



# Guidance Paper on employment, just transition and climate governance

February 2022



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and balanced  
voice for business

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## Introduction

Climate change policies are becoming one of the most important priorities for employers' organisations. In a survey carried out in 2020 among IOE's global network, climate change was identified as one of the most significant risks to business and a major concern for employers' organisations. In response, IOE is continuing to grow its policy work and advance its advocacy efforts to provide the most relevant assistance to its worldwide network.

This guidance document aims to provide summaries on the most recent developments in climate change international discussions that impact employers. It covers the outcomes from the COP meeting in Glasgow in December 2021, the most up-to-date data around the impact of climate adaptation or mitigation, with special emphasis on employment data, and an overview on what employer organisations can do to support to their members. The document concludes with a guide to the institutions that are leading international climate negotiations.

## Lead-up to COP26

Expectations were high for the 2-week 26th Conference of Parties (COP26) to the United Nations Framework Convention on Climate Change (UNFCCC) and the Paris Agreement, after a two-year buildup, with delays due to Covid-19. The Conference took place in Glasgow 31 October-13 November under the leadership of the UK Presidency and this year's COP President, Alok Sharma. An agreement was reached, and the negotiating parties (197 countries) agreed on several key provisions and elements that finalise implementation details of the Paris Agreement.

Three components make up the main elements of the Paris Agreement and climate action in general: mitigation, adaptation and finance. The Paris Agreement, adopted in 2015, specifically calls for "Holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change".

The Intergovernmental Panel on Climate Change (IPCC) **2018 Report** found a 2C rise would lead to more heatwaves, extreme rainstorms, water shortages and drought, greater economic losses and lower crop yields, higher sea levels and greater damage to nature. According to current scientific analysis a 50% global reduction in emissions is required by 2030 to limit warming by 1.5C by 2100, in line with the Paris Agreement aim to limit average global temperature increase to "well below 2°C" and "pursue efforts for 1.5C" above preindustrial levels. For an overview please consult the **guide to the negotiations and decisions** taken at COP26 by the UK Government that led the process.

To lower the increase in global temperatures, Parties to the Paris Agreement agreed to progressively remove greenhouse gas emissions but the Agreement does not

specify exactly how each country should achieve this goal only that more developed and industrialised countries have a stronger responsibility due to their historic development. The details have been negotiated in subsequent COPs in the form of a Rulebook (the “Paris Rulebook”). At the same time, national action plans are regularly communicated by countries through **Nationally Determined Contributions** (NDCs) which contain concrete actions and measures taken or planned to progressively reduce emissions (on a 5 year updating interval). The **Rulebook** has been operationalised in COP24 at Katowice (Poland) and finalised in Glasgow in 2021.

2020 was the first deadline for submitting updated NDCs, which are then analysed in a **Global Stocktake** (an official report estimating capacity of the NDCs to reach objectives); the recently updated NDCs and their modalities have also been summarised in the **NDC Synthesis Report**. **According to analysis**, the number of countries pledging to reach net-zero emissions by 2050 passed 140. These commitments now cover 88% of current global greenhouse gas emissions and 90% of global GDP, surpassing expectations.

## COP26 Outcomes

However, according to critical views, current unilateral pledges, if met and under ideal conditions, would imply a peak warming this century of 1.9C. In order to realistically reach the 1.5C goal, countries would need more than simple pledges but domestic coherent policies, robust implementation, with rigorous planning and, more importantly adequate support for individuals and companies.

The new outcome of COP26 implies that **countries will revisit and strengthen their 2030 targets for cuts to emissions of carbon dioxide (CO<sub>2</sub>) in 2022**, through updated NDCs in order to keep global temperature rises within 1.5C.

More concretely, **The Glasgow Climate Pact** contains the following engagements:

- It is the **first climate agreement explicitly planning to reduce persistent coal usage**, responsible for about 40% of total emissions<sup>1</sup>. It also calls for progressively removing ‘inefficient’ fossil fuel subsidies and recognises the need for a ‘just transition’ when decarbonising economies and industries.
- **A framework for countries to exchange carbon credits has been finally adopted**. This complex mechanism will allow meeting climate targets partially by buying offset credits representing emission cuts by other countries. It is embodied in Article 6<sup>2</sup> and detailed in the Paris Rulebook after six years of difficult discussions. If properly implemented, it could provide more certainty and predictability in mitigation as well as adaptation and is expected to boost carbon markets, to facilitate cost-

<sup>1</sup> The text was changed at the last moment from ‘phasing out’ to ‘phasing down’ coal use and production.

<sup>2</sup> The draft decisions for Article 6.2 (Switzerland announced at COP26 six bilateral agreements using the model in Article 6.2); Article 6.4 and Article 6.8 have been published by the UNFCCC (6.2 and 6.4 enable the effective functioning of international carbon markets and 6.8 is based on non-market approaches).

effective emissions reductions and private-sector investment. Time is needed to see how national frameworks and carbon markets develop subsequently (see Box 1).

