



**MOSELEY
INFRASTRUCTURE
ADVISORY SERVICES**

Just Transitions for Coal Mine Closures – The Opportunity for Private Investment

**University of Dundee
Centre for Energy, Petroleum &
Mineral Law and Policy**

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Outline of the Presentation



Seven main topics

- I. What is a 'Just Transition' Programme**
- II. How 'Just Transition' Programmes are Typically Delivered**
- III. An Alternative Approach: The JT-PPP Concept**
- IV. Potential Donor Support**
- V. The JT-PPP Contractual Framework**
- VI. Contract Management**
- VII. Concluding Observations: The Transformative Power of PPPs**

I. What is a ‘Just Transition’ Programme

There is broad international support for assisting workers and communities in carbon-intensive industrial regions, during the transition to a net-zero economy

- at the 2021 Glasgow COP26 conference, 11 countries – including the UK – signed the declaration *Supporting the Conditions for a Just Transition Internationally** which adopted **the UN International Labour Organization’s definition of a “Just Transition”** as a process towards an environmentally sustainable economy, which:

*needs to be well managed and contribute to the goals of **decent work for all, social inclusion and the eradication of poverty***

*available at <https://ukcop26.org/supporting-the-conditions-for-a-just-transition-internationally/>

I. What is a 'Just Transition' Programme (cont.)

Key principles in the declaration on *Supporting the Conditions for a Just Transition Internationally*



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- the declaration identified **six key principles** to be followed when supporting Just Transition programmes in developing and emerging economies:
 - **support for workers in the transition to new jobs**
 - **support and promote social dialogue and stakeholder engagement**
 - **economic strategies**
 - **local, inclusive and decent work**
 - **supply chains (i.e., ensuring that supply chains for the clean transition create decent work)**
 - **Paris agreement reporting (i.e., including information on Just Transition efforts in national reports required under the Paris agreement)**

II. How 'Just Transition' Programmes are Typically Delivered

Traditionally, Just Transitions for coal mine closures have used a **public sector** approach

- typically, Just Transition programmes are delivered by one or more of the following types of entities:
 - **a government ministry** or a combination of ministries
 - a pre-existing **State-Owned Enterprise (SOE)**; and/or
 - a **Special Purpose Entity (SPE)**, created by the state to carry out the programme

- under this type of approach, the public sector entity may decide to work with private sector companies on **individual aspects** of the programme – such as reclamation works on the site of the former mine – but **programme management rests with the public sector**

II. How 'Just Transition' Programmes are Typically Delivered (cont.)



To date, governments engaging with with the private sector for Just Transitions have used a **Traditional Infrastructure Procurement** approach

- under the **Traditional Infrastructure Procurement (TIP)** model, the public authority:
 - **defines the work to be done by the private sector**
 - **develops specifications** for that work, including how the work is to be done
 - develops a **Request for Proposals (RFP)**, setting out those specifications
 - conducts a **competitive procurement** process; and
 - **awards the contract** to the winning bidder

- typically, the contracts for such work are of a **short-term nature** (usually lasting for less than a few years) relative to the long-term nature of the overall Just Transition programme (which may last for more than 20 years)

