

SPECIAL EDITION



BNP PARIBAS

The bank for a changing world

# PERSPECTIVES

Experts' views on the green and social transition

Trimestrial - issue 6 - April 2023

*on Just Transition*

# Leaving no one behind in the energy transition

IN PARTNERSHIP WITH:





## Preface

### JUST TRANSITION, A MORAL AND STRATEGIC DUTY

The energy transition under way calls for unprecedented industrial, technology, societal and environmental transformations. It creates economic opportunities stemming from the development of new low-carbon sectors, and from the major transition investments it will bring. However, this transition will also lead to social risks for people who lack the financial capacity, expertise or information needed to address these risks. It is why, if this transition is to be successful, it must include some form of social justice.

This 'just transition', which lies at the heart of both a broader conversation and this issue of Perspectives, is therefore of key importance to individuals and families. It is also vital for businesses operating in sectors that will have to transform themselves, adapt or disappear. At the same time, other, new industries will develop to support the low-carbon economy. Governments will play a central role in establishing public policies designed to reduce the negative effects of the transition and to boost its positive impact. It is moreover crucial that this happens at an international scale, while also considering the North/South dimension. Developing countries have historically contributed less to global warming. Yet they are often more exposed to its impacts and must also participate in this transition.

Given this context, Perspectives is keen to raise awareness about the just transition by examining definitions of the concept and exploring the different viewpoints held by experts. So, this issue also offers several keys to grasp the transition objectives of European individuals and families and the opportunities open to them to participate in this transition by addressing everyday subjects. It also suggests ways for the various stakeholders to shift from talk to action, while guaranteeing a degree of fairness.

**"WE ARE SURE THAT THE ENERGY  
TRANSITION CAN ONLY SUCCEED  
IF SOCIETY AS A WHOLE IS  
INVOLVED."**

We do not have all the answers, but we are sure that the energy transition can only succeed if society as a whole is involved. As a bank, we obviously have a role to play by responding to the investment needs linked to the transition and by financing just transition measures. By upholding international and regional financial regulations, as well as raising awareness of just transition measures in our daily interactions with our corporate and individual clients, we can be part of

the solution. While the European financial sector already supports the energy transition and the need for social inclusion, it must now bring these two facets together in the form of new products and services for savings, investment and financing.

At this turning point for our planet, embedding the just transition at the heart of corporate strategies is as much a moral duty as it is a strategic necessity.

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



## WALKING A DELICATE TIGHTROPE

**Public aid and government support must target low-income households, to accelerate the transition and include the whole population.**

Achieving carbon neutrality in 2050 will be no easy task. To reach this goal, all economic, social and regional stakeholders will need to work together, while directly involving households and citizens. The entire population must be brought on board starting today, because nothing will happen without a broad consensus and because this goal will affect both our individual and societal choices. The transition must be embedded into all our lives.

Changing your boiler, insulating your home, and purchasing a clean vehicle ... Given the high inflation environment, low-income families will struggle to pay for such investments. Furthermore, these investments like these will require us to re-evaluate our habits and lifestyle. This will especially be the case for households living in areas affected by urban sprawl and those highly reliant on internal combustion vehicles.

It is essential to encourage those with sufficient means to make these investments, while to focus public aid and support on poorer households. Failure to do so would risk creating new tensions in society, as seen with France's Yellow Vest movement, as well as wasting precious time on an already very tight agenda.

In other words, we are walking a delicate tightrope between inaction on the one hand, and hasty and muddled action on the other. If we are to move forward, we must overcome points in order to come up with an environmental policy that is effective, just and inclusive. This is why the survey presented in the current issue of Perspectives is of particular relevance.

Thierry Pech,  
Managing Director  
Terra Nova



## COMBINING EFFICIENCY, JUSTICE AND BALANCE

**Seven in ten Europeans say they are worried by climate change.**

Tackling global warming has emerged as this century's major challenge and will be key to the future of humanity. Few challenges could be harder to overcome or more crucial. Tackling global warming affects our living standards, lifestyles and beliefs, and moreover requires us to change our behaviour, which is the hardest thing to do. This task will be most hazardous for society's most vulnerable, even though they are by far the least responsible by a wide margin. We need to find the right pace in the coming transition; to identify the levers and brakes, and who need to be supported and how; to clarify what societies can accept, what they must be instructed to do and what should be encouraged. In other words, this is a huge task and we will only succeed in accomplishing it if the climate transition is perceived as crucial (a view held by most people) and just (a view held by fewer people).

A challenge on this scale calls for a system capable of listening and analysing at the highest level. The survey on the just transition carried out by BNP Paribas contributes to this type of deeper understanding. We polled 10,000 people in 10 European countries and had them answer a questionnaire with questions covering every aspect of a transition that must be efficient, just and balanced. The key message is that this is an emergency: 70% of Europeans questioned said they worry about climate change and its impacts. 59% answered that they are personally affected in their region. Global warming is also the second-most important personal preoccupation – behind purchasing power, but far ahead of the future of public services, security, immigration, growing inequality or unemployment, etc. We hope you enjoy exploring the results of this rich and varied survey. Occasionally unsettling, it dispels preconsidered ideas and dives deep into issues at stake.

Brice Teinturier,  
Deputy Managing Director  
Ipsos



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# Together for a more just transition

To tackle inequalities created by the transition, all stakeholders must join forces to make it fairer and more inclusive.

## Europeans want a just transition

**Climate change is one of the top preoccupations of Europeans. It is why they are calling for a rapid transition. At the same time, they fear this shift could be divisive for society.**

### The climate emergency is clearly here

At a time when purchasing power has become their main daily concern, Europe's citizens are still fully aware of the climate emergency, and the issue sits in second place on their list of worries. More than two-thirds say they are anxious about climate change.

### Habits are beginning to change ...

Europeans have begun to adopt new habits when it comes to areas like accommodation, mobility and consumption: 79% have reduced their heating usage at home, 64% travel less by car, and 52% say they have cut down on or stopped eating meat. Changes like this are not solely due to the environmental impact of these everyday habits: the economic aspect also plays an important role, especially in a world of soaring energy prices.

### ... despite some hesitations

However, among citizens who have not modified their daily habits, we can see they are hesitant to change their lifestyles. A good example of this is meat consumption: 63% of those who have made no changes are simply unwilling to do so. A third of Europeans (37%) are also highly sceptical about the benefits of the energy transition. They reckon it will lead to more negative effects than

positive ones, in terms of their quality of life and well-being. Could this be because they envisage too many constraints in their lives?

### The risk of an unjust transition

Europeans are very divided on the topic of assessing how much effort they are being asked to make for the energy transition. One-third say they are being asked to do too much, one-third say not enough and one-third are satisfied. This dichotomy also emerges when we look at the categories perceived to be rather 'polluting' and to be doing too little (large companies and wealthy individuals) and those viewed as 'moderately' polluting but more penalised (mainly low-income individuals and SMEs). The risk of the transition creating social inequality is viewed as high, both among people who have to travel by car and those who don't: 69% foresee a risk of inequality there.

### Compulsory solutions are less accepted

If citizens are to be involved in the energy transition, they would like to see more financial incentives, with 76% of respondents considering these as effective. The most restrictive measures, such as taxes, are less popular and are viewed as ineffective by 28% of citizens. This suggests there could be a hostile reaction if such measures were introduced. One number neatly summarises the urgency of leaving nobody behind: more than half of Europeans (55%) fear that the energy transition will further divide society. Hence, it is essential to take into account the vulnerability of certain groups of people, as well as the higher impact they will suffer from.

## A brief history of the just transition concept

A trade union and academic concept implemented by public authorities and businesses.



## Definitions & key challenges

# A fresh look at the transition

We gauged Europeans' views on the energy transition in an exclusive survey. Given the urgency of the issue at stake and respondents' concerns and worries, it is time we start taking the just path.

## Individuals face inequality risks but could benefit socially from a more moderate economy

by **Antoine Sire**,  
Head of Company Engagement  
at BNP Paribas



**The transition comes with opportunities but can also create inequality. Lawmakers and companies must strive to make the transition fairer for citizens.**

For individuals, the just transition mainly relates to everyday matters – our homes (energy renovation), mobility (the shift to electric) and consumption (food, clothes, leisure). This could lead to inequality: the wealthy will be able to fund these individual transitions, while poorer people will lack means to do so. As environmental standards are tightened up, people with lower incomes face the risk of impoverishment, which could foster the emergence of new social conflicts such as the Yellow Vest movement. The just transition also concerns employment, particularly for people working in the most affected sectors such as coal and oil.

However, the just transition also offers opportunities. Investments in renewable energies can create new jobs in booming sectors. The transition to a more sustainable and moderate economy can furthermore drive down energy costs for citizens. It can bring health benefits, by reducing pollution and encouraging a healthy diet and active lifestyle. Lastly, many jobs can be linked to the transformation of our ways of producing and consuming that will have to accompany the transition: the circular economy, environment-friendly and sustainable agriculture, etc.

People can play an active role in developing the just transition. For instance, they can participate in a company's decision-making and in democratic processes, to ensure that measures taken by public authorities or within companies are fair. To maximise the opportunities and minimise the risks, these actors should set up aid and programmes that support training and professional retraining. This will protect workers and guarantee that transition efforts are fairly distributed.

## Are companies doing enough?

by **Cécile Moitry**,  
Chief Sustainability Officer,  
Global Banking EMEA  
at BNP Paribas



**The just transition is still in its infancy, but even at this early stage it is clear that companies can do more to integrate it into their strategies and actions.**

This was one of the conclusions of the World Benchmarking Alliance's pilot [Just Transition Assessment](#). The WBA assessed 180 companies across three sectors – oil and gas companies, electric utilities, and automotive manufacturers – against its own just transition indicators. Five key takeaways were noted:

- 1. The vast majority of high-emitting companies are failing to demonstrate efforts towards a just transition.**
- 2. People most at risk are being left out of decisions that affect their future.**
- 3. Companies must commit to reskilling workers or risk a stranded workforce.**
- 4. Businesses are still not using their influence to protect people, manage social impacts, and advocate for a just transition.**
- 5. A just transition needs to be underpinned by companies' respect for human rights.**

The WBA pointed out that the anticipated consequences of failure to incorporate the just transition are grim and could put the employment of millions of workers at risk.

However, to add some context, the just transition is a fairly new language for most corporates that is not yet fully incorporated into their ambitions and strategies. The good news is that the capacity for adoption is high, and the pace of implementation may prove faster than anticipated, as has been witnessed by the integration of other topics such as net zero.

Greater attention surely needs to be given to the social aspects of the just transition. Recent thematic research by BNP Paribas EXANE highlighted the need for companies to improve the fair treatment of workers, and for their investments in human capital to be central to ESG investments.



## Definitions & key challenges

### Just transition needs the right policies

by Marc Ringel,  
Chairholder at the European Chair for  
Sustainable Development and Climate  
Transition at Sciences Po



**Governments need to establish a proper system to track energy poverty, as the existing indicators are neither harmonised nor sufficiently detailed.**

A key short-term policy action is to implement social safety nets through targeted subsidies and transfers to people living in energy poverty to offset rising energy costs. However, this approach mitigates the consequences of energy poverty rather than addressing its root causes. To do so, governments should encourage measures that reduce energy consumption and lower energy bills such as building insulation and efficient appliances and lighting. In the short to medium term, an increased

investments in renewable energies will lead to an energy generation structure that operates at low marginal costs and is not prone to price spikes due to fuel shortages. This will allow governments to increase the reliability, resilience and cost-effectiveness of energy production.

A bundle of policy measures is needed to support those dependent on coal mining and traditional industries that depend on fossil fuels, including:

- **Diversification programmes for the economy:** governments need to devise transition strategies that encourage workers and businesses to diversify into sectors that do not rely on fossil fuels such as renewable energies and low-emission hydrogen.
- **Education and training programmes for individuals** are needed to develop the skills required in these new sectors and to requalify the workforce.
- **Economic support and dedicated social**

**policies** to alleviate hardships caused by the transition.

- **Engagement with workers, businesses and communities** to ensure that the transition is managed in a way that is equitable and acceptable for all.

Realising a fair climate transition will require significant political trade-offs and calls for hard decisions to be made. Trade-offs may include compromises between economic development and environmental protection, as well as between the interests of various stakeholders. A just transition goes beyond merely phasing out coal while supporting coal regions and the people working in this industry. Shifting away from the internal combustion engine to e-mobility will topple the entire automotive industry and its suppliers. Policymakers will need to balance interests while ensuring a just transition for workers and communities impacted by these changes.

### Moving beyond geopolitical divides

by Thomas Friang,  
Founder & CEO of the Open  
Diplomacy Institute



**The just transition is a highly geopolitical issue because it redefines the boundaries of climate action, the extent of initiatives taken and the appetite for international solidarity.**

Although often limited to national aspects, a just transition should be seen primarily from a global perspective. Since the adoption of the [Kyoto Protocol in 1997](#), a range of commitments have been made between industrialised countries and developing ones. In 2015, the [Paris Agreement](#) established the principle of “common but differentiated responsibility”. This was influenced by the highly varying levels of greenhouse gas emissions around the world. For example, an inhabitant of Qatar

emits on average seven times more greenhouse gases (GHG) than a French citizen, who in turn emits five times more than someone living in India. However, the 10 most exposed countries to climate change, be it economically or on a human scale, are in the Global South. Discussions on compensation for these imbalances stalled for a long time. Last year, the launch of a ‘loss and damage’ fund at the COP27 in Sharm El-Sheikh finally cleared a path for progress. Yet this is just a first step, and negotiations on concrete commitments remain blocked by geopolitical tensions. According to the United Nations, many of the global progress indicators are at a standstill or backsliding due to the Russian aggression in Ukraine and its consequences, which have accentuated the impact of the Covid pandemic. Furthermore, the principle of “common but differentiated responsibility” needs to be updated. The large developing economies from the Kyoto period are now among the

**“THE 10 MOST EXPOSED COUNTRIES TO CLIMATE CHANGE, BE IT ECONOMICALLY OR ON A HUMAN SCALE, ARE IN THE GLOBAL SOUTH.”**

main emitters of GHG, China chief among them. The next key meeting will be the [SDG Summit](#) in September. The slogan of G20's Indian presidency, which sought to avoid a period of war, is inspiring in this respect – “One Earth, One Family, One Future”. We target to see if non-alignment can convince everyone to contribute to peace, which is essential for strong climate ambitions.

