“Financing the Green Transition. Transnational collective bargaining and the role of EWCs in supporting European banks' shift towards environmental and social responsibility. Focus on new job profiles and P&Ms re-skilling”

ULOD TEAM SCIENTIFIC INPUT

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(D2.1) Report on the Desk research on the European strategy to the Green Economy transition and sociological implication (1)

- **framing the European strategy of transition** to the Green Economy in the wider international and European cultural debate.
- highlighting the central role of culture in the European "Just Transition" program on new European Bauhaus.
- identifying and describing the **identity resistance** of the workers engaged in the green transition and the **"culture shock"** resulting from the leaving of old forms and methodologies of work.

(D2.1) Report on the Desk research on the European strategy to the Green Economy transition and sociological implication (2)

- focusing on the **sociological aspects** regarding possible resistance to change on the part of **workers and their trade union representatives** and the perceived risk of loss of identity on the part of the workers themselves.
- describing the **process of polarization of the labor market** between new skills related to the green economy and traditional skills.
- Identifying and describing the problems related to the implementation of Just Transition: **The case of Poland.**
- To describe the role of green finance in the **development of SMEs** for the creation and strengthening of green economy initiatives in the territories affected by the Just Transition.

literature review

policy documents review

narrative synthesis methodology

case studies analysis

Green finance: key terms

- sustainable finance
- ESG investing and firm performance
  “carbon credit”
- carbon finance
- climate finance
- ESG investing
- impact investing
- ESG financing
- socially responsible investing
- sustainability financing
- sustainability reporting
- sustainability risk disclosure
- sustainability risk management
- green bonds
- green loans
- sustainable bonds
- sustainability-linked loans
- blue bonds
- social bonds

Banks are obliged to take into account the **impact of ESG factors** on processes and **risk profile in credit risk management**.

Banks must consider elements of **sustainable financing** in their **product offers** (mainly credits and green bond), business strategy, and administration processes.

The aim of the banks policies is to successively **reduce the exposure to customers and transactions based on coal** as an energy carrier and to refrain from financing new energy production sources based on coal and lignite as well as increasing the financing of operations related to **renewable energy** in a successive manner.

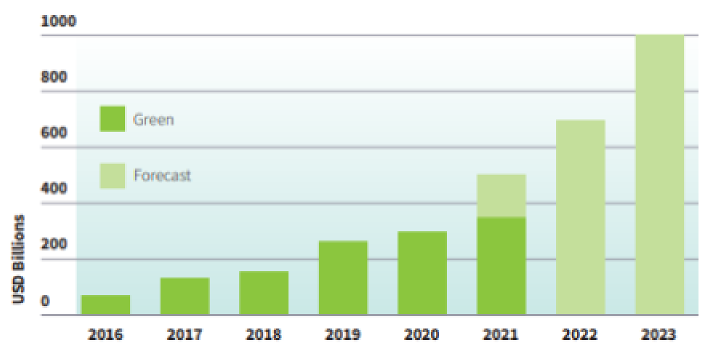
Green Bonds

Green Bonds are debt securities where the proceeds are exclusively applied to **finance or refinance**, in part or in full, new and/or existing eligible **green projects and assets**, and which are designed in accordance with the conditions and standards set out in the respective international principles.
Both governments and companies use them to finance the transition to a **more sustainable and low-carbon economy.**

Green Bonds

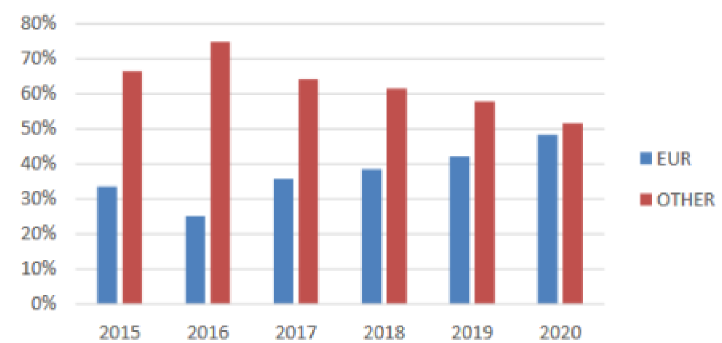
- The first "level" of standardisation of green bonds market took place in 2014 when the Green Bond Principles (GBP) were published, developed by several banks and the International Capital Market Assocation (ICMA) and adopted by the vast majority of market participants.
- The **EU Green Bond Standard** is a practical and secure financing tool to ensure the real economy investments create environmental impacts that fulfil Europe's climate goals and other long-term environmental objectives.

