



ROLE OF CSR IN FACILITATING JUST TRANSITION IN INDIA

BRIEFING PAPER

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1. Introduction

During COP28 in Dubai, over 190 nations pledged to triple the world's Renewable Energy by 2030 and emphasised the importance of 'transitioning away from fossil fuels in a just and orderly manner', in their final text. It further saw a convening of the First Annual High-level Ministerial Roundtable on Just Transition and UNFCCC's Work Program on Just Transition was organised. These actions are a resounding acknowledgement of three critical realities- first, clean energy is the only viable path forward; second, the transition must be inclusive; and finally, this isn't just a climate imperative, but rather a business necessity.

India, with its ambitious 2070 net-zero goal and rapidly growing renewable energy (RE) sector, is at the forefront of this transformation. The nation's diverse industries including power, automobile and heavy industries are already on the path to clean energy, driven by falling costs of RE and forward-thinking policies. While making rapid strides in transitioning from fossil fuels to non-fossils and achieving the net zero goal, it is imperative for a developing nation like India, to **ensure that climate action does not conflict with its development goals, especially those of eradicating poverty, gaining access to energy, and creating new jobs and livelihoods, with a focus to ensuring any livelihood loss is minimal.** A transition of this scale, if left unplanned, can disproportionately burden vulnerable populations, disrupt supply chains and industries, threaten livelihoods, and local economies, and render social safety nets inadequate.

In India, the transition could play out in various ways – illustratively, regions with major economic dependence on coal mining, transport, allied industrial activities may need to diversify and find alternative industries, or auto part manufacturing industry clusters will need to pivot in light of the transition from ICE to EVs, or forest dwellers or agrarian communities could be left economically vulnerable by the diversion of community lands for green infrastructure, or land based carbon projects. For a just transition, the impacted workers, communities and vulnerable economic groups need to be included in transition planning and the core target for improved socio-economic outcomes under India's unfolding green transitions.

A just transition lens addresses this need to anticipate, facilitate and regulate a transition where affected stakeholders win and ensure least disruption to economic practices, employment and social dynamics. Planning for a just transition will enable a people-centric approach to the transition and hence builds resilient and inclusive societies. **Businesses play a significant role by making sure that the social dimension is fully integrated into their assessment, stewardship, capital allocation and policy activities.**

This paper delves into the concepts and principles of a just and equitable energy transition and highlights its significance for businesses in India. **We believe that businesses, through their Corporate Social Responsibility (CSR) initiatives, can play a vital role in ensuring a smooth and equitable transition towards a sustainable future.**

2. The Underpinnings of Just Transition (JT)

Multiple definitions of JT have evolved going beyond social welfare of workers and communities to encapsulate a framework that is sensitive to the impacts of transition on the lowest common denominator – the farmers, forest dwellers, wage workers etc. and on the local ecosystem – small businesses, farmlands etc. Just transition extends to the sectors in energy transition like power, mining, agriculture and land use, transport, cement, manufacturing etc. JT principles are equally valid for Micro, Small and Medium Enterprise (MSME) in green energy transition such as brick kilns.¹

¹ <https://iforest.global/wp-content/uploads/2021/11/Working-paper-1.pdf>

Although the need for JT is universal, the nuances and its implementation must always be context specific and unique to geography, industry and size. In the Indian context, JT must take into account the country's nationally determined contribution (NDC) goals while ensuring socio-economic security and building the resilience of the affected people.

What is Just Transition

Just Transition can be defined as an equitable and inclusive socio-economic development process aligned with the goals of phasing out fossil fuels and transforming fossil fuel dependent sectors to achieve net zero emissions, building a green economy, ensuring energy justice, securing universal livelihood and social welfare, eradicating poverty and deprivation, building resilient communities and ensuring environmental justice and social equity.

Tracking JT Developments in India

JT has a growing relevance in India given its commitment to sustainability and climate justice. The term has even made its way into the lexicon of the Indian government, appearing in multiple reports and forums such as India's G20 Presidency, India's 2022 Long-Term Low-Carbon Development Strategy, the Report of the Inter-Ministerial Committee on Just Transition from Coal, etc.



Figure 1: Illustration of JT Developments at Different Levels

Beyond the policy realm, businesses and industries have also been engaging actively in the dialogues on climate action and sustainability. The realisations and concerted efforts made by the business community to commit to energy transition and decarbonisation are poised to yield substantial long-term benefits. The next section outlines possible interests' businesses can have in aligning their corporate strategies with the principles of JT, emphasising the positive impact of their leadership in driving the change.