III. An Alternative Approach: The JT-PPP Concept

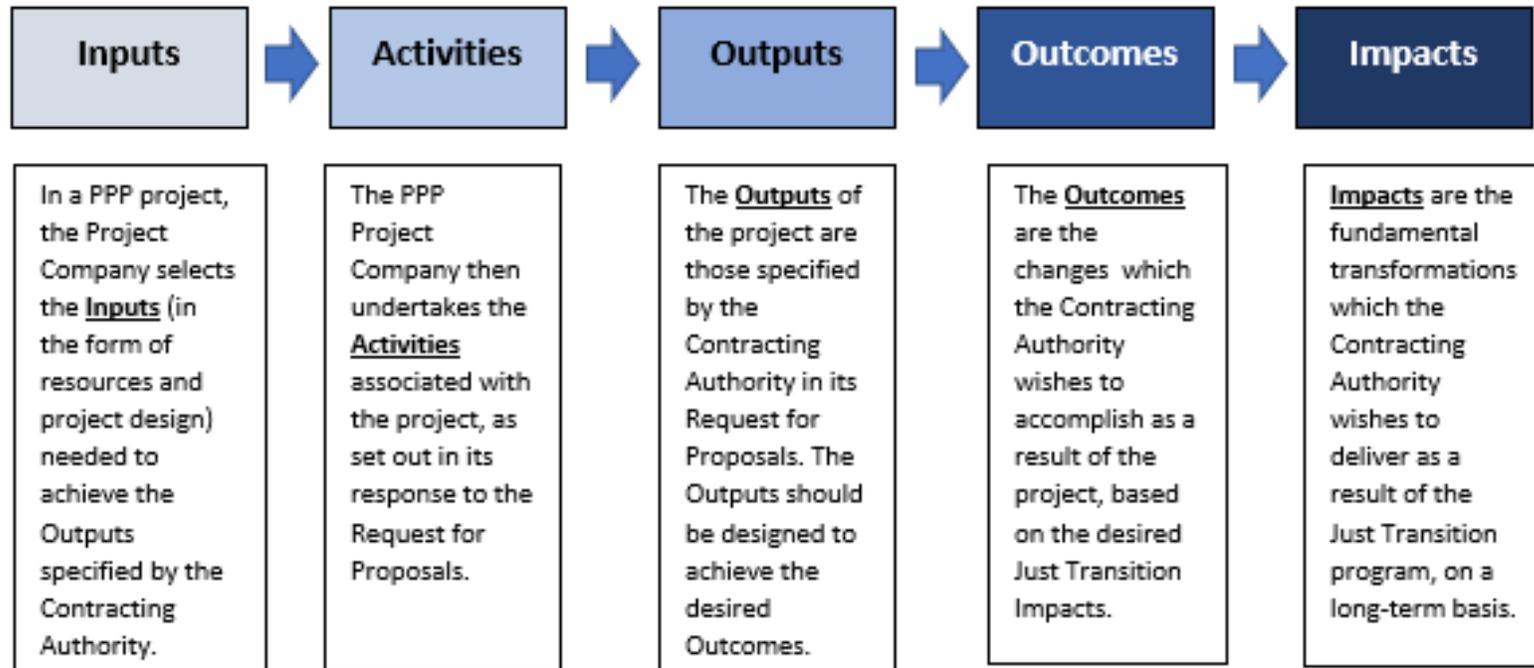


Conceivably, Just Transitions could also be achieved using a **Public-Private Partnership** approach

- ~~well-designed Public-Private Partnerships (PPP) have delivered **complex projects** effectively and efficiently in many countries — while preserving the ability of governments to have **full oversight** and to achieve **Value for Money**~~
- the Just Transition PPP (**JT-PPP**) concept relies on two important PPP techniques:
 - having the government Contracting Authority competitively tender the project using **Output Specifications**, as opposed to Input Specifications
 - having a **Availability Payment** PPP Contract, under which payments are only made to the PPP Project Company if and when the service is being delivered **in full accordance with the output specifications**

III. An Alternative Approach: The JT-PPP Concept (cont.)

- the development of suitable **Output Specifications** is the critical aspect of the process – to do this, the government’s Contracting Authority should use a standard **‘logic model’** approach:



III. An Alternative Approach: The JT-PPP Concept (cont.)



**Working backwards,
from desired Impacts
to specified Outputs**

- **the Contracting Authority should start by identifying the Outcomes it wishes to accomplish** – such as regional employment levels – based on the long-term **Impacts** that the government wishes to deliver with its Just Transition programme
- **the Contracting Authority should then work backwards to identify the Outputs** – such as the delivery of job reskilling courses – that will yield the desired Outcomes
- **once the Outputs have been specified, the PPP Contract is drafted so as to specify the required Outputs** and the Key Performance Indicators (KPI) used for measuring achievement (such as the number of retrained workers)
- **it is then left to the ingenuity of the private sector to design Inputs** (including process designs and necessary resources) to achieve the specified Outputs

III. An Alternative Approach: The JT-PPP Concept (cont.)

- given the complexity of the Outcomes being sought, **it will not be an easy task to draft appropriate Output specifications** – but there are some precedent PPP arrangements which could provide guidance, such as the **Gautrain Rapid Rail PPP project in South Africa**, which had extensive socio-economic development specifications in the PPP Contract, with independent verification