## Key results

# Purchasing power and climate change at the heart of Europeans' concerns

Europeans are committed to the fight against global warming, but they worry about the transition's impact on their purchasing power.

## Data collection method and timetable

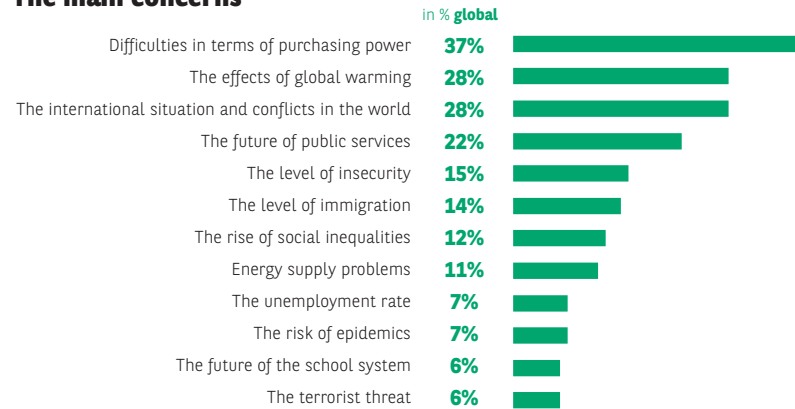
- The respondents were interviewed **over the Internet** by the Ipsos Online Panel
- Field study from **17 February to 16 March 2023**



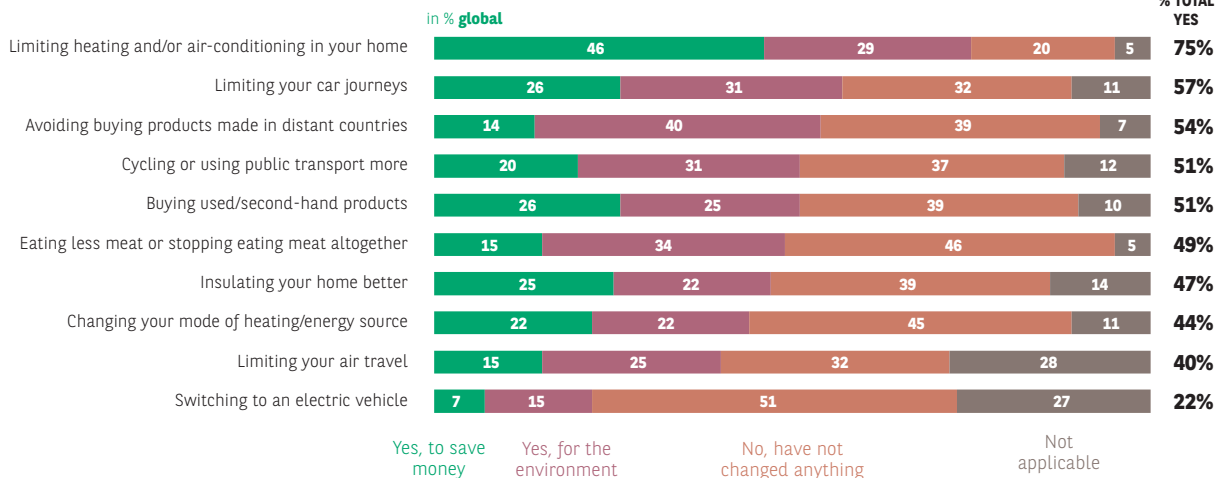
## Sample

- Sample included **9,445 individuals**
- Representative of the population** aged 18 and over, in each of the **10 countries of the scope of the study**

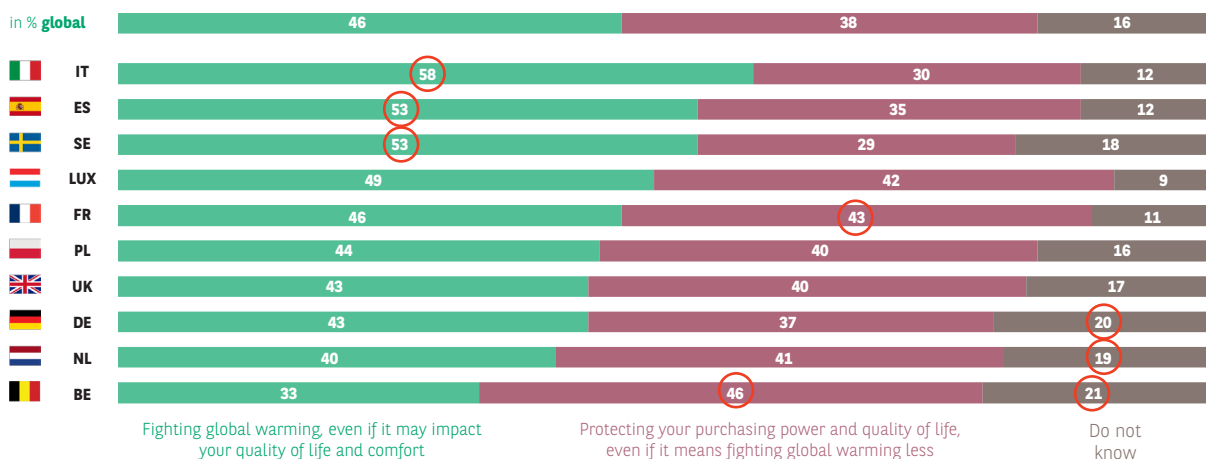
## The main concerns



## Individual actions: the commitment to the fight against climate change



## Global warming vs. Purchasing power: which priority?



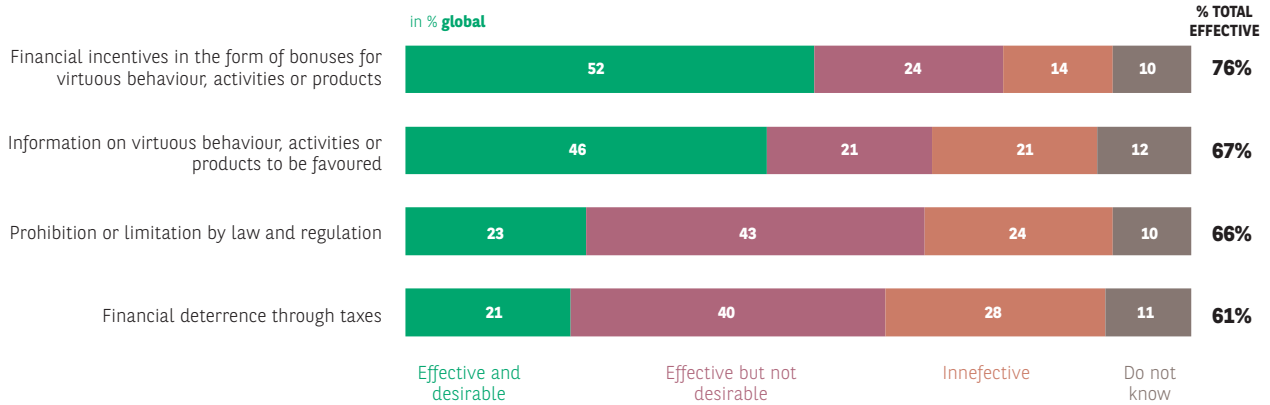


# Key results

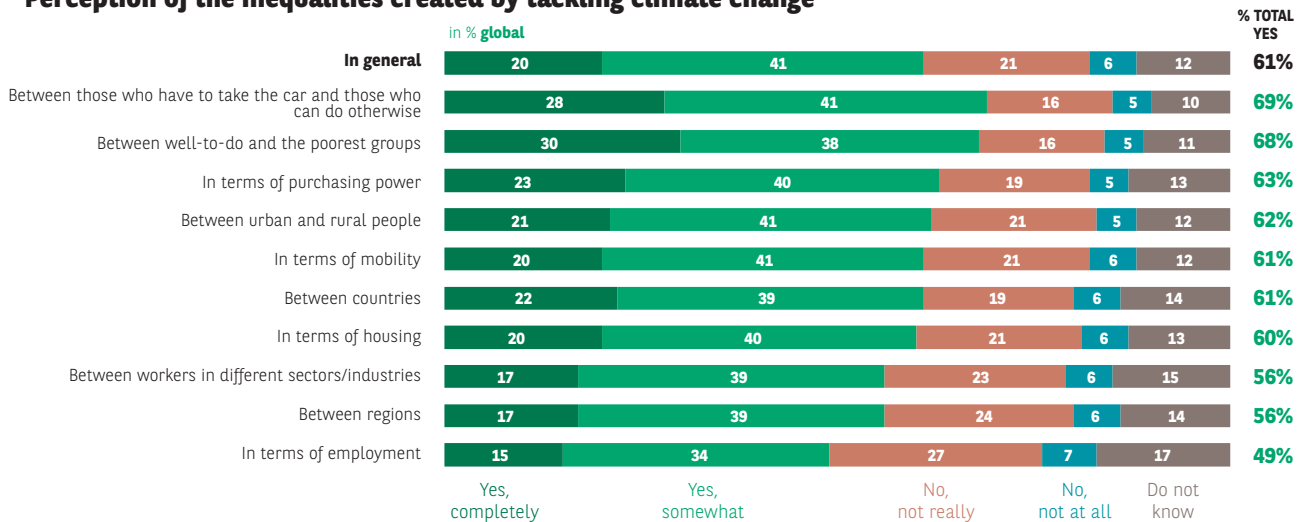
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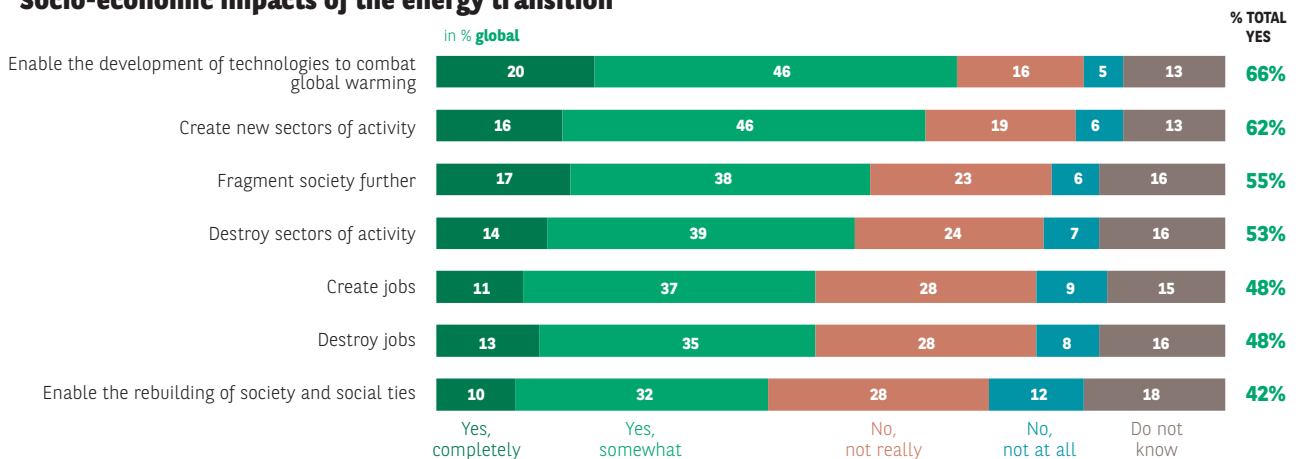
## Effective means to fight global warming



## Perception of the inequalities created by tackling climate change



## Socio-economic impacts of the energy transition



## Individuals

# Part 1: Europeans are seeking support

Citizens are aware of the urgent need for a climate transition, are in favour of financial incentives and would like to see greater fairness in order to fully commit to the transition.



## Young people are worried, but willing to make a bigger effort

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



**Europeans under the age of 35 worry more about the climate emergency than the general population, but their chief concern is purchasing power.**

Purchasing power is the main preoccupation for Europeans under the age of 35, though this is closely followed by tackling global warming. They are more concerned than older generations about the impacts of climate change that they will have to contend with over the coming decades (73% compared with 70%). Young people are also more aware of the environmental cost of our lifestyles – 33% think that they have a high impact on global warming, against 28% for the population as a whole. They also show a clear willingness to change some of their daily habits. More of them (57%, compared to an average of 52%) say they have cut down their meat consumption or no longer eat meat. More of them also report riding a bicycle or using public transport, particularly for environmental reasons.

