, including the commitment to shift away from fossil fuels, to triple renewables and double energy efficiency by 2030, and to implement the Loss and Damage Fund. However, significant gaps in the adaptation agenda and on finance remain.

The Just Transition was boosted by the last UN Climate Change Conference, which adopted the UNFCCC Just Transition Work Programme (JTWP). Its aim is to accelerate climate action in line with the Paris Agreement and greenhouse gas emissions targets. The work of the JTWP should connect international cooperation to local realities by facilitating the development of national pathways that highlight priority actions to address the social opportunities and risks.

Both the public and private sectors must ensure the JTWP delivers positive outcomes, especially the creation of decent work, helped by social dialogue and protection.

Everyone on board

If 'no one is to be left behind', the private and public sectors must plan ahead, and engage with communities to develop solutions to identified potential impacts. Also essential are inclusive policies and investing in developing communities.

Investment in upskilling and reskilling programmes will mitigate job losses and empower more people to work in the renewable energy and other green industries. By linking these programmes to schools and institutions of technical and higher learning, labour market newcomers can acquire the right skills for target industries.

These initiatives alone will not suffice. People facing economic hardship during the transition will still need income support and social protection. Governments, policymakers and international organisations must monitor the labour market, to spot emerging trends and adjust their transition strategies accordingly.

Financing gap

COP28 helped to identify the large funding gap, while seeking and getting commitments from countries to meet their climate and Just Transition goals. An estimated $110 trillion is required by 2050 to fund the energy transition – an annual average investment of $3.5 trillion.

At the summit, more than $57 billion was mobilised for the Green Climate Fund and many countries committed to support climate financing. The UAE pledged $30 billion to a new fund for climate-friendly projects around the world, with $5 billion for the Global South. Multilateral development banks committed to provide over $180 billion in additional climate financing, through multi-year programmes.

The World Bank Group pledged to align all its financing operations with the Paris Agreement goals in its Climate Change Action Plan 2021-2025. To enhance resilience to shocks, strategies must include wider use of climate-resilient debt clauses, debt for climate swaps, sustainability-linked loans and rechannelling of voluntary IMF Special Drawing Rights.

COP28 again confirmed that carbon credits and voluntary carbon markets are a vital tool to finance the transition and support nature-based solutions.

The Just Transition relies on several global mechanisms, like the EU's Just Transition Mechanism. This key tool provides targeted support to help mobilise around €55 billion from 2021-2027, including a Just Transition Fund, a new Public Sector Loan Facility and the InvestEU Just Transition scheme. A Social Climate Fund is also on the cards. The African Development Bank has the Just Transition Initiative to address these topics in an African context.

The transition must address the urgent need for climate adaptation in the most vulnerable communities, and acknowledge that this transition could increase inequalities, even in developed markets. An equitable transition should enable communities to participate, supported by education and awareness-raising.

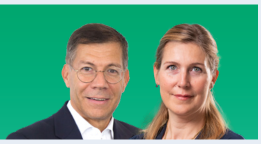
The transition will not happen unless it is fair.

Cooperation is key for a Just Transition for energy

Private and public stakeholders must cooperate, to ensure that nobody is left behind in the shift to a carbon-free world.

Partnerships at the heart of the Just Transition

by **Antoine Sire,** Global Head of Company Engagement, BNP Paribas and **Julia Maris**, CSO, ENGIE



Both key players in the transition, ENGIE and BNP Paribas rely on their whole ecosystem to accelerate the ecological transition, while supporting social inclusion so nobody is left behind.

How would you define the Just Transition for your company?
Julia Maris: ENGIE's policy for a Just Transition stems from our belief that transitioning to a lower carbon and more sustainable economy must be done in a way that is fair for all stakeholders. Like all companies, ENGIE has a role to play in its core businesses, specifically by putting into practice the mission it adopted in 2021.

Antoine Sire: As a bank, BNP Paribas obviously has a social role, since our business is about collecting the savings of one group of people to finance the projects of others. We have strengthened this social role in recent years by acquiring Nickel, a start-up that offers a range of banking services with no means testing. Not surprisingly, climate criteria have become increasingly important over the last decade. Initially, this mainly revolved around our financing activities for large companies. To accelerate decarbonisation, these climate criteria must now also be accounted for in all our activities and those of our clients. The challenge is to assist them with their sustainability efforts, while striving to include a social dimension in the sustainable finance instruments that we offer them.

> "AS A BANK, BNP PARIBAS OBVIOUSLY HAS A SOCIAL ROLE, SINCE OUR BUSINESS IS ABOUT COLLECTING THE SAVINGS OF ONE GROUP OF PEOPLE TO FINANCE THE PROJECTS OF OTHERS."
>
> ANTOINE SIRE

How do you take into account the challenges of the Just Transition in your activities?
JM: Thanks to an ongoing dialogue with our stakeholders, we understand their concerns and challenges. For our clients and regions, this means providing them with energy that is affordable and increasingly decarbonised. So we offer them the services and advice to help them to control their consumption and we are developing renewable energies, which made up 41% of our energy mix at the end of 2023.

