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Delivering value through
a Just Transition: **A framework
for decision making**

December 2022



“Transforming Australia to a low carbon economy is inevitable and complex. If we get it right, the opportunities are immense.”

Phillip Chronican –
Chair, National Australia Bank.
All Systems Go Report, July 2022

“There is no climate change transition if it is not a just one.”

Antonia Gawel –
Head of Climate Change at the World Economic Forum

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Introduction

Ongoing social licence to participate in asset intensive and natural resource rich industries relies on successfully navigating the systems transitions demanded by the climate crisis.

Over the last three years Government, business and community has aligned on net zero ambitions, and committed to transforming the Australian economy to become more resilient to a changing climate and to realise the economic advantages of [decarbonisation](#). Now it is time to execute.

However execution is not easy. The economic and strategic challenges associated with asset retirement, repurposement and industry transformation are known. But this knowledge only goes some way to preparing leaders and organisations for tackling climate transformation. The ambition is not orderly closure, but successful transition that will balance the impacts of change with the opportunities it presents. More and more leaders are acknowledging that the workforce, communities, assets and environment within their ecosystem need to be supported – invested in and reshaped through collaboration – to facilitate the changes necessary on the compressed timeline required.

The first step is understanding both the critical domains to be addressed in a transition and the enablers of just outcomes. Deloitte has developed a framework, through research, engagements and collaboration with clients, to support organisations to navigate the uncertainty and complexity of executing a transition that aims to achieve just outcomes. Our approach aims to enable strategic choice making and maximising prospects of success for all participants today and tomorrow.



What is a Just Transition?

'Born out of a labour movement in the 1970s, the Just Transition has been referenced broadly through the decades, from job creation to poverty elimination. Emerging across the proliferation of definitions available is the notion that the Just Transition is both a principle and a process:

1. Principle – Fair, inclusive and equitable transition towards a global economy in balance with its environment and which recognises that people are at the heart of the transition.
2. Process – Negotiate and implement the principle through social dialogue within relevant geographical, political, environmental, cultural and socio-economic contexts.

A Just Transition is built on three key concepts:

1. While likely to be a global net job creator, climate-driven economic change will disrupt, transform or create entire industries, workforces and professions
2. These changes will disproportionately impact specific groups of workers and communities, especially in regional areas with specialised workforces; and
3. Left unchecked, this will exacerbate unjust and enduring economic and social effects, thereby putting the successful delivery of the transition at risk.¹



COP26 Declaration for Just Transition

We support the following principles and aim to work with relevant international organisations to implement them across our international financial and technical assistance programs when supporting developing and emerging economies:

1. Support for workers in the transition to new jobs
2. Support and promote social dialogue and stakeholder engagement
3. Economic strategies
4. Local, inclusive and decent work
5. Supply chains; and
6. Paris Agreement reporting and Just Transition.

¹ World Economic Forum & Climate Governance Initiative, Chairperson's Guide to a Just Transition, Sept 22, pg 4

Why is it hard?

Leading a transition of this size and complexity will be difficult:

1. The environment is uncertain

The social, environmental, technological, economic and political environment is shifting rapidly. Organisations are confronted with new scientific data and may not have the right processes in place to quantify and interpret this. Future planning is complicated by the unpredictable environment, requiring consideration of strategy in multiple scenarios.

2. No playbook exists

Guidance and suggested approaches vary, inhibiting consensus and focus. The collaboration required to address the systemic implications of the climate crisis and lead a successful transition has not been demonstrated at scale before. Further, transition disproportionately affects and is grounded within regional areas which have unique challenges and transition needs.

3. Stakeholder groups are varied and have expanded expectations and needs

A new, deeper and more holistic approach to stakeholder engagement is expected and required. Organisations are expected to:

- Establish a deeper understanding of their reputation
- Actively listen to stakeholders with genuine intention to address their (diverging) needs, and translating this into action
- Deeply understand the issues at play – opportunities and risks
- Be in and shape the dialogue in new forums
- Design and negotiate “win-win” outcomes for the full ecosystem; and
- Build platforms that enable continuous, authentic, concrete engagement for mutual benefit.

4. Significant financial investment, resources, time and effort is required

Decarbonising operations, supply and value chains in line with the Paris Agreement and community expectations is already a significant leadership challenge. Simultaneously delivering a transition that aims to maximise the outcome of all stakeholders will require further investment. Alongside funding, organisations will have to dedicate capital, time and effort, potentially in areas which sit outside of their core capability sets.



What is the opportunity?