Figure 1 - Green bonds issued by year (globally)



Source: [Climate Bond Initiative]

Figure 2 - Share of global green bonds issued in €



Source: [Climate Bond Initiative] (2021).

Green Covered Bonds

1. New Green Bond Principles guidance distinguishes between "standard green use-of-proceeds" bonds and "secured green bonds".
2. Green covered bonds are largely collateralized against green mortgages that help borrowers buy a sustainable building or renovate an existing one to make it greener, and the taxonomy's criteria for buildings will be essential in determining the scope of assets eligible for such bonds.
3. Secured green bonds, which could include asset-backed securities, covered bonds or asset-backed commercial paper.

Energy Efficient Mortgages Initiative

Green Credits/Loans

- To be called a green loan, a loan should be structured in alignment to the **Green Loan Principles**, developed by an experienced working party, consisting of representatives from leading financial institutions active in the green loan market, with a view to promoting the development and integrity of the green loan product.
- A **green loan** provide clear environmental benefits is similar to a green bond in that it raises capital for **green eligible projects**.
- Creating an offer of retail loans and morgage credits with a defined goal, converging with **environmental goals and special-purpose loans**, e.g. for financing photovoltaic panels;
- Sustainable **Finance Consulting**.

Green finance: main cultural and sociological aspects (1)

- Green bonds = bonds for environmental benefits.
- Carbon emission of pollution level can be a motivation for green bond issuance.
- Governments seem to be a driver for green finance development.

Potential determinants of green finance

- Interest group has incentives to deter financial development and maintain their advantage in current market [Rajan and Zingales (2003)]
- Intensifying competition induces firms to increase corporate social responsibility activities [Ding, Levine, Lin, and Xie (2020)]
- Equity financing leads to less pollution [de Hass and Popov (2020)]
- Green finance development is at least partly supply driven – when a country faces more severe pollution problem, it has stronger incentives for environmental protection and more companies would issue green bonds

Green finance: main cultural and sociological aspects (2)

The financial system can facilitate the match between investment needs and private capital allocation, by reorienting private capital flows towards more sustainable investment: green bonds, green loans, sustainable bonds, sustainability-linked bonds and sustainability-linked loans, blue bonds, and social bonds → even though social bonds do not contribute directly to green financing, in some cases they may have a positive spill-over effect on the environment (e.g. investment in sustainable food systems) or may accompany green transformation projects (e.g. social bonds for a just transition).

Green finance: main cultural and sociological aspects (3)

- The existence and level of credit rating of the issuer can play some role. Sovereign credit rating, in turn, depends on a country's economic development such as unemployment and financial strength.
- Creditor rights and creditor protection (in terms of rule of law and in terms of enforcement) can greatly affect creditor's demand of bonds.
- High credit rating is not a strong requirement for green bond issuance. The green bonds differentiate themselves from conventional bond in a significant way, especially the use of proceeds for green projects. Countries with limited access to the conventional bond market may find it easier to access the green bond market.
- Environment-friendly projects may not lead to unemployment, may even bring new job opportunities [Stock (2020), Metcalf and Stock (2020)].

Green finance: main cultural and sociological aspects (4)

- Many of such considerations can be related to the culture of a country (for example, Hofstede country-level culture measures (2010)).
- Individualism, uncertainty avoidance, and long-term orientation positively influences this special economy. By contrast, power distance, masculinity, and indulgence have negative and robust impact on all measures of a green economy.
- Legislating environmental regulations or focusing on green technologies can be harmful for a green economy in countries with high levels of individualism, power distance, and indulgence.

Green finance: main cultural and sociological aspects (5)

- In more masculine countries, green economies can be promoted through technology rather than regulation.
- The level of economic and financial development influences the relationship between national culture and the green economy [Chien-ChiangLee, Chih-WeiWang, Shan-JuHo (2022), The dimension of green economy: Culture viewpoint, Eonomic Analysis and Policy, Vol. 74, 122-138].