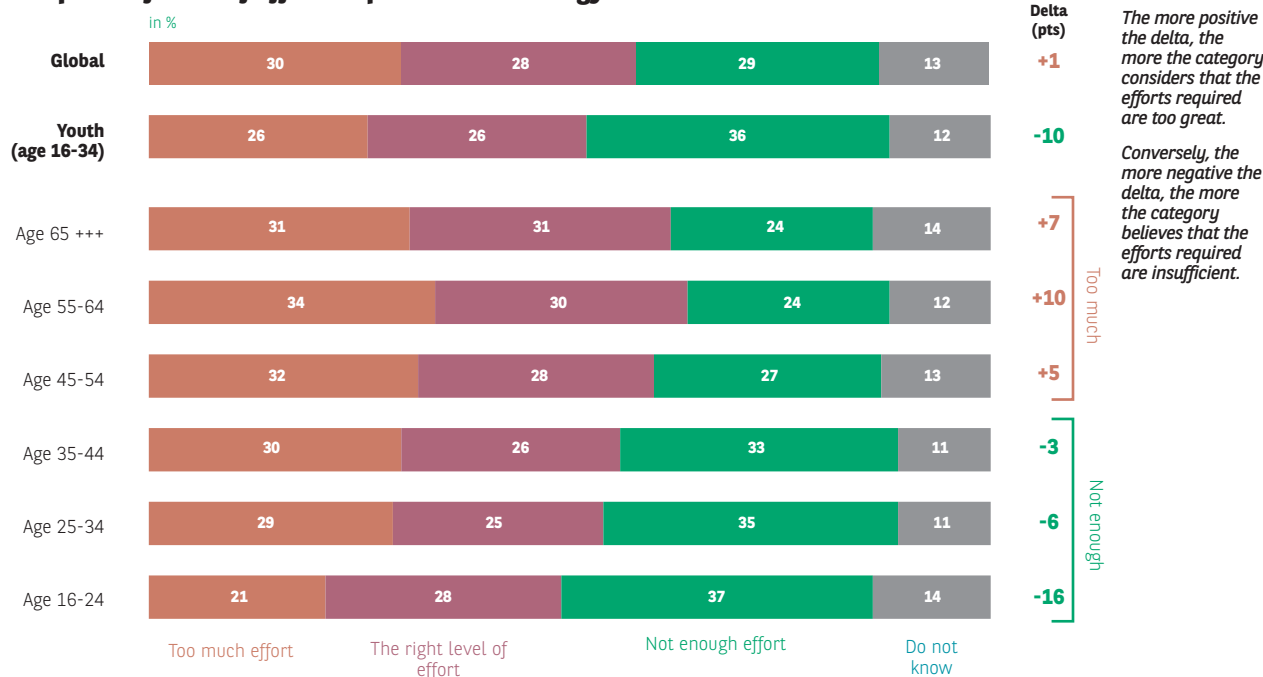
**The energy transition is also a concern for young people ...**

The actions, however, that will be undertaken under the energy transition are a source of concern. People under 35 worry more that such actions could threaten their jobs and negatively affect their quality of life in general. When asked to choose between keeping their purchasing power and fighting global warming, they have opinions that are ultimately just as split as the rest of the population, with 40% of respondents in favour of maintaining their purchasing power and 46% for tackling climate change.

**... but they are more prepared to deal with its effects**

Despite having fears about the future, young Europeans do appear ready to commit to the energy transition. Compared to other respondents, a larger number of young Europeans (36% compared to an average of 29%) think that citizens are not being asked to make enough effort. But they would still like to see some benefits – such as more free time or solidarity – as compensation for modifying their lifestyles, and the anticipated difficulties and efforts required that will come with that.

### Perception of level of effort required in the energy transition





## Portrait of the unconvinced

by Suzanne Gorge,  
Analyst at Terra Nova



### Fighting climate change is inevitably linked to the strife for a fairer society.

The good news is that climate change awareness is growing significantly. It was viewed as either the second or third-highest concern by respondents, with France being the country where the largest number of people said that climate featured among their main worries. Alongside Italy, France has the highest number of respondents who said they were anxious about the environment.

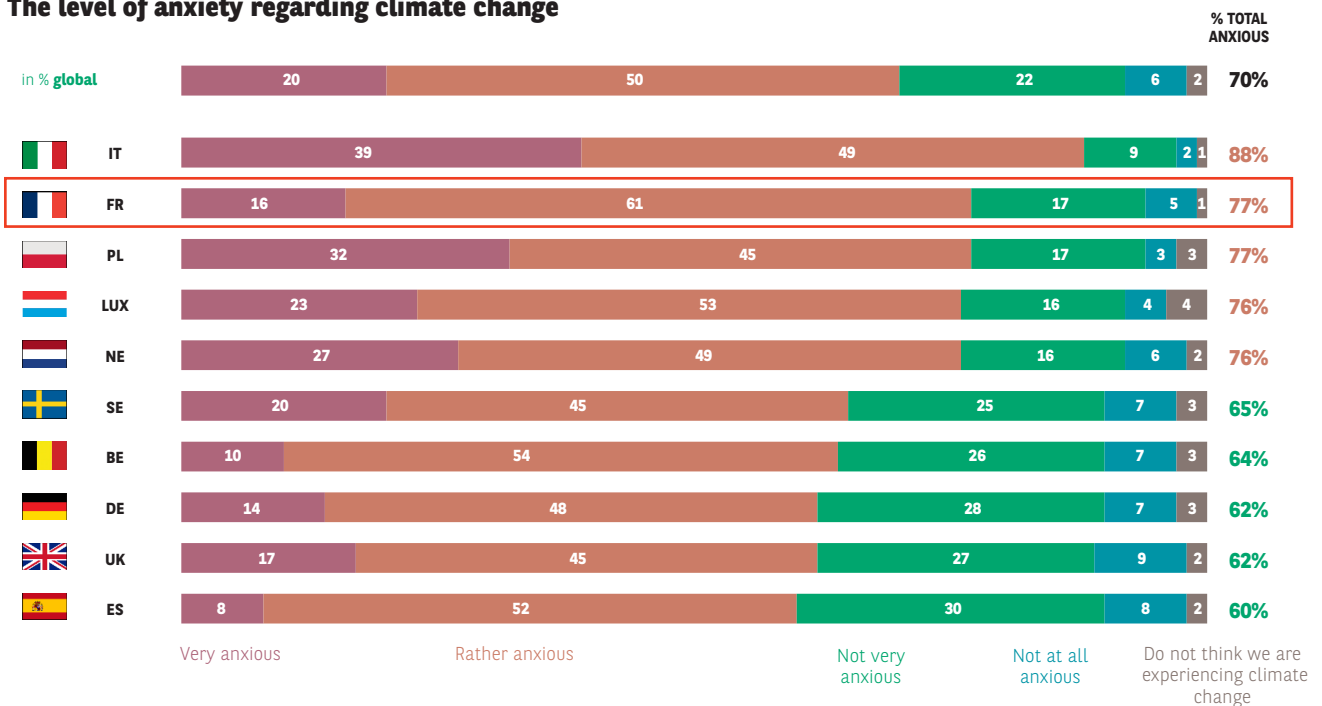
The bad news is that many people still do not share this concern. Who, exactly, are the 'unconvinced'? In this respect, France is no outlier: in most of the countries studied, the unconvinced more or less shared similar traits. Generally speaking, those who are not worried about climate change tend to be older and have fewer qualifications than the average respondent. They tend to be men rather than women. They are also more likely to be employees,

workers and farmers. They typically travel by car and often have fuel oil or coal-fired heating systems, etc.

Politically speaking, they are usually conservative and oppose the European project. In the United Kingdom, they are often pro-Brexit. Compared to other respondents, they are more likely to believe they are being penalised in the energy transition. In their view, the transition does not give people the time needed to organise themselves and it ignores the obstacles they face. They reckon the priority should be to protect purchasing power and quality of life, even if this means slowing down the climate transition.

Taken as a whole, this survey on the climate challenge ahead of us defines the parameters of a new, major societal issue in Europe and sheds light on one of the main sources of populism. Since the survey increases our understanding of the issues at play, it should also guide us as we work on a more inclusive transition.

### The level of anxiety regarding climate change





# Individuals



## Contrasting views of energy transition in Germany

by Clémence Blenck,  
Senior Advisor – Sustainable  
Advisory & Business at  
BNP Paribas Germany



**A new survey reveals that Germans' perception of the energy transition and its socio-economic impacts is not uniform; optimism lives alongside pessimism.**

According to the Ipsos survey, there is agreement that the energy transition already is and will continue to be a disruptive factor for the economy and society. Here are some of the main findings for Germany:

- Like the other nationalities surveyed, German respondents see the energy transition as a **potential threat for some of their critical economic industries** such as construction, automotive and cement.
- Conversely, **some sectors are seen as potential winners** of the energy transition, including energy, digital technologies and banks.
- Nearly half of respondents believe that **SMEs will be penalised rather than benefit** from the energy transition.
- German respondents see the **role of industry in the context of the energy transition and the fight against climate warming** more positively than other nationalities. For example, 47% of German respondents consider that SMEs are taking action in the context of the energy transition (vs. 42% of respondents on average).
- From a social perspective, **low-income groups** are seen as potentially most at risk from the energy transition.
- Respondents believe that **the energy transition will not be neutral to the economy and society**: it will mean both the creation (according to 45% of Germans) and destruction (53%) of jobs. Three in five Germans also think this transition will create new activity sectors, but close to 60% believe it will at the same time destroy other sectors. More worryingly, 59% of Germans think the transition will fragment society.

Overall, the survey seems to reflect a strong confidence of the German population in its industry and its ability not just to sustain but also play an active role in the energy transition.

### Perception of sectors of activity advantaged by the energy transition

	% TOTAL BENEFIT	
Digital technology and the Internet	49%	58%
The energy sector	48%	58%
Banks	44%	55%
The pharmaceutical sector	38%	42%
Luxury	35%	42%
Supermarkets	34%	36%
Construction and real estate development	34%	38%
The food industry	31%	40%
Automotive	30%	36%
General industry	30%	36%
Maritime transport	30%	34%
The chemical industry	29%	35%
Agriculture	28%	29%
Aeronautics	25%	27%
The cement and steel industry	24%	26%

### Economic and social impacts of the energy transition

	% TOTAL YES	
Enable the development of technologies to combat global warming	66%	63%
Create new sectors of activity	62%	60%
Fragment society further	55%	59%
Destroy sectors of activity	53%	59%
Create jobs	48%	45%
Destroy jobs	48%	53%
Enable the rebuilding of society and social ties	42%	40%



## Europeans in favour of public transport, bicycle paths and electric vehicles

by Grégoire Lusson,  
NEST Sustainability Experts  
Coordinator at BNP Paribas



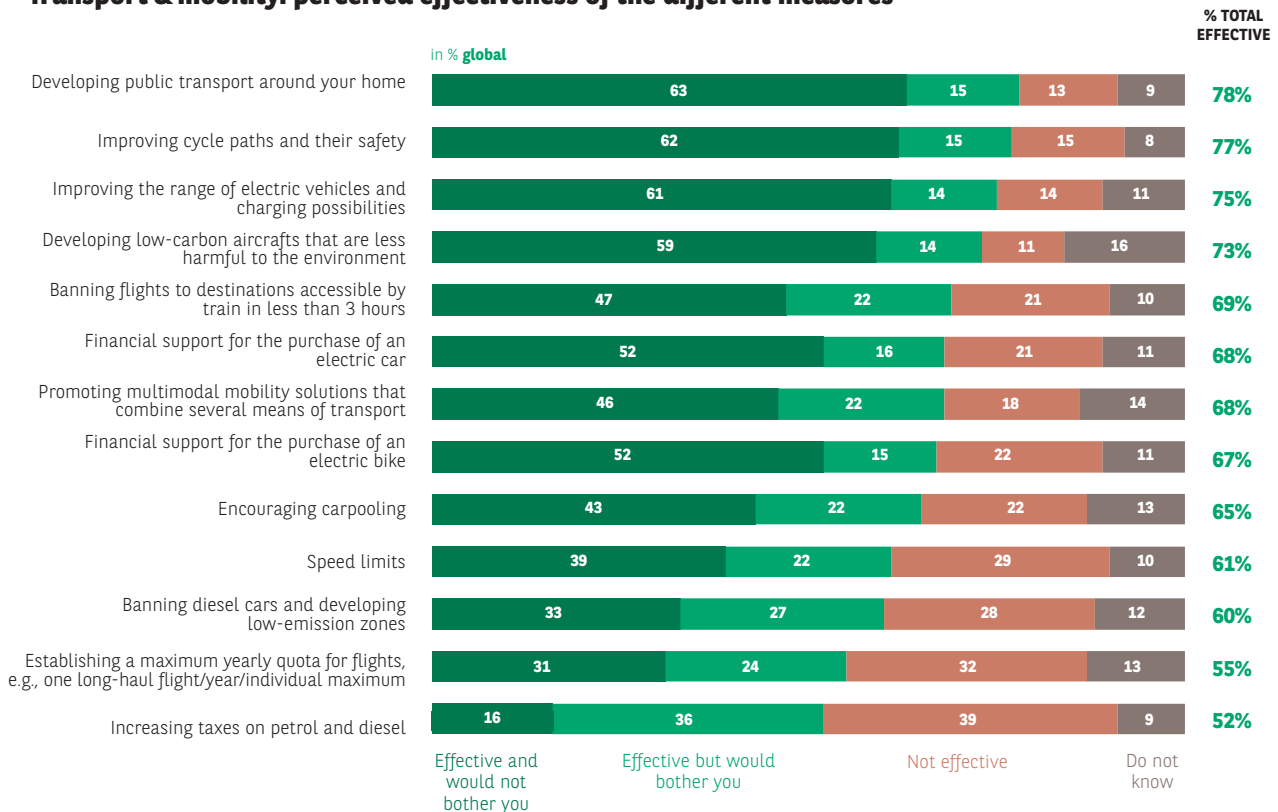
**Citizens across Europe support the further development of public transport and infrastructure for bicycles and electric vehicles to accelerate the mobility transition.**

Developing public transport was viewed as the most useful measure. Almost 4 in 5 Europeans regard this as efficient, with Poles and Italians being the most in favour. The following two measures attracting the highest level of support are linked to infrastructure, i.e. the development of bicycle paths (77% of Europeans consider this measure to be effective), and improvements in the range of electric vehicles and related infrastructure (75%).