The comprehensive nature of the systems transition required provides an opportunity to reset ways of working, and re-build industry. This opportunity if managed proactively and in line with a comprehensive strategy, can support creation of value for organisations:

Re-thinking and creating local regions for a better future

Local socio-economic diversification and growth, if delivered successfully, can improve quality of life for citizens, enable competitive industries and sectors (attractive to employers and employees), build climate resilience, improve water access and quality, preserve biodiversity and broader environmental sustainability and increase good governance by embracing diverse experience and perspectives.

Creating new structural advantages

Transition creates many opportunities to re-set past structural disadvantages, for example creating initiatives which support skill development, support for and collaboration with indigenous communities and heightened focus on fostering diversity, equity and inclusion.

Increasing innovation and new business development

Transition can stimulate diversification from typically narrow economic bases in regional areas to future facing industries and sectors (green steel production, hydrogen export capability, renewable energy generation and distribution). This requires, and creates the opportunity for, innovation and new venture creation that deliver new sources of growth.

Strengthening the public perception and capabilities for involved organisations

By fostering improved stakeholder relations and delivering impactful socio-economic and environmental outcomes, organisations can enhance and differentiate their brand and reputation. This comes through proactive development of market leading capabilities such as collaboration, corporate listening and adaptive capacity.



“The transition to a climate-neutral economy will transform the way people, communities and your businesses operate. By making it a Just Transition, successful businesses will be positioned to grow underlying capital and value while also making the world more equitable. Conversely, failure to consider this aspect may materially impact the future prosperity of your company.”

World Economic Forum & Climate Governance Initiative,
Chairperson's Guide to a Just Transition, Sept 2022

Where do I start?

To successfully contribute to and deliver a successful Just Transition, organisations need to work through five key questions:

1. What are our desired outcomes for delivering a successful transition (vision, financial and non-financial goals)?
2. Where will we focus resources (capital, time and effort) across issues, domains and enablers by choosing where we lead, proactively collaborate, or follow other stakeholders?
3. What levers will we pull to maximise impact and deliver on our desired outcomes?
4. What will this mean for how we operate or configure ourselves (management, governance, systems, capabilities, partnerships)?
5. What are our priority initiatives to effectively deliver the transition through its planning, execution and sustainment phases?

We recognise the challenge and complexity associated with these choices and through our work with clients **have developed a Just Transition Framework** (Figure 1) to help organisations navigate this.

We believe there are four primary issue areas or domains that impacted organisations must consider:

- 1 Citizens & Communities**
- 2 Employment**
- 3 Environment**
- 4 Local Economic Diversification & Growth**



Where do I start?

Domain	Issues	Illustrative best practices outcomes
Citizens & Community	Indigenous communities	Redress past disadvantages, restore traditional practices and form true partnerships with Indigenous communities to co-develop path to prosperity.
	Citizens & households	Affordable and reliable access to basic necessities and green utilities, and proactive engagement with communities to address inequality through the provision of human services programs and long term medical impacts of mining.
	Local businesses	Creation/enabement of future facing industries and businesses in impacted regions that position businesses into global value chains, with financial and non-financial support from government and broader transition stakeholders.
	Social infrastructure & services	Advancement and continued maintenance of new local infrastructure and services delivered through collaboration with local organisations.
Employment	Meaningful job opportunities	Increase employment opportunities and wage growth for impacted employees, dependants and broader community by generating and enabling dynamic, high value add jobs in sustainable and future facing industries.
	Diversity, equity & inclusion	Transform historic social inequities focusing on disadvantaged groups.
	Culture & human rights	Proactively prevent or mitigate human rights implications through due diligence, risk management and active monitoring and reporting.
Environment	Land rehabilitation & repurposing	Ongoing management, rehabilitation and repurposing of land for ecological, social, cultural and economic reuse in the long term.
	Biodiversity	Protect existing biodiversity and re-introduce previously threatened species, eradicate invasive plants and develop sustainable agricultural capabilities.
	Climate resilience	Rapidly reduce dependency on fossil fuels and emissions intensive processes, supported by carbon sequestration solutions as a priority. Develop low emission land and assets that can withstand climate impact.
	Circular economy & waste management	Develop necessary infrastructure for sustainable waste management and recycling practices including redesigning operations, products and services to reduce internal and downstream demand for materials and resources.
	Water	Investment into water infrastructure to support water recycling and reticulation of drinkable water away from the operation into community. Ongoing management and rehabilitation of ocean and freshwater systems for ecological, social, cultural and economic benefits in the long term.
	Air	Actively reducing emissions of micro-particles and ozone depleting substances as a priority.
Local Economic Diversification & Growth	Upstream & downstream beneficiation in region	Development of local economic zones, with localised beneficiation and production with diversification to future facing industries.
	Supply chain adaptation	Partner with local vendors to mitigate transition impact and reorient supply chain partnerships to support future operations.
	Sustainable business & industry development	Promote growth through the 'greening of economies' by diversifying into low-carbon industries and maximising natural endowments.
	Repurposing of regional assets & skills for consistency	Work upstream to optimise and maintain regional assets by retrofitting and re-using for new industries.
	Economic infrastructure & services	Create capacity towards the maintenance and development of regional infrastructure to meet future needs (e.g. transportation, warehouses).
	Entrepreneurship	Develop a culture and enabling ecosystem of R&D, innovation and entrepreneurship that supports local economic development.