Green finance: main cultural and sociological aspects (6)

Major factors of the development of green and social finance:

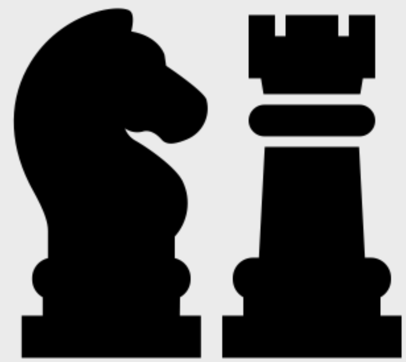
- Preferences of investors, managers, shareholders, clients, and society (since COVID-19 had a disproportionate impact on the poor and vulnerable, it may have a long-term impact on the preference of investors and stakeholders for assets which take into consideration environment, social and governance issues).
- Tapping green and social finance helps companies and investors hedge and mitigate risks associated with sustainability issues such as climate-related risks. (climate-related risks have already been priced in across various asset classes such as equities, bonds, real estate, and mortgages; higher sustainability risk affects firms' operations as well as investors' recognition of it, thus has financial implications).
- Tapping green and social finance offers insurance-like benefits against both market shocks such as a pandemic, and against firm-specific shocks such as big environmental lawsuits (practicing social responsibility helps firms to build social capital or trust; a high level of social capital strengthens the perception of trustworthiness among investors, clients, managers, and employees).

[https://blogs.adb.org/blog/what-is-driving-growth-green-and-social-finance]

Green finance: main cultural and sociological aspects (7)

3 top strategies that drove transformation within a bank:

- **Integrating climate into all decision-making**: instead of just thinking about some aspects as “green”, apply a climate lens to all business activities
- **Evolving the role of sustainability teams**: these teams shouldn’t work in isolation, ultimately they should enable the right conditions for each employee to play a part
- **Building capabilities to act across the organization:** facilitating interpersonal knowledge and skill sharing among colleagues



Green finance: main cultural and sociological aspects (8)

Climate intrapreneurs are the internal flagbearers for the kind of change needed within their institutions. Particular areas of focus are giving the traction to drive greater climate action within their banks:

- Gaining clarity on what is within their control to change and focusing there.
- Building collective influence with networks of internal and external allies.
- Fostering the buy-in of decision-makers.
- Embracing curiosity and listening to others’ priorities, concerns and ideas.
- Using stories alongside data to engage colleagues’ hearts and minds.
- Adopting a mindset of experimentation.

The dominant culture within banking makes this challenging work → cultivate resilience, wellbeing

[https://www.climatesafelending.org/executive-summary-catalysing-bank-climate-action]

Challenges from bank perspective

- Absence or limited access to counterparty ESG data;
- Low quality of counterparty disclosures and awareness of ESG factors;
- Absence of final, transparent regulations;
- **Lack of knowledge and competences in the institution.**

Identifying and describing the problems related to the implementation of Just Transition: The case of Poland (1).

