



**MOSELEY
INFRASTRUCTURE
ADVISORY SERVICES**

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

**World Energy Council Türkiye
4 September 2023**

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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 COP 26 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)**

I. What is a ‘Just Transition’ Programme (cont.)

These commitments were reconfirmed at the COP 27 Conference in Sharm el-Sheikh Implementation Plan



VIII. **Implementation – pathways to just transition**

28. Affirms that sustainable and just solutions to the climate crisis must be founded on meaningful and effective social dialogue and participation of all stakeholders and notes that the global transition to low emissions provides opportunities and challenges for sustainable economic development and poverty eradication;

29. Emphasizes that **just and equitable transition encompasses pathways that include energy, socioeconomic, workforce and other dimensions**, all of which must be based on nationally defined development priorities and include social protection so as to mitigate potential impacts associated with the transition, and highlights the important role of the instruments related to social solidarity and protection in mitigating the impacts of applied measures;

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

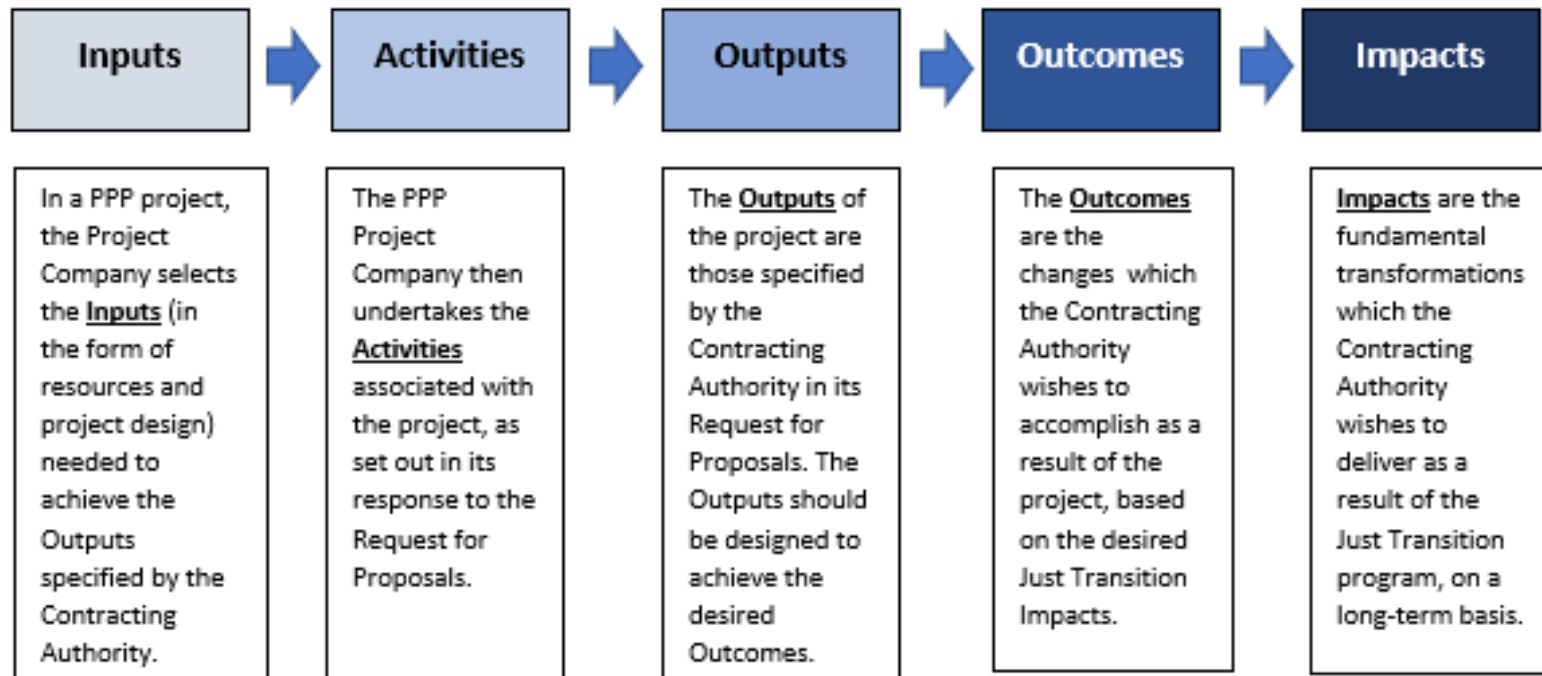


Conceivably, Just Transitions could also be achieved using a **Public-Private Partnership** approach

- 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 an **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