- There was consensus to at least **double the finance for adaptation** of developing economies. A key part of the agreement was ensuring adequate and further financing is provided by developed countries for those countries with less capacity for adaptation, through the Adaptation Fund, after the previously agreed target of \$100 billion a year by 2020 was narrowly missed. A duty to fulfill the pledge of providing 100 billion dollars annually from developed to developing countries was also reaffirmed and a process to define the new global goal on finance was launched.
- **Transparency** is the backbone of the Paris Agreement and its effective implementation will be essential to build trust and confidence in the Paris Agreement Regime. **Negotiations on a Enhanced Transparency Framework were also concluded**, providing for agreed **tables and formats** to account and report for targets and emissions.

There have also been **many other** commitments and partnerships announced beyond the formal negotiations, in particular on deforestation, transport, **finance** (450 financial institutions managing \$130 trillion worth of assets committed to net zero), cooperation as well as record **engagement and commitment** by the private sector. A detailed daily breakdown can be found **here**.

Looking to next year and COP27 taking place in Egypt, it is likely discussions will focus on adaptation, resilience, and 'loss and damage' funding. Adaptation and 'loss and damage'<sup>3</sup> are key priorities for least developed countries – the African Union, Latin American countries and low-lying islands.

## Box 1

Carbon pricing is a financial mechanism that helps both countries and companies lower their emissions. It does this by making using fossil fuels more expensive through tariffs and taxes, while also making cleaner, renewable energy sources cheaper and more cost effective. Article 6 will provide “clear accounting guidance for emissions trades between countries, and launch a new crediting mechanism that will give market access to all countries interested in attracting green investment through the global carbon market.” Companies, as well as countries with vast forest cover, had pushed for a robust deal on government led carbon markets in Glasgow, in the hope of also legitimising the fast growing global voluntary offset markets. According to the think tank E3G, Article 6 “has the potential to strengthen mitigation projects in the Global South, incentivising further private climate finance.” Initial estimates suggest the potential market size of international carbon credits could be between \$100 400 billion per year by 2030, it added.

<sup>3</sup> 'Loss and damage' refers to financial compensations and reparations some countries, who are historically responsible for a minority of GHG emissions, are seeking from more developed countries who are responsible for the majority of emissions; this is based on the current losses and damages vulnerable countries are already suffering due to climate change.



# Employment, skills and just transition

Neither the Paris Agreement nor the Glasgow Climate Pact specify the employment impacts and labour market implications of their provisions. Many analyses<sup>4</sup> have been made at the global and local level on the overall repercussions and impacts, as well as on potential scenarios and future developments (combining the physical effects with possible policy and regulatory elements) of climate change. The policy considerations as well as the impacts of climate change on employment, skills and labour markets have been assessed by several institutions<sup>5</sup>. However, analysis on the employment impact directly due to policies and regulations implemented by governments to decarbonise their economies is still developing and not enough has been done on the national level. Concerning the physical impacts of climate change, the **latest IPCC report** provides the scientific basis and analysis which is used as the foundation for official discussions and recommended responses. Concerning policy and regulation impacts, the NDCs are the instruments in which countries outline how they will develop adaptation and mitigation and consequently how that will impact employment and economic sectors.

On the other hand, beyond the NDCs, there are several bilateral and multilateral agreements signed between governments, private sector and international organisations that can also have different impacts on employment prospects and labour market dynamics. Furthermore, it is important to note that these complex transitions are not occurring in isolation from other global trends and potential transformations, megatrends such as automation, urbanisation, population growth and globalisation, electrification, economic development as well as the move towards a circular economy, and increased protection of biodiversity, habitats and ecosystems.

What is clear is that the specific employment impacts will vary enormously depending on regions, countries and sectors as well as the speed of change and timing of policies.

Below is an overview of data and forecasts on potential employment impacts:

- **Jobs impacted:** Jobs in many sectors (e.g. agriculture, mining and fossil fuel-based energy, transport, manufacturing) rely directly on natural resources and greenhouse gas emissions (GHG) emissions, while others, by virtue of economic linkages, rely on them indirectly. According to **ILO**, there are overall 1.47 billion jobs depending on and contributing to climate stability, over 40 per cent of total world employment. However, the real impact on jobs and employment will depend on regulations and policies adopted; they can be very different depending on the type of response put in place by the relevant stakeholders.
- **Skills:** In a scenario where governments and organisations adopt strong energy sustainability measures and implement a host of actions leading up to 2030 (so-called energy sustainability scenario), ILO research “shows

<sup>4</sup> For an overview up to 2016 see this **UNFCCC report**

<sup>5</sup> For a practical overview see, as an example, sectoral policy considerations by **Deloitte** and this **McKinsey analysis**

that almost 25 million jobs will be created and nearly 7 million lost globally. Of the latter, 5 million can be reclaimed through labour reallocation – that is, 5 million workers who lose their jobs because of contraction in specific industries will be able to find jobs in the same occupation in another industry within the same country”. At the same time, the creation of over 100 million jobs in a circular economy and sustainability scenario, including both the successful reallocation of workers and the filling of new, additional jobs, is entirely dependent on workforce access to training and related policy measures<sup>6</sup>.