For our suppliers, we have an inclusive purchasing policy, in compliance with the criteria for labour and human rights. As far as our employees are concerned, the transformation in our business must not leave anyone behind. In Chile, for example, with a view to exiting coal, we will convert a production facility in Mejillones to use gas and we will build a storage site based on batteries in Tocopilla: these will offer solutions for both the employees and local regions. We have offered training courses on renewable energies to people working throughout the value chain in Tocopilla. We have also made funds available to support the retraining, after a study by the Observatorio Laboral d'Antofagasta, as well as discussions we had, particularly with public authorities and unions.

AS: The Just Transition is important for BNP Paribas in two ways, in line with its role as a financier. First, as we move towards becoming a carbon-neutral company, new needs are emerging. For instance, our company may have to finance a decarbonisation-related project or an individual may wish to invest in the transition. Second, this transition creates a framework and new regulatory obligations, which financially affect our clients.

We must therefore develop new service approaches to fund clients' new requirements. At the same time, we must help them to comply with this fast-changing world of rules and practices. We must also foster a fair transition, by ensuring our commercial strategies lead to projects that have a positive impact on decarbonisation. So we must work with partners to reach everyone, especially the most vulnerable.

You both talk about partnerships. Are they essential for a Just Transition?
JM: Partnerships are certainly a vital element. No player can do a Just Transition alone, so the whole economic and social ecosystem has to be harnessed. Besides our dialogue with stakeholders, we participate in the work of many associations, at the national level (EpE and Orée) and internationally, e.g. WBCSD. Moreover, through Bureau Veritas, we have a SET label for our sustainable projects: the aim is to tackle the challenges for the regions, nature and climate.

READ THE FULL 2023 REPORT HERE

AS: Cooperation is at the centre of the Just Transition. For instance, we form partnerships with microfinance institutions, who are key players for empowering vulnerable people in Europe as well as in developing countries. With the Just Institute, we have developed an innovative financing mechanism for the sustainable transition, targeting microfinance institutions: Inclusive & Sustainability-Linked Financing (see page 28).

> "COOPERATION IS AT THE CENTRE OF THE JUST TRANSITION. FOR INSTANCE, WE FORM PARTNERSHIPS WITH MICROFINANCE INSTITUTIONS, WHO ARE KEY PLAYERS FOR EMPOWERING VULNERABLE PEOPLE IN EUROPE AS WELL AS IN DEVELOPING COUNTRIES."
>
> JULIA MARIS

Elsewhere, companies like ENGIE and others at the heart of the transition are also vital partners, helping us to finance, support and facilitate projects for decarbonisation with individuals and companies. Lastly, public authorities are another key partner, as they can really push the transition and make it more acceptable for everyone, through regulation and different forms of aid.

What advice would you give to other companies that are eager to join the Just Transition?
JM: Each business sector has its own unique characteristics. So I believe that the process must start with a meaningful and sincere dialogue with its stakeholders, taking into account their aspirations, needs and projects. This no doubt means starting with each and every one of us, plus our ability to demonstrate to and convince others that sustainable economic development must ultimately benefit people and the planet.

AS: This is also our vision at BNP Paribas. There must be a dialogue with your stakeholders, in order to understand their needs. It's essential to set clear objectives and develop strategies via robust partnerships to reach them. The idea is also to 'think Just Transition' by default. In other words, to anticipate the social impacts that could arise from the transition, so as to devise mechanisms that will counterbalance these impacts from the very start.

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Colophon

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NEST by BNP PARIBAS

Key financial sector strategies to facilitate a Just Transition

by **Ekaterina Chubarova,** Technical Officer Just Transition Finance and Sustainable Investment, International Labour Organization

Embracing a Just Transition is not only a matter of social responsibility but also a strategic imperative that can help mitigate risks, open business opportunities, and enhance long-term shareholder value.

Financial sector actors can play a key role in making a Just Transition a reality. They have the financial, human and technological, means to support individuals and companies through the transformation.

The sector can enable and support projects aligned with Just Transition goals by allocating capital and providing insurance protection, encouraging environmentally and socially responsible choices, while promoting financial inclusion and empowering affected and vulnerable groups to share the benefits of the climate transition.

Practical steps to put a Just Transition strategy into action

Understand the local transition dynamics, social impacts, risks, and opportunities affecting sectors, clients, investees, and stakeholders along with the social impacts generated by the organizations' portfolio and its climate transition strategy.

Leverage stakeholders' knowledge to develop a holistic strategy that incorporates social aspects of the climate transition and puts people at its heart.

Tailor the product offering to address local challenges, priorities and Just Transition financing needs, while customising green finance and risk management solutions to meet the specific needs of affected and vulnerable groups.

Incorporate relevant social considerations in investment decision making and risk management processes to avoid higher-risk investments, uncover investment opportunities and minimize potential negative social consequences.

Leverage stewardship and engagement activities to encourage the development of 'just' corporate transition strategies, socially and environmentally sustainable practices and meaningful stakeholder consultations by clients, investees, and partners.

Engage in strategic partnerships with like-minded financial institutions and organizations, leveraging collective resources, expertise, and comparative advantages.

To find out more

JUST TRANSITION FINANCE - PATHWAYS FOR BANKING AND INSURANCE
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