Gallagher

Insurance | Risk Management | Consulting

KEYNOTE SERIES

Why a Just Transition Matters

Preparing the workforce for net zero

Foreword

A “just” transition isn’t just the right thing to do. It’s critical to achieving net zero.

The next decade will be one of transformation as nations accelerate their investments in transitioning to net zero. For the people on the frontline of the transition, this will mean substantial change as industries adapt and embrace new technologies.

A “just” transition is one where no one is left behind and where everyone has an equal opportunity to benefit. A big part of the solution lies in reskilling employees for new roles as economies move forward in this transformation.

The good news is there is a strong appetite to retrain if barriers can be overcome. According to our research, just over three-quarters of frontline workers (76%) are open to reskilling within their current role as part of the clean energy transition.

This Gallagher Keynote report shines a light on the desire among workers to reskill and considers how a just transition is an essential factor in de-risking the energy transition. Ensuring new industries have the talent they need to perform and grow, and that communities are not left behind, lends powerful support to the journey to net zero.

A heartfelt thanks to the many experts who assisted us in bringing this story to life, including the Better Insurance Network, our partner in compiling this report.

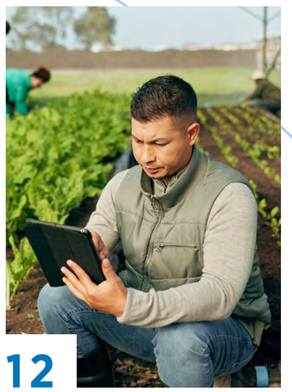
Tom Tropp
Global Chief Ethics Officer, Gallagher

TABLE OF CONTENTS

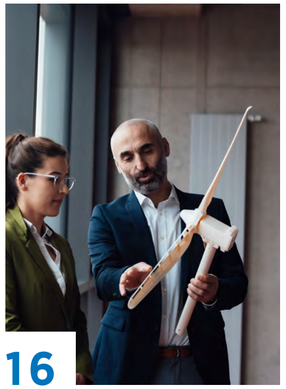
3 EXECUTIVE SUMMARY

5 PLANNING FOR AN INDUSTRY TRANSITION TO NET ZERO

9 THE CHALLENGE OF GREEN JOB CREATION: CAN IT OFFSET FOSSIL FUEL JOB REDUNDANCIES?



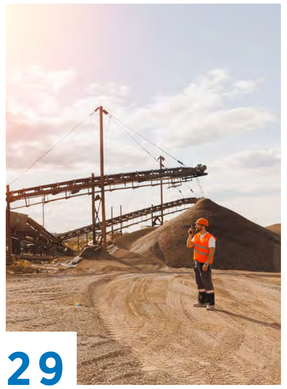
12 HOW RESKILLING CAN SUPPORT THE TRANSITION TO NET ZERO



16 ADDRESSING SKILLS GAPS: ENHANCING OPERATIONAL EFFICIENCY AND MITIGATING RISKS

20 THE CRUCIAL ROLE OF INSURANCE IN FACILITATING A JUST TRANSITION

25 STRENGTHENING SOCIAL PROTECTION THROUGH GOVERNMENT POLICY



29 HOW EMPLOYER-SPONSORED PROTECTIONS CAN AID A SUCCESSFUL ENERGY TRANSITION

A Just Transition Is Critical to Achieving Net Zero

The shift away from fossil fuels and towards a green economy represents an epochal shift and could threaten the economic wellbeing of workers left behind by the transition from traditional energy industries to renewable energy.

A just transition is the right thing to do, and it makes good business sense. As industries adapt their business models and embrace new technologies and a clean energy transition, they need to upskill the workforce and provide financial safety nets in preparation.

KEY TAKEAWAYS

- Previous industrial shifts have been costly and have had detrimental impacts on workers and communities.
- The transition to net zero could repeat past patterns unless industries, governments, and other institutions support employees' demonstrable willingness to reskill.

HISTORIC ENERGY SHIFTS RISK LEAVING PEOPLE BEHIND

With the centuries-long era of coal-fired power coming to an end and the pace of renewable energy development picking up, the next decades will see a churn of transformation, innovation, and disruption as nations accelerate their investment in net zero.

As this massive shift towards a green economy rolls out, there's a risk that the people employed in the industries most exposed to the coming changes could find themselves left behind as the world moves into a new era of energy production and consumption. In the West, historically, the phasing out of older industries has left behind a legacy of neglect and inequity.

The equitable distribution of the benefits derived from shifting towards a green economy may not happen automatically, prompting much talk of what a just transition looks like in the context of net zero: That is, a transition that takes account of the needs of those who stand to lose out economically and where no one is left behind.[1]

This aspect of the transition is often overlooked, but it's vital to supporting industries as they adapt, innovate, and invest in new technologies. Bringing the workforce with them on this journey will require dedicated policies to support reskilling and social mobility.

A key component of any just transition involves reskilling employees for new roles. Positively, our research shows a strong appetite among workers to retrain. In January 2024 Gallagher commissioned a survey, polling over 1,500 semi-skilled workers around the world across sectors most exposed to the green transition, including oil and gas, mining, transportation, construction, and agriculture. The questions gauged workers' appetite for reskilling as part of the transition to net zero. The study, Workforce Attitudes to the Net Zero Transition 2024, found that 76% of workers are open to retraining and upskilling within their current role as part of the clean energy transition.

RESKILLING IS WANTED AND NEEDED FOR A CLEAN ENERGY TRANSITION

Reskilling is urgently needed to facilitate the transition, as the renewable energy sector is among the industries struggling with skills gaps, adding to companies' operational costs and slowing the pace of the green transformation. Addressing this skills gap through training is therefore key to unlocking the return on investment of emerging industries and to governments hitting ambitious decarbonization targets. In addition, these efforts need to be backstopped by social protection solutions and other financial safety nets.

Many employees are already on board with this sentiment, and this Keynote series shines a light on the desire among workers to reskill as part of the green transition.

Ensuring new industries have the talent and expertise they need to perform, and that communities aren't left behind, will help to mitigate risk and, crucially, lend powerful support to the journey to net zero.

Addressing the skills gap is crucial to unlocking the potential of emerging industries and achieving ambitious decarbonization targets. Ensuring a high level of competency within the workforce will help improve the underlying risk and reduce operational costs, accidents, and delays as economies transition.

ARTICLE 1

Planning for an Industry Transition to Net Zero

When adopting changes to halt climate change, measures can be taken to avoid the kind of painful costs that past industrial transitions caused.

KEY TAKEAWAYS

- Previous industrial transitions in the West have been costly in financial, human, and social terms.
- The prospect of repeating these harms during the green transition can be partly mitigated by adopting the principle of “no one left behind.”

The cost of past industrial transitions

Historically, the impact of industrial transitions on people and communities has often been damaging. For example, the closure of coal pits in Wales and Northern England in the 1980s led to decades of unemployment, ill health, and social disadvantage in the affected communities.[2]

In the US, the collapse of automobile manufacturing in Detroit contributed to that city's long decline. Communities across the Rust Belt continue to struggle, years after the closure of their steel mills and auto plants during the period of US deindustrialization that began in the 1950s and 1960s.[3]

The concern now is that a badly handled transition to net zero would result in substantial job losses and unemployment — a particular issue for communities that are highly reliant on fossil fuel industries.

That's where a just transition comes in. A just transition seeks to prevent a repeat of historical, negative societal impacts, and to do so on a global scale. This is one of the most significant — and often overlooked — aspects of the transition to net zero.

A just transition seeks to prevent a repeat of historical, negative societal impacts, and to do so on a global scale.

Current impacts on the workforce and communities

Workforce redundancies brought about by the transition to clean energy are already a challenge in many communities.

At the time of writing, thousands of steelworkers in Port Talbot in Wales face an uncertain future amid the closure of coal-powered steel mills, a direct result of the move to clean energy sources.[4] Meanwhile in Collie, Western Australia, the planned closure of the town's two coal-fired power stations has left the community deeply embroiled in the state's move towards renewable energy sources.

"Reskilling is something we are seeing our clients talking about more and more," says Ryan Mansom, Head of Energy, Gallagher Australia and New Zealand. "One of our clients is currently looking at investments in a town being impacted by closing coal mines to build a green steel recycling plant. With people looking to invest in these areas, the government is going to be very supportive because it's going to bring employment. But it will also require investment in terms of reskilling the workers within that area."

> **Reskilling is something we are seeing our clients talking about more and more.**
>
> Ryan **MANSOM**
> Head of Energy, Gallagher, Australia

Green Transition: A sustainable way forward?

Expert analysis indicates that it's increasingly likely the transition to net zero will be volatile, as the global economy is unlikely to maintain a steady reduction in emissions of 7.6% per year. As the rate of progress lags, the scramble to catch up could leave behind a wave of stranded assets and workers representing billions (if not trillions) of dollars in write-downs for oil and gas investors as facilities — and their associated communities — are abandoned.[5]

However, there's a path that will arrive at a different outcome: A commitment to the principle of taking everyone along in the transition would help to avoid a repeat of the costly mistakes of the past — in both financial and human terms — and deliver fairer outcomes for all.

