

Banking on a Just Transition

Research project

As the UK makes the shift towards a net-zero-emissions economy, this project will identify the role the banking sector can play, looking in particular at how the sector can channel capital to climate action in ways that deliver social inclusion and 'leave no one behind'.

Financing an inclusive, net-zero economy

The UK's shift to a net-zero¹ emissions economy by 2050 will require profound changes across all sectors and regions. The Committee on Climate Change has stressed that this transition "must be fair, and perceived to be fair", particularly for vulnerable workers and consumers, and it has recommended that the Government introduce a strategy to ensure a just transition.² This strategy must have a spatial dimension, given the socioeconomic imbalances across the regions of the UK.

Finance – and banking within that – will be a crucial enabler of this shift. Investors have started to recognise the importance of managing both the environmental and social dimensions of the transition.³ Equally, the just transition is a strategic opportunity for the banking sector to address the twin challenges of scaling up climate action and reducing inequality as part of the broader drive to sustainable finance.

Britain's high street banks cannot do this alone. The just transition will require a process of systemic dialogue and innovation across the banking sector, particularly a commitment to meet the needs of harder-to-reach sectors, people and places.

By connecting the challenge of how to finance a net-zero economy with the imperative of building an inclusive economy, the **Banking on a Just Transition** project aims to stimulate fresh thinking on how the banking sector can better respond to the needs and aspirations of those affected by the changes involved.

Dialogue and research to catalyse action

This project aims to identify how banking can support a just transition across the regions of the UK. It seeks to catalyse strategic action through a process of research and outreach. Initial research questions include:

- **Policy frameworks:** What are the key climate and economic policies needed to ensure that banks can support scaled-up action in the real economy with far greater urgency?
- **Strategic purpose:** How can banks and the banking system respond to the social risks and opportunities that flow from the transition to a net-zero economy in terms of strategic purpose?
- **Market demand:** How can banks and other finance providers work with households, enterprises and public authorities to design the sustainable financial products that will be needed?
- **Public and blended finance:** What is the best mix between bank finance, public finance and impact investment, particularly to mitigate risk and ensure inclusion in the transition?
- **Regional dynamics:** How can banking support place-based climate action, responding to local needs, particularly in a regionally-imbalanced economy such as the UK?
- **Financial regulation:** What is the role that financial regulators can play in overseeing climate risks and the broader social implications of the transition?



Project activities

1. Mapping the just transition agenda for banks

The project will first evaluate the strategic rationale for banks to support a just transition. It will map the main challenges and opportunities facing the UK as a whole, as well as key regions, with an initial focus on the Yorkshire and Humber region.

2. Place-based dialogue

Working with the Place-based Climate Action Network (PCAN)⁴, the project will host a series of meetings across the UK to better understand the needs of different cities and regions to realise a just transition. These meetings will take place in Belfast, Birmingham, Bristol, Edinburgh, Leeds and Manchester.

Project outcomes

The project aims to provide recommendations for policy and market reform to more fully involve the banking sector in delivering a just transition to a zero-carbon economy across the UK. It will focus on potential action by banks, other financial institutions, investors, communities and policymakers. A first briefing paper will be released in autumn 2019 and a final report in spring 2020.

Project leadership

The project is designed as a process of research and collaborative dialogue between banks, other financial institutions and stakeholders. It is led by the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science and the Sustainability Research Institute at the University of Leeds, along with a Strategic Adviser. It is being delivered in partnership with UK Finance, and will work closely with the TUC.

The project is guided by an advisory committee with representation from Abundance, Big Society Capital, British Business Bank, CCLA, Climate KIC, Finance for Enterprise, Finance Innovation Lab, Friends Provident Foundation, HSBC, Investor Forum, Lloyds Bank, RBS, SouthWest Mutual, Triodos and Unity Trust Bank.

Project team contacts

Nick Robins: N.V.Robins@lse.ac.uk

Sophia Tickell: sophia@meteos.co.uk

Andy Gouldson: a.gouldson@leeds.ac.uk



The Banking on a Just Transition project and the PCAN network will engage in dialogue on the just transition in cities including Edinburgh

Photo: Bond Supanat, Pixabay

Financing the just transition – overview

- **The 2015 Paris Agreement on Climate Change** called for governments to take account of “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs”.
- **In the UK, the ‘just transition’ has taken on a broader scope**, covering communities, consumers and citizens as well as workers. For example, in Scotland, a Just Transition Commission has been established to provide advice on how to build “a carbon-neutral economy that is fair for all”.
- **Looking at the employment dimension**, our initial estimates show that around 10 per cent of current jobs in the UK have skills that will be in more demand in the transition, and a further 10 per cent have skills for which demand could fall. The East and West Midlands, as well as Yorkshire and the Humber, are the regions with the highest proportions of jobs that are exposed to the transition.
- **For the UK banking sector**, the challenge of how to support a just transition comes against a backdrop of ongoing post-financial crisis restructuring and regulation, the deep uncertainties created by Brexit, as well as accelerating digitisation and disruption as the banking sector responds to the technology revolution (including issues around branch closures).
- **The just transition forms part of the growing focus on sustainable finance** in both the UK and at the European level. By linking the environmental, social and governance (ESG) dimensions of sustainable finance, it provides a powerful lens for banks to implement the Sustainable Development Goals in the UK.

Notes and references

1. **Net-zero** means reducing greenhouse gas emissions to zero by balancing the amount emitted and emissions removed from the atmosphere.
2. **Committee on Climate Change [CCC] (2019) Phase out greenhouse gas emissions by 2050 to end UK contribution to global warming.** www.theccc.org.uk/2019/05/02/phase-out-greenhouse-gas-emissions-by-2050-to-end-uk-contribution-to-global-warming/
3. **Robins N, Gouldson A, Irwin W, Sudmant A (2019) Investing in a just transition in the UK: How investors can integrate social impact and place-based financing into climate strategies.** www.lse.ac.uk/GranthamInstitute/publication/investing-in-a-just-transition-in-the-uk/
4. **For more about PCAN**, see <https://pcancities.org.uk/>

The Banking on a Just Transition project is funded by HSBC, the Grantham Foundation for the Protection of the Environment, and the Economic and Social Research Council through the Centre for Climate Change Economics and Policy. The project is being carried out in 2019/20.

www.lse.ac.uk/GranthamInstitute/banking-just-transition