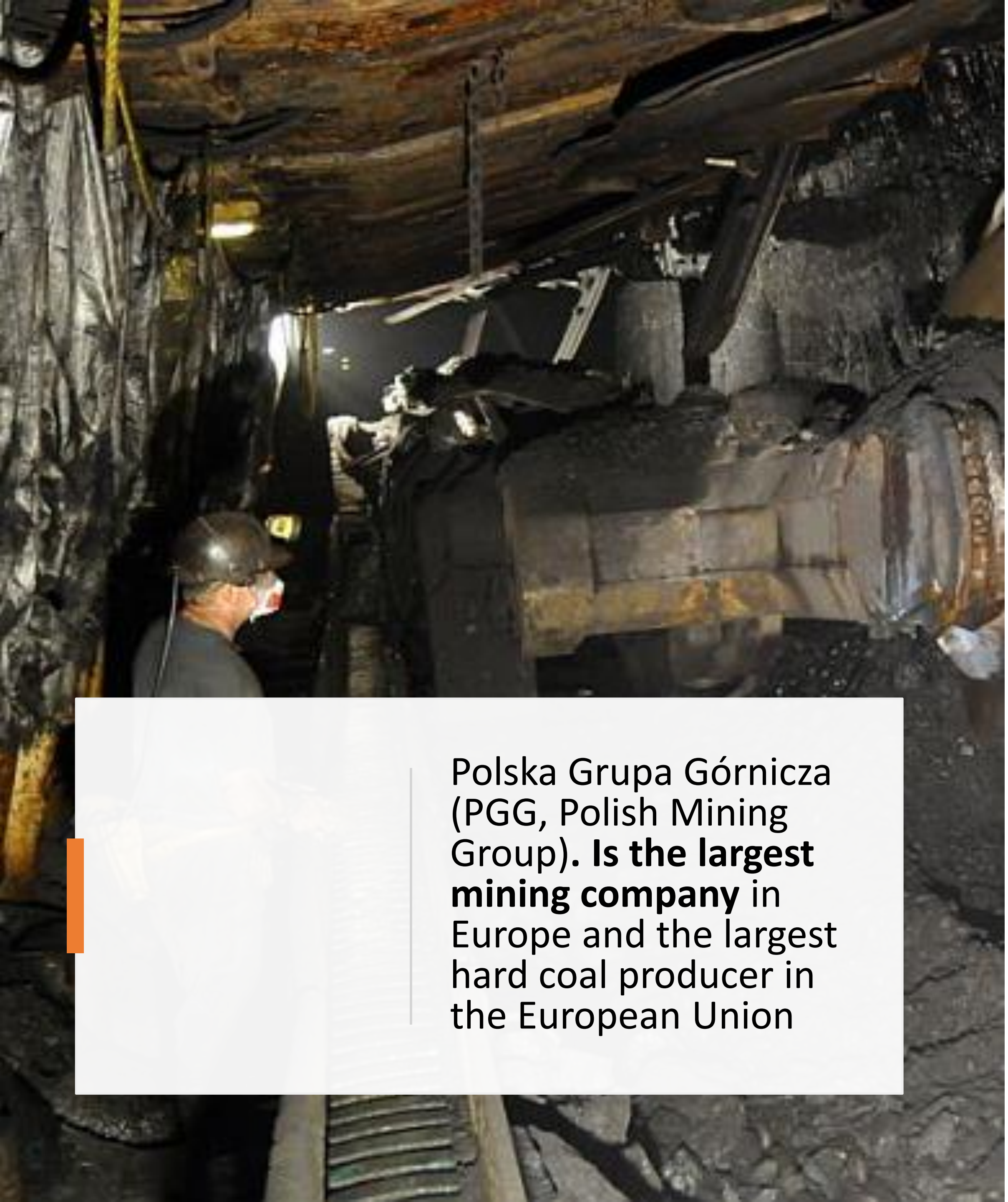
- hard coal mining has become less competitive in the free-market economy that developed following the fall of communism in 1989 [Ślimko at all. (2021)].
- the coal mining sector in Poland has been gradually but steadily shrinking for the past three decades, but not as part of an intentional and planned energy transition [Rösch, Epifanio (2022)]. The shift reflected wider, unavoidable economic trends
- hard coal production has gradually decreased by 63 percent (from 147 million tons in 1990 to 54 million tons in 2020), and employment in the mining sector has declined by 80 percent (from roughly 390,000 to 80,000 jobs) [Karbownik (1997), Polish Industrial Development Agency (2022)].

Identifying and describing the problems related to the implementation of Just Transition: The case of Poland (2).

- just transition holds that coal regions should not be left to cope alone with economic and social declines.
- this proces a range of interventions (prominently including public policies) that reduce adverse outcomes for coal workers and communities making the shift from a coal-based economy to a low-carbon and sustainable economy.
- it needs to be properly planned for and managed, with a clear coal phaseout schedule that offers enough time for effective implementation of the transition policies [Śniegocki at all. (2021)].

Identifying and describing the problems related to the implementation of Just Transition: The case of Poland (3).

- all relevant stakeholders should be involved in planning and implementing the transition, creating a strong sense of shared ownership and control.
- mining regions should be offered adequate financial and technical assistance in building alternatives to the disappearing coal economy. New development models should seek to sustain a reasonable quality of life for local communities, including a healthy environment and strong public services.
- workers should be offered tailored retraining and outplacement opportunities [Śniegocki et al (2021), Pal et al. (2020)].



Polska Grupa Górnicza (PGG, Polish Mining Group)**. Is the largest mining company** in Europe and the largest hard coal producer in the European Union

- One of the pillars of the European Union's Green Deal is the "Just Transition Mechanism", which is interpreted here as providing fair access to diverse resources;
- Rooted in a normative approach to the development of just and fair place-based policy promote growth in Poland [Nowakowska, Rzeńca, Sobol (2021)].

In green, the map shows the three regions which have already been confirmed as recipients of the Just Transition Fund: 1) Eastern Wielkopolska 2) the Wałbrzyski sub-region 3) Upper Silesia with its main city of Katowice.