"It's important to note that the 2030 Agenda for Sustainable Development has already established the central principle of leaving no one behind," says Lorcán Hall, Advisory Member of the SDG Academy of the Sustainable Development Solutions Network of the United Nations and an insurance industry sustainability consultant.

"Every one of the 193 member states of the UN has signed up to this principle, but many people are not integrating it into their work."

While the doctrine of "no one left behind" has been established in principle, it remains to be seen how it's implemented in practice.

The transition to net zero presents both risks and opportunities for the workforce. Reducing the risk of an unjust transition calls for proper financial support and training initiatives. Without them, the workers in industries most exposed to the changes will struggle to adapt and make the most of new opportunities.

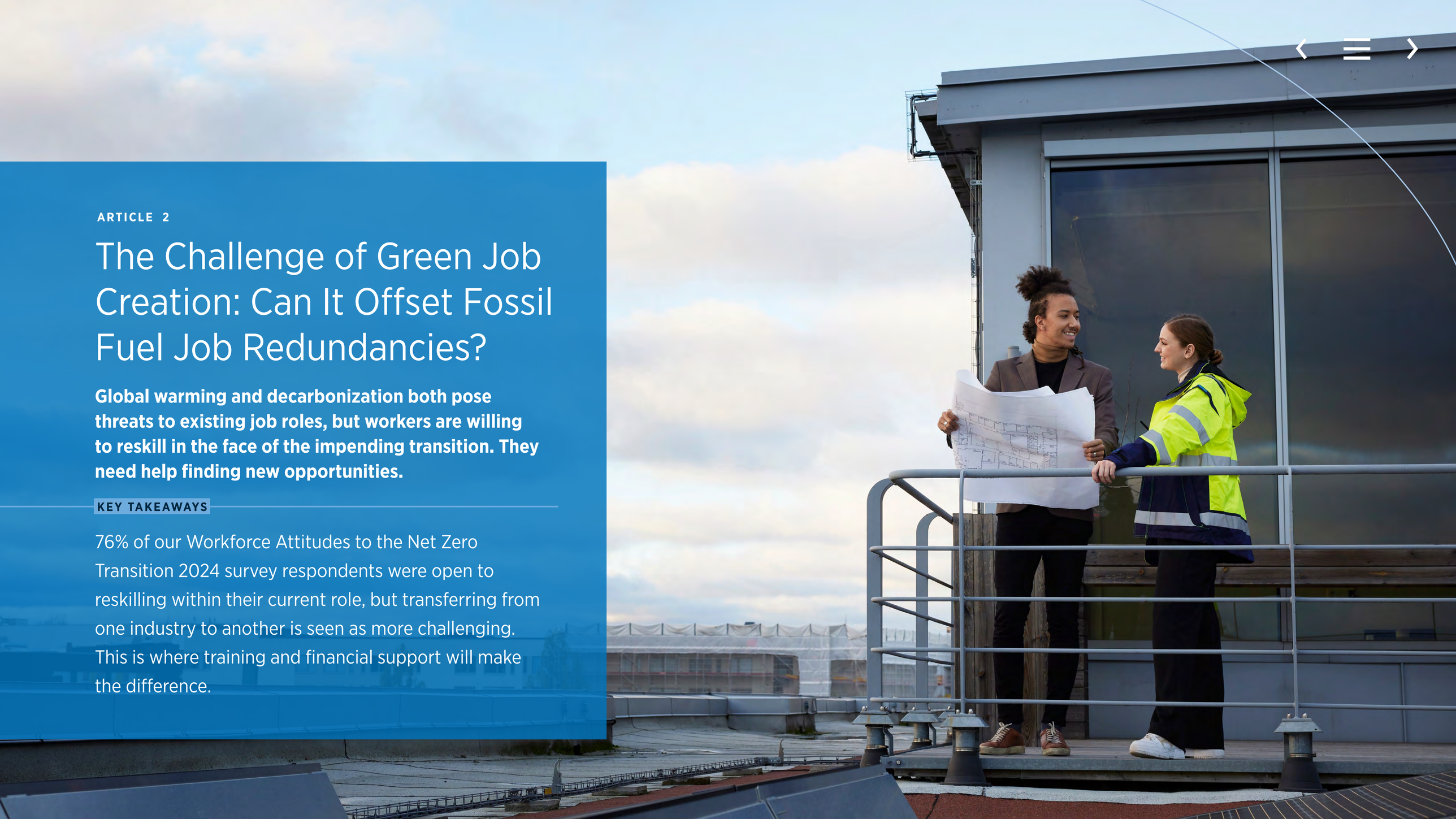
ARTICLE 2

The Challenge of Green Job Creation: Can It Offset Fossil Fuel Job Redundancies?

Global warming and decarbonization both pose threats to existing job roles, but workers are willing to reskill in the face of the impending transition. They need help finding new opportunities.

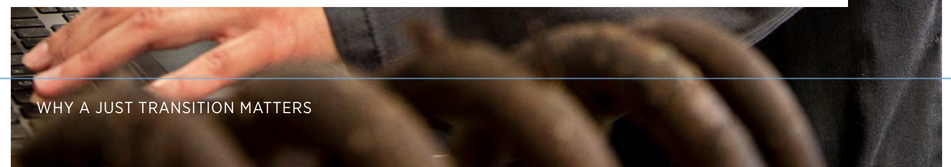
KEY TAKEAWAYS

76% of our Workforce Attitudes to the Net Zero Transition 2024 survey respondents were open to reskilling within their current role, but transferring from one industry to another is seen as more challenging. This is where training and financial support will make the difference.



800 million

JOBS WORLDWIDE ARE AT RISK BECAUSE OF EITHER PHYSICAL CLIMATE CHANGE OR DECARBONIZATION EFFORTS.



Disorderly decarbonization — where jobs are at risk

The ongoing effects of global warming are endangering the livelihood of millions — if not billions — of people. And, in a double bind, taking action to combat this trend through decarbonization is having an impact on the job security of a sizable portion of the globe's population.

Worldwide, 800 million jobs are at risk because of either climate change or decarbonization efforts — almost a quarter of the global workforce.[6]

In Africa and the Asia Pacific — which include India and China, the world's two most populous countries — more than 40% of the workforce is at risk, mainly because of these regions' high exposure to global warming. Meanwhile, in the Americas, 27% of all jobs are endangered due to the decarbonization efforts underway in some sectors.[6]

Around the world, two main job types are at risk in the coming decades: those in emissions-intensive sectors and those in climate-reliant industries. As a consequence of both physical climate threats and transition-related risks, the most exposed sectors are agriculture, energy and power, heavy industry and manufacturing, transportation, and construction.[7]

The transition to net zero will, however, create new opportunities. In the updated Net Zero Emissions by 2050 Scenario, 30 million new clean energy jobs are expected to be created by 2030.[8]

However, there could be a mismatch between when and where new jobs are created and where redundancies are occurring. As a result, new opportunities don't automatically offset the jobs lost.

Disorderly scenarios make it harder for fossil fuel companies to pivot to renewables. New industries don't automatically replace those lost in a region, and it can be difficult to uproot families and travel to where the work is available.

Our Workforce Attitudes to the Net Zero Transition 2024 survey found that mobility is a significant challenge for the workforce. This challenge suggests that new jobs in green industries aren't, on their own, sufficient to offset the redundancies that lie ahead.

In Europe, the ten regions most exposed to decarbonization are, unsurprisingly, home to sizable hydrocarbon-related employment. This concentration of employment, together with their low adaptive capacity, could lead to the loss of up to 4.5% of all jobs in the respective regions before 2035.[9]

Employee attitudes about relocating and reskilling

For affected workers, finding new employment is far from straightforward.

Overall, there is a general willingness by employees to reskill to a new role within their current industry (76%) or even into a new industry (71%). There is, however, more resistance to moving location for a new role (30%). But the findings on this are nuanced, with India (48%) and Brazil (42%) showing far more appetite for moving for work than countries in Europe (26%) and North America (28%), as well as Australia and New Zealand (27%).

Those working in mining, oil and gas, or construction demonstrated the most openness towards reskilling for a role in a new industry.

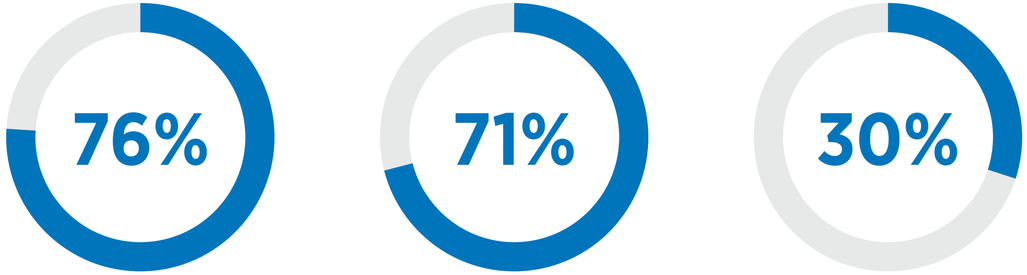
When asked to consider which industries they'd be most happy transitioning into, respondents indicated that technology, renewables and nuclear energy, IT/computing, and manufacturing were the most popular choices.