Italian respondents in particular were supportive of the latter measure (82%). It should be noted that the idea of taxing petrol and diesel proved less popular, with most French people (56%) viewing it as ineffective. Regarding financial aid, Italian, Spanish and British respondents were most in favour of financial support to buy an electric vehicle (74%), while electric bikes had the largest appeal among Poles (77%).

Lastly, regulating aviation through annual personal flight quotas was seen as controversial, with only 55% of Europeans believing such a measure would work. Luxembourgers were the most enthusiastic (65%), while Polish respondents were the most sceptical (47%).

### Transport & mobility: perceived effectiveness of the different measures



# Individuals



## Energy renovation of housing: calling on incentives rather than coercion

by Céleste Allard,  
NEST junior Sustainability  
Experts Coordinator at  
BNP Paribas



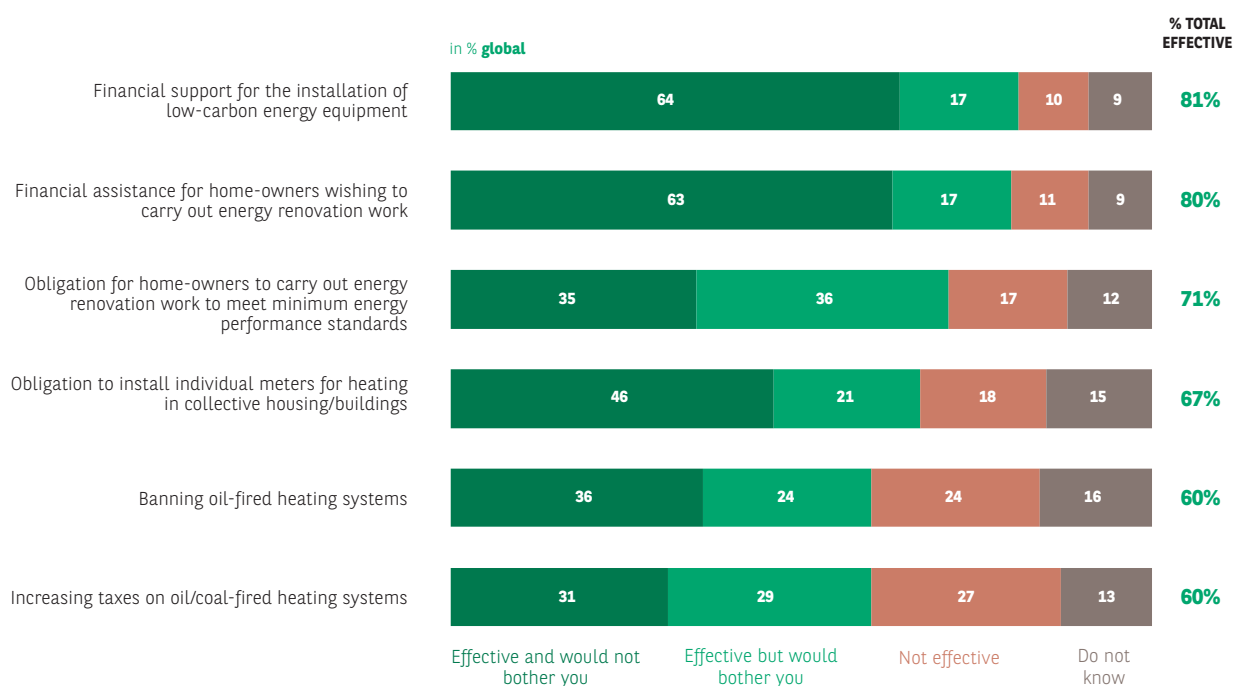
### Financial support is regarded as the most efficient lever for accelerating the energy renovation of housing.

For thermal renovation of housing, 80% of Europeans are in favour of financial support to help homeowners install low-carbon energy equipment such as heat pumps, solar panels, etc. This covers grants, tax reduction measures and prime rate loans. The Dutch (86%) and Poles (85%) topped the list of those who believe such measures to be the most efficient. Respondents viewed more radical measures, such as banning or more heavily taxing high-carbon energy equipment, as slightly less effective than

financial incentives. Three out of five Europeans notably believe that banning or increasing taxes on fuel oil would work. Germans are the least enthusiastic, with merely one out of two German respondents to the survey convinced by such measures.

Moreover, 71% of Europeans reckon that obliging owners to carry out energy renovation works to achieve a certain energy efficiency level is effective. That said, 36% of Europeans feel that such a measure would be disruptive. In Poland, that proportion goes higher, reaching 42%.

### Energy renovation of homes: perceived effectiveness of the different measures







## Banks can assist individuals to alleviate the transition's costs

by **Renaud Edouard-Barraud**,  
Deputy Head CPBS Company  
Engagement at BNP Paribas



**The banking sector can launch initiatives to facilitate a just transition for all.**

A just environmental transition is only possible if every individual plays their part, under the condition that these efforts do not impact their daily budgets. Yet the shift towards carbon neutrality will affect the main household budget items, especially those related to housing (rent, mortgage, heating), travel (consumer loans, petrol/diesel, and alternative forms of travel) and food. These three types of expenditure also represent the three major sources of greenhouse gas emissions.

**"INDIVIDUALS ARE FACED WITH A NUMBER OF HURDLES AS THEY STRIVE TO ACHIEVE A JUST TRANSITION."**

Individuals, however, are faced with a number of hurdles as they strive to achieve a just transition. This includes national and European regulations that demand better energy performance from buildings and carbon neutrality in transport, but lacking

social support schemes. This results in either higher purchase costs and restrictive and costly renovations, or a loss of value for real estate and thus for people's assets.

Such regulations can also have an indirect effect. If properties that are not energy efficient cannot be rented out, this could result in fewer properties being available for rent. This, in turn, would lead to higher rental prices on properties that are available for rent.

Banks therefore have a role to play in ensuring a just transition. One way they can do this is by helping their clients navigate the confusing array of government and regional subsidies available for home renovations. Banks can also help individuals with modest incomes by spreading the additional costs associated with renovating a home or buying an electric car over time.



## Supporting the most vulnerable clients

by **Tine Bourgeois**,  
Head of Company Engagement &  
Sustainable Business Approach  
at BNP Paribas Fortis



**We must ensure a just transition by finding a good balance between environmental and social challenges.**

The tension between poverty and climate policies is growing. It is an example of slow violence, namely violence that occurs gradually and out of sight. It is exemplified by the phenomenon in which the most vulnerable may be negatively impacted by not only climate change itself but also measures adopted to combat climate change.

Climate change and climate change policies have multiple social implications for our health, living conditions, employment and productivity, as well as general wealth distribution. Ensuring that the energy transition is fair and inclusive is therefore crucial.

My Sustainable Home is an initiative that aims to decarbonise residential real estate. It also focuses on solutions for the vulnerable by increasing awareness of and providing information on energy efficiency measures through customer advisers at our branches and our digital channels. This initiative enables people to find the subsidies and grants available to them to make their homes more energy efficient. It helps young and first-time buyers identify the most accessible and affordable lending solutions, guides clients through the maze of green renovation regulations, and offers clients rebates when they take out a green mortgage loan. Going beyond banking, our SoSimply partnership also assists people in their search for the right tradespeople in Belgium.

Under certain conditions, it also may be appropriate to grant a home credit over 30 years to families or single people with modest incomes. By this, it could help more clients to acquire their own and unique home and opt for a more energy-efficient one or finance the needed energy-saving renovations. Helping people make their homes energy efficient will have a significant positive effect on the climate. It will also allow homeowners to achieve energy cost savings and boost the value of their property, which is the best insurance for the future. Ultimately, it will ensure a good balance between both the environmental and social challenge ahead of us.

# Individuals



## The transition will necessitate accessible and sustainable consumption

by **Toufik Boudiaf**,  
NEST Sustainability Experts  
Coordinator at BNP Paribas

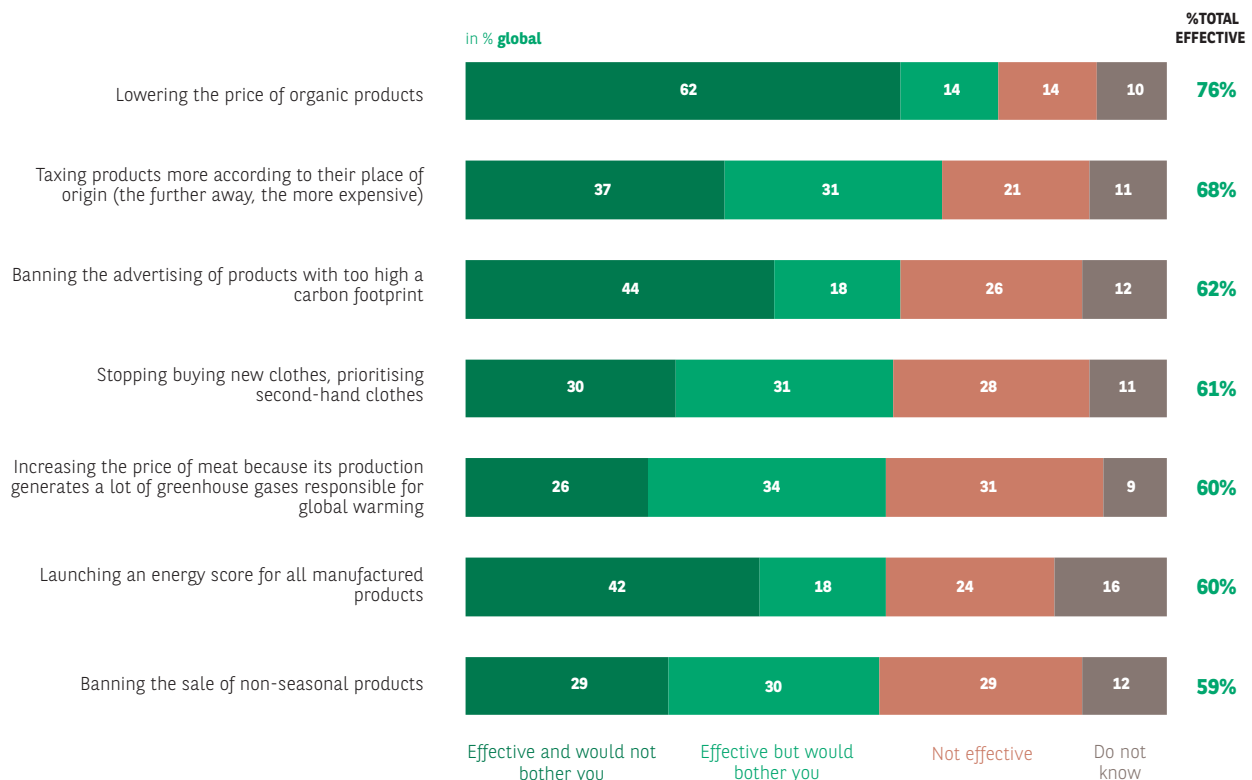


**Leveraging prices is an essential way to support the sustainable consumption transition, in addition to reducing the availability of and demand for carbon-intensive products.**

To reduce greenhouse gas emissions, the most effective measures cited by respondents were about reducing the price of organic products (76%) and increasing consumer taxes on products in accordance with their provenance (68%). Europeans in particular are very concerned about the impact of global warming and their purchasing power. However, slightly less support higher meat prices, especially among the poorest households and those less aware of the environmental impact of meat consumption.

Over three out of five Europeans believe it is worthwhile banning advertisements for products with an excessive carbon footprint, with French (69%) and Italian (68%) respondents especially in favour of this measure. Furthermore, 59% of Europeans are keen to see a ban on the sale of non-seasonal products, although Polish (49%) and German (50%) respondents were more divided on this measure. These survey results come at a time when there is a greater focus on consumers' purchasing power. It would therefore be useful to control prices, provided this is done through lower taxes on sustainable products and not by stripping out the value in industries. For the climate – and our health – it is also vital that we reduce our consumption of carbon-intensive products such as meat.