- **Retraining:** However, ILO’s **Skills for a Greener Future** report analysed the NDCs submitted within the framework of the Paris Agreement up to 2019, and found that “two-thirds of countries recognise in their NDCs the importance of capacity development and climate change literacy, but **less than 40 per cent of NDCs globally include any plans for skills training to support their implementation, and over 20 per cent do not plan any human capital related activities at all**”. Ambitious skill policies will need to go hand-in-hand with measures to increase employment opportunities to anticipate climate change<sup>7</sup>.

- **Risks in transition:** Negative employment and labour market effects that some poorly planned climate change policies can have on jobs at regional and sector level should not be underestimated. These negative impacts are rarely presented in current literature and analysis. Evidence-based analysis and review of policies are needed. For instance, **recent analysis** of potential employment and skills impacts of the **EU Fit for 55** policy package, giving effect to its **Green Deal**, foresees important risks and challenges of fully transitioning to electric vehicles (EV) and abandoning current production of the internal combustion engine. Basically, the current EV-only approach proposed in the Fit for 55 package, according to this analysis, would result in **net loss of 275,000 jobs** (-43% jobs) projected from now until 2040 in the EU.

- **Renewable energy:** Some positive employment predictions are foreseen by the development in renewable energy sources. Already today, some 12 million jobs have been created globally in the renewable energy sector according to the International Renewable Energy Agency’s (IRENA) **latest estimates**. Furthermore, according to the International Energy agency, **it is estimated** that, compared to fossil energy, the **renewable energy sector** can create 70% more jobs per million USD invested on average<sup>8</sup>. Again, such positive employment impacts need to be facilitated, and negative impacts, particularly those related to fossil fuel retirement, need to be identified and addressed.

<sup>6</sup> A green energy scenario modelled by the Partnership for Action on Green Economy (PAGE) and Cambridge Econometrics, sees over 20.5 million jobs being added across economies globally by 2030, compared to around 3 million additional jobs in a business-as-usual scenario. Further and more specific forecasts were done by ILO for the **Latin America and Caribbean** region and, in collaboration with IRENA, the **renewable energy sector**.

<sup>7</sup> For a detailed analysis of skills needs and considerations for specific sectors please see **Adecco’s recent analysis** and for a broader global analysis ILO’s Skills for a Greener Future report.

<sup>8</sup> McKinsey has also confirmed this with a **similar analysis**



- **Macroeconomic impacts:** According to the **European Central Bank** inflation may be pushed up by measures to raise the price of carbon, although this may be offset by falling prices for renewable energy and as a result of increased energy efficiency. According to **independent analysis**, a rushed and sudden transition could also imply sizeable relative price changes, accelerated obsolescence of the existing capital stock and significant reallocation of labour. The combination of insufficient production capacity of renewable energies in the short run, subdued investments in fossil fuels and rising carbon prices could mean a protracted transition period with a rising energy bill. Energy poverty is a serious threat to the cohesion of our society and to the support for climate-related policies. A part of additional costs incurred from physical climate change and the policy responses for decarbonization will be passed on by companies to their customers so, according to **some economists**, climate policy is likely to increase consumer prices by about 5% for the entire period; per year this reflects an inflation rate higher by about 0.5% on average. If reliability, affordability, or security of supply is impacted by climate action, support for stronger climate action will surely be weakened. As decarbonisation efforts scale up and progress, governments need to expand their toolkits to manage volatility in energy prices and inflation. The energy transition therefore poses measurable upside risks with indirect but important consequences on employment and social cohesion.