Perhaps unsurprisingly, younger workers exhibit the greatest appetite to reskill, being further away from retirement and more likely to have young, dependent children.

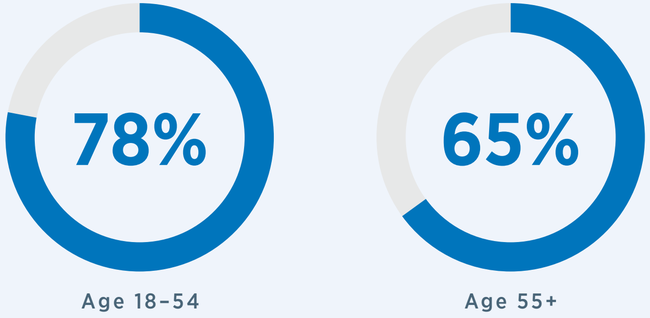
Over three-quarters of respondents aged 18–54 were open or very open to reskilling within their current role. However, attitudes towards reskilling were also quite strong in the older age group, with 65% of those aged 55 and above receptive to reskilling.

The clear appetite for reskilling means that companies, governments, and other key stakeholders can work together to leverage the adaptiveness among workers at the frontline of the transition to retrain and upskill for new roles.

WILLINGNESS TO...



WILLINGNESS TO RESKILL WITHIN CURRENT ROLE



ARTICLE 3

How Reskilling Can Support the Transition to Net Zero

Reskilling for net zero can benefit from innovative, collaborative schemes to prepare the workforce for the future.

KEY TAKEAWAYS

Joint ventures between the private and public sectors could help to address the challenge of reskilling workers whose jobs are made obsolete during the transition to clean energy. But transferring from one industry to another is seen as more challenging.

Navigating the workforce transition — a multi-agency challenge

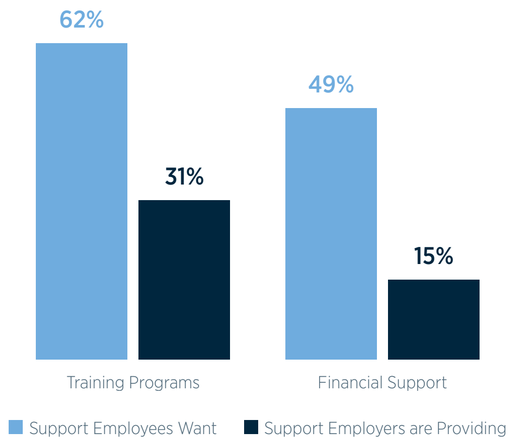
The argument that new jobs created within the renewable energy sphere will offset those that are lost assumes that governments and the private sector will take a strategic approach to the net zero transition. It also assumes there will be investment to support a phased, joined-up plan of transformation.

"We have two different groups of companies within the energy sector," says Gallagher's Ryan Mansom. "One is the renewable companies and the second is the traditional energy-producing companies, that are transitioning into the phase of our renewables or a greener space. They're the ones who are reshaping their workforce."

He adds, "How can we transition someone from being an engineer on traditional oil and gas production facilities to being an engineer on a hydrogen plant, for example? It's in all parties' best interests to make sure they bridge the gap as quickly as possible to support the transition, maintain employment, and reduce their overall risk."

In our Workforce Attitudes to the Net Zero Transition 2024 survey, 62% of workers said they would need support from employers to successfully adapt to the new environment via training and reskilling. The percentage was particularly high for those working in the oil and gas sector (73%).

SIGNIFICANT DIFFERENTIAL IN THE RESKILLING HELP EMPLOYEES WANT AND WHAT EMPLOYERS ARE PROVIDING



BY 2029, THE VIKING PROJECT AIMS TO INCREASE TRAINING OUTPUT BY

1,000%.

Reskilling goes beyond training and investment

Reskilling also involves getting the timing right, addressing mobility challenges, avoiding delays, and best serving the interests of all stakeholders.

Workers will be more inclined to support reskilling initiatives — and the wider transition to net zero — if they believe credible alternatives are open to them.

Industry-wide collaborative efforts, backed by labor unions and the government, are needed to futureproof the workforce as part of the transition to net zero. It's increasingly apparent that labor unions and environmentalists share similar goals.

Examples of how reskilling might happen are already emerging. In Humberside, UK, for instance, a pilot carbon capture and storage (CCS) scheme, Viking CCS, is underway to train and upskill workers from the local population as the region moves forward with ambitious decarbonization plans. These efforts could pave the way for others to follow by centering plans on the need to reskill employees from the beginning.

The Viking CCS project involves the construction and operation of a carbon dioxide transportation and storage network in what is currently one of the most emission-intensive industrial clusters in Europe. Funded by investment from across the CCS value chain, Viking CCS has integrated both traditional and renewable energy companies with government and local community interests.

The core of the project is helping employers upskill and retrain a flexible and transferable workforce, aiming to increase training output by 1,000% by 2029 to meet the needs of employers and the local economy.[10] The longer-term hope is that many of the staff involved in the initial phases will go on to find employment once the Viking CCS project itself is operational.

A key part of the Viking CCS strategy is the Humber Skills Plan, a training venture backed by the Engineering Construction Industry Training Board (ECITB), an employer-led skills body, in partnership with industry and government.

While the model is scalable, there are challenges to overcome in terms of how industry is incentivized to invest in the skills of tomorrow, particularly given the risk that workers involved in the construction phase could move away once that part of a project is complete.

"The asset owners have primed that pump with a significant amount of money in recognition that if nobody does it, it won't happen," says Andy Brown, Chief Operating Officer of the Engineering Construction Industry Training Board (ECITB).

"It is important to think outside the box to meet the aspirations of net zero, to raise awareness about the significance of skills shortages, and to explain that upskilling and social mobility are critical to delivering net zero."

Collective agreements can help provide stability during such projects, making it harder for workers to leave mid-project. By investing in workers' development, such agreements can help meet the requirements of the next phase of the project, contributing to longer-term retention by building loyalty and identifying which employees may ultimately be willing to work for the asset owner and operate the project when it begins its production phase.

Boosting workforce morale and retention

Preparing the workforce for the changes that lie ahead requires strong leadership and communication as industries transition.

"The ability for leaders to be extremely powerful change managers is going to be critical to the successful implementation of changes in the workforce. Whether companies are closing down operations or trying to reskill, communicating effectively is probably the number one competency that managers and leaders are going to need to have," says Kathleen Schulz, Global Innovation Leader for Organizational Wellbeing at Gallagher.

"We're going to see an increased focus on leadership development to deal with really specific competencies that will be needed in this massive change effort. How do we do this with empathy? How do we do it with compassion? Because trust is going to be a major component there."

Investing in reskilling and offering strong leadership can reduce the risk of leaving people and communities behind, helping to create a prosperous future for all.

> **The ability for leaders to be extremely powerful change managers is going to be critical...**
>
> Kathleen **SCHULZ**
> Global Innovation Leader, Gallagher

ARTICLE 4

Addressing Skills Gaps: Enhancing Operational Efficiency and Mitigating Risks

The growing skills gap in renewables has a range of implications.

KEY TAKEAWAYS

- The renewables sector faces a potentially costly skills gap.
- From an insurance industry perspective, the skills gap is a potential source of claims.

By 2030, it's estimated there will be a global shortage of 7 million skilled workers needed for climate and energy projects.

The skills gap in renewables

At the 2023 United Nations Conference of the Parties (COP28), governments pledged to triple renewable energy output by 2030.[11] Achieving these ambitious targets rests partly on the availability of substantial numbers of people with the appropriate skills.

"The transition to renewable technologies requires experienced professionals and the right understanding," says Ian Picton, Executive Partner, Energy Retail Worldwide, Gallagher Specialty.

Many industries are struggling to find the talent they need. In Europe, the construction industry workforce, for instance, hasn't recovered from the impacts of shocks such as the global financial crisis and global pandemic. Demographic factors are at play, with greater numbers of workers retiring than entering the industry.

This issue will become even more pronounced as demand for skilled workers grows. Construction is at the heart of achieving the EU's European Green Deal, with the need to fill an estimated 4.2 million job openings by 2035, according to the European Centre for the Development of Vocational Training (Cedefop).[12]

Investments in energy transition, transport decarbonization, and the circular economy (where resources are reused and recycled) are just some of the areas competing for talent as the race to zero gathers pace.

One of the biggest current skills gaps is in the renewable energy sector, which is primed to undergo substantial growth over the next decade. Tackling the growing skills shortages through training initiatives is a crucial element in de-risking the journey to net zero.

As economies transform, investments in today's workforce are likely to pay off by improving operational efficiency as new projects come online and by fostering social cohesion and prosperity within the communities that are at the heart of the transition.

Currently, the largest employer within the renewable sector globally is solar photovoltaics, accounting for four million jobs. Electric vehicles (EVs) and batteries are the fastest growing, according to the International Energy Agency (IEA), adding over one million jobs since 2019.