Figure 1: Example: Illustrative best practice outcomes



Where do I start?

In addition, there are seven enablers – factors which can support and accelerate transition and delivery of just outcomes – which are outlined here:

Enabler	Areas	Illustrative best practice outcomes
Just Transition strategy & integration	Integrated winning aspiration	Defined and tested transition scenarios and market sensing and long-term focused strategy that delivers an integrated regional aspiration with effective mechanisms for implementation and monitoring.
	Embedding into business	
	Strategy & operations business design	
	Local regional development strategy	
Enabling policy	Scenario analysis & strategy iteration	Coherent government policies in economic, environmental, social, education and labour portfolios that incentivise public and private investment and enable best outcomes for market and government. Coordinated and aligned varying levels of government and their departments toward aspired outcomes.
	Government & policy Political cohesion	
Multi-party engagement	Inclusive & proactive interactions	Activation and establishment of local voice and support for transition plans through coordinated engagement and transparency between decision makers, delivery resources and partners and impacted groups.
	Transparency & early engagement	
Transition governance	Strong governance	Equitable decision making, clear decision rights and escalation pathways, effective ways of working embedded within organisational frameworks which enable agility and holistic forward-looking responses to risk.
	Risk management	
Funding & investment	Capital raising	Deep partnerships with investors to structure flows of public, private and blended finance into critical transition initiatives, allocated to maximise employment, and environmental, community and local socio-economic value.
	Capital allocation	
	Portfolio management	
Innovation	Entrepreneurial discovery & enablement	Establishment of incubators and ventures in regional areas, that enable entrepreneurship and innovation. Dynamic adoption, deployment and integration of renewables and new technology.
	Adoption of new technologies	
Data & analytics	Data platforms	Optimised outcomes and decision making through the capture and collation of critical and disparate data to form insights and track performance. Shared transparently with stakeholders to continuously enable shared value creation, risk management and outcomes delivery.
	Dashboard & analytics	

This framework is underpinned by over 250 criteria to consider which can help accelerate your strategic choices. These criteria facilitate analysis and lead to insight on where organisations are best placed to lead, proactively collaborate, or follow other stakeholders. This analysis process provides clarity on the necessary investment, engagement,

and resource allocation that will be required.

Given the uniqueness of any given transition, the framework is designed to adapt with application, and will be informed by frequently changing stakeholder expectations and the new information generated during implementation.



Just Transition Framework

4 Issues / Domains

7 Enablers

>250 Criteria

Issues / Domains	Citizens & Community	Indigenous Communities	Citizens & Households	Local Businesses	Social Infrastructure & Services		
	Employment	Meaningful Job Opportunities	Diversity, Equity & Inclusion	Culture & Human Rights			
	Environment	Land Rehabilitation & Repurposing	Biodiversity	Climate Resilience	Circular Economy & Waste Management	Water	Air
	Local Economic Diversification & Growth	Upstream & Downstream Beneficiation in Region	Supply Chain Adaptations	Sustainable Business & Industry Development	Repurposing of Regional Assets & Skills	Economic Infrastructure & Services	Entrepreneurship
Enablers	Just Transition Strategy & Integration	Integrated Winning Aspiration	Embedding into Business Strategy & Operations	Business Design	Local Regional Development Strategy	Scenario Analysis & Strategy Iteration	
	Enabling Policy	Government & Policy	Political Cohesion				
	Multi-Party Engagement	Inclusive & Proactive Interactions	Transparency & Early Engagement				
	Transition Governance	Strong Governance	Risk Management				
	Funding & Investment	Capital Raising	Capital Allocation	Portfolio Management			
	Innovation	Entrepreneurial Discovery & Enablement	Adoption of New Technologies				
	Data & Analytics	Data Platforms	Dashboards & Analytics				

Figure 2: Just Transition Framework

What choices must be made?

Deciding where to lead, proactively collaborate, or follow across the elements of the framework is a key strategic choice for organisations with implications for investment and effort.

