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Investing in a Just Transition in the UK

How investors can integrate social impact & place-based financing into climate strategies

HIGHLIGHTS

- The successful transition to a resilient, low-carbon economy needs to combine climate action with efforts to build an inclusive economy. This is the agenda of the just transition, which is contained within the 2015 Paris Agreement on Climate Change.
- For investors, this means incorporating the full range of environmental, social and governance (ESG) dimensions of responsible investment into their climate strategies. To date, however, investors have given insufficient attention to the social dimension.
- To fill this gap, the Investing in a Just Transition initiative is designed to equip investors and other stakeholders with the rationale and frameworks for action. Internationally, an investor guide has been developed by the Grantham Research Institute (GRI) at the LSE and the Initiative on Responsible Investment (IRI) at Harvard, in partnership with the Principles for Responsible Investment (PRI) and the International Trade Union Confederation (ITUC). The guide will be launched in December 2018.
- In the UK, there is a major opportunity for investors to contribute to a just transition, bringing together the frameworks and insights of the Industrial Strategy, the Green Finance Task Force as well as the Social Impact Task Force.
- To realise this opportunity, the Grantham Research Institute at the London School of Economics along with the University of Leeds are leading a one year project to identify the role that investors can play in linking the environmental and social dimensions of the transition. The project is being delivered in partnership with the PRI and the TUC. It is funded by the Friends Provident Foundation.
- The aim is to develop a national roadmap for investing in a just transition, deploying the framework developed in the international investor guide. The project is rooted in a regional case study of Yorkshire, identifying the region's exposure to the transition, showing how investors can support a just transition in the region.
- The project comes at a time of growing policy and market interest in place-based investing. It will conclude with recommendations for both local and national reforms that would ensure that the just transition is embedded in the financial system. It will also identify how the regional analytics conducted in Yorkshire could be extended nationwide.
- The project is guided by an Advisory Group, involving investors, civil society organisations as well as policymakers. The project commenced in July 2018 and will produce an initial landscape review setting out the specific UK challenge of investing in a just transition in early 2019. A final report will be released in summer 2019 with the intent of encouraging long-term action by investors.





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THE CHALLENGE

Well-managed, action to build a resilient, low-carbon economy will boost growth, generate additional high-quality jobs, reduce inequality and rejuvenate key regions. Poorly managed, however, it could result in “stranded workers” and “stranded communities” as well as “stranded assets,” slowing the transition itself and potentially contributing to economic stagnation and instability. Anticipating these challenges is the agenda of the ‘just transition’, which was included in the 2015 Paris Agreement to ensure that climate action contributes to inclusive growth.

Investors are increasingly committed to the transition in terms of shareholder engagement, capital reallocation and policy dialogue. Internationally, a growing number of investors have recognised the need to integrate the full range of environmental, social and governance (ESG) dimensions of responsible investment into their climate strategies. To date, however, investors have given insufficient attention to the social dimension, with a lack of robust analytics and guidance to enable them to play an effective role.

Turning to the UK, there is now a major opportunity to bring together the climate and societal dimensions of the transition to a prosperous and resilient low-carbon economy. The government’s Industrial and Clean Growth strategies highlight the importance of connecting decarbonisation with skills and place. Building on these foundations, the Green Finance Task Force has recommended a set of measures to foster inclusive prosperity by supporting local actors. In addition, the government is also seeking to grow a culture of impact investing to develop a more socially inclusive economy. The just transition offers investors a powerful way of connecting the environmental and social pillars of responsible investment, delivering long-term returns as well as broader impact in specific places.

THE INITIATIVE

Internationally, the Grantham Research Institute at the London School of Economics and the Initiative for Responsible Investing at the Harvard Kennedy School have established the ***Investing in a Just Transition*** initiative. Working in partnership with the UN-backed Principles for Responsible Investment and the International Trade Union Confederation, the first phase of the initiative will produce an [investor guide to the just transition](#).