While green hiring consistently outpaces overall hiring for all other jobs,[13] it still isn't at the pace needed to meet surging levels of demand. By 2030, it's estimated there will be a global shortage of seven million skilled workers needed for climate and energy projects, including installing solar panels, heat pumps, EV charging stations, and wind farms.[14]

Carbon capture and storage (CCS), for example, is expected to play a key role in global decarbonization efforts. There were approximately 395 projects in the CCS facilities pipeline worldwide in 2024, with North America accounting for half of all commercial facilities globally.

The level of policy support from governments for CCS facilities reached a historic high in 2023, with the project pipeline growing more rapidly than ever before.[15] Providing staff for the burgeoning industry is becoming increasingly imperative.

The wide-ranging cost of a skills gap

Failing to find solutions to tackle competence levels within the sector will hinder progress, create uncertainty around investment, and add to operational expenses, including the cost of insurance.

Ultimately, governments' efforts to stay on track as economies decarbonize hinge on the ability to secure talent at scale.

"While digital technologies can be easily scaled up at low cost, the energy transition requires significant changes to physical infrastructure," says Lorcán Hall of the SDG Academy of the Sustainable Development Solutions Network of the United Nations' Hall.

Global business leaders are emphasizing the need for government policies that support both the infrastructure and the jobs needed in areas affected by the energy transition. While some jobs may be lost due to automation, there will also be new opportunities for employment in clean energy projects.

The impact of a skills gap on the insurance industry

From an insurance industry perspective, a skills gap is a potential source of claims.

For insurance underwriters, the link between a lack of competency in the workforce and the frequency and severity of claims directly impacts how much capacity they're willing to deploy and the total cost of that capacity.

A lack of skills can lead to operational inefficiencies, as workers may lack the expertise to operate and maintain advanced machinery and technology.

This can result in increased downtime, production delays, and greater expenses.

Safety and wellbeing are another key concern. A lack of workers with advanced skills and experience increases the chance of machinery being used incorrectly and procedures not being followed, causing more accidents at work.[16]

How to futureproof the workforce

Targeting the skills gap as part of the energy transition is key to reducing some operational risks.

"There is a drive towards achieving net zero in terms of power generation and infrastructure," says Carl Gurney, Account Director, Renewable Energy, Gallagher. "Upskilling the workforce to adapt to these changes is crucial, as it will play a vital role, not only in the deployment of renewable energy solutions but also in the effective maintenance and operation of the plants and infrastructure. This is true up and down the supply chain."

"There is currently a skills gap within renewables that needs to be addressed. The concern is that a lack of skilled staff at a time when new technologies are coming on line, will cause the operational risk management burden to go up. Efforts are underway to tackle this issue, but there is still work to be done."

As companies forge ahead with investments in new technologies and ambitious construction and infrastructure projects, ensuring the right skills are in place will remain a key aspect to achieving targets and de-risking the transition. For the insurance industry, a commitment to futureproofing the workforce will reduce the risk of claims and ensure coverage remains affordable.

> **The transition to renewable technologies requires experienced professionals and the right understanding.**

Ian **PICTON**
Executive Partner, Energy Retail Worldwide, Gallagher Specialty

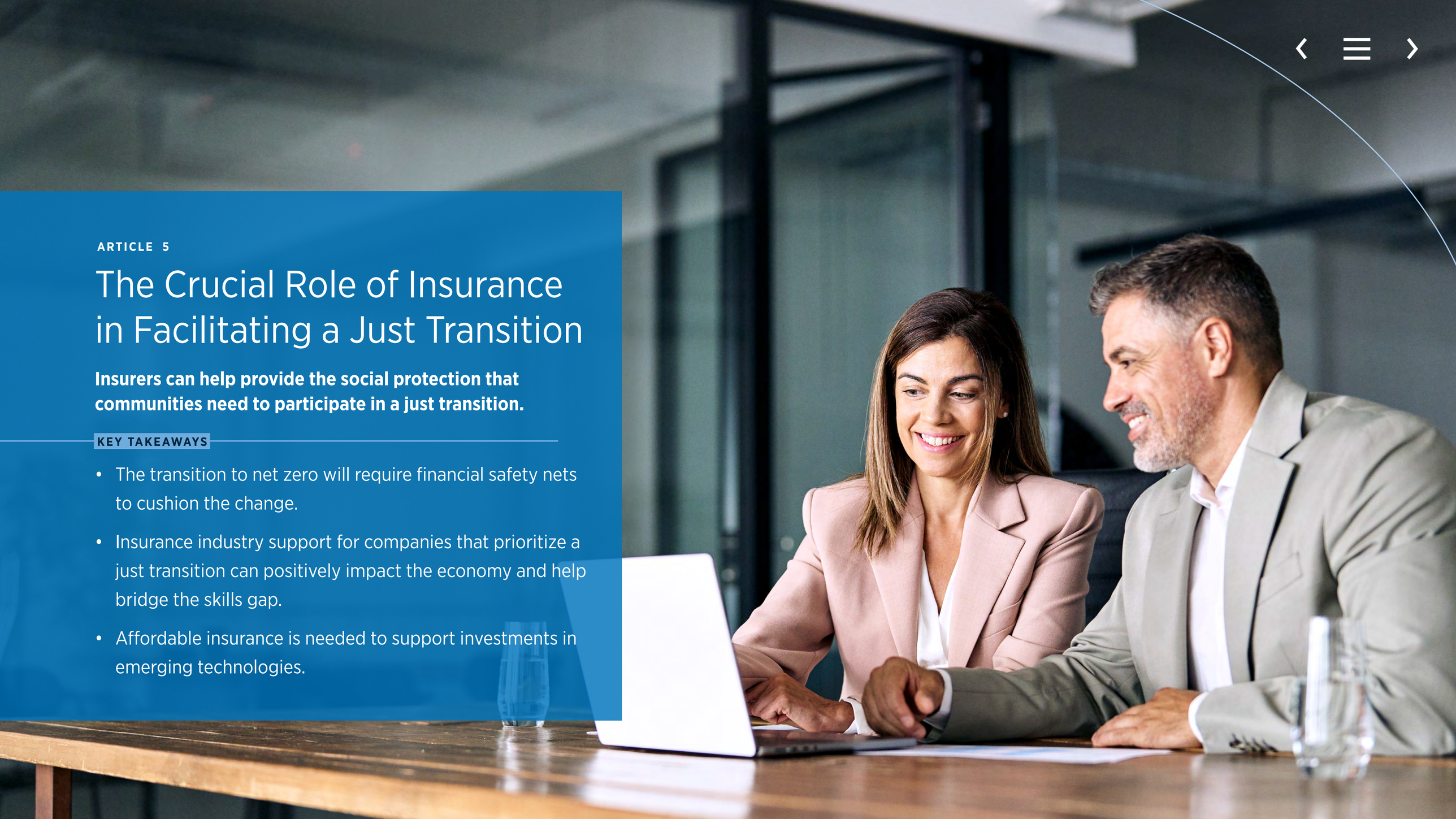
ARTICLE 5

The Crucial Role of Insurance in Facilitating a Just Transition

Insurers can help provide the social protection that communities need to participate in a just transition.

KEY TAKEAWAYS

- The transition to net zero will require financial safety nets to cushion the change.
- Insurance industry support for companies that prioritize a just transition can positively impact the economy and help bridge the skills gap.
- Affordable insurance is needed to support investments in emerging technologies.



Social protection for communities in flux: A role for insurance

As jobs in traditional industries make way for new clean-energy employment opportunities, the period of adjustment will be substantial. Financial safety nets are essential to support the transition of workers from traditional fossil fuel industries into new jobs in renewables and other clean-energy industries.