Making this decision must be informed by a nuanced understanding of current role and the positioning of other stakeholders. Recognising where leadership is within your organisation's capability and control is important to avoid significant value leakage and ineffective outcomes. Similarly, identifying where to proactively collaborate will contribute to a more coordinated transition with better outcomes.



- High-touch stakeholder engagement with driving role on outcomes
 - Increased levels of investment, time and effort
 - Focused capability build required
 - Source of priority initiatives
-
- Medium-touch stakeholder engagement toward joint outcomes
 - Low-medium levels of investment, time and effort
 - Limited capability build required
 - Secondary focus initiatives
-
- Ad hoc stakeholder engagement
 - Low to no investment
 - Limited time and effort

Figure 3: Characteristics of different approaches to the framework

The framework can also be used as a tool to communicate priorities effectively. Not only can this help to develop a strategic narrative when used across an entire ecosystem of key stakeholders, it can also reveal 'gaps' in the transition approach and any complementary or collaboration opportunities for involved organisations.

Explored and refined as a collaborative process, use of the framework can support a logical division of accountabilities across all different participants and a common vocabulary to align and drive toward just outcomes. Typically one single organisation would not take a lead position across all issues/domains and enablers, given the scale of investment required and the necessity of different stakeholders contributing fully within their domains.



What choices must be made?

Key ■ Play a lead role ■ Proactive collaboration ■ Follow or participate

Issues / Domains	Citizens & Community	Indigenous Communities	Citizens & Households	Local Businesses	Social Infrastructure & Services		
	Employment	Meaningful Job Opportunities	Diversity, Equity & Inclusion	Pro-actively Collaborate			
	Environment	Land Rehabilitation & Repurposing	Biodiversity	Climate Resilience	Circular Economy & Waste Management	Water	Air
	Local Economic Diversification & Growth	Upstream & Beneficiation in Region	Supply Chain Adaptations	Sustainable Business & Industry Development	Repurposing of Regional Assets & Skills	Economic Infrastructure & Services	Entrepreneurship
Enablers	Just Transition Strategy & Integration	Integrated Winning Aspiration	Embedding into Business Strategy & Operations	Business Design	Local Regional Development Strategy	Scenario Analysis & Strategy Iteration	
	Enabling Policy	Government & Policy	Political Cohesion				
	Multi-Party Engagement	Inclusive & Proactive Interactions	Transparency & Early Engagement				
	Transition Governance	Strong Governance	Risk Management				
	Funding & Investment	Capital Raising	Capital Allocation	Portfolio Management			
	Innovation	Entrepreneurial Discovery & Enablement	Adoption of New Technologies				
	Data & Analytics	Data Platforms	Dashboards & Analytics				

Figure 4: Example: Application of the Just Transition Framework

Setting up for success

Using the framework to make strategic choices in relation to transition will help organisations set up for success through:

1. Optimising ecosystem focus and impact

The complex stakeholder landscape serves as one of the greatest challenges to successful transition execution. A clear strategy will help guide identification of which key stakeholder groups to engage, their core needs, the greatest opportunities for impact and the most effective methods of engagement.