### Daily consumption: perceived effectiveness of the different measures



## Poles consider institutional actors are key to tackling sustainability challenges

by Jarek Rot,  
Executive Director of Sustainability  
Area, Chief Sustainability Officer at  
BNP Paribas Bank Polska



**Our survey highlights Polish citizens who are anxious about the environment, yet are more confident than Europeans in general that the public sector will trigger the energy transition**

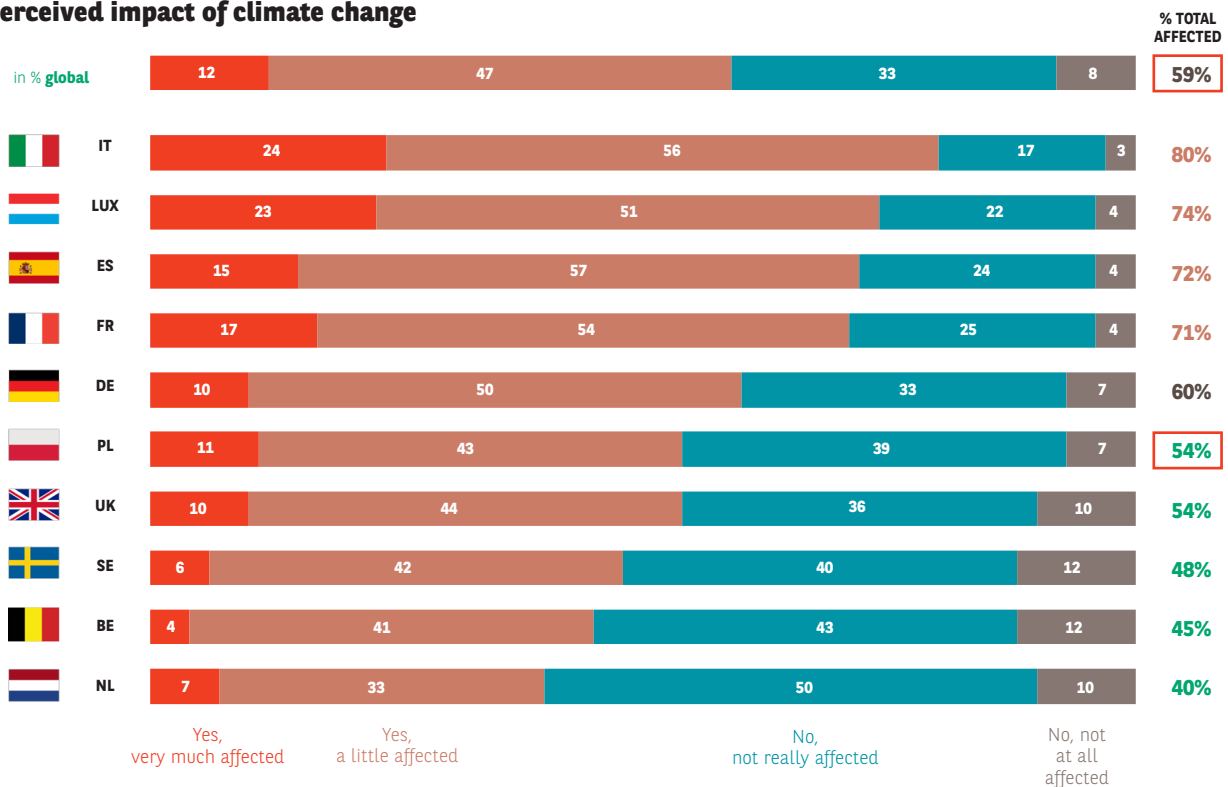
The results of the survey, as well our daily discussions with clients, confirm that Poles are highly concerned about climate change, with 77% of them feeling moderately or extremely anxious about it. This places Poland level with France as regards climate change anxiety in Europe, with only Italy (88%) displaying greater anxiety. This is despite the fact that respondents feel less personally affected by the consequences of climate change than people in France, Luxembourg or Spain.

What also stands out in the comparison is Poles' trust in the knowledge and proficiency of scientists – 72% agree that their actions are contributing to the energy transition and the fight against global

warming. The actions of the European Union (69%), civil society organisations (60%) and the UN (58%) are similarly highly rated.

However, respondents show a more cautious approach to changing their own behaviour, such as reducing heating at home; and purchasing decisions, such as reducing meat consumption or choosing local products. They place the burden of tackling sustainability challenges firmly on institutional actors: banks, regulators, employers. The results confirm that Poland's commitment to the just transition is a necessity not only because of the increasing regulatory requirements, but also because of the expectations of our clients. From banks, respondents expect favourable conditions for sustainable and green investments, as well as support in the transition to a low-carbon economy. We also see this trend in our conversations with clients, who see the need for dynamic change and expect systemic solutions, partnership support, and preferential financing conditions.

### Perceived impact of climate change





## Individuals

### Balancing global protection and income protection

by **Véronique Berthout**,  
Chief Sustainability Officer at  
BNP Paribas Personal Finance



**To enable as many people as possible to make the transition, we need suitable and scalable financing solutions.**

If we are to achieve the goal of a low-carbon society, the transition must involve as many people as possible. This process begins by taking into account each individual's situation. Take for example cars, a major expense for households. In France, half the population will live in a low-emission zone by the end of 2024. However, not everyone will be able to afford the very latest cars, and public transport will not meet all needs, especially for people working shifts, for instance in catering and hospitals. With an ageing car fleet (the average consumer car is 10 years old in France, and 12 years old in Europe), half of the vehicles will be banned from entering low-emission areas. Does this mean that half of the population will no longer be able to travel by car?

**"TO HELP CONSUMERS PURCHASE A MODERN, LESS-POLLUTING BUT MORE EXPENSIVE CAR, WE NEED TO OFFER WAYS TO REDUCE THE MONTHLY COST."**

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and car-sharing solutions (a purchase with the commitment to share with a third party). Moreover, we need to change the terms and conditions of loans, in order to support those who cannot currently obtain one, i.e. young people or people with variable incomes such as part-time workers and freelancers, and ensure that they are not exposed to too much debt. We must therefore better understand their income and expenses, for them to make ends meet at the end of the month and overcome unexpected costs with confidence. To do this, credit companies must build an ecosystem around themselves, one that brings together private partners such as car manufacturers and rental companies, as well as associations, and even public stakeholders keen to help the most financially disadvantaged.

As a consumer credit business, our role is to ensure that as many people as possible are included in the transition. To help consumers purchase a modern, less-polluting but more expensive car, we need to offer ways to reduce the monthly cost, such as long-term leases of up to 120 months,

### Inclusive finance to build resilience

by **Davide Forcella**,  
Director of the JuST Institute



**A huge gap exists for financing climate resilience and biodiversity conservation, in particular for small-scale producers and rural communities.**

There is no just environmental transition without inclusion. Inclusive finance therefore has two key roles to play: building resiliencies against climate change and biodiversity loss for vulnerable populations and enterprises, and making them sustainable in social, economic and environmental respects.

However, existing public or private funds are not always reaching the small-scale producers and rural communities that are often among the most vulnerable populations to climate change and biodiversity destruction. The JuST Institute, a non-profit member-based institution, seeks to mainstream the inclusive financing of climate resilience and biodiversity conservation, by bridging the gap that exists between 'conventional' and inclusive finance, as well as between public and private sectors. It seeks to foster and scale up financing for climate and biodiversity finance-ready institutions; enable institutions that are not yet finance-ready with ongoing capacity building; and offer opportunities to co-invest in the development and commercialisation of the tools needed to achieve these goals. The JuST Institute works alongside local financial institutions in developing countries to promote the financing of practices and technologies such as agroforestry, soil restoration, drip irrigation, regenerative agriculture, and crop diversification. The goal is to help people make as much use as possible of natural capital and to generate climate resilience, and hence sustainably mitigate climate change.

Key projects involving the JuST Institute include two Global Environment Facility projects. The first one aims to develop and pilot a climate change adaptation portfolio certification scheme for inclusive finance service providers, to enhance traceability of financing. The second one aims to develop financing products with discount interest rates in exchange for proven inclusive climate resiliency and biodiversity conservation generation.

The work of the JuST Institute goes beyond environmental responsibility to also recognise that managing climate and biodiversity risks by including vulnerable populations and enterprises is the only way to manage financial risks at all levels of the value chain and generate sustainable return for people and the planet.

## Part 2: Companies facing threats and opportunities

The transition will shake up many business sectors.

Companies and banks have a key role to play in making it a social success.

### Companies can act much faster and adopt radical measures

by François Gemenne,  
Lead Author at the IPCC and  
Director at The Hugo Observatory



**Businesses, and multinational companies especially, do not have to limit their climate actions to within the borders of their own countries.**

The latest report from the European Copernicus Earth Observation Programme, published April 20, highlights how temperatures in Europe are increasing twice as fast as the global average. Consequently, Europe's rising temperatures already far outpace the emissions reduction goals set for our planet under the Paris Agreement. The average temperature in Europe is more than 2.2 degrees higher than pre-industrial levels and this is increasing by 0.1 degree every two years. Despite all the warnings, the world's climate performance remains

largely inadequate, with the peak of global greenhouse gas emissions still not reached. The fall in emissions in industrialised countries is eclipsed by growing emissions in countries in the Global South. So, the climate action trend must be accelerated and boosted. Above all, it is key to not only focus on reducing domestic emissions – the climate is unconcerned whether emissions are produced in Paris, Lima or Bangkok.

In Europe, we have pinned many of our hopes on government action, to the point where we have sometimes expected more of lawmakers than they can offer. Our democracies are like ships, which are often difficult to turn around completely. Fossil fuels today still comprise 84% of the global energy mix even though we know that the share of these fuels should ideally approach zero. It is hard to stop using fossil fuels, because they evidently continue to be highly profitable and also benefit from major financing sources.

In this respect, companies, and multinational corporations especially, are not hampered by two major limitations associated with government action. They can act much faster and adopt radical measures, and they do not have to limit their climate actions to within the borders of their own countries. If we want to evolve toward a zero-carbon economy, we will need huge financing for low-carbon energy. This is particularly true for countries in the Global South, which need enormous investments and technology transfers, if we want to avoid them following the same development path that we took before them.

This is a key challenge for BNP Paribas as the leading European bank – can it become the leading bank for a low-carbon economy in the 21st century? BNP Paribas describes itself as 'The bank for a changing world' in its communications. Can it now become a bank that changes the world?

### The energy transition helps to attract new talents looking for a purpose and closer fit between their values and those of the company

by Tilly Undi, Jacky Prudhomme and  
Yves Floch,  
Managers at BNP Paribas CSR Group



**The energy transition is highly impacted by carbon neutrality objectives. The impact, however, varies widely among stakeholders.**

Professions in the energy sector are evolving differently depending on the size of stakeholders, their value chain, location and the nature of their activities. The energy transition's social impact is therefore greater on coal mining, a sector affected by the falling demand for coal and by climate-focused public policies in countries that have adopted a carbon neutrality commitment. Large business groups have sold or shut down their mines, and there are few opportunities to redeploy the workers who oftentimes lack qualifications, unless they can be moved to a new mining area. As a result, retraining is uncommon and relies mainly on support from public authorities. For electricity generation, converting a

coal power station into a plant powered by gas or biomass does little to boost employment. By contrast, in solar and wind power, jobs are changing (designers, installers and maintenance staff) because of the increased requirements for specialisation and mobility.

The majority of US companies active in the oil and gas industry remain focused on their traditional business activities and make use of carbon offsetting. In Europe, the transition is driving organisational restructuring, the adaptation of tools and the transfer of resources to alternative energies. This has led to training initiatives as well as greater flexibility and versatility among workers, who must adapt to the fast-evolving market trends. This can be seen in the main players' pooling and centralisation of expertise around new challenges and higher-value activities in which innovation and agility are vital. The energy transition helps to attract new talents who are seeking a purpose in their work as well as closer alignment between their own values and those of the company. This is an ongoing challenge.

## Companies



## Supporting companies to prioritise the social impact of their business

by **Emanuela Pisano**, Project Manager at CSR Europe and **Jan Noterdaeme**, Co-founder and Senior Advisor at CSR Europe



**The European Business Toolbox for Just Transition is a practical guide for inclusive business transformation.**

Amidst the war in Ukraine and the energy and purchasing power crisis, just transition and the social dimension of ESG are now more important than ever. **CSR Europe's European Business Toolbox for Just Transition** supports companies in prioritising the social impact of their business alongside and in support of their environmental objectives. Step by step, businesses are accompanied on a journey to successfully tackle the four pillars of just transition:

- 1) Stakeholder engagement:** a comprehensive plan needs to include every group in society – from new generations and the active ageing, to scientific researchers, policymakers and internal business departments.
- 2) Corporate purpose:** a strong narrative on just transition must be holistic and integrated to inspire action and activate employees.

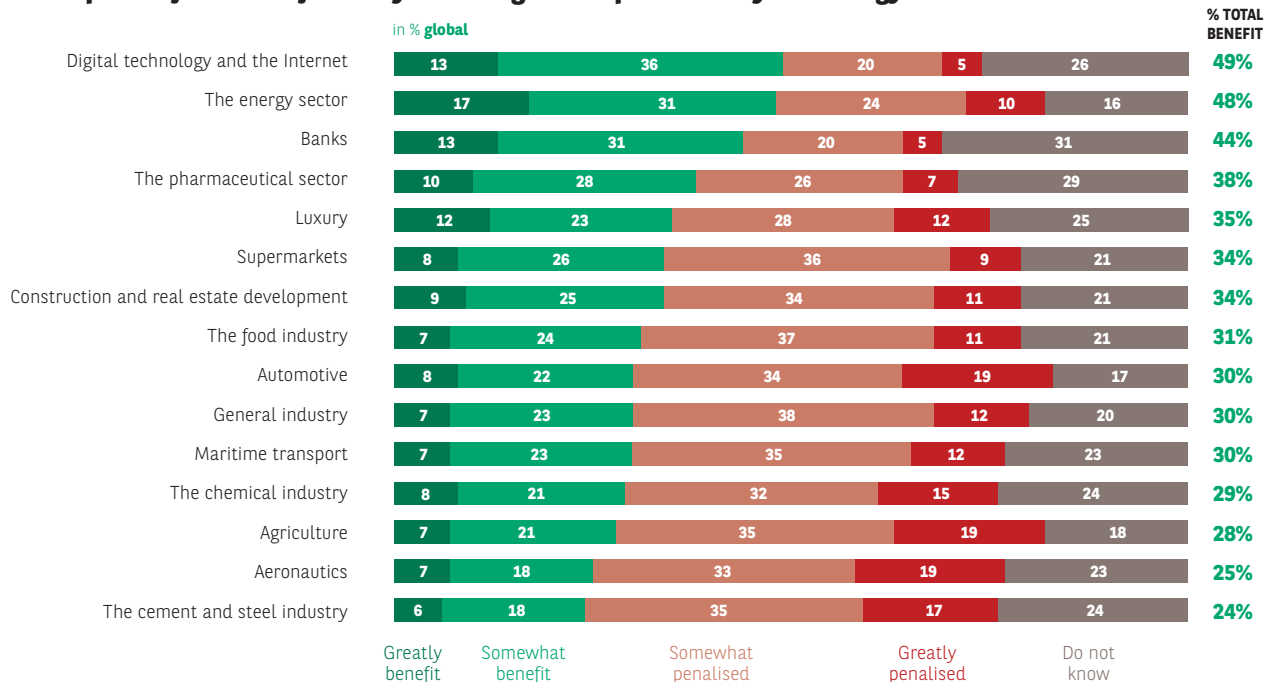
**3) Strategic approach:** a successful just transition plan must be based on open dialogue. Risks should be considered and KPIs should be scientifically based. Initiatives need to have a specific focus and involve a wider ecosystem.