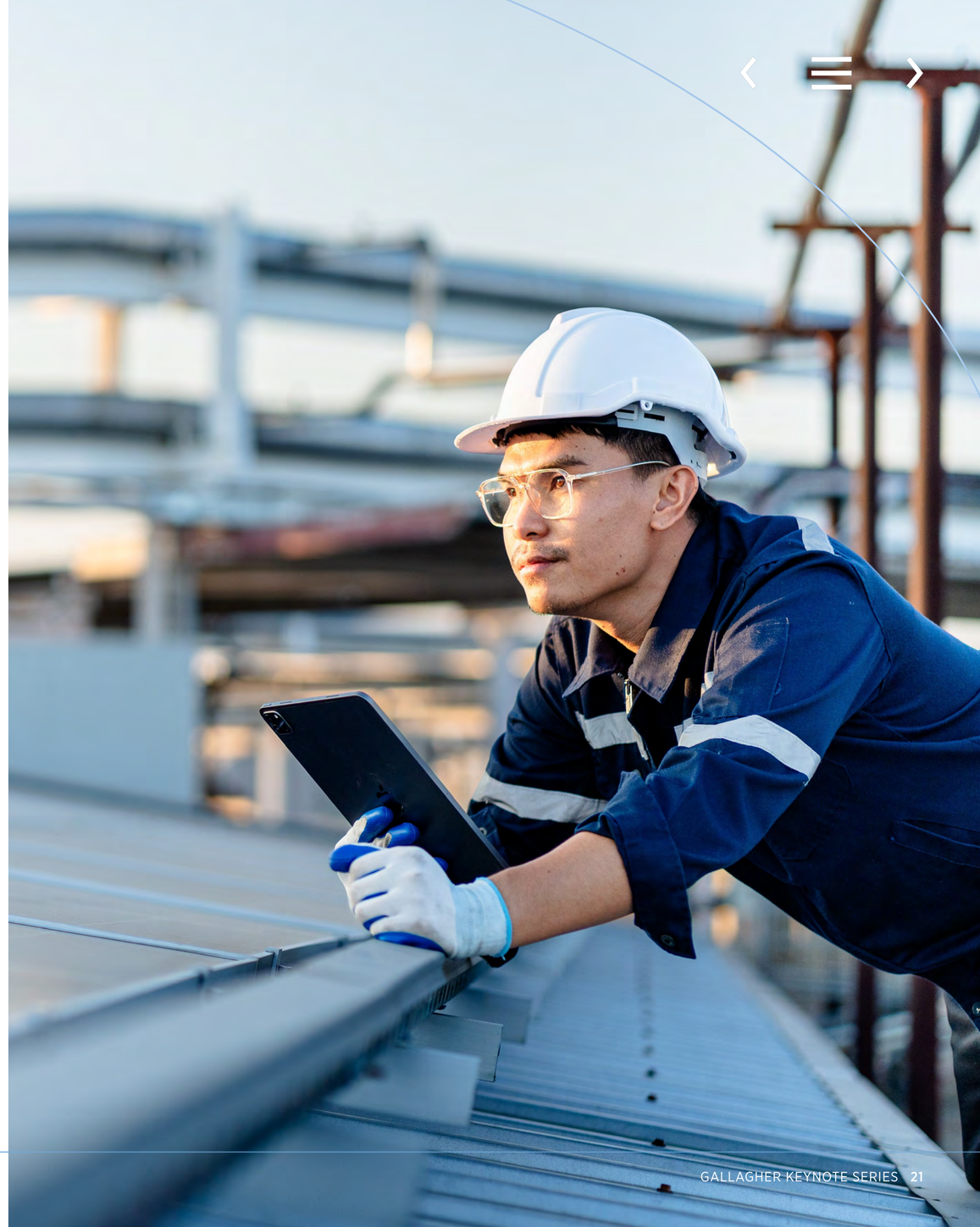
According to the International Labour Organization (ILO), the structural transition to net zero is best promoted by reskilling workers and supporting and incentivizing the move to greener, more formalized jobs using social protection systems.[17]

Insurance companies have a role to play, both directly by providing social protection such as health benefits and disability protection and indirectly by offering incentives to employers that support workers — for instance, rewarding employers with premium discounts where they can demonstrate progress towards just transition-related sustainable development goals (SDGs).

"Social protection is typically provided by the state but there is a supplementary role for the insurance industry," says Craig Churchill, Chief of the ILO's Social Finance Program. "We need to consider the role of finance and insurance in this transition and what companies and governments should do to prepare people for the transition and provide social protection."

He adds, "It appears that there are not enough measures in place to support this pathway. Insurance companies can incentivize a just transition and use their influence to positively impact the economy. It's not about refusing to insure but about moving in the right direction and seeing improvements."

"Insurers should assist their customers in achieving net zero, and what that looks like will vary depending on the region they are in," says Mia Seppo, Assistant Director General for jobs and social protection at the ILO. "In developed regions it is about incentivizing and providing support to workers in businesses. In developing regions, it is about making insurance accessible to households and enterprises to reduce risk exposure."



Fairer distribution of climate change costs?

In the context of the global north-south divide, social protection is a mechanism to more fairly distribute the cost of climate change, especially for communities that face physical climate extremes in addition to transition risk impacts.

"Leaving no one behind can mean different things to different people," says UN SDG Academy's Lorcán Hall. "Some may think it only applies to those who are losing something in the energy transition, but it's much broader than that. Significant inequalities in society need to be addressed for a just transition. Legacy issues must be considered as well."

The provision of social protection is an essential aspect of any just transition and one in which the insurance industry can play a role, alongside governments and employers.

Supporting transition journeys

The insurance industry's role in supporting commercial clients on their transition journeys through risk transfer, prevention, and mitigation solutions is another well-documented aspect of the transition to net zero.

The opportunities the transition presents could double the size of the London insurance market, according to the broking body London & International Insurance Brokers Association (LIIBA), in growth sectors such as complex infrastructure development and carbon offsetting.[18] It argues that the industry, and brokers more specifically, can incentivize the net zero transition "through the scale of the London market" by providing "stronger price signaling, reducing costs for low climate risk."

But industry-wide strategy and action are needed for climate transition opportunities to happen. Risk and insurance managers have expressed frustration at what they consider to be a lack of support from the insurance industry for companies making progress on their individual journeys to net zero.[19]

While there are examples of insurance products that offer a discount for companies that achieve SDG or ESG targets, for instance, the approach is ad hoc and needs to be more joined up to make any real impact.

Limited progress in harnessing insurance for achieving net zero

In an October 2019 whitepaper, the Federation of European Risk Management Associations (FERMA) pointed out the key influence insurance has on the net zero transition and warned it wasn't enough.

"Companies will be under pressure to show their progress to carbon neutrality, but lack of sufficient risk transfer will slow investments in innovative technologies as more risk must be carried by the enterprise," said FERMA.

While a few examples of innovation support net zero within the insurance industry — such as SDG-linked insurance policies — remains a niche service available only within a specialty marketplace. Nevertheless, some progress is being made.

In October 2022, the insurance mutual association International Cooperative and Mutual Insurance Federation (ICMIF) launched an insurance SDG calculator that the Swiss Re Institute developed to measure the sustainability impact of insurance SDGs within individual company insurance portfolios and business operations.

"The big companies are beginning to realize that linking their underwriting strategy to the SDG calculator would be beneficial," says Shaun Tarbuck, CEO of ICMIF.

"By doing so, they can change their products to be more sustainable and live up to the SDGs through their underwriting strategy."

Insurers can be creative in how they encourage the right behaviors with regard to a just transition. Far from being solely philanthropic, insurance companies will benefit financially because their incentives should help reduce the underlying risk.

"In planning documents for renewable projects in the UK, there is often a requirement for 50% of the workforce to be sourced locally," says the ECITB's Andy Brown. "However, many companies meet this by hiring bus drivers, caterers, landscape gardeners, etc., and not the more technical workforce. To address this issue, there needs to be more prescriptive and controlling measures at the consent order level."

He continues, "Asset owners could receive tax breaks and insurance premium breaks for prioritizing local talent, for instance. Managing competence in a cohesive and peer-to-peer manner is a more mature approach, and there could be an insurance premium incentive."

The insurance industry has an important role to play in supporting the transition to net zero. By incentivizing the right behaviors and offering solutions for reskilling and social protection, insurers can positively impact the economy and help bridge the skills gap, bringing in new sources of premium to the industry in the process.

Opportunities for public-private partnerships and microinsurance solutions

The insurance industry plays an essential role in providing risk financing for weather-related catastrophes through traditional property catastrophe re/insurance coverages, public-private initiatives, and microinsurance solutions.

Now, more specific risk transfer solutions are being developed in response to the challenges posed by the transition to net zero. Some of the more innovative solutions encompass elements of social protection.

"By combining the power of social protection with risk transfer, we have been able to provide effective support to those in need," explains Antoine Bavandi, Executive Director — Head of Public/Private Solutions, Gallagher Re.

"In Morocco, [after the 2023 earthquake] we mobilized a reinsurance product for the public Solidarity Fund, resulting in a significant payout when it was most needed. This funding went directly towards assisting those affected," he says. "Our strategy of mobilizing liquidity before disaster strikes has proven to be a game-changer, and we believe that public-private partnerships are key to achieving lasting results."

Public-private partnerships and microinsurance solutions can help tackle protection gaps and ensure financial safety nets are in place for workers and communities in more vulnerable regions.

"It is one thing to design insurance, reinsurance, and contingency funds for disaster events. It is another thing to make sure the money flows to the beneficiaries in affected areas," says Bavandi. "To address this challenge, we rely on existing social protection schemes or registries of the poor and vulnerable to ensure that the money is targeted towards those who need it most. We also emphasize the importance of transparency to generate efficiency and timeliness of payouts."

> **By combining the power of social protection with risk transfer, we have been able to provide effective support to those in need.**

Antoine **BAVANDI**
Head of Public/Private Solutions, Gallagher Re

ARTICLE 6

Strengthening Social Protection Through Government Policy

Governments can play an essential role in ensuring an orderly transition and in mitigating the social and financial impacts of the associated changes.

KEY TAKEAWAYS

- Governments can deploy a mixture of passive and active policies to mitigate risks connected to the transition from fossil-fuel industries to renewables.
- Social protection schemes currently are heavily underfunded globally.

Social protection schemes are heavily underfunded globally

Government policy is a fundamental component of a just transition from fossil fuels to renewable energy. When it comes to safeguarding vulnerable workforces, social protection mechanisms can include both passive and active benefits.