2. Investing prudently in the right capabilities

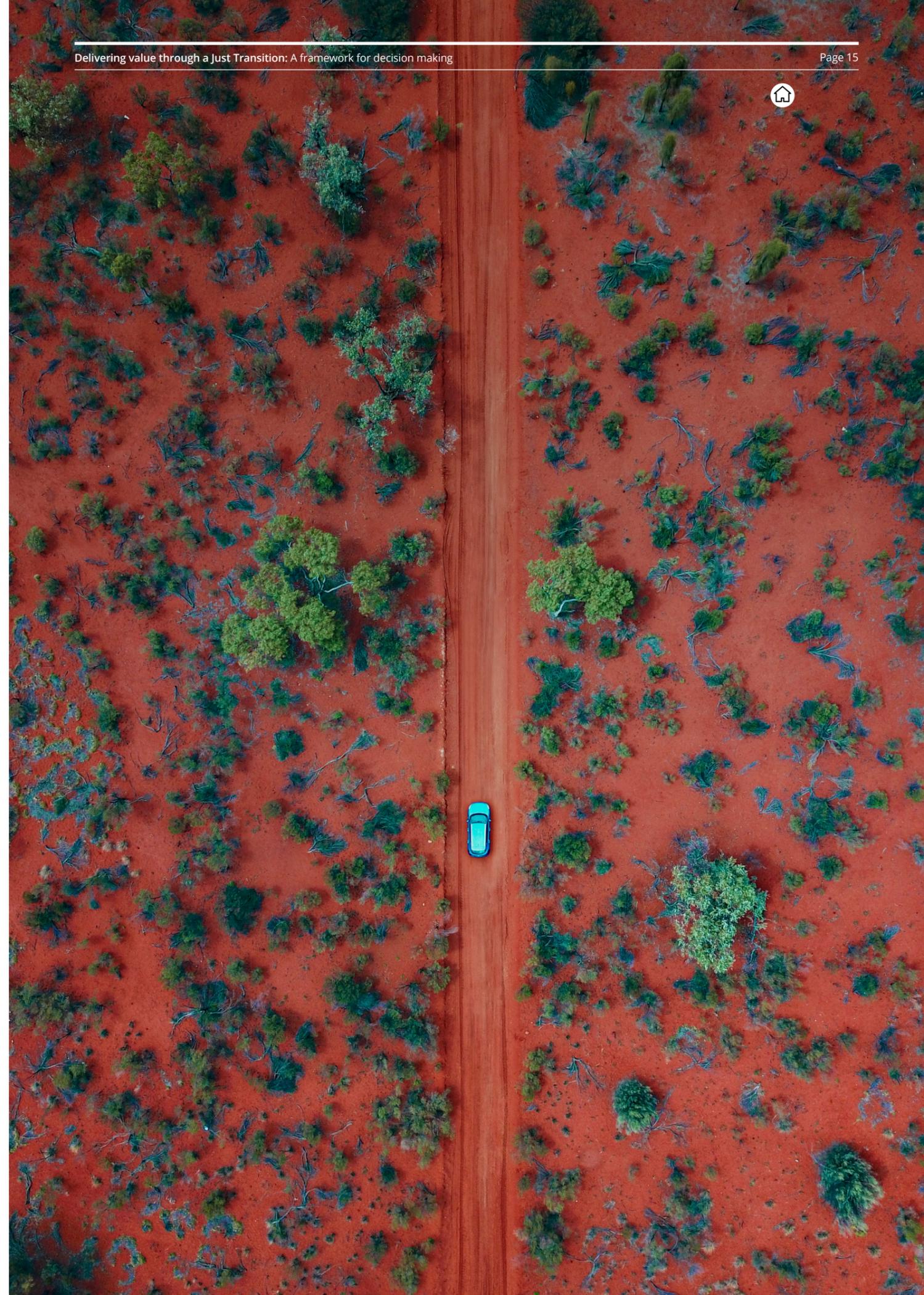
The issue areas, domains and enablers of a successful Just Transition often require capabilities that are not core to impacted organisations, such as multi-stakeholder listening or biodiversity assessment expertise. Many organisations will need to redesign business and operating models alongside developing new capabilities (buy, build or partner) to deliver the desired outcomes.

3. Translating strategy into action

Not all initiatives can be executed concurrently. Organisations need to prioritise actions and capital allocation that is most aligned to their strategic priorities and choices on where to lead, collaborate or follow within the ecosystem with balanced consideration of social value, business outcomes and risk.

4. Creating pathways for today, tomorrow and the future

Transitions take time and have differing considerations unique to each impacted region. Each requires scenario modeling, integrated strategies and the right policy settings to be in place for the planning, execution and sustainment phases. Multi-party engagement methods and platforms, funding avenues and mechanisms, innovation ecosystems and data and analytics are all needed. These need to be mobilised, managed and integrated with core operations.



Further information



Deloitte Climate & Sustainability is a team in Australia of 250 dedicated experts supporting clients in business, government and our communities to take practical action to decarbonise, become climate resilient and invest in the economic opportunity of Australia's transition to a net-zero economy. Deloitte has been a leader in identifying a coordinated climate transition as an enormous economic opportunity for Australia. Our recent [The Turning Point](#) report estimated this opportunity at \$890b over 50 years. To support business in seizing that opportunity, we helped establish the **Climate Leader's Coalition** and provided the economic modelling for the **Business Council of Australia's Net Zero 2050** commitment.



How we can help

We help organisations and government to navigate the internal and external challenges of a Just Transition with the aim to deliver accelerated pathways toward better outcomes for business, communities, the environment and impacted regional economies. We have a track record of supporting organisations globally through these transitions.

Our services include, among others, transition strategy setting and scenario planning; business, operating model and organisational transformation; regional regulation and economic analysis; enablement of environmental and sustainability resilience; asset repurposing and optimisation; ecosystem stakeholder engagement and coordination; funding and investment raising and allocation; innovation and venture development; and overarching transition program & risk management governance, reporting and disclosure.



Further information

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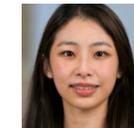
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