**4) Foundation:** companies' actions must be based on strong governance to attract sustainable funding and meet impact reporting requirements.

To facilitate the implementation of the toolbox, CSR Europe developed an interactive assessment. It supports businesses in the review of internal processes; analysis of stakeholders' priorities; evaluation of internal maturity levels; establishment of targets; and design of pilot projects. As a result, companies can identify their weaknesses and define a customised way forward for the integration of just transition into their business practices and processes.

The toolbox and its related assessment build upon the European Business Roadmap for Just Transition. Both are developed by CSR Europe's People Leadership Hub. This is a group of front-running companies and knowledge partners like Boston Consulting Group that engage in a dialogue with the European Commission, civil society organisations and key stakeholders.

### Perception of sectors of activity advantaged and penalised by the energy transition





## Developing the skills to tackle the climate crisis

by Gudrun Cartwright,  
Climate Action Director at Business  
in the Community



**Every organisation needs the right skills and capabilities to mobilise people and resources to deliver a just transition.**

This January, the World Economic Forum in Davos clearly stated that the climate and skills crises are twin challenges that cannot be addressed separately. This means that developing individual and organisational skill sets must be centre stage of effective climate action. But it also means that an understanding of how jobs and skills needs will change must be at the heart of people development strategies. This will ensure that the transition to a net-zero, resilient world is fair and inclusive, as well as one that enables people and nature to thrive. If not, commercial and social benefits will be short-lived. Business in the Community was formed in 1982 by business leaders who recognised that successful businesses depend on healthy communities. In 2022, with support from BNP Paribas, BITC brought together more than 100 leaders from business, government and communities in a series of sprints. The insights informed their route map: [Building Green Skills for a Just Transition to a Net-Zero, Resilient Future](#).

It identifies key organisational capabilities and the process that every business can undertake to build their own personal route map, as there is no one-size-fits-all approach. Both 'technical' and 'essential' skills are needed to unleash the flexibility, creativity and problem-solving that will enable individuals and organisations to develop the skills they need to thrive in the transition.

Moreover, a huge amount of upskilling is needed at the general business level, requiring a joined-up, data-driven approach from employers, educators and government using traditional and new educational approaches that are affordable and fit in with people's life and work commitments.

To help companies prioritise action, the route map focuses on three key areas:

- **Lead** – equip leaders to empower everyone;
- **Embed** – make climate action everyone's business;
- **Include** – enable upskilling for all.

Whilst action is needed across all three areas, leaders who can challenge, inspire and empower others will be the foundation, so 'Lead' is recommended as the best place to start.

### Economic and social impacts of the energy transition

	% TOTAL YES	BE	FR	DE	IT	LUX	NL	PL	ES	SE	UK
Enable the development of technologies to combat global warming	66%	62	66	63	68	71	66	63	66	70	65
Create new sectors of activity	62%	59	65	60	62	67	60	60	60	64	61
Fragment society further	55%	57	59	59	50	66	52	57	51	51	49
Destroy sectors of activity	53%	60	60	59	41	62	39	48	54	60	52
Create jobs	48%	41	50	45	48	54	52	47	41	49	51
Destroy jobs	48%	52	50	53	40	62	47	48	44	47	46
Enable the rebuilding of society and social ties	42%	28	35	40	45	49	40	48	45	50	38

## Companies



### A decisive turning point for the economy

by **Raphaelé Leroy**,  
Head of Company Engagement  
BNP Paribas French Retail Banking



**Numerous initiatives are in hand to combine the climate transition and social inclusion.**

Our society is evolving quickly to reach carbon neutrality. Although some sectors are threatened by this transition, others are sure to develop. According to studies led by the International Labour Organization, the eventual balance in terms of jobs should prove to be positive. The French Agency for Ecological Transition ADEME estimates that [a million jobs should be created as a result in France by 2050](#).

**“MANY ENTREPRENEURS ARE NOW SEIZING THE OPPORTUNITIES OFFERED BY THE TRANSITION TO PROMOTE REINTEGRATION INTO WORKING LIFE.”**

Many entrepreneurs are now seizing the opportunities offered by the transition to promote reintegration into working life. Moulinot, a pioneering social enterprise focused on food waste based in Seine-Saint-Denis, France, has created skills training for people not in employment to become a biowaste driver-collector for example. Also, in France, based in Haute-Garonne, Etre is the first network of transition schools training young people without qualifications for green professions focused on solar panels installation, bicycle repair, the circular economy, etc.

Today, these examples show how the ecological transition can be combined with social inclusion, and why they should be supported by the banking sector.

### The automobile sector must reinvent itself

by **Yael Bennathan**,  
Head of Arval Mobility  
Observatory



**The transition to electric vehicles is driving historic disruption in the car industry.**

To tackle climate change, the EU launched its Green Deal. This package of initiatives aims to achieve the goal of net-zero emissions by 2050, while ensuring a just transition for member states, citizens and industry.

The automobile sector provides 13 million jobs in Europe. From 2035, new vehicles with an internal combustion engine can no longer be sold in the bloc, a change that has sparked the biggest and fastest revolution in the sector's history. Strategies have been revamped to ease the shift to all-electric vehicles from 2025 or 2030. This means a greater need for batteries (chiefly produced in Asia at the moment), supply chain problems and the arrival of new players, especially Asian manufacturers. Investments are targeting

new activities, including the production of batteries, charging infrastructure and the software industry. So, the sector is reinventing itself in certain new fields and for instance working on novel solutions for mobility and the circular economy. The key goal is to offer a more modest business model. This will result in new professions emerging, just as others will disappear.

On the customer side, every company will have to update its policy on car fleets, against a background of widespread inflation and longer delivery times due to supply problems. Both for individuals and companies, the transition will entail analysing the total cost of ownership of vehicles. The total cost of ownership of electric vehicles is comparable to, or sometimes less than, that for vehicles with an internal combustion engine. This is thanks to tax incentives, lower maintenance costs for electric vehicles and energy prices. However, European governments must continue to support the development of the charging infrastructure network, which remains a key stumbling block.

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



### A label to finance the just transition

**Defining the criteria essential for financing the just transition opens the pathway to a label for investments.**

Following the conclusions of the [G7 Impact Taskforce](#), a methodological framework to define the three elements that are critical to ensuring a just transition has been developed. These three elements are:

- 1. Advancing environmental action:** mitigate, reduce or capture greenhouse gas emissions; and protect and restore natural capital.
- 2. Improving social equality:** decent jobs, reskilling, inclusion of vulnerable people, accessibility and affordability of solutions, and livelihood enhancement.
- 3. Increasing voice of the community:** engagement of stakeholders, social dialogue and inclusion of communities affected by decision-making.

A just transition investment must generate a positive impact in the above three areas, in addition to explicitly targeting a specific challenge on the basis of performance indicators. In order to develop the range of investments, [a just transition label](#) is under discussion. This will contribute to improving investment practices and improving their comparability.



## Integrating the just transition in financial products

by Alice Loevenbruck,  
Global Markets Sustainable  
Structuring Manager at  
BNP Paribas CIB



**Banks must account for the challenges of a just transition in their sustainable products offer.**

Over the last decade, European investment banks' products and services have engaged with sustainable development by taking the environment into account. This can be seen in the growth of green bonds and the boom in products aligned with the Paris Agreement. The adoption of the EU Sustainable Finance Disclosure Regulation and the macroeconomic situation it has created has underlined the need to develop products that integrate societal impact. Investors are nowadays more aware of the need to support local economies and

to fund organisations that are both resilient and inclusive. This development has led to the emergence of a market for social bonds, which are used to finance or refinance activities with a positive social impact in areas such as education, equal opportunities or microfinance. Given the lack of a regulatory framework or taxonomy to define the just transition, banks must now bring together the social and environmental challenges. One potential solution is to call for minimum social guarantees in investment strategies, including environmental ones. For example, by excluding companies that are alleged to be engaging in discrimination or to provide poor working conditions, even if these companies are participating in the energy transition. Another solution might be to help define a transition framework in order to identify companies best placed to adapt their

**"INVESTORS ARE NOWADAYS MORE AWARE OF THE NEED TO SUPPORT LOCAL ECONOMIES AND TO FUND ORGANISATIONS THAT ARE BOTH RESILIENT AND INCLUSIVE."**

business model to the energy transition by adding extra social filters. Doing so would help to ensure that social challenges in the areas of human rights, inclusion and human capital are fully accounted for in these more delicate sectors.

## A systematic approach to social challenges

by Delphine Riou, ESG Analyst –  
Inclusive Growth Lead at  
BNP Paribas



**Portfolio managers must consider social and environmental aspects in their investment decisions.**

Institutional investors have a long-term fiduciary responsibility, which means they should pay attention to the challenges linked to the just transition. This transition represents a systemic financial risk, since it involves anticipating the social impacts of the shift to a low-carbon economy. These impacts range from the quality of the jobs that will be created by this transition to the social impact on economic areas affected by the transition. Portfolio managers should no longer consider the E, S and G factors separately

– i.e. environment, society and government – but combine them when looking at sustainability. Today there are several international initiatives such as Investing in a just transition, as well as local ones like the one spearheaded by the *l'Institut de la finance durable* in France. These initiatives seek to define what this new approach to socially responsible investing (SRI) might look like. Besides a carbon footprint, we will see the emergence of a social footprint for companies. Any inclusion of a SRI requirement will oblige companies to evaluate their social practices. By creating coalitions of shareholders and systematic methods to analyse the transition, it will become possible to ask the right questions and to vote with a single voice at shareholders meetings. The sectors affected the most will notably be agriculture, manufacturing, construction, transport and energy. The car

sector, for example, will have to adapt its entire production line. It will need to shift from combustion engines to electric power, whilst managing the impact on local populations in regions that supply the raw materials for batteries.

**"PORTFOLIO MANAGERS SHOULD NO LONGER CONSIDER THE E, S AND G FACTORS SEPARATELY BUT COMBINE THEM WHEN LOOKING AT SUSTAINABILITY."**

## Public authorities

## Part 3: Boosting citizens' acceptance

Despite the growing number of political initiatives, there's a long way to go to realize the just transition that is enshrined into European law.

### How citizens' conventions can pave the way for a just transition

by **Clara Pisani-Ferry**,  
Former Advisor to the Co-presidents  
of the Governance Committee of the  
Citizen's Convention for Climate



**Enabling citizens to participate in the transition process helps raise awareness of climate issues and guide governmental decisions.**

While the climate transition calls for major changes and despite growing awareness of climate change, environmental policies can face opposition from the public and elected decision-makers. In 2018, the Yellow Vest protests in France were triggered by opposition to a carbon tax. The protests also gave rise to strong criticism of the country's representative system, demanding greater public participation in the policy process. In April 2019, the Citizen's Convention for Climate was developed as a response to this twin aspiration. It asked 150 citizens, who were randomly selected to represent the diversity of French society, to come up with proposals aimed at reducing greenhouse gas emissions with a social justice mindset. In June 2020, after eight months of hearings, debates and joint work, the

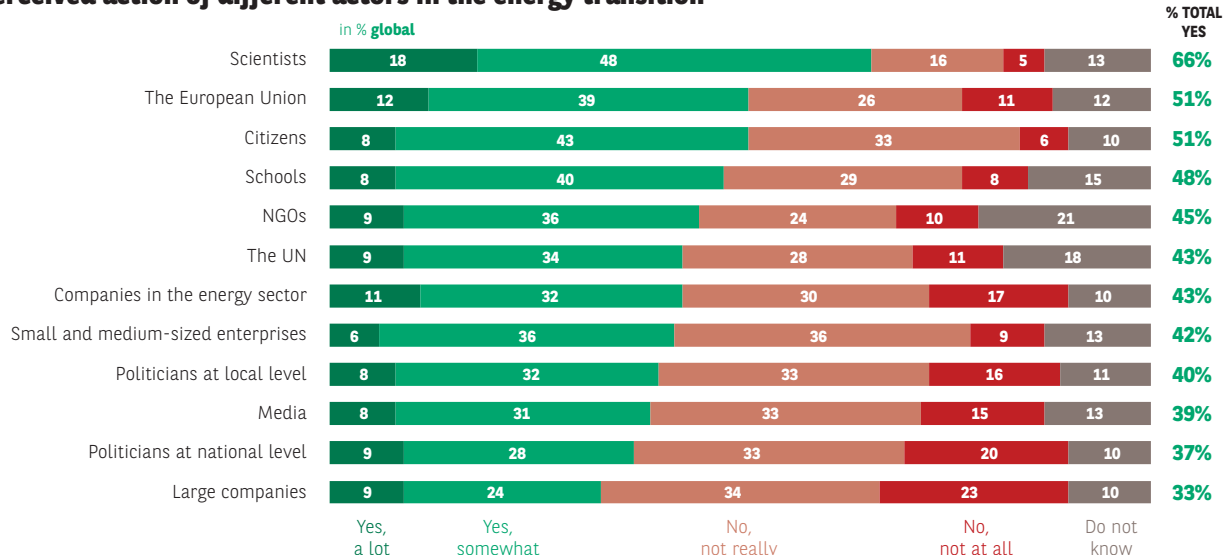
citizens handed [149 proposals](#) to the government. Many other European countries such as Spain, Germany, Denmark, Finland, Scotland, the UK, etc. have set up citizens' conventions, which could play a role in identifying a new path of action. Initiatives like these, whereby participants are randomly selected, are ideal to ensure that attention is paid to voices that are rarely heard. The aim is not simply to enable them to vote, but also to learn what drives their viewpoint and thoughts on the basis of the information received and their personal experiences. This is useful for highlighting difficulties and expectations that politicians may forget.

