

TOWARD A JUST GREEN ECONOMY TRANSITION

Sangji Lee

Climate Change and Green Economy Technical Specialist, UNDP



As a Climate Change and Green Economy Technical Specialist at UNDP's Climate Strategies and Policy Team based in New York, Sangji provides support to countries in the formulation and implementation of their Nationally Determined Contributions (NDCs), while leading the development of strategic approaches aligning NDC processes with green economy as a thematic lead on Green Economy and Just Transition. In this role, she helps countries to understand the development co-benefits of climate action and provides tools for evidence-based policymaking and a just transition. Before joining the team, Sangji worked with UNDP Mozambique, the UNDP Global Policy Centre in Seoul, OHCHR Regional Office in Fiji, UN Department of Political Affairs in HQ, research institutes, and government. As a Chevening Scholar, she earned a Master's of Science in Environment and Development from the London School of Economics. She is also a certified expert in environmental governance (Korean Ministry of Environment) and in climate and energy finance (Frankfurt School of Finance).

As more and more governments seek to find ways to handle the compounding crises of climate change, a pandemic, and other development challenges, the concept of a green economy has received significant international attention over the past few years. Defined by the UNDP as low carbon, resource efficient and socially inclusive, the transition to green economy can be achieved by leveraging the Paris Agreement and countries' national climate pledges, or Nationally Determined Contributions (NDCs). Anticipating the impacts of green transition, guaranteeing institutional support and ensuring a fair process throughout implementation are key conditions for scaling green economy, particularly in emerging economies and developing countries.

INTRODUCTION

The war in Ukraine and the COVID-19 pandemic have added a new dimension to our understanding of the multi-dimensional and interconnected nature of development and climate action. The war in Ukraine has triggered spikes in energy prices and disrupted global markets and food security. The pandemic has led to a significant socio-economic crisis and perpetuated existing inequalities within and across countries. In addition to the many lives lost, more than 500 million jobs were put in jeopardy by the COVID-19 pandemic, with at least 100 million permanently lost. These numbers reflect not just an economic crisis, but a livelihood crisis. Behind every job lost is a person, if not a family. Many of these people are women, youth and already vulnerable informal economy workers.

At the same time, the climate crisis is still raging. The latest IPCC report states that half the human population could be exposed to periods of life-threatening climatic conditions arising from heat and humidity. Climate change, like other crises, such as COVID-19, is a non-linear risk multiplier with severe socio-economic impacts that grow disproportionately among different social groups, and even catastrophically once certain thresholds are breached.

Against this backdrop, it is important to examine various development pathways and understand how best to handle the climate crisis while also taking into account the imperatives of sustainable development – creating jobs, securing food, and ensuring equality for all. All of these crises are clearly interlinked, and the scale and nature of the policy decisions being made now will crucially affect climate outcomes far into the future. By identifying the synergies and trade-offs between climate action and broader development needs, policymakers can enhance the positive impacts of climate policies and drive systemic changes. Carefully designed climate policies can indeed contribute to economic growth, job creation, and social and gender equality. For example, the International Labour Organization (ILO) estimates that the move to low-carbon, greener economies has the potential to create 60 million jobs by 2030. With more and more energy being produced locally, mostly from renewable energy sources, dependency on imported oil and gas will be reduced and thus improve national energy security. Reduced air and water pollution will also bring enormous health benefits. One study estimated global average health co-benefits at \$58–380 per ton of CO₂ reduced, with benefits higher in developing than developed countries.¹

¹ Wei, Y.M., Han, R., Wang, C. et al. "Self-preservation strategy for approaching global warming targets in the post-Paris Agreement era", *Nat Commun* 11, 1624 (2020). <https://doi.org/10.1038/s41467-020-15453-z>.





What is a green economy?

With many governments seeking to find ways to handle the compounding crises of climate change, a pandemic, and other development challenges, the concept of a green economy has received significant international attention over the past few years. The concept was first mentioned as a tool to address the 2008 financial crisis. Later, in 2020, it regained popularity when suggested as a model to guide green recovery efforts in response to the COVID-19 pandemic. At the United Nations Sustainable Development Conference (Rio+20), governments agreed to acknowledge green economy as an important tool for sustainable development: “one that is inclusive and can drive economic growth, employment, and poverty eradication, whilst maintaining the healthy functioning of the Earth’s ecosystems.” The outcome document also highlights the importance of capacity building, information exchange and knowledge sharing as key enablers.²

There is no internationally agreed definition for “green economy.” Several types of sustainable pathways exist, and it is important to understand the key components of different approaches to find the most suitable pathway for each individual country in line with their nationally defined development priorities. According to the United Nations Environment Programme (UNEP), a green economy is defined as low carbon, resource efficient and socially

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inclusive. In a green economy, growth in employment and income are driven by public and private investment in such economic activities, infrastructure and assets that reduce carbon emissions and pollution, enhance energy and resource efficiency, and prevent the loss of biodiversity and ecosystem services. Achieving a green economy will require efforts at all levels of society as well as new skills, collaborations, innovations, and investments. Not only governments, but private sector and financial institutions should be part of this effort to capitalize on the opportunities it brings.

Implicit in transitioning to a low-carbon economy and achieving a green economy is decoupling economic growth from environmental degradation. Decarbonization does not mean reducing economic activity in a green economy, but instead doing more with less. This means promoting sustainable production and consumption that protect and

nurture natural capital and increase resource efficiency. A green economy therefore puts a heavy emphasis on the economy, investment, capital and infrastructure, skills and employment, and positive social and environmental outcomes. This notion creates a new focus on the economy, investment, capital and infrastructure, employment and skills, and positive social and environmental outcomes.³ Degrowth, on the other hand, puts the emphasis on scaling down the global economy while keeping the focus on systemic change and redistribution.

² Sustainable Development Goals Knowledge Platform, <https://sustainabledevelopment.un.org/topics/greeneconomy>.

³ UNEP, *Green Economy / UN Environment Programme*.



For the reasons described above, green economy can be a particularly useful concept for many developing countries given their low carbon profile and rich natural capital assets. Well-designed public policies, targeted spending and incentives can spur green investments. For example, Africa has rich mineral and energy resources, such as lithium, graphite, cobalt, nickel, copper, and rare earth minerals – all of which provide new market opportunities for the green transition. With Africa’s limited lock-in to fossil-based energy technologies, these opportunities could help the continent build a climate-resilient and integrated sustainable energy sector.

Leveraging the Paris Agreement as a robust framework for achieving a green economy

The sheer scale of human, technical, and financial resources required to shift toward a green economy may represent a particular challenge for many countries. It requires careful planning and a clear understanding of pathways.

There is good news. We now have an international policy framework which provides a strong direction of travel and guides our efforts toward a green economy. To address climate change, countries adopted the Paris Agreement at the COP21 in Paris in December 2015. Countries’ official pledges under the Paris Agreement, known as Nationally Determined Contributions (NDCs), can be a useful tool to guide a country’s green economy efforts.

NDCs and Long Term-Strategies (LTS) that are aligned to governments’ national development plans and the

Countries’ national climate pledges under the Paris Agreement offer unique, politically backed blueprints for investment in areas that can drive transition toward a green economy

Sustainable Development Goals (SDGs) can spur economic growth, technology transformation, job creation and address key social inequalities that are critical to a green economy. A recent study found that by following the current emissions reduction efforts, the world would experience a washout of benefit, amounting to almost 126.68–616.12 trillion dollars until 2100 compared to 1.5 °C or well below 2 °C commensurate action.⁴

The UNDP’s Climate Promise – which works with more than 120 countries and territories on their NDCs – demonstrates that these pledges offer unique, politically backed blueprints for investment in areas that can drive transition toward a green economy.

Under the Climate Promise, we have seen many countries start to seize opportunities to advance their NDCs. A further exploration is provided below of key components of a green economy

and how countries are seizing the opportunities they offer while meeting national carbon emission reduction targets.

Concrete ways in which we can achieve a green economy using Climate Promise examples

Anticipating the impacts of a green economy transition

Much of the green economy literature points to the potential benefits of the green economy and co-benefits of climate action. But all countries have different socio-

⁴ Wei, Y.M., Han, R., Wang, C. et al. "Self-preservation strategy for approaching global warming targets in the post-Paris Agreement era", *Nat Commun* 11, 1624 (2020). <https://doi.org/10.1038/s41467-020-15453-z>.





economic realities which need to be carefully examined to understand what type of policy can bring co-benefits to a particular country. To do this, we need to use hard data to show how climate action, and shifting to a green economy, will have overwhelming benefits, both for the environment and by promoting economic growth that generates more jobs. We therefore need to measure the environmental, social, and economic implications of climate policies and investments. This involves looking at the data, but also asking questions, such as: Will everyone benefit equally? What would investment in hydropower plants or green infrastructure mean? Would this create jobs only for skilled urban workers or would it also benefit women working in informal economies? Are the skills, labor and technology to build and run such projects domestically available?

By identifying the synergies and trade-offs between climate action and broader development priorities and needs, policymakers can enhance the positive impacts of recovery packages and drive systemic changes. This work has already taken place in many developing countries.

With UNDP's Climate Promise support, countries like Zimbabwe and Nigeria were able to quantify how climate and green economy policies could affect economic growth, job creation, including for women and youth, and income distribution. The assessment has yielded some interesting and instructive results, with the modeling revealing very different medium- and long-term job growth implications.

In Zimbabwe, of the twelve climate investments and policy scenarios modeled – covering industrial processes, energy, agriculture, and forestry – investments in conservation agriculture appear to have created up to 30,000 jobs for every million US dollars invested. This number stands in high contrast to the only 100 jobs created for each million invested in a hydro dam and 25 in commercial solar. Nigeria also conducted the same assessments to look at the co-benefits of climate policies. According to the assessment, 12 million jobs could be potentially created in renewable energy, and some 25,000 jobs could be generated through investments in public transportation. Agriculture and forest-related policies were found to offer the best value for money, with water efficiency initiatives appearing to create more jobs for women in the long run.⁵

These findings provide insights for policymakers in Zimbabwe and Nigeria, especially helpful in understanding the development co-benefits of climate action and choosing the right policies that can not only reduce greenhouse emissions but also bring considerable economic and social benefits. We can help policymakers find the best path by providing evidence, and this is a key step in achieving a green economy.

⁵ UNDP, *Nigeria: Measuring the Socioeconomic Impacts of Climate Policies to Guide NDC Enhancement and a Just Transition*, 2021; Zimbabwe: *Measuring the Socioeconomic Impacts of Climate Policies to guide NDC Enhancement and a Just Transition*, 2021.





Policy and institutional support

Governments play an important role in accelerating the transition to a green economy. They can design integrated policies, regulations, and frameworks, in order to channel necessary investments toward the green economy. One good example is to price carbon to change behaviors and the focus of highly polluting industries. For example, countries with substantial tropical areas (e.g., Indonesia, Brazil, Mexico, and India) could consider adopting a “tropical carbon tax”⁶ – a levy on fossil fuels that is invested in natural based solutions aimed at conserving, restoring and improving land management to protect ecosystem and biodiversity. According to a recent study, natural climate solutions could possibly reduce about one quarter of emissions from all tropical countries in the coming decades at less than USD\$100 per ton of CO₂.⁷ Costa Rica and Colombia have already adopted a tropical carbon tax strategy acknowledging this potential. If a policy similar to Colombia’s was put in place by India, it could raise \$916 million each year to invest in natural habitats; Brazil could raise US \$217 million annually; Mexico \$197 million; and Indonesia \$190 million. A more ambitious policy of taxation and revenue allocation could yield over \$6 billion each year for natural climate solutions in India, \$1.5 billion in Brazil, \$1.4 billion in Mexico and \$1.3 billion in Indonesia.⁸

6 Barbier EB, Burgess JC, “Sustainability and development after COVID-19”, *World Dev.* 2020;135:105082. doi:10.1016/j.worlddev.2020.105082.

7 Bronson W. Griscom & alli, “National mitigation potential for natural climate solutions in the tropics”, *Philosophical Transactions of the Royal Society Biological Sciences*, 2020.

8 *Ibid.*

Policy and institutional support also mean creating an enabling environment for public and private investment and innovation to catalyze green economy. This includes the repurposing of fossil fuel subsidies toward clean energy development, education and skills training, incentives, innovative financial instruments (e.g. blended finance) and public-private partnerships to foster private innovation and investments. A number of quick-win solutions exist. For example, energy-efficiency retrofits can be a quick-win solution from both short-term employment and long-term low carbon development perspectives. In most cases, investments in building retrofits require low-skilled workers, which makes this measure particularly attractive during an economic downturn.

There are already insights we can learn from the African continent. In Ghana, the government has integrated strong social elements into its fossil fuel subsidy reform to avoid social reactions driven by concerns over distributional impacts. The government established the National Petroleum Authority, an independent governing body comprised of government officials, trade union and oil company representatives, experts and some NGO representatives, and conducted a Poverty and Social Impact Assessment. The reform was shared widely with all stakeholders while accompanied by complementary social measures financed by the savings from the subsidy reform. They include the introduction of a conditional cash transfer program to link fuel subsidy reductions to the elimination of school fees for primary and secondary education, additional funding for the healthcare system, and a rise in the minimum wage.



Costa Rica is also leading the way in the shift toward a green economy, showing in particular that it is possible to finance climate action by correctly pricing nature. Costa Rica is implementing Payments for Environment Services (PES) to improve forest conservation and sustainable management, reforestation, agroforestry and silvo-pastoral systems.

An inclusive and fair process

The transition toward a green economy has far-reaching implications for every part and sector of society – governments, business, employment, and education, among others. While the transition to a greener economy is a clear business opportunity given the scale of the transformation needed, it will also lead to reallocations both between and within economic sectors. If not managed properly, it also runs the risk of increasing social inequality, civil unrest and less competitive businesses, sectors and markets. Transition pathways have distributional consequences. Job losses are likely to occur in sectors, regions, and communities, particularly where dependence on fossil fuel is high and opportunities for economic diversification are limited.

History has shown us that issues of justice, inclusivity and transparency must be at the heart of transformation. This applies to climate action. You cannot address the climate crisis without addressing equity and fairness. Look no further than the Yellow Vest, or gilets jaunes, movement in France, or to the civil unrest that took place in Chile and Ecuador. Questions of fairness and equity span national borders and have global ramifications for international cooperation and international financial flows.

Applying just transition principles and implementing them through collective and participatory decision-making processes is critical to enhancing broader public support and enabling more ambitious goals for accelerated climate action. According to the results of the [UNDP People's Climate Vote](#), investing in green business and jobs is cited as one of the most supported climate policies, highlighting the importance of taking a multi-dimensional approach, aimed not only at cutting emissions but also at raising GDP, creating jobs, and ensuring a just and equitable transition for all. A just transition presents multiple opportunities and can be a net generator of decent green jobs that contribute to poverty eradication and social inclusion. The just transition will act not only as a key enabler but also as a necessary condition to address the political economy of net zero; without conscious strategies to manage the process and impact of change, political backlash could follow, slowing the process of decarbonization. It also builds a strong and resilient net-zero economy by bringing attention to the human and social capital required to achieve net zero.

Achieving a just green economy transition requires stakeholder consultations and social dialogue between workers' and employers' representatives and the government. This also requires governmental investment

in strong social protection policies, green job opportunities, and skills training to future-proof countries' workforces, measures that will be key to ensuring a just transition that leaves no one behind and delivers more benefits to more people and the planet.

We are seeing a growing recognition of the need for a just transition in the context of the Paris Agreement implementation. As of June 2022, out of 164 countries that have submitted their NDCs, 62 countries have directly and/or indirectly referenced just transition in their enhanced/updated NDCs, and more than 19 countries have established a national just transition commission, task forces and dialogue (IPCC, WG3). At COP 26, the Just Transition Declaration was signed by countries in the Global North promising funding for climate action and decarbonization in poorer countries.

Through its [Climate Promise Initiative](#), UNDP has been [supporting countries to incorporate the principles of just transition](#) into their NDC revision processes, and to move from commitment to action. One example is Antigua and Barbuda which is planning to conduct social dialogue with trade unions, employers' associations, and sector representatives on the transition to a climate-resilient and low-carbon economy, in order to build a consensus on sustainable pathways and manage the transition in an equitable and just way.

CONCLUSION

The experience with the Climate Promise has demonstrated that NDCs and LTS can be a powerful tool to define climate action through inclusive and whole-of-society owned processes and guide a just green economy transition. Specific NDC targets, policies, and measures on energy, adaptation, nature-based solutions, gender, and other areas are the starting point for transforming economies and societies. We have to use this momentum to invest in climate action as that will not only put us on to 1.5 degree trajectory but also boost our economy, create jobs, and support livelihoods if managed properly.