## Just transition in brief

The concept of just transition, as a potential policy area and framework, emerged decades ago but has gained prominence over the past few years. Effectively this concept means focusing on the social and employment dimension of climate action policies and in practical terms it has meant developing plans and considering the impacts on the labour market of policies that aim to remove emissions. Most analysis on just transition so far has focused on the energy sector and particularly electricity production from coal power plants. For instance, if a country decides to close a coal power plant in order to reduce its national GHG emissions, it should do so in a planned and cohesive manner through dialogue with the relevant employers and workers representatives, ensuring support measures such as reskilling programmes for workers, economic diversification policies for the region, an exit strategy and ways of absorbing the value of stranded assets and other smoothing measures to ensure the loss of employment and change in economic and industrial structures does not impact livelihoods and economic growth. The significant political trade-offs linked to just transitions should not be underestimated: as mentioned before **millions of jobs are at stake in the very short term if inefficient and unrealistic policy decisions are taken.**

A labour market that enables worker mobility and holistic skilling strategies makes sure that individuals with the right skills can seize these opportunities and deliver the

transition. The energy transition can only be smooth and socially just if it is informed by a thorough understanding of emerging and disappearing jobs and a strategy that leverages existing knowledge and fosters new skills. This cannot be a one-off effort and it cannot be done without considering unique local contexts.

In 2010, the COP16 incorporated references to the just transition in the **Cancún Agreements** for the first time. The preamble to the Paris Agreement states that signatories need to consider “the imperatives of a just transition of the workforce and the creation of decent work and quality jobs in accordance with nationally defined development priorities”. In 2018, the Parties to the Paris Agreement acknowledged the importance of balancing social, economic and environmental priorities by issuing the **Solidarity and Just Transition Silesia Declaration**. The Silesia Declaration draws a clear connection between a sustainability-based transformation of the global economy and just transition. It is still a multifaceted and evolving concept with no universally accepted definition and different narratives and priorities adopted by different stakeholders engaging in this area. In 2016, UNFCCC published a **technical paper** about just transition providing an overview and collection of views.

In 2015, ILO adopted **Guidelines for a just transition towards environmentally sustainable economies and societies for all**, through a tripartite framework, making the document currently the most authoritative and comprehensive tool for just transition policy making. According to the Guidelines, the focus of just transition policies, while fulfilling decarbonization objectives, should be contributing to the goals of decent work for all, social inclusion and the eradication of poverty. The Guidelines go into more detail, providing key elements and policy areas any transition planning should take into account.

In the Glasgow Climate Pact, signed at COP26, **just transition is again included in the document, on three occasions**, in the context of the coal power phase-out and in the context of ensuring poverty eradication and sustainable development through climate-resilient development. Furthermore, the **draft document** detailing final elements of Article 6 also includes an important reference to just transition in the preamble text.

As a follow up of just transition commitments, several countries and the European Commission signed a just transition **declaration** at COP26 and pledged funding for poorer countries as well as to further implement and promote policies that focus on the social dimension of economic and industrial transitions framed around six guiding principles. South Africa has signed a **Just Transition Partnership** with several other countries, ensuring financing of several billion over the course of the partnership in order to implement decarbonization plans and wind down its coal production sector.

At the ILO, although currently no further official documents beyond the Guidelines have been published, the organisation is actively involved in this agenda and has many workstreams focusing on just transition projects and initiatives. The launch of the **Climate Action for Jobs Initiative** (IOE is part of this initiative) signaled a stronger commitment to implementation and more in-depth technical work. At the level of regional and national initiatives, some just transition strategies, funds and mechanisms have been launched both in developed countries — notably the

European Union (Green Deal and Just Transition Mechanism), Spain, Germany, France, the Czech Republic, Poland, Scotland, Wales, Denmark, New Zealand and South Korea — and developing countries — notably the Philippines, Ghana, Uruguay, South Africa, Egypt, Morocco, Mexico and Chile. See here for a detailed **overview** of current national just transition frameworks and policies and their policy implications.

## Ways to engage in climate policies and discussions

From all these new requirements, there are four main areas which can impact business operations:

- **Consistent climate transparency and emissions disclosure requirements** (which will be getting more stringent and comprehensive).
- **National climate policy commitments** (new regulations and legal requirements becoming more detailed and ambitious even though the concrete impact depends on the specific local context).
- **Higher consumer demand for sustainable products and circularity but also more pressure from civil society for transparency and environmental engagement<sup>9</sup>.**
- **Increasing pressure to transform existing business models and activities so that they become more resilient in the middle and long term.**

As of 2019, 2,500 (2,360 NGOs (including private sector) and 140 IGOs) are admitted as observers to the UNFCCC. They are organised in nine groups: Business and industry NGOs (BINGO), Environmental NGOs (ENGO), Farmers, Indigenous peoples' organisations (IPO), Local government and municipal authorities (LGMA), Research and independent NGOs (RINGO), Trade union NGOs (TUNGO), Women and Gender, and Youth NGOs (YOUNGO). The International Organisation of Employers (IOE) has been a registered observer organisation for almost two decades now and has been actively engaging in this policy area since the beginning.