3. Synergies Between Companies' Business Strategies and JT

Businesses have a growing responsibility, role, as well as interest in the actions relating to transitioning to a low-carbon economy. These include stricter Environmental, Social & Governance (ESG) compliance, developing net zero and decarbonisation strategies, and aligning themselves with sustainability-related taxonomies.² More so, according to Deloitte's 2023 CxO Sustainability Report, climate change is one of the top three priorities for the top executives in India.

In recent years, there has been a considerable focus on non-financial reporting, particularly CSR, ESG, and sustainability reporting, all of which take into consideration, the effects that companies have on the environment and society. While businesses stride towards achieving these commitments, integrating JT elements into their business strategies can result in far-reaching and meaningful socio-economic outcomes. Hence, JT could serve as a 'connective tissue' between climate goals and social outcomes.³

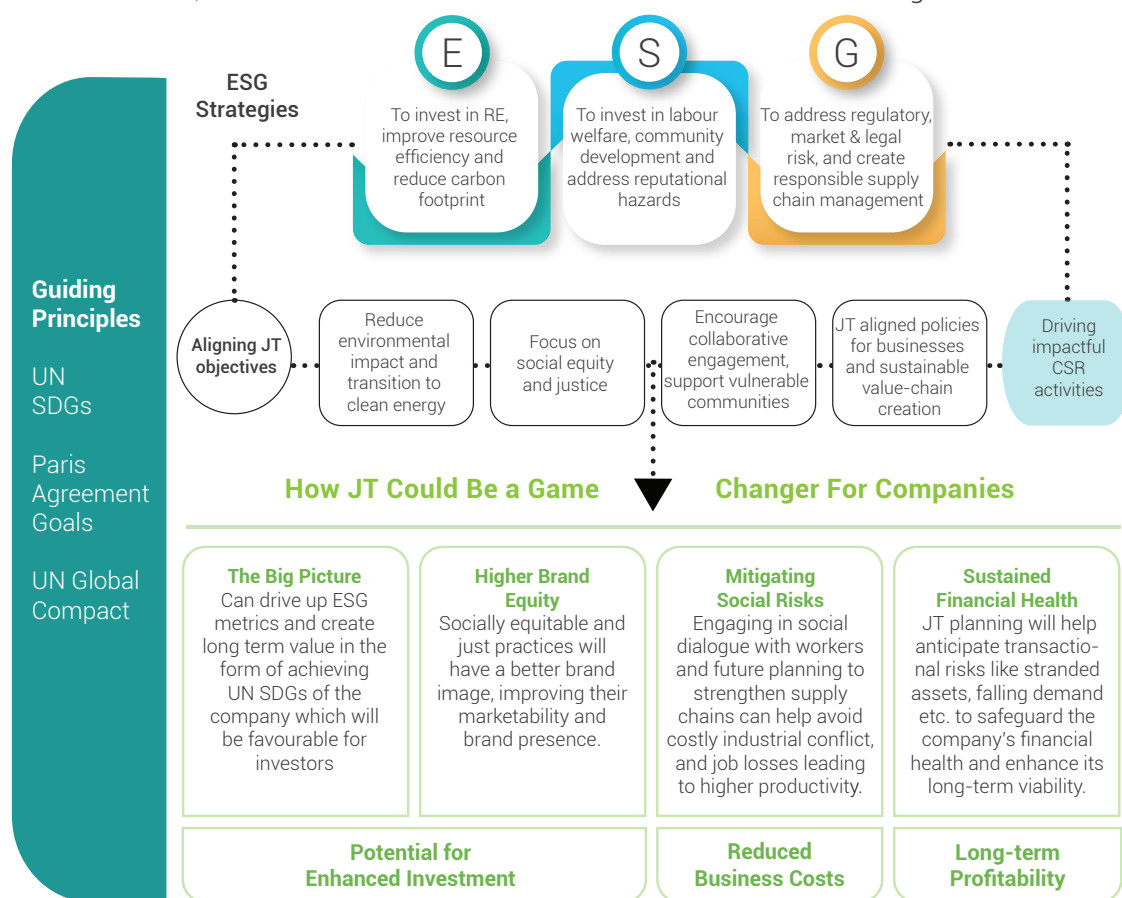


Figure 2: Synergies between CSR, ESG and JT for a triple win