- **Passive benefits** include income support, employment subsidies, and schemes for self-employment and micro small to medium-size enterprises (SMEs).
- **Active labor market policies** (ALMPs) include reskilling and training programs, job protection and re-employment services, or even "cash for public work" programs offering immediate financial relief and employment.

"While governments can't do everything, they should focus on social protection. However, more than half of the world's population lacks social protection, which is a staggering statistic," says UN SDG Academy's Lorcán Hall. "Most of that is in the developing world, where almost all employment is informal, and governments aren't collecting taxes that they can use to create social protection safety nets. So, while social protection is critical, we must also consider that it doesn't exist for many people."

China introduced one of the most comprehensive social protection frameworks when 28.2 million workers — more than 15% of the urban labor force — were laid off between 1998 and 2003.[20] The Chinese government's three guarantee lines strategy included an early retirement program for workers within 5 years of the retirement age, a re-employment program backed by public and enterprise funds, and an income support benefit system for those who could not find work.

However, schemes like these remain heavily underfunded overall, with the International Labor Organization (ILO) estimating that active labor market policies don't exceed 0.6% of gross domestic product in any global region. Indeed, no social protection at all is in place in many low-income countries.

Social insurance initiatives tend to require employee contributions and are beyond the financial reach of those working in informal sectors, leaving significant portions of the developing world's population without coverage.

Fiscal reforms, such as using revenues from carbon pricing to fund social expenditures, can also support social protection. However, these reforms must be carefully integrated into social protection design to avoid unintended consequences, such as exacerbating inequality.[21] For example, national carbon taxes can disproportionately impact the poorest households by reducing income and increasing consumption costs.

Mitigating social risks and promoting resilience through government policy

Governments can play a critical strategic role in ensuring an orderly transition.

In this context, they might provide clear policy and guidance to mitigate social risks associated with business closures, invest in social protection and resilience-building measures, and engage in ongoing dialogue with stakeholders during the planning, execution, and aftermath of these transitions.

"A just transition will have little meaning without social protection and accompanying measures in place," says the ILO's Mia Seppo. "Jobs will probably disappear and appear in different places at different times, so data and tools will be needed to manage skills anticipation. We also need to update skills development programs to protect groups that may have had very poor access to labor markets in the first place."

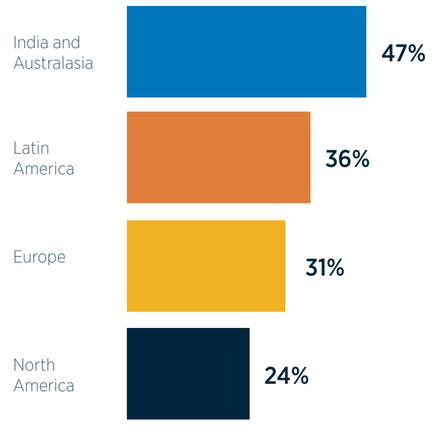
Governments that embed social protection and just transition considerations into their efforts to scale the energy transition are better equipped to achieve ambitious targets.

For example, Denmark's commitment to achieve net zero by 2025 includes a pledge to ensure a just transition for impacted regions and for the approximately 4,000 workers directly and indirectly employed by the oil and gas industry. Its strategy includes exploring opportunities to use old oil and gas wells for carbon capture and storage and to electrify existing oil and gas production to minimize job losses.

54%

OF EMPLOYEES OVERALL THINK IT UNLIKELY THEY WILL RECEIVE GOVERNMENT SUPPORT FOR SOCIAL AND FINANCIAL PROTECTION DURING THE TRANSITION.

EMPLOYEES EXPECTING GOVERNMENT SUPPORT FOR SOCIAL AND FINANCIAL PROTECTION DURING THE TRANSITION



Europe and North America employees are particularly skeptical that government help will be provided.

Putting people at the heart of the transition – the Spanish model

The Spanish experience offers an example of how a just transition can be achieved when financial safety nets and other incentives are put in place.

All of Spain's coal-fired power plants have either been closed or are in the process of being decommissioned under the country's National Integrated Energy and Climate Plan. Its initial deadline of 2030 was brought forward to 2025, with an 80% reduction in greenhouse gas emissions from coal-fired generation between 2018 and 2022 as coal's share of the electricity mix dropped substantially.[22]

The government decided to put people at the heart of the transition, pledging hundreds of millions of euros of investment in mining communities to support business and clean energy initiatives. The program includes early retirement for miners over the age of 48, retraining for green jobs, and environmental restoration within former collieries. The model is backed by the trade unions and — 3 years on — is being held up as a benchmark for others to adopt.

ORIGINAL DEADLINE OF

2030

WAS BROUGHT FORWARD TO

2025

LEADING TO

80%

REDUCTION IN GREENHOUSE GAS EMISSIONS BETWEEN 2018–2022

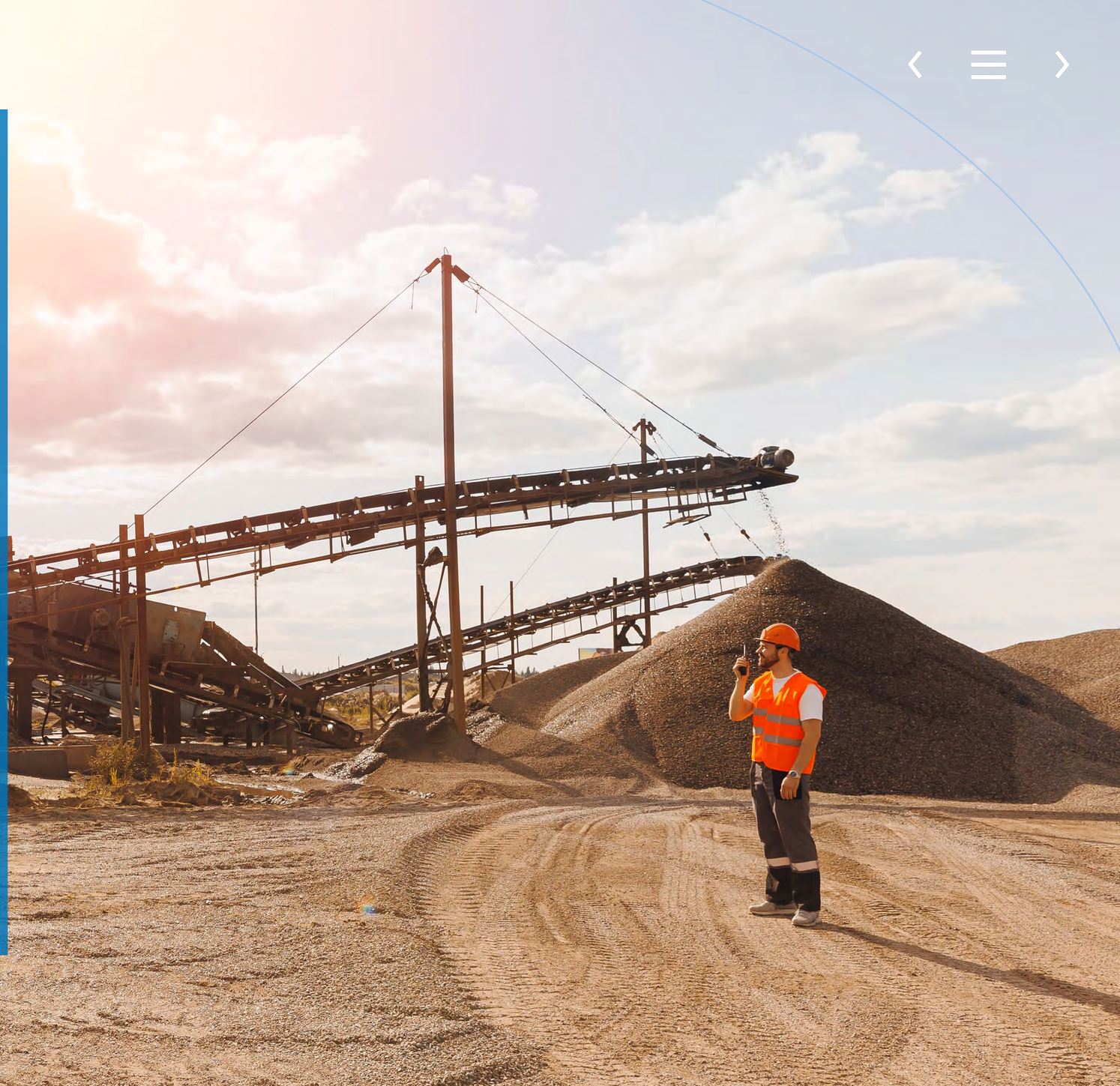
ARTICLE 7

How Employer-Sponsored Protections Can Aid a Successful Energy Transition

There's a perceived gap between what employees' need for the transition and what they're getting from their employers. But the gap can be bridged, as some instances demonstrate.

KEY TAKEAWAYS

- A majority of workers say their employer hasn't provided enough information about the impact of the transition from traditional energy industries to renewables.
- Addressing worker uncertainty about where help will come from is an opportunity for employers to boost employee loyalty.