III. An Alternative Approach: The JT-PPP Concept (cont.)



Intelligent risk allocation is key to the government achieving Value for Money

- **risk allocation is at the heart of every PPP transaction**
- **in a Traditional Infrastructure Procurement project, all risks are assumed by the public sector** (except for some short-term construction risks which may be transferred to a private sector contractor)
- in contrast, a PPP project involves the **sharing of risks** between the public and private sector **NOT TOTAL RISK TRANSFER**
- with a proper risk allocation, the additional financing costs associated with PPPs can be more than offset by the value of the risks assumed by the private sector
- **this is a key factor in ensuring that a PPP provides 'Value for Money' to the government**

IV. Potential Donor Support

Donor support is available for both the funding and financing of JT-PPPs

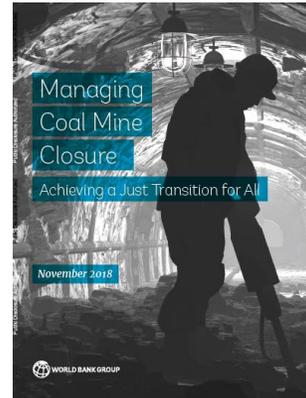
- **under an Availability Payment JT-PPP, the government will need to provide **funding** for the payments to be made to the private sector Project Company – and some of that funding could be supplied by multilateral and bilateral donors**
 - **it may also be possible to obtain some funding from payments made by end-users of the facilities developed by the JT-PPP Project Company**

- ****financing** will also be required – this can come from the Project Company’s equity investors and from commercial banks providing debt financing, but there are also donors willing to provide concessional financing**

IV. Potential Donor Support (cont).

Significant support is available for private sector Just Transition initiatives from both **multilateral** and **bilateral** aid agencies

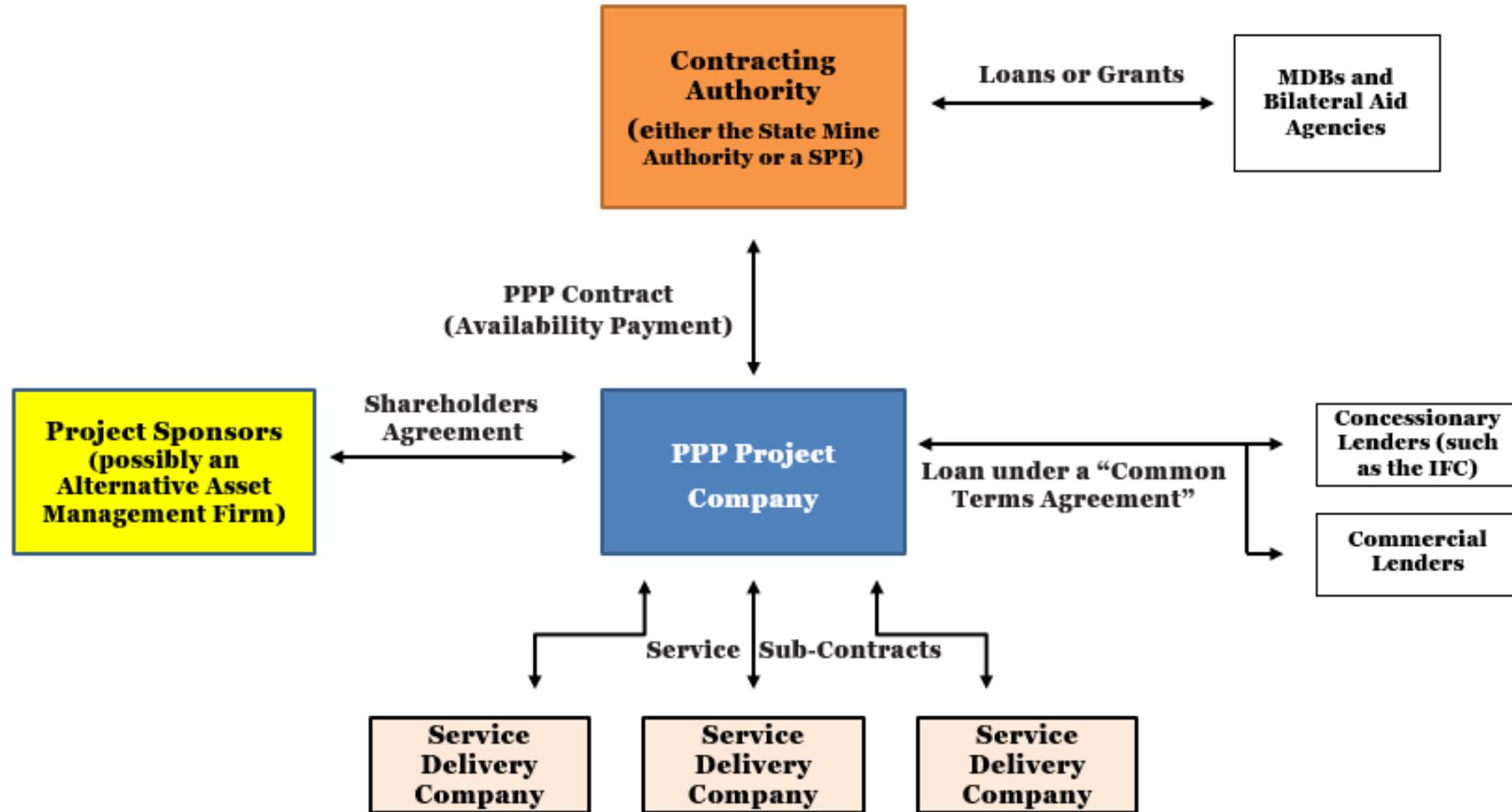
➤ **selected multilateral Just Transition donors:**