In yellow, the map shows the regions that have not yet been confirmed as recipients of the JTF: 4) Łódzkie with the main mining and energy-sector related town of Bełchatów; 5) Lubelskie with just transition activities mainly focusing around the Bogdanka mine; 6) Zgorzelec county focusing mainly around the Turów mine; and 7) Western Małopolska

- the diagnosis of the condition of mining sub-regions in Poland and the forecast of the effects of decarbonization is presented in a rather pessimistic, negative tone, focuses on highlighting the difficult socio-economic situation. At the same time, there is little emphasis on the benefits of transition and its positive consequences
- within the promotion of the process, there needs to be a narrative focusing on the “success story”.
- there is a definite need for a public debate about transition, and for it to be oriented towards identifying new endogenous values and strengthening the “language of benefits”.
- a territorial approach increases the chances of an effective “tailor-made” transition, responding to existing conditions and needs [Brozynski, (2022)].
- the process should be participatory and inclusive [Rösch and Epifanio, (2022)].

1. Poland is set to receive nearly EUR 8 billion from the JTF [European Commission, (2020)],
2. Poland aims to phase out coal by 2049 [Taylor, (2021)].
3. This date has been criticised for being ‘unserious’ and rather ‘late’ [Europe Beyond Coal, (2021)].

(D2.2) Unitary report on the social partners activity (good practices collection at national/company level) (1)

a. the collection of national regulations on all issues related to green transition and initiatives to facilitate their implementation;

- country
- name/title of regulation
- link/pdf file

b. the supporting role of the financial system in the start-up and expansion of SMEs in an area affected by conversion.
An example of the supportive role of the financial system in the launch and expansion of SMEs in an area affected by transformation.

- country
- general characteristics of the practice
- additional information and links

(D2.2) Unitary report on the social partners activity (good practices collection at national/company level) (2)

c. the identification and selection of good practices (negotiated or non-negotiated policies) in the different partner countries regarding the defense and development of employment levels in areas affected by conversion to green industry.
good practices in defending and developing employment levels in areas affected by conversion to green industry.

- country
- brief description of negotiated/non-negotiated policy
- links

d. the collection of good practices on collective bargaining, at European, EWC, national and company level, regarding the social and environmental responsibility in the finance sector
Good practice in collective bargaining on social and environmental responsibility in the financial sector

- European level, EWC, national (country), corporate (name of the firm/bank/organization/country),
- brief description
- links

(2.4) Preparation of questionnaires and interviews
(2.5) Submission of questionnaires and conduction of interviews

- Thanks to the collaboration of Eurocadres, whose Vice-president is a First Cisl representative, and **the University of Lodz and ADAPT** will draft an online questionnaire, to be approved by all partners and then submitted to trade unionists and worker representatives in the chosen sectors and countries.
- The on-the-field survey will identify, especially with regard to SMEs, the financial and advisory needs of the sectors that will be most affected by the: green transition (fuel-fossil, utilities/electricity, energy, construction, transport and agriculture).
- The survey will be carried out in ENG and translated in the various national languages thanks to the associate partners. The survey will use only multiple choice/binary and closed questions.

(2.4) Preparation of questionnaires and interviews
(2.5) Submission of questionnaires and conduction of interviews

- The questionnaires will be submitted by research partners to trade unionists and worker representatives in the selected sectors and countries. The interviews will be conducted by phone or online platforms (CATI and CAWI methodologies) by research partners with national level trade unions in the selected countries.
- First Cisl, Eurocadres and UniCredit will support the scientific partners in the identification of respondents.
- Submission of the questionnaire and receive at least 10 feedback per selected country among trade unionists and worker representatives.

(2.4) Preparation of questionnaires and interviews
(2.5) Submission of questionnaires and conduction of interviews

- Thanks to the collaboration with all the project partners, **Adapt** will draft some semi-structured interviews to be approved by all partners and then conducted with at least 2 experts (a EWC member and a national-level trade unionist) and (at least) 2 professionals from Eurocadres and UniCredit bank.
- Both the questionnaires' and interviews' guidelines (reference templates) will be drafted in English.
- Interviews will be carried out only in EN.

2.4. Preparation of questionnaires and interviews

Main methodological aspects

- **Population**: banking sector (banks)
- **Respondents**: managers in banks (especially responsible for SME and environmental/green instruments) and social partners in banking sector (w aplikacji mamy: submission of the questionnaire and receive at least 10 feedback per selected country among **trade unionists and worker representatives**
- **Method**: questionnaire survey
- **Technique**: CAWI (on-line survey) or CATI (telephone survey)
- **Sample size**: min. 10 per country, 22 organisations from 11 countries → n = 110