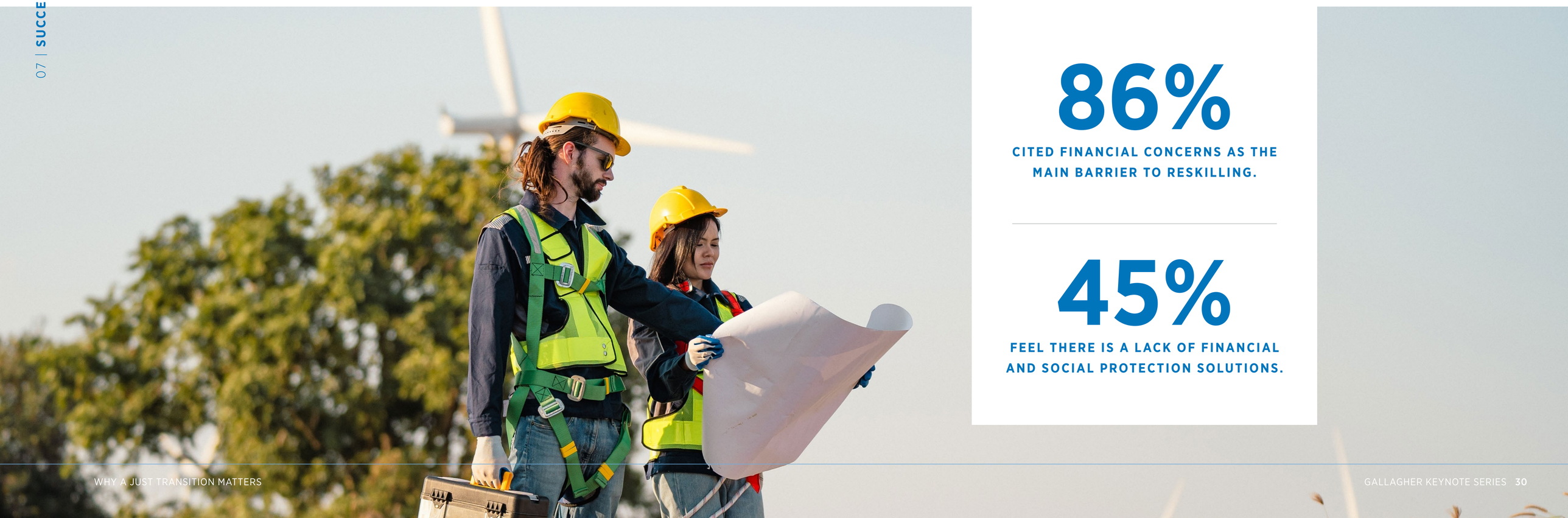


Fear of the future: Workers' concerns amidst the energy transition

Many workers are concerned about what the energy transition means for them and their communities. While a vast majority of people believe the energy transition will have an impact on their industry and community, only about half think that this impact will be a positive one.

According to Gallagher's research, around 70% of employees say that their employer hasn't communicated the potential impact of the energy transition on employees' future employment. And workers identify hurdles that will need to be overcome in order to consider alternative job prospects.

Eighty-six percentage of respondents cited financial concerns and/or a lack of job opportunities as their main barriers to reskilling, according to the Workforce Attitudes to the Net Zero Transition 2024 research. And only 39% felt it was likely that they would receive social and financial protection from their employer as part of the move to clean energy. This is particularly marked in North America, where 50% of employees regarded it as unlikely that they would receive employer assistance.

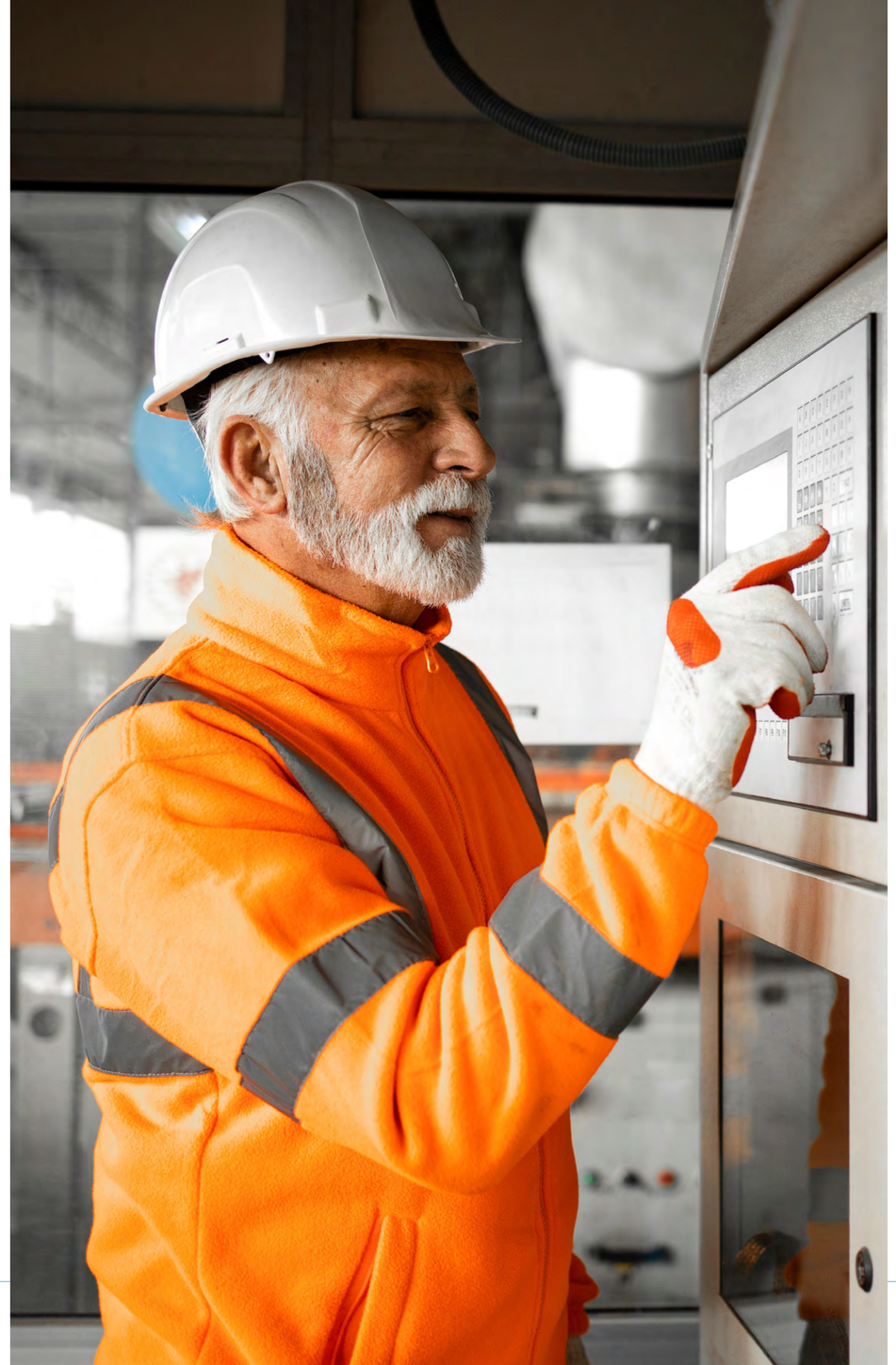


86%

CITED FINANCIAL CONCERNS AS THE MAIN BARRIER TO RESKILLING.

45%

FEEL THERE IS A LACK OF FINANCIAL AND SOCIAL PROTECTION SOLUTIONS.



Who bears the responsibility for workers' protection?

It's clear that many people are worried about what's to come and what they should do about it. But it's less clear where any help will come from.

Three-fifths of employees believe that government bears the primary responsibility for providing social and financial protection to workers who may be affected as a result of the clean energy transition, while 40% say it's their employer's responsibility.

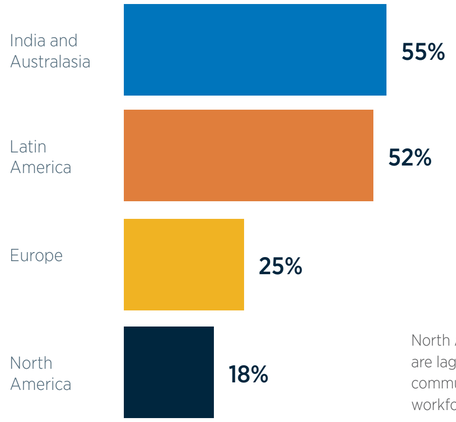
Governments, by providing protections such as healthcare, retirement, and employment benefits, can proactively support workers and their communities as they adjust to the loss of jobs in heavy-emitting "smokestack industries," such as shipbuilding, steel, and coal.

As our research indicates, such backstops are deemed essential by those on the frontlines. Respondents told us that financial concerns and a lack of employment opportunities were their biggest barriers to reskilling.

However, there's a disparity between workers' views on what financial support should be made available to support the transition of jobs and their real-world expectations.

More than half of employees think it's unlikely they'll receive social and financial protection from the government during the transition. Fewer still — just 45% — expect to receive any form of financial safety net from their employer.

EMPLOYERS INDICATING THE NEED TO RESKILL FOR THE ENERGY TRANSITION



North America and Europe are lagging behind in open communication to the workforce on reskilling.