The UNFCCC created official channels for non-government engagement. Employers' and business organisations can list and **summarise their pledges and actions** on the **Global Climate Action** (Non-State Actor Zone for Climate Action, NAZCA) portal, which is an initiative of the so-called Lima-Paris Action Agenda. By 2021, 20,453 stakeholders have registered on the website, of which 5,893 are companies. Individual actions concern emissions reductions (59%), carbon price (14%) and bond issuance (14%), renewable energy (10%), energy efficiency (3%) and resource consumption (1%). But targeted actions have mainly focused on the period up to 2020 (74% of all actions).

<sup>9</sup> A key finding in a new global report from the Economist Intelligence Unit, commissioned by WWF, shows a 71% rise in online searches for sustainable goods globally over the past five years. In one survey, 66% of all respondents, and 75% of millennial respondents, said they consider sustainability when making a purchase. Fifty-two percent of respondents say they are more eco-friendly than they were six months ago. This statistic has ticked up by 2 percentage points since our June 2021 Pulse survey.

Here is an overview of other platforms where non-state actors can disclose their commitments, create partnerships and/or evaluate impact:

- The **Marrakech Partnership for Global Climate Action** supports implementation of the Paris Agreement by enabling collaboration between governments and cities, regions, businesses and investors seeking **partnerships on climate action**. Participation in the Marrakech Partnership is being broadened with such industry-focused initiatives as the UNFCCC Regional Climate Weeks, the Green Hydrogen Catapult, the **Race to Zero** under the umbrella of the Climate Ambition Alliance and the Climate Action Pathways.
- The **Climate Initiatives Platform** provides **an extensive list of existing initiatives** by non-state stakeholders in climate action.
- **Caring for Climate** was launched by the UN Global Compact, UNEP and the UNFCCC Secretariat and is the world's largest initiative for **business leadership on climate change**, including over 400 companies from 60 countries.
- The UN Secretary General launched a **Climate Action for Jobs Initiative** (CA4J), which is spearheaded by the ILO to contribute to the Decade of Action, through just transition plans by businesses and governments. The Initiative works through specific **national-level projects with pilot countries** who have expressed interest and support for the Initiative, starting with analysis of employment opportunities in those countries;
- As a non-profit, the **Carbon Disclosure Project** (CDP) runs the biggest **global disclosure system** for investors, businesses and public bodies, requesting detailed reporting and information on climate risks and low carbon planning. In 2020, more than 9,600 companies disclosed through CDP – 14% more than last year, and 70% more than when the Paris Agreement was signed and today in 2021 that number is over 13,000. Of the world's 2,000 largest public companies, at least one-fifth (21%) now have net zero commitments, representing annual sales of nearly \$14 trillion. A majority of these companies also have interim targets, a published plan and a reporting mechanism, while only over a quarter meeting a full set of 'robustness' criteria.
- More than 1,000 companies in 50 sectors are involved with the **Science-Based Targets Initiative** (SBTi), a partnership initiative by the UN Global Compact, the CDP, the World Resources Institute and the WWF. Currently, businesses in all sectors, except for oil and gas, can **align their targets with SBTi criteria**.
- The **Task Force on Climate-related Financial Disclosures** (TCFD) has developed a reporting framework based on a set of consistent disclosure recommendations for use by companies as a means of providing transparency about their climate-related risk exposures to investors, lenders and insurance underwriters. Around 1,700 organisations worldwide, in the public and private sectors, as well as government entities, support the TCFD.

- The **Taskforce on Nature-related Financial Disclosures** is a global market-led initiative that aims to provide businesses **with standards of nature-related risks and opportunities**.

Beyond unilateral disclosure efforts from companies, a significant moment for the private sector at COP26 was the **announcement of the International Sustainability Standards Board**, whose role it will be to set out a comprehensive global baseline of sustainability disclosure standards. This kind of shared framework of financial standardised data is supposed to provide information for potential investments in companies and projects to have a more measurable impact. In the same vein, the new **Net Zero Standard** by the Science Based Targets initiative establishes robustness criteria against which companies' net zero commitments can be measured. Due diligence and reporting standards and requirements are becoming more and more common and employers need to be aware of their requirements if they become obligatory at national level.

## Role of IOE

IOE is actively engaged in this agenda, regularly working with members on some of these issues and ready to support any members in their work. Importantly, the participation of the IOE in the Advisory Board of CA4J allows for a clear avenue of engagement for IOE members in specific projects, such as the CA4J Social Dimension of Ecological Transition project in Africa. As such, CA4J encourages knowledge-sharing activities and supports analyses of the impact of climate change on the labour markets, as well as of the policies promoting job creation and mitigating climate risk.