Moreover, the transition will only be acceptable if its necessity is broadly understood. Citizens' conventions are an effective way to raise awareness on climate challenges. They have been conceived for people who are not experts (in France, 26% of the general population does not have a degree). They are thus helpful in presenting the key issues to a wide audience and in encouraging debates on issues that may seem limited to people already familiar with the topic. For this to work well, experts must be genuinely available to citizens, as it was the case in France. The process also relies on extensive communication with the public. An example of this is the nationwide debate on climate challenges organised in Scotland in 2019 under the [Big Climate Conversation](#).

By giving a voice to citizens and engaging with the public, citizens' conventions can support and guide politicians as they design and implement a just transition. However, while the composition of these conventions may resemble the population, they are not, in the end, representative of the people as only elected politicians will have the final word when it comes to debating and voting on the law.

**"IN APRIL 2019, THE CITIZEN'S CONVENTION FOR CLIMATE WAS DEVELOPED AS A RESPONSE TO THIS TWIN ASPIRATION."**

#### Perceived action of different actors in the energy transition





## Ensuring a just transition to help Europe boost its decarbonising leadership

by Wilfried Remans,  
Head of NEST coordination at  
BNP Paribas



**The principle of just transition is enshrined in the European Green Deal. It aims to ensure that no person and no region is left behind in the transition towards climate neutrality.**

In the current energy crisis, with consumers impacted by high energy prices, the concept of a just transition has become more important than ever. The European Commission has proposed several actions and measures to help EU countries and citizens tackle high energy prices. Ensuring a just energy transition also concerns coal and carbon-intensive regions, as well as industries and workers impacted by the shift away from fossil fuels.

With this goal in mind, the Commission set up the Just Transition Mechanism as a key tool to alleviate the socio-economic impact of the transition in the most affected regions. These include regions dependent on fossil fuel extraction or production (such as coal, peat or shale oil) or carbon-intensive

industrial activities (such as steel, cement or chemicals).

The [Just Transition Mechanism](#) includes the Just Transition Fund, as well as a dedicated scheme under InvestEU and a public sector loan facility to leverage private and public funding. Together, it should help mobilise around €55 billion over 2021-2027. It builds on already existing tools such as the [Initiative for coal regions in transition](#).

The main pillar of the Just Transition Mechanism, the Just Transition Fund, is financed partly through the EU's long-term budget and partly through the EU Recovery Instrument, also known as NextGenerationEU. Since the fund is implemented as part of the EU's cohesion policy, member states always include co-funding from their own resources. Substantial funding is also available through the Recovery and Resilience Facility (financed from NextGenerationEU) and through other instruments under the EU budget.

To qualify for support under the Just Transition Mechanism, member states prepared Territorial Just Transition Plans that

demonstrate the transition pathway and its milestones as well as the socio-economic consequences of this process in the most affected territories. These plans have been adopted by the Commission as part of the cohesion policy programmes, and are under shared management between the European Commission and member states.

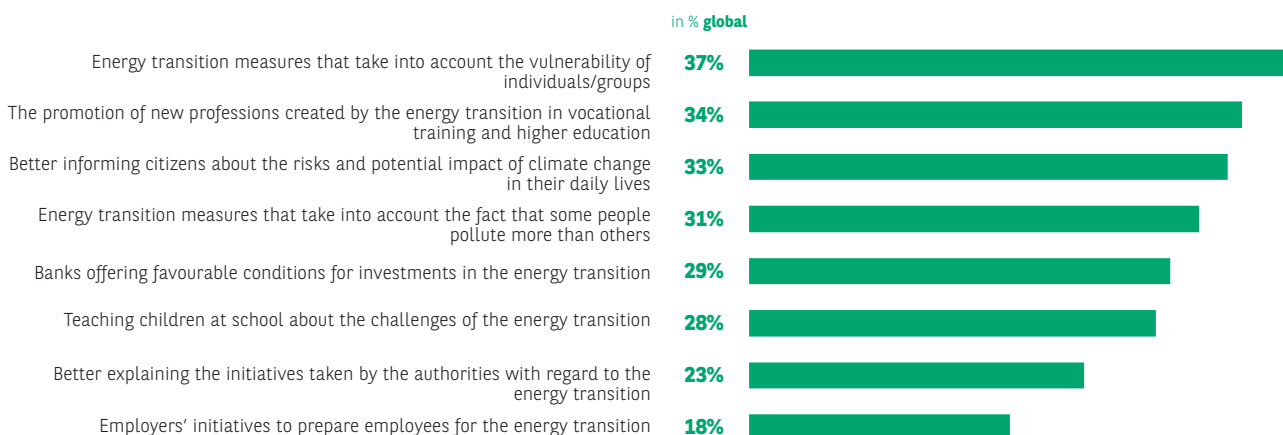
Examples of the Just Transition Fund in practice include:

- The construction of a magnet factory in Ida-Virumaa, the shale oil region of Estonia.
- In Slovakia, the transformation of the Vozuports Jany Thermal Power Plant into a photovoltaic and wind power plant.
- Building a green technical school in Cyprus.
- The greening of the local district heating network in Velenje, Slovenia.
- Helping to decarbonise the glass manufacturing industry in Normandy, France.

To provide affected regions with opportunities to develop green industries and jobs, the Commission also adopted the Net Zero Industry Act in March 2023, aiming to build up the manufacturing capacities needed for green technologies.

### Measures to be put in place to achieve a just energy transition

What do you think it would take to achieve a just energy transition that leaves no one behind?



## Public authorities



### No environmental transition without public support

by Noam Leandri,  
Secretary General of ADEME



**Impact bonds contribute to financing innovative projects that tackle both environmental and social challenges.**

The main mission of ADEME, the French Agency for Ecological Transition, is to support France in achieving its goal of carbon neutrality by 2050. Nevertheless, it is obvious that no environmental policy will reach its objectives unless it integrates the principles of justice and equality. Our studies have for example shown that a carbon tax is a highly effective tool. However it can result in serious pushback from the public

– consider the Yellow Vest movement in France – if the tax does not come with **social measures** that compensate for the impacts on households and regions.

Jobs are an additional **central challenge**. We must avoid negative impacts, such as the ones formerly suffered by mining areas, affecting regions that are today dependent on car manufacturing and its combustion engines.

Willing to support innovative solutions, we have developed a range of tools, such as ecological impact **bonds** in collaboration with BNP Paribas. This type of bond enables a positive-impact project developer to raise funds through private investors. Public authorities then reimburse the

investors' pro rata for achieving environmental and/or social objectives.

ADEME has, by way of example, supported the **ANDES association**, which collects unsold food at wholesale markets and distributes it through its network of social grocery stores. This reduces food waste and helps low-income households to consume fresh produce. Another impact bond supports the ENVIE Autonomie network, which repairs wheelchairs and various medical equipment. Reconditioned equipment is sold at half the normal price. This circular economy project has two social goals: to create back-to-work jobs for repairing and to reduce the remaining costs to almost zero for users.



### Luxembourg aims to involve all citizens in the energy transition

by Fenn Faber,  
Director Klima-Agence



**Through free public transport and energy support, Luxembourg wants to enable all households to be part of the energy transition.**

Klima-Agence is the government body promoting the sustainable transition in Luxembourg. It notably supports the state aid programme, **Klimabonus** which seeks to promote energy renovations and sustainable construction, heating systems using renewable energies, investments in photovoltaic systems, as well as soft and electric mobility.

To help everyone be part of the transition to a sustainable society, Luxembourg's government has started offering extra support

for energy renovation projects (aid was increased from 40% to 100%) undertaken by beneficiaries with an income below the national median. Households can also benefit from interest subsidies and government guarantees for **climate loans**. Regarding mobility, Luxembourg became the first country in the world to introduce free public transport countrywide for all passengers in 2020. Klimabonus also promotes the purchase of electric vehicles and the installation of charging stations. Numerous municipalities also offer additional assistance to residents.

Since 2017, Klima-Agence has also provided tailored support to households in precarious energy situations by working with the social departments of Luxembourg municipalities. Practically speaking, this support includes information about actions that help to optimise energy behaviour, plus a roadmap and subsidies for replacing

**"REGARDING MOBILITY, LUXEMBOURG BECAME THE FIRST COUNTRY IN THE WORLD TO INTRODUCE FREE PUBLIC TRANSPORT COUNTRYWIDE FOR ALL PASSENGERS IN 2020."**

energy-intensive household appliances. The goal is to now make this service more accessible for all recipients of the cost-of-living benefit and to create additional access points in collaboration with social organisations.

## Part 4: For a just and global transition

Western countries have a historic responsibility for climate change. A just transition will therefore require aid to be given to those regions that are the most vulnerable.

### Key partnerships between governments, financial institutions and stakeholders in the real economy

by Jean Lemierre,  
Chairman of the Board of  
Directors at BNP Paribas



**Developing countries are destined to suffer the most from climate change, even though they have contributed the least to greenhouse gas emissions.**

Climate change affects every country differently. Geographic location, topography and the level of development create variations in climate risk. Areas already facing heavy monsoons will see increased rainfall, while dry regions such as South Asia will experience decreased rainfall. Emerging markets also tend to have lower levels of severe weather insurance, while relying on climate-vulnerable sectors such as agriculture. As a result, the physical effects of climate change are likely to exacerbate

inequalities between countries in the Global South and Western countries.

For developing regions, small island States and least developed countries, insufficient funding is still a hurdle to their ability to adapt to global warming. International cooperation is therefore vital to help them. Banks, governments and international organisations must work together to develop effective investment, financing and assistance schemes to support them.

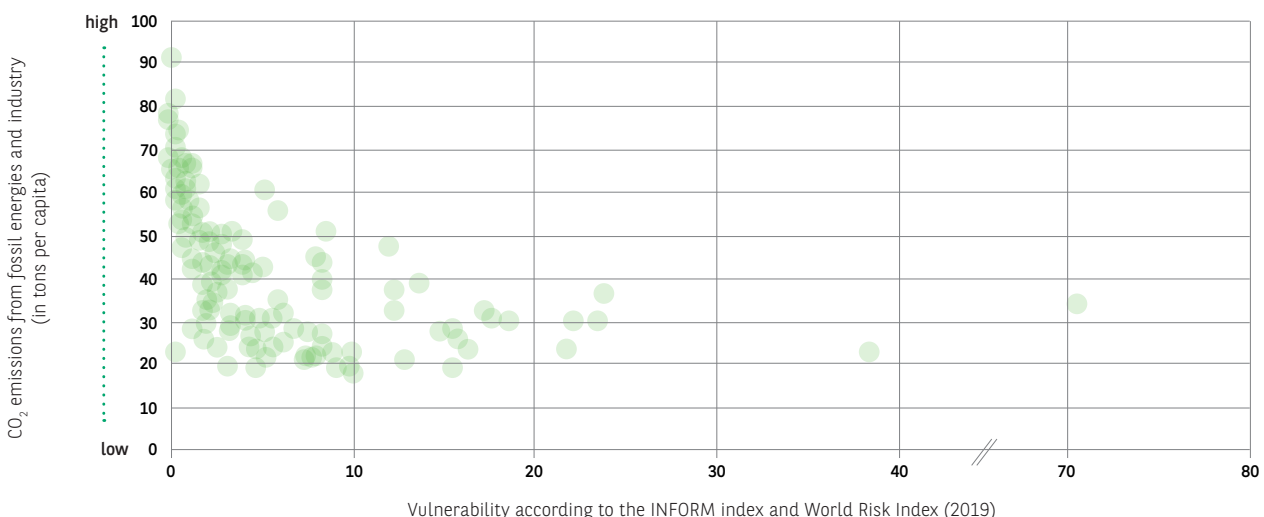
The [G20 partnership negotiated at the last COP between Western countries and Indonesia](#) is a good example. It aims to ensure a just transition of Indonesia's electricity sector by supporting a pathway aligned with the goals of the Paris Agreement. This assistance, half of which is private funding, highlights the complementarity of public and private sectors as well as the catalytic

role that finance can play in developing the economy. Further negotiations are also in hand on [similar initiatives in Senegal](#), for instance. Funds of this kind will help to ensure a fairer sharing of the burden of the transition between poorer and richer countries, as well as limiting the negative economic impacts of decarbonisation.

Such coalitions between countries, financial institutions and real economy players are crucial. To ensure they work at full pace, we still need numerous complementary measures (employee protection, social dialogue, retraining plans, energy access, just transition strategies, etc.) to prepare for any social downside of the transition globally. Step by step, we need to make progress on practically implementing these key criteria for a just transition.

### Vulnerability to and responsibility for climate change

This graph shows that the countries most exposed to climate change are also those that emit the least CO<sub>2</sub>. The IPCC underlines that these disparities can also be seen at national level, with the poorest people generally more exposed, even though they emit fewer greenhouse gases. This highlights the need for a just transition.