The Guide presents the **strategic case for investor** involvement, including factors such as systemic risk, fiduciary duty, materiality, investment opportunity and policy alignment. The Guide also presents **a framework for investor action** covering strategy, corporate engagement, capital allocation, policy dialogue and place-based partnerships as well as learning and review. The draft Guide will be released presented in September 2018 along with a global investor statement on the just transition. A final version of the Guide will be published at the COP24 Climate Conference in Katowice in December 2018.

A first discussion paper was published in June 2018 and can be found here:

<http://www.lse.ac.uk/GranthamInstitute/publication/investing-in-a-just-transition-why-investors-need-to-integrate-a-social-dimension-into-their-climate-strategies-and-how-they-could-take-action/>





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THE UK PROJECT

Building on this international platform, the GRI and the University of Leeds are leading a dedicated project that focuses on the UK and the role that investors could play to ensure that the transition delivers positive social outcomes across the country. The project will seek to deploy the investor guide in the specific policy and market context of the UK and generate real world experience of how investors can contribute to the just transition. The UK project will also be delivered in partnership with the PRI and the TUC; it is funded by the Friends Provident Foundation.

The UK project will:

- survey the UK policy and investment landscape on the just transition, map high-level transition exposure across the country and identify the specific case for investor action.
- conduct an in-depth regional case study of Yorkshire, analysing transition risks and opportunities, and work with local stakeholders to develop a place-based agenda for the just transition.
- work with leading financial institutions to apply the framework for investor action in a series of Yorkshire-based examples, covering shareholder engagement, capital allocation and policy dialogue.
- identify how to strengthen the role of investors in financing a just transition in Yorkshire, including building up a pipeline of investable assets, highlighting any barriers that are preventing this.
- develop a national roadmap for investing in a just transition, setting out the lessons of the Yorkshire pilot for other regions, how investors can bring together the environmental and social dimensions of their climate strategies and what policy reforms are needed to ensure that the just transition is embedded in the financial system.

The UK project will both feed into and draw from the work of the international Investing in a Just Transition initiative. The UK project starts in July 2018. An initial landscape review setting out the specific UK challenge of investing in a just transition will be released in early 2019. A final report will be published in summer 2019 with the aim of encouraging long-term action by investors.

THE TEAM

In the UK, the *Investing in a Just Transition* project is led by Professor Nick Robins at the LSE, working with Professor Andy Gouldson at Leeds University. Sophia Tickell is strategic advisor to the project. The project is guided by a high-level advisory group. To find out more, please contact:

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Advisory Group

The Advisory Committee for the Investing in a Just Transition project in the UK is made up of high-level stakeholders with a commitment to connecting the financial, environmental and social dimensions of the transition to a resilient and inclusive low-carbon economy. Members act in a personal capacity and do not have responsibility for the outputs of the project. Members include:

Bill Adams, Regional Secretary, Yorkshire and Humberside, Trades Union Congress

Colin Baines, Head, Investor Engagement, Friends Provident Foundation

Kate Bell, Head of Economic and Social Affairs, TUC

Polly Billington, Director, UK100

Tatiana Bosteels, Director Responsibility & Head RPI, Hermes Investment Management

Justin Bowden, National Secretary, GMB

John Bromley, Head of Clean Energy, Legal and General

James Burrows & Candice Hampson, Big Society Capital

Noel Collings, Senior Project Officer, Leeds City Region Enterprise Partnership

Bruce Davis, Joint Managing Director, Abundance

Arthur Foreman, Managing Director, Finance for Enterprise

Adam Frost, Partner, Head of New Strategy Development, Bridges Fund Management

Graeme Griffiths, Director of Global Networks & Outreach, PRI

Emma Howard Boyd, Chair, Environment Agency

Tom Knowland, Head of Sustainable Energy & Climate Change, Leeds City Council

Adam Matthews, Director of Ethics and Engagement, Church of England

Chris Matthews, Executive Director, Leapfrog Finance

Vaidehee Sachdev, Workforce Disclosure Initiative, Share Action

Danyal Sattar, Head of Social Investment, Joseph Rowntree Foundation

Nigel Topping, CEO, We Mean Business

Steve Waygood, Chief Responsible Investment Officer, Aviva

Helen Wildsmith, Stewardship Director, Climate Change, CCLA