IOE has been consistently defending, among other points, the following key drivers of governments' response to the employment and labour market risks posed by climate action:

- continuous, coherent and anticipatory of skills needs, in collaboration with the private sector, based on skills analysis taking into account projected needs, local contexts, and geographical distribution;
- More critical than ever, a proper enabling environment for businesses, particularly SMEs, which facilitates, accelerates and incentivises the creation of more resilient and sustainable enterprises that can achieve decarbonization objectives while creating quality employment and maintaining business needs; and
- ensuring targeted funding, also through partnerships, and dedicated frameworks/institutions to support transition planning and implementation to increase resilience and sustainability for viable but also for vulnerable enterprises;
- Developing well-functioning markets and effective regulatory conditions that are clear and stable and incentivise innovation and entrepreneurship

Employer and business organisations have a key role to play in making transitions work. They are active partners in policymaking at the national level, have relevant expertise on conducive business environments and the needs of enterprises at regional and local level, and have established networks cutting across sectors and silos that need to be engaged in order to create a coherent and systemic transformation of economies. They are also engaging as social partners with their trade union counterpart in framing labour market outcomes. Employers' organisations can provide relevant services to their members as well as external stakeholders:

- Advocate vis-à-vis governments for just transition strategies which take into account business' needs.
- They can provide **critical guidance**, especially to SMEs, raise awareness, promote innovative approaches but also support governments in developing realistic and impactful policies.
- One of the main services, particularly relevant in the context of climate action **is anticipating and analysing labour market impacts**, particularly job losses and job gains, how to adapt to these impacts and what resources and support members can access.
- Analysing **skills needs**, providing relevant and timely analysis on gaps and ways to improve skills and training systems while bringing attention to government and other stakeholders on sectors in particular need of skills development is also crucial.
- Through their existing networks and also new connections it is important for employers to engage educational institutions and other skills providers and create collaborative approaches in knowledge sharing and capacity building for companies to adapt to the new scenario.
- Finally, climate policy and action is a relatively novel field for many employers' organisations; creating **dedicated units and allocating, if possible, resources to this topic** could help to provide new services and the needed guidance to their members; where necessary, employers should seek support and partner with the public sector as well as the international community in establishing these services and resources.



## Annex - Global climate governance overview

This section provides a summary of the existing framework for global climate governance and illustrates the official channels through which engagement, negotiations and outcomes take place. The **United Nations Framework Convention on Climate Change** (referred to as the UNFCCC or the Convention) provides the foundation for multilateral action to combat climate change and its impacts on society and ecosystems. The UNFCCC is a “Rio Convention”, one of two opened for signature at the “Rio Earth Summit” in 1992. Its sister Rio Conventions are the UN Convention on Biological Diversity and the Convention to Combat Desertification. The three are intrinsically linked.

The 1997 **Kyoto Protocol** and the 2015 **Paris Agreement** were negotiated under the UNFCCC and build on the Convention. For a timeline of climate processes and negotiations see [here](#).

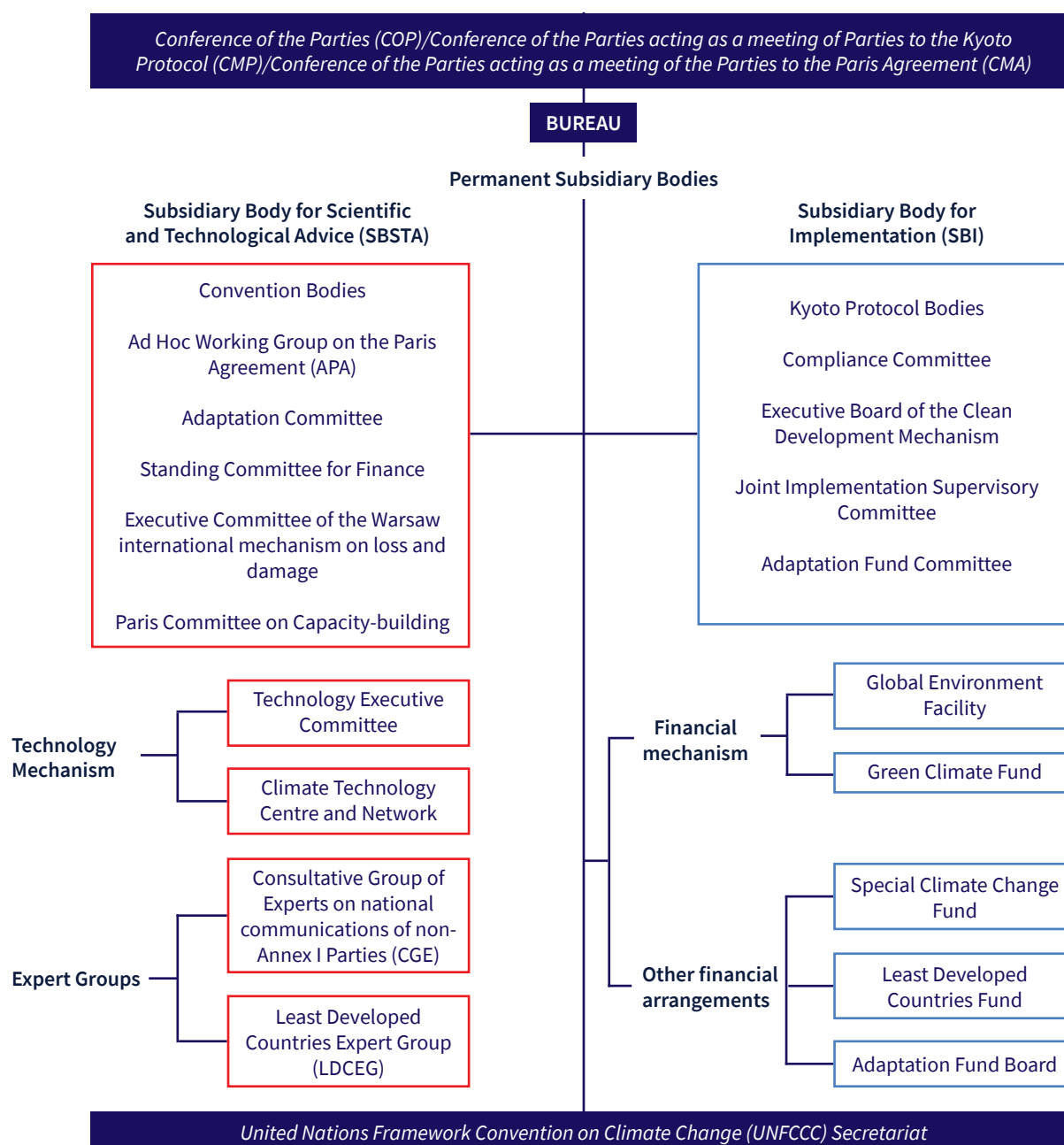


Figure 1 Governance structure of UNFCCC

The Convention, the Kyoto Protocol, and the Paris Agreement establish the institutional arrangements for the climate change intergovernmental process (**more details**):

- A supreme governing body: the COP for the Convention, the **CMP** for the Kyoto Protocol and the **CMA** for the Paris Agreement;
- A process management body: the Bureau of the COP, the CMP and the CMA;
- Subsidiary bodies: two permanent subsidiary bodies – the SBSTA (provision of timely information and advice on scientific and technological matters) and the SBI (assists the governing bodies in the assessment and review of the implementation) – as well as other ad hoc subsidiary bodies established by the COP, the CMP, or the CMA as deemed necessary to address specific issues;
- Technical subsidiary bodies with limited membership (referred to in practice as the constituted bodies) established under the Convention, the Kyoto Protocol and the Paris Agreement;
- A secretariat; and
- Entities entrusted with the operations of the Financial Mechanism (i.e. the Global Environment Facility (GEF) and the Green Climate Fund (GCF)).

Collectively, these institutions participate in the process of developing policies and guidance to support Parties in the implementation of the Convention, the Kyoto Protocol and the Paris Agreement.

Industrialized countries (Annex I) must report regularly on their climate change policies and measures, including issues governed by the Kyoto Protocol (for countries which have ratified it). They must also submit an annual inventory of their greenhouse gas emissions, including data for their base year (1990) and all the years since. Developing countries (Non-Annex I Parties) report in more general terms on their actions both to address climate change and to adapt to its impacts – but less regularly than Annex I Parties do, and their reporting is contingent on their getting funding for the preparation of the reports, particularly in the case of the Least Developed Countries.

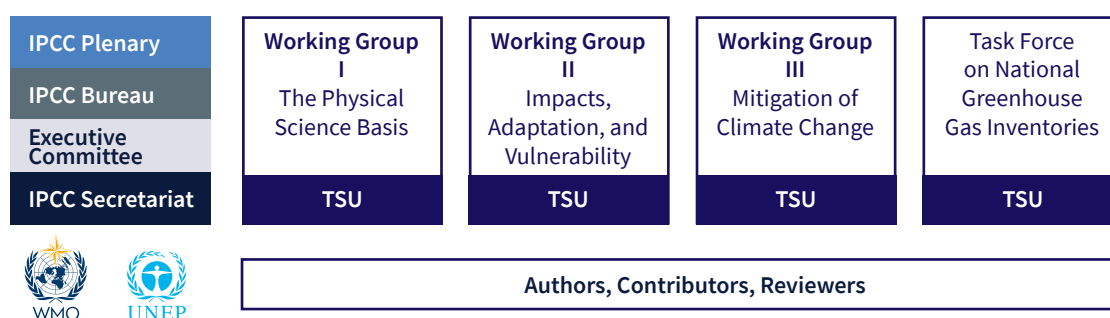


Figure 2 Organisation structure of IPCC

The evidence and scientific findings used to guide all of these decisions and processes are prepared by the Intergovernmental Panel on Climate Change (IPCC), a separate body composed of a bureau of scientists elected by the Member States, which provides objective and comprehensive scientific information on anthropogenic climate change, including the natural, political, and economic impacts and risks, and possible response options. Its work is split into Working Group I, which assesses scientific aspects of the climate system and climate change, Working Group II, which assesses vulnerability of socioeconomic and natural systems to climate change, consequences, and adaptation options and Working Group III, which assesses options for limiting greenhouse gas emissions and otherwise mitigating climate change. The sixth report released by the IPCC in August 2021 has found that climate change is the driving force behind destructive phenomena ranging from record-breaking heat to lethal floods and wildfires.