66%

OF WORKERS WOULD FEEL MORE POSITIVE TOWARD THEIR EMPLOYERS IF RESKILLING SUPPORT WAS OFFERED.

An opportunity to foster loyalty?

But this lack of protection is a missed opportunity. Our research suggests that employers that offer reskilling and social protection solutions for workers impacted by the transition would benefit from a boosted sense of loyalty among their employees.

This finding is particularly true in India and Brazil, where 66% and 56% of workers said they would feel more positive towards their employers if they offered support in reskilling for jobs in the green economy.

However, respondents think that employers are falling short when it comes to providing guidance, support, and communication on this important subject, with almost seven in 10 workers claiming that their employer hasn't communicated the potential impact of the energy transition on employees' future employment.

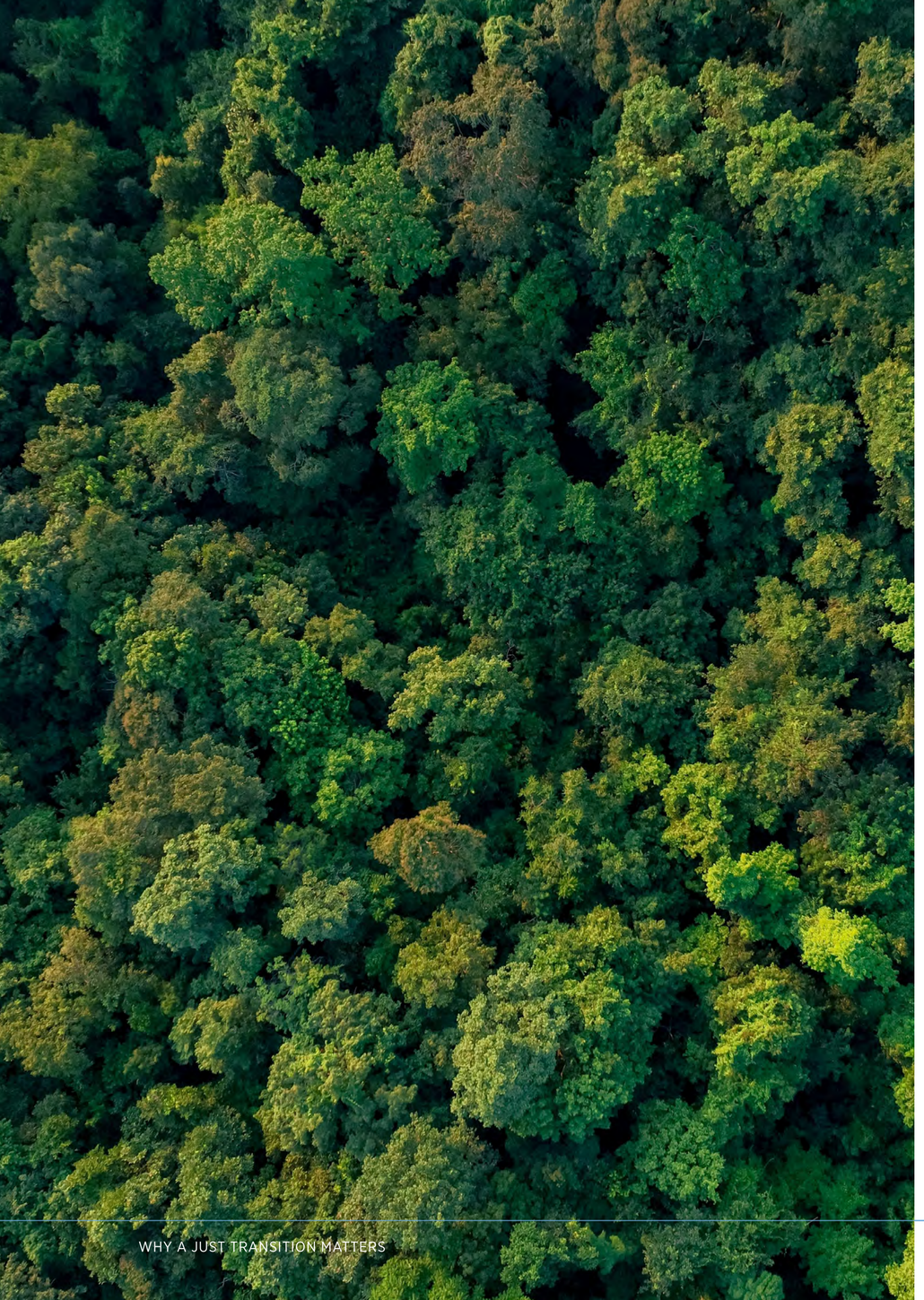
Social measures for a smooth workforce shift

Employers in sectors exposed to transition-related job losses have a range of social protection measures at their disposal, including:

- Reskilling and training programs such as vocational training, education grants, and on-the-job training.
- Job placement and employment services like job matching, career counseling, and networking opportunities.
- Financial assistance through severance packages, unemployment benefits, and temporary income support.
- Employment subsidies, relocation assistance, and early retirement incentives.
- Health and wellbeing support, including healthcare benefits and mental health services, and support for self-employment.
- Effective ongoing engagement and communication to ensure employees are well-informed and included in the transition process.

These kinds of measures could be brought together under a coherent workforce transition plan designed to mitigate social and labor impacts, with planning ideally beginning well before labor layoffs actually occur. Employers in sectors most exposed to the energy transition might want to be thinking about what mechanisms may be needed today to futureproof their workforce for tomorrow.

"Although renewable energy is the way forward, there is a timing issue between closing a factory and having alternatives in place in the renewable and care sectors," says Bert de Wel, Climate Policy Officer, International Trade Union Confederation. "This can lead to social issues. Therefore, social protection systems can act as a backstop for orderly transitions. Countries should begin implementing these systems now."



SOURCES

[1]Robins, Nick. "How a just transition can speed up the race to net-zero." *Place-Based Climate Action Network*, 26 Nov. 2020.

[2]"Former mining communities 'still scarred by past'." *BBC*, 16 Oct. 2019.

[3]Pierre-Louis, Kendra. "Why Climate Advocates Demand a 'Just Transition' Away From Fossil Fuels." *Bloomberg*, 1 Dec. 2023.

[4]Thomas, Huw, and Gareth Lewis. "Tata steelworkers lobby MPs on thousands of job losses." *BBC*, 24 Jan. 2024.

[5]Semieniuk, Gregor, et al. "Stranded Fossil-Fuel Assets Translate to Major Losses for Investors in Advanced Economies." *Nature Climate Change*, 26 May. 2022.

[6]"Work toward net zero - The rise of the Green Collar workforce in a just transition." *Deloitte*, Nov. 2022. PDF download.

[7]Mekala, Krishnan, et al. "Sectors are unevenly exposed in the net-zero transition." *McKinsey Sustainability*, 25 Jan. 2022.

[8]"Net Zero Emissions by 2050 Scenario (NZE)," *IEA*. Accessed 26 Aug. 2024.

[9]Mc Dowall, Will, et al. "Mapping regional vulnerability in Europe's energy transition: development and application of an indicator to assess declining employment in four carbon-intensive industries." *Springer Link*, 20 Jan. 2023.

[10]"£300,000 funding to support Humber training provider increase learning capacity by 100%." *ECITB*, 22 Jan. 2024.

[11]"Massive Expansion of Renewable Power Opens Door to Achieving Global Tripling Goal Set at COP28." *IEA*, 11 Jan. 2024.

[12]"Construction workers: skills opportunities and challenges," *European Centre for the Development of Vocational Training — CEDEFOP*, 19 Dec. 2023.

[13]"The Future Of Jobs Is Green: How Climate Change Is Changing Labour Markets." *World Economic Forum*, 1 May. 2023.

[14]Amelang, Sören. "Skills Shortage Delays Global Energy Transition, Puts Climate Targets at Risk — Report." *Clean Energy Wire*, 2 Oct. 2023.

[15]"Global Status of CCS Report 2023," *Global CCS Institute*. Accessed 26 Aug. 2024.

[16]"4 Ways the Manufacturing Skills Gap Can Impact your Business." *Advanced Technology Services (ATS)*. Accessed 26 Aug. 2024.

[17]"Social Protection, Climate Change and a Just Transition." *International Labour Organization*. Accessed 26 Aug. 2024.

[18]"Our role in Net Zero," *London and International Insurance Brokers Association*, Jun. 2021. PDF download.

[19]"Insuring the transition – more support needed from insurers." *Federation of European Risk Management Associations (FERMA)*, 19 Sep. 2022.

[20]"Managing Coal Mine Closure: Achieving a Just Transition for All." *World Bank Group*, Nov. 2018. PDF download.

[21]Malerba, Daniele. "Just transitions: a review of how to decarbonise energy systems while addressing poverty and inequality reduction." *German Development Institute/Deutsches Institut für Entwicklungspolitik*, Jun. 2022. PDF download.

[22]"Spain, 4 years towards a just energy transition." *Ministry for Ecological Transition and Demographic Challenge*, May. 2023. PDF download.

AJG.com **The Gallagher Way.** Since 1927.