# Geopolitics

## South Africa's ambitious just transition plans

by Rudi Dicks,  
Head of the Project  
Management Office at the  
South African Presidency



**The country is aiming to create significant new jobs through investment in renewable energy sources and the development of job-creating sectors.**

At COP26, South Africa established a Just Energy Transition Partnership (JETP) with the governments of France, Germany, the UK, the US and the EU. These partners committed to mobilise an initial \$8.5 billion through a combination of grants and concessional loans to support South Africa's just transition.

South Africa has since developed a Just Energy Transition Investment Plan (JET-IP) through a country-led and locally driven process, which identifies the total funding requirement for the just energy transition at close to R1.5 trillion over the next five years, including more than R1 trillion over the next five years in electricity generation as well as grid infrastructure. The endorsement of the JET-IP by the International Partners Group at COP27 was a significant step in taking forward the JETP, and an expression of their strong support for South Africa's ambitious just transition plans.

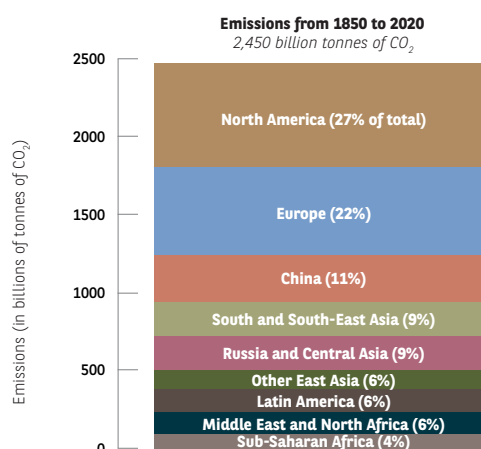
The just transition supported by this partnership will result in significant net job creation for South Africans through investment in renewable energy sources and through the development of job-creating sectors such as electric vehicles and green hydrogen. It is a massive boost for investment, growth and jobs in South Africa over the next three to five years.

In addition, the decarbonisation of South Africa's energy sector will increase energy security, reduce the cost of electricity, and maintain the competitiveness of exports. The JET-IP allocates over R60 billion for targeted programmes of reskilling and upskilling in the Mpumalanga province, creating employment and providing other forms of support to ensure workers are the major beneficiaries of our shift to a greener future. The objective of the plan is to ensure that the just transition drives economic growth and renewal in Mpumalanga and across the country, creating significantly more new jobs in electricity vehicles and green hydrogen.

South Africa continues to engage with a wide range of potential funders, including partner countries who are not part of the IPG, in order to mobilise additional funding to support the objectives of the JET-IP.

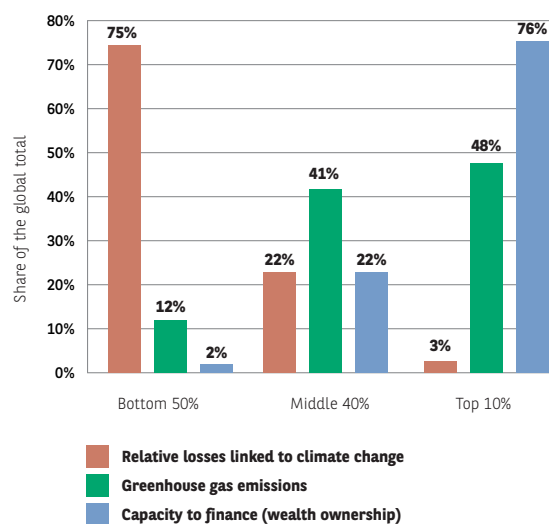
## Historic responsibility for climate change

Since 1850 and the second industrial revolution, humans have emitted 2,450 billion tonnes of CO<sub>2</sub>. North America and Europe account for almost half of these emissions, which have used up 89% of the carbon budget under the scenario of limiting global warming to 1.5°C.



## Climate inequality

Poor people are both more vulnerable to and less responsible for climate change. Globally, 50% of the poorest people are faced by 75% of the relative potential income losses, although they are only responsible for 12% of the emissions and have few means (2%) to curb climate change. By comparison, the top 10% of the most affluent are far less vulnerable and more able to finance the transition.



## The just transition in developing countries

by Elisabeth Hege and Marta Torres Gunfaus,  
Senior Researchers at IDDRI



**While the concept of the just transition is global, different regions of the world face different challenges in implementing it. Nowhere is this more apparent than in developing countries.**

Developing countries may have limited financial resources to invest in the new technologies and infrastructure that are necessary for the transition to a more sustainable economy. Moreover, they often rely heavily on fossil fuels for their energy needs. This dependence can make it challenging to shift to cleaner, renewable sources of energy.

South Africa's economy has long been dependent on the fossil fuel industry. The debt issue of its monopolistic coal utility and the fact that a renewable energy dominant system would be cheaper, opened an opportunity for a national just energy transition plan. At COP26, a Just Energy Transition Partnership was announced between South Africa and a consortium of partner countries, mobilising an initial \$8.5 billion to help the African nation achieve its energy transition challenges, as well as creating new job

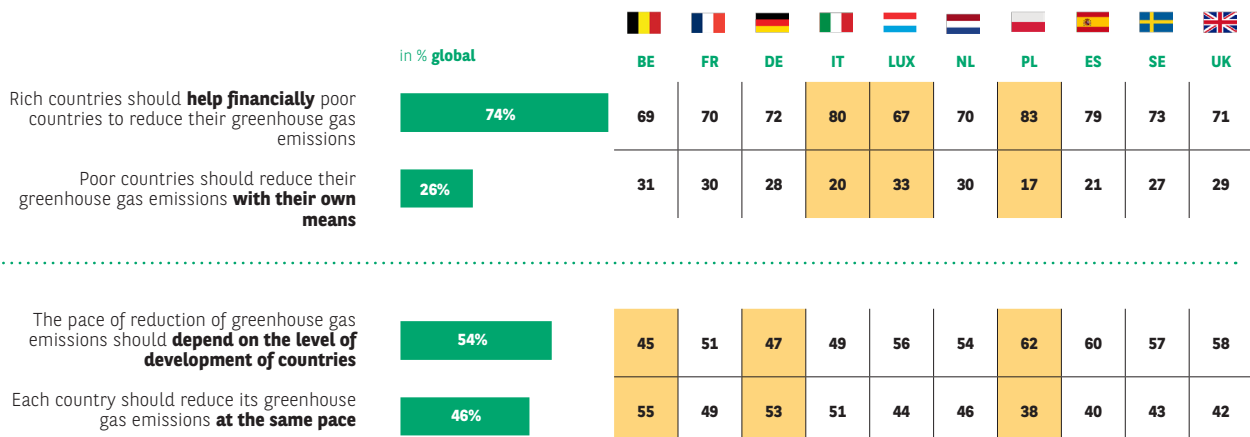
opportunities for those currently employed in the coal industry. India is also heavily dependent on fossil fuels, particularly coal, for its energy needs. The country has set ambitious targets for transitioning to renewable energy, but faces challenges such as heavy dependence on coal revenue in certain states, a high borrowing cost for new investments, limited access to financing, and a lack of infrastructure to support the transition. Additionally, India's large population and growing energy demands make the transition a significant challenge.

In many developing countries, discussions around the just transition have to find a narrative that makes sense for the population. In Senegal, around 40% of rural areas do not have access to any energy, so energy access is the priority issue. Renewable energy can play an important role here. At the same time, the country is hoping to develop its own gas resource, especially for its industrialisation process and for export opportunities. These currently seem high but are more uncertain in the future if the goals of the Paris Agreement are to be met.

In Indonesia, the government recently secured international support for a just transition. Some parts of the population do not support these efforts and fear that it will reduce the government's capacity to respond to development needs.

### Responsibility and pace of reduction of greenhouse gas emissions

Greenhouse gas emissions caused by human activity, like CO<sub>2</sub>, are what contributes the most to climate change. From the following pairs of statements, which statement best describes what you think?



## Flash forward

# The transition must be just and sustainable

The transition will bring major economic impacts, especially for more vulnerable countries and households.

## An economist's view of the just transition

by William De Vijlder, Group Chief Economist at BNP Paribas and Antoine Sire, Head of Company Engagement at BNP Paribas



**Head of Company Engagement Antoine Sire had some searching questions on the just transition. For answers, he turned to Group Chief Economist William De Vijlder.**

### Antoine Sire: Is the just transition a real need?

William De Vijlder: Definitely. The absence of transition is certainly not just, because the consequences of not transitioning will be disproportionately greater on people who are at the lower end of the income spectrum than those at the top. To put it bluntly, wealthy people can afford both air conditioning and electric vehicles; those who cannot, will suffer. So it's vital that we implement a transition, and ensure that it is just.

### How do economists view the just transition?

A huge amount of specialised academic and analytical work has been conducted on the topic, particularly over the last few years. The economic impact of the just transition is challenging. A big problem is that countries with lower standards of living have major challenges developing a growth model that is energy efficient. This implies the need for financing means to flow from developed economies to developing economies to help them make the transition.

### Are governments doing enough to stimulate the just transition?

From a policy perspective, I'm concerned that governments are paying insufficient attention to the consequences of the transition. For the transition to work, it has to be a sustainable transition – and a transition to a sustainable world. Sustainable transition means that it needs to be accepted by society. If you do not do

that properly, you will have a backlash. Governments must play their part by ensuring that the right incentives, guidance and pricing mechanisms are put in place to achieve the ambitions of the transition and ensure a more sober way of life.

**"FOR THE TRANSITION TO WORK, IT HAS TO BE A SUSTAINABLE TRANSITION – AND A TRANSITION TO A SUSTAINABLE WORLD. SUSTAINABLE TRANSITION MEANS THAT IT NEEDS TO BE ACCEPTED IN SOCIETY."**

### How are lower-income households more impacted by the transition?

They have been through a succession of shocks – the most recent being Covid – and now another shock is looming on the horizon: the energy transition. This may mean having to buy an electric or a hybrid car, paying extra for goods due to a carbon tax, or paying a higher rent for accommodation because the landlord has been forced to upgrade the house or apartment to make it more energy efficient.

### How can banks contribute to a transition that is just?

Banks have a key role to play in accompanying their clients through the transition. The financial sector can create transparency in terms of information, and help practically with the credit conditions. Banks can provide information to their clients on the right actions to be taken and the subsidies available. For example, they could advise clients owning an old refrigerator to replace it with a new energy and cost-efficient one. There are energy efficiency gains and other financial benefits from doing investments.

### What other innovative actions may help the just transition?

A government could issue income-dependent vouchers to stimulate energy transition-related investments. Lower-income households could use their vouchers for investments such as solar panels – or sell them to higher-income households. Governments could go still further. They could re-inject carbon taxes into the economy to benefit certain sectors, such as lower-income households or small companies. Or they could develop policies that specifically help the lower end of the income spectrum by, for instance, applying a lower rate of interest.

### How will the just transition impact jobs?

It will have a big impact on the labour market, in particular at the sector level. Sectors and activities with a high carbon footprint will need to adapt or they will see a drop in demand, with an impact on the labour force. On the other hand, the huge investments that are necessary – alternative energy, infrastructure, improving the energy efficiency of buildings, etc. – will require new skills and create many job opportunities.

## Colophon

We would like to thank all the staff from BNP Paribas and the partners who have contributed to producing this report.

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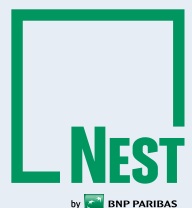
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# Five levers of banks for a just transition

Banks can play a key role in the just transition, because they have the financial, human and technological means to support individuals and companies in their transition.

Practically speaking, they can operate these five levers:

## 1

### Financing of tailored ES(G) projects:

they can provide financing for renewable energies, energy efficiency and clean transport. It is crucial to develop tailored offers for low-income households. This will also contribute to creating jobs in growth sectors.

## 2

### Advice and support:

they can help their clients better understand companies' services and products and the grants offered by public authorities. This will enhance the accessibility of the major shifts required as part of the transition in terms of housing, mobility and daily purchases, especially for poorer households.

## 3

### Promoting sustainable financial products:

they can promote sustainable financial products (loans and green investments, leasing offers, etc.) in order to encourage individuals and companies to adopt more sustainable practices. This approach should include social criteria, to enable vulnerable groups to have more access to such products.

## 4

### Engaging with the stakeholders:

they can set up a dialogue with stakeholders, including civil society organisations and local communities. This will enable the financial sector to better grasp the needs and concerns of the different stakeholders, in order to develop inclusive solutions.

## 5

### Training and skills development:

they can help workers impacted by the green transition update and develop their skills. In this case, the banks can finance training programmes and professional retraining for workers in declining sectors.

## To find out more:

FINANCING CLIMATE ACTION WITH A POSITIVE SOCIAL IMPACT\*

JUST TRANSITION FINANCE TOOL\*

\*LSE-Grantham Research Institute on Climate Change and the Environment- University of Leeds - 2020\*

\*ILO-LSE-Grantham Research Institute on Climate Change and the Environment - 2022



## To follow in the coming months:

### FOURTH QUARTER OF 2023

THE ISSB WILL ANNOUNCE SEVERAL INITIATIVES TO ADVANCE ITS WORK ON THE JUST TRANSITION

### FOURTH QUARTER OF 2023

THE ILO WILL PUBLISH GUIDANCE FOR JUST TRANSITION FINANCE FOR BANKING AND INSURANCE INDUSTRIES IN PARTNERSHIP WITH UNEP



READ THE FULL REPORT HERE:

