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## Just Transitions Academic Roundtable Key Themes

On 24 September 2018, MBIE's Just Transitions Unit hosted an academic roundtable to reflect on previous social and economic transitions in New Zealand and think about how Government might apply lessons learnt to the transition to a low-emissions economy, specifically focussing on emissions reduction. We were privileged to have more than 30 distinguished participants from across academia, government and beyond lending their time and minds to the discussion.

The discussion we had was wide-ranging and yielded numerous useful insights. The key themes that emerged are summarised below.

### **The transition to a low-emissions economy is significantly different from past transitions**

The transition that began in the 1980s was a response to a number of urgent pressures. In-depth consultation on every issue was not viable as a number of broad changes were needed rapidly. Politically speaking, it was easier to take dramatic action due to the First Past the Post system giving the governing party much more political control. The Labour Party won a clear majority in the 1984 election, giving it a strong mandate for change. Managing change in an MMP environment will require a different, more consultative approach.

With the transition to a low-emissions economy, though the speed of change is still an important factor, a more planned approach is possible, including engaging with affected stakeholders to help them better navigate the transition. Uniquely amongst such large scale transitions, New Zealand possesses deep knowledge on climate change and the action necessary to address it. The extensive history and depth of research into the topic over several decades means that Government is able to tap into a wealth of resources to assist in policy making on the transition to a low-emissions economy.

Today's change is potentially more significant than that faced in the 1980s and 1990s as it will require shifts in fundamental elements of our economy, particularly a significant change to energy generation and use across many key sectors. The impact of both climate change and the actions needed to combat it will have significant impacts on productivity. Rapid changes are also occurring in the wider economy that will impact efforts to achieve a just transition, including the fourth industrial revolution (disruptive technological advances), significant demographic changes, greater inequality, and global trends such as the move towards protectionism and away from global institutions. Governments must also be prepared for developments that we are currently unaware of and be flexible enough in their approach to adjust for those as they emerge.

### **Principles can provide a transparent basis for decision-making around transitions**



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A key message emphasised by several attendees was the importance of developing a set of widely agreed principles to frame the Government's approach to the transition to a low-emissions economy (although this should not detract from the need for urgent, practical action).

This would include a definition of 'just' relevant to this context. A set of principles would provide transparency, enabling stakeholders to better understand how decisions related to the transition would be made. The principles would also provide a consistent starting point for constructive debate around issues such as whether assistance or compensation is justified in particular situations.

The Accident Compensation Act (AC Act) was identified as a helpful example for how an underlying set of principles can be used. The AC Act was founded on the five principles of community responsibility, comprehensive entitlement, complete rehabilitation, real compensation, and administrative efficiency. The Fiscal Responsibility Act/Public Finance Act was also highlighted as an example of how principles could be developed and evolve over time, including through a series of successive governments.

### **Government action will need to factor in the distributional impacts of change and the international environment**

Distributional effects of large-scale transitions are extremely important and can have lasting impacts on those affected. Several attendees considered the economic reforms of the 1980s to have contributed to a legacy of inequality and poverty amongst affected groups, particularly in specific regions. As such, policy makers cannot seek only to maximise the net benefit for the country as a whole, distributional effects across a range of areas also need to be considered, including regional, socio-economic, generational/temporal and ethnic (with particular emphasis on Māori and Pacific people).

Though assistance will be important in some cases, government will not be able to compensate everyone for every possible cost they face as a result of the transition to a low-emissions economy. Determining what form of assistance is best and when it is appropriate will not always be straightforward. Examples raised were cases when an industry or individual has contributed to climate change issues, should they receive as much support as someone that has not? Should they receive any? If a change has been clearly signalled, should Government compensate those who did not respond? Should early adopters be negatively affected relative to those who are slow to adapt and are compensated for doing so?

A labour market transition plan could help to ensure that pathways to new employment exist for those in industries that will be affected by the transition. A labour market transition plan would include skills recognition and development assistance, job placement and other future of work policies. The focus should be on people, not jobs.

Instead of seeking to support specific affected industries, the emphasis should be on taking a people-centred approach and creating opportunities for those disrupted by the transition. The Government should be adaptive and flexible enough to deal with uncertainty and to recognise that it is acting in a global context on an issue where the future of New Zealand and the actions it needs to take are inexorably linked to the actions of other nations. One proposed strategy to ensure flexibility was to identify options/pathways and develop a system mitigation approach



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and decision making structure, where the Government develops a series of plans and back-up plans in place that will be activated in response to certain triggers. Another proposed strategy was to index policies and interim targets based on other countries' actions to reduce emissions, so as other countries increase their actions, so do we.

### **Considered and effective communication is necessary to promote informed individual choices and maintain the social licence for change**

The importance of communication was a key theme of the roundtable, in particular how to effectively communicate the Government's climate change goals to the public in a way that will encourage and empower people to take action to manage the impacts of the transition on their lives. Thoughtful communication will also help to maintain the social licence to pursue the transition to a low-emissions economy.

Participants agreed that the Government must be careful in the language that it uses to communicate these ideas. Certain terms are loaded and could have negative implications. The term 'compensation' was raised as one specific example of this. Participants felt that the term 'compensation' could create an expectation for people of being owed money by the Government for every impact of climate change. A term like 'transitional assistance' may be more helpful in communication with stakeholders, and more accurately communicate the instances where financial assistance may be appropriate.

The Government should be upfront that in the transition to a low-emissions economy will be costly for some people. However, if New Zealand does not act to reduce emissions, costs to individuals and the country may be even more significant. As such, the Government should be upfront about the economic and ethical reasons for transitioning, because people may be more willing to invest in future benefits as long as such investments have legitimacy and likely effectiveness.

The Government should provide stakeholders and the market with the information they need to make the transition. If uncertainty exists around the government's plans and policies for tackling the transition to a low-emissions economy then business confidence could be negatively affected and decision making will be difficult for individuals. By providing an early and consistent message around the goals and direction of the transition, Government can reduce uncertainty and empower individuals to make better informed choices and maximise their benefit from the transition. Key investment decisions, insights and ideas for the transition will likely come from individuals and the market so Government should design policies and communication around facilitating positive change and ensuring the public is well-informed about the Government's transition plans.

Market forces are already driving some trends that will help New Zealand make the transition to a low emissions economy and are worth highlighting. An example of this is the uptake of electric vehicles in New Zealand and internationally. Electric vehicles have environmental benefits and contribute to meeting New Zealand's climate change commitments. However increasing uptake of electric vehicles also reflects that they are more efficient and cheaper to run than traditional fuel powered vehicles. Emphasising economic benefits as well as environmental benefits where both exist is important.



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## **The asymmetries in the cause, cost and benefits of a just transition to a low-emissions economy make the transition politically difficult**

A just transition to a low-emissions economy brings political challenges and it can be difficult to maintain public support for a transition of such magnitude. It is difficult to determine who is responsible for climate change and many of the effects are gradual and long-term. However it is easy to attribute blame for the effects of climate policies. Where the costs of transition are felt strongly, some groups may push back on Government action.

The direct costs of change will be heavily concentrated on certain groups, regions or sectors, making it more difficult to secure wider public buy-in for policies to support those most affected. Additionally, many of the benefits (though not all) of climate change action will be felt by young New Zealanders and future generations. This may make it more difficult to maintain support amongst older New Zealanders who will feel the costs but not benefit as much from interventions.

The necessity of a cross-party 'supermajority' on agreement for long-term action was raised several times during the roundtable, as the transition will take place over several decades and across successive governments. This requires a certain degree of political unity across parties. By having an agreed focus on the policies needed to address the transition Government can ensure that the pathway determined is enduring and that individuals can reliably act based on government policies. International examples for achieving lasting supermajorities may provide some insights for New Zealand e.g., some of the approaches taken by Scandinavian countries.

The packaging of policies, as was used during the economic reforms of the 1980s and 1990s, was highlighted as a particularly effective method of supporting change in a coherent and balanced way. Developing a series of comprehensive packages of actions with both benefits and costs for stakeholders can help people to see how the benefits and costs are being balanced. Packaging can enable more politically challenging policies to be implemented by balancing those with policies to mitigate the effects.