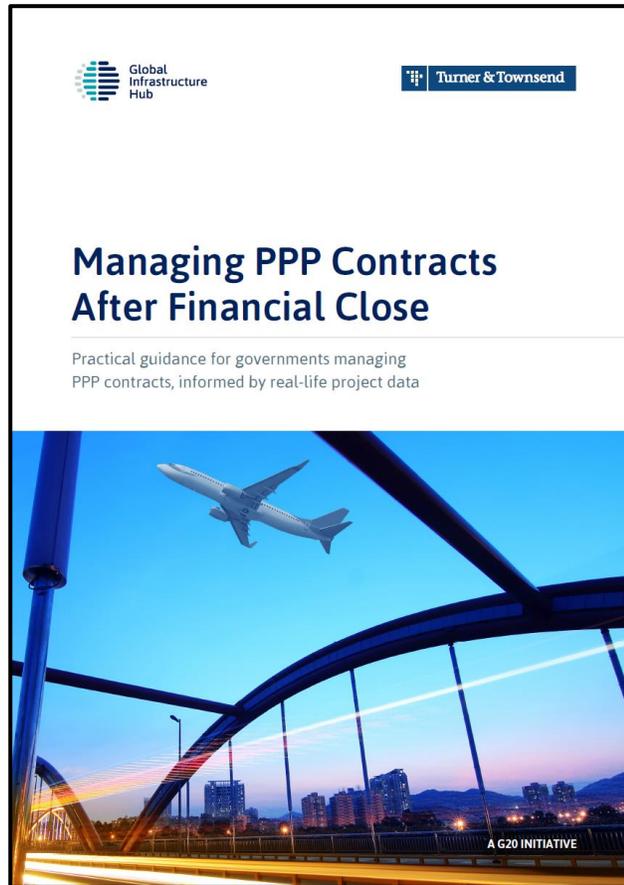
➤ **selected bilateral Just Transition donors:**



V. A Simplified JT-PPP Contractual Framework



VI. JT-PPP Contract Management



- the decision to use a PPP approach does not mean that the government Contracting Authority has no responsibilities during the life of the PPP Contract
- **Contract Management – the ‘forgotten child’ of PPP transactions – is critically important**
- as detailed in the GI Hub’s 2018 report on *Managing PPP Contracts After Financial Close**, Contracting Authorities need to be diligent in monitoring the performance of the Project Company
 - this will be particularly important in the case of JT-PPPs, given the complexity of the output specifications

*available at <https://managingppp.gihub.org/>.

VII. Concluding Observations: The Transformative Power of PPPs

**Abandoned Open Pit
Coal Mines in Yeniköy,
Turkey, in 2015**



Photo credit: Nick Hobbs, at <https://nickhobbs.myportfolio.com/kanal-istanbul-8920-book-photos-in-order>)

VII. Concluding Observations: The Transformative Power of PPPs

3½ Years Later: The new Istanbul Airport, delivered as a PPP project in 2018



Photo credit: Sam Chui, at https://www.youtube.com/watch?v=m-_-qa7DtW4&ab_channel=SamChui)



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