### United Nations Framework Convention on Climate Change (UNFCCC)

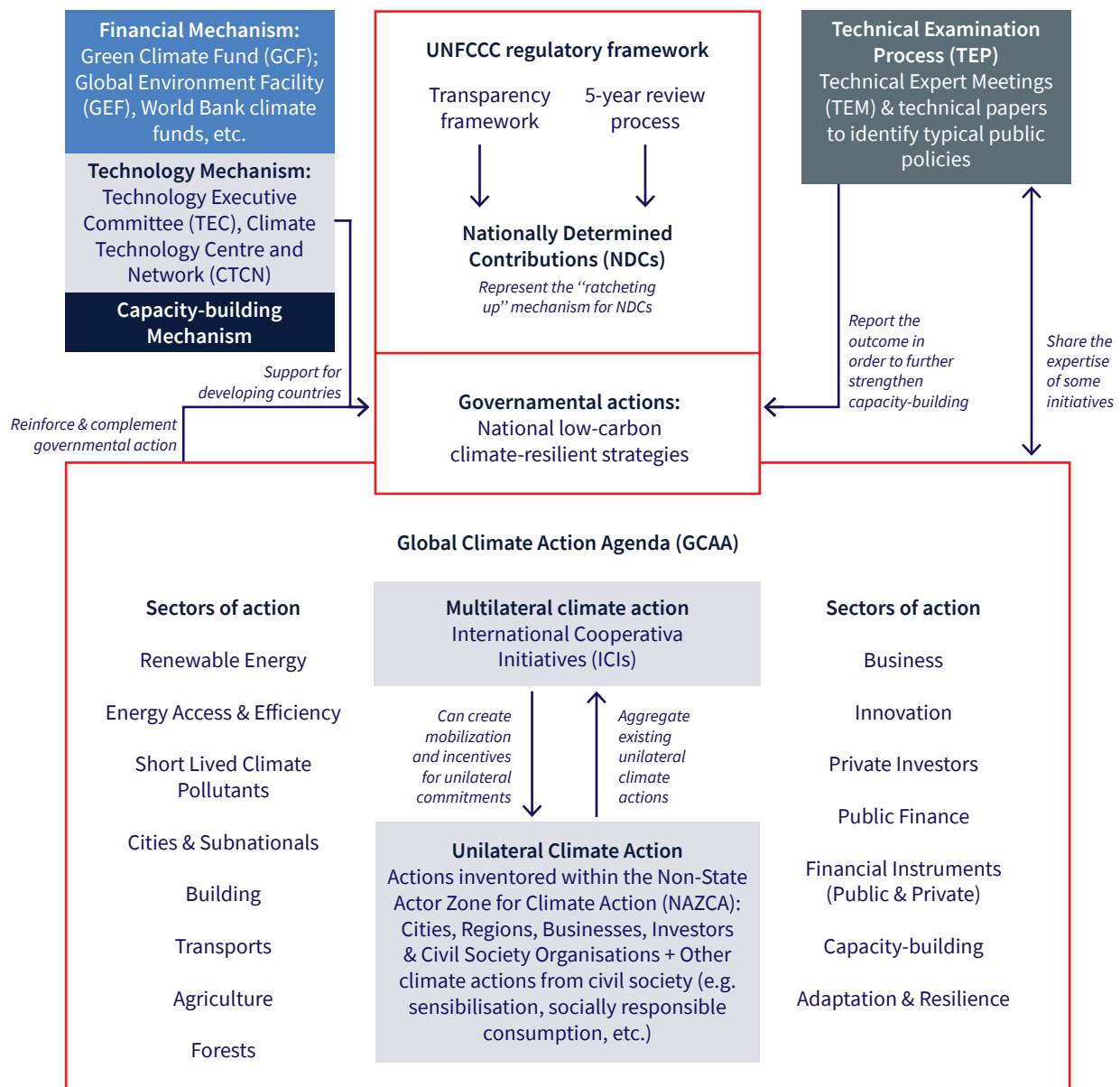


Figure 3 Paris Agreement mechanisms for implementation, national action and non-governmental action



A powerful  
and balanced  
voice for business

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