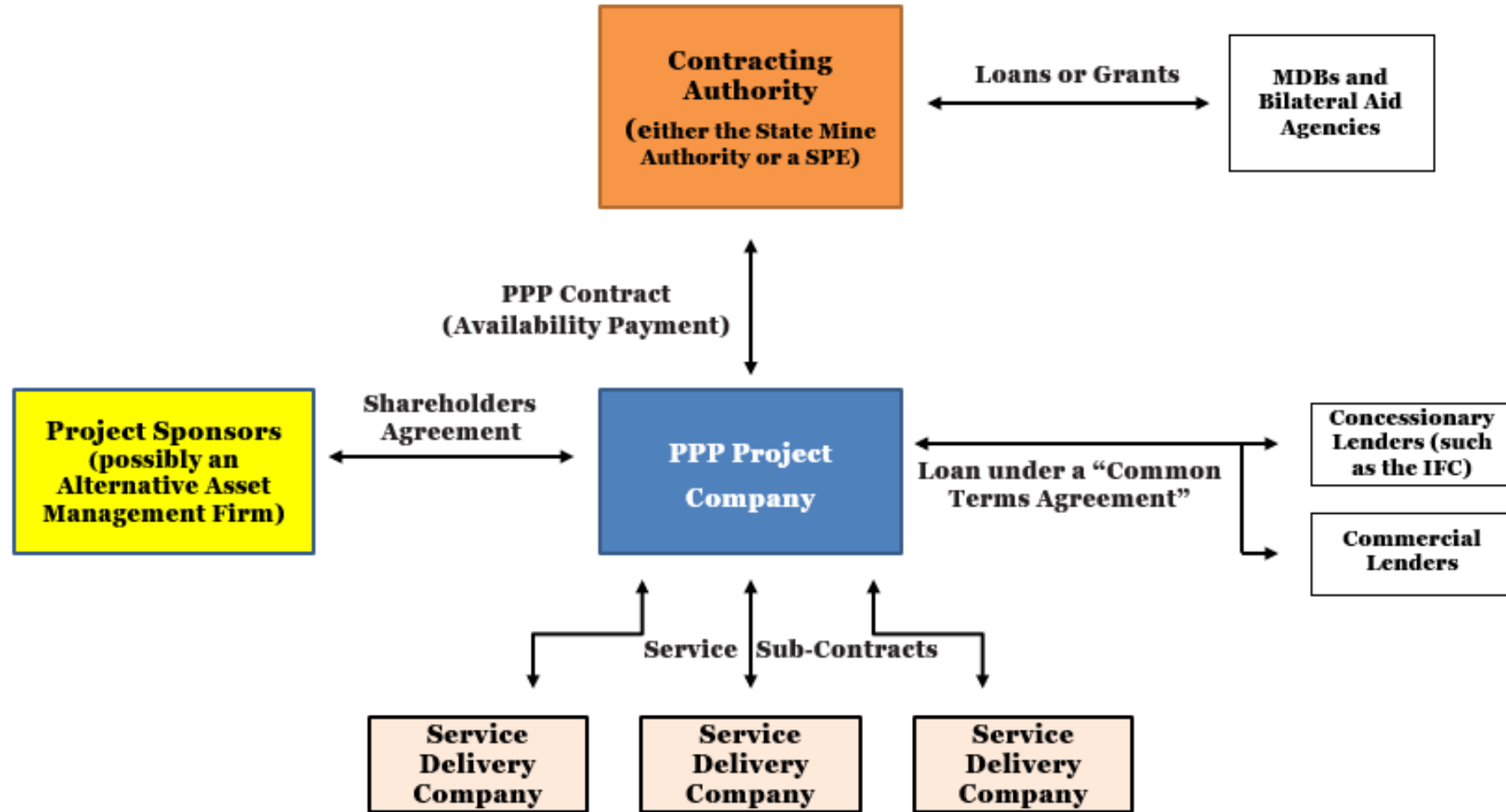
- **risk allocation is at the heart of every PPP transaction**
- **in a Traditional Infrastructure Procurement project, all risks are assumed by the public sector** (except for some short-term construction risks which may be transferred to a private sector contractor)
- in contrast, a PPP project involves 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

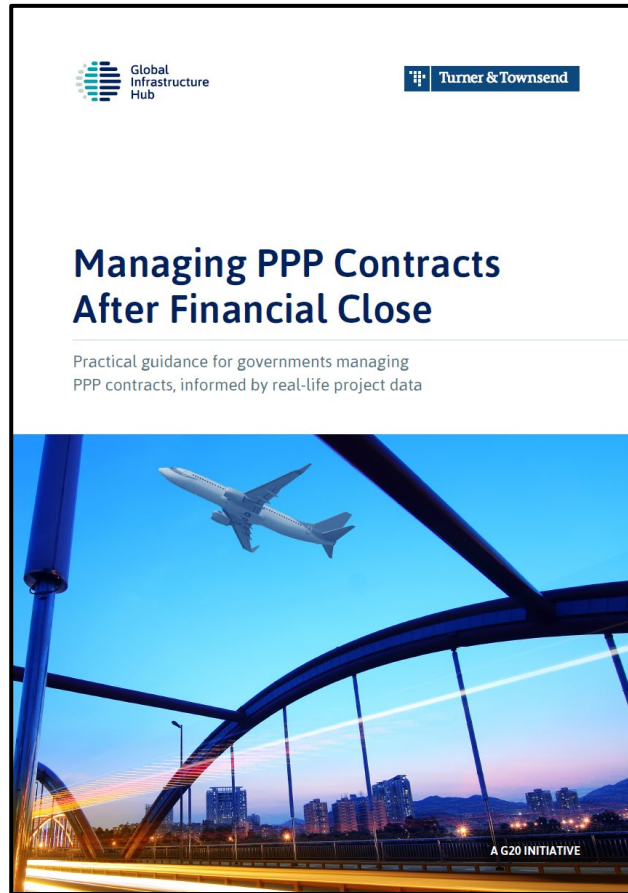
Donor support is available for both the funding and financing of JT-PPPs

- 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
- in the case of developing countries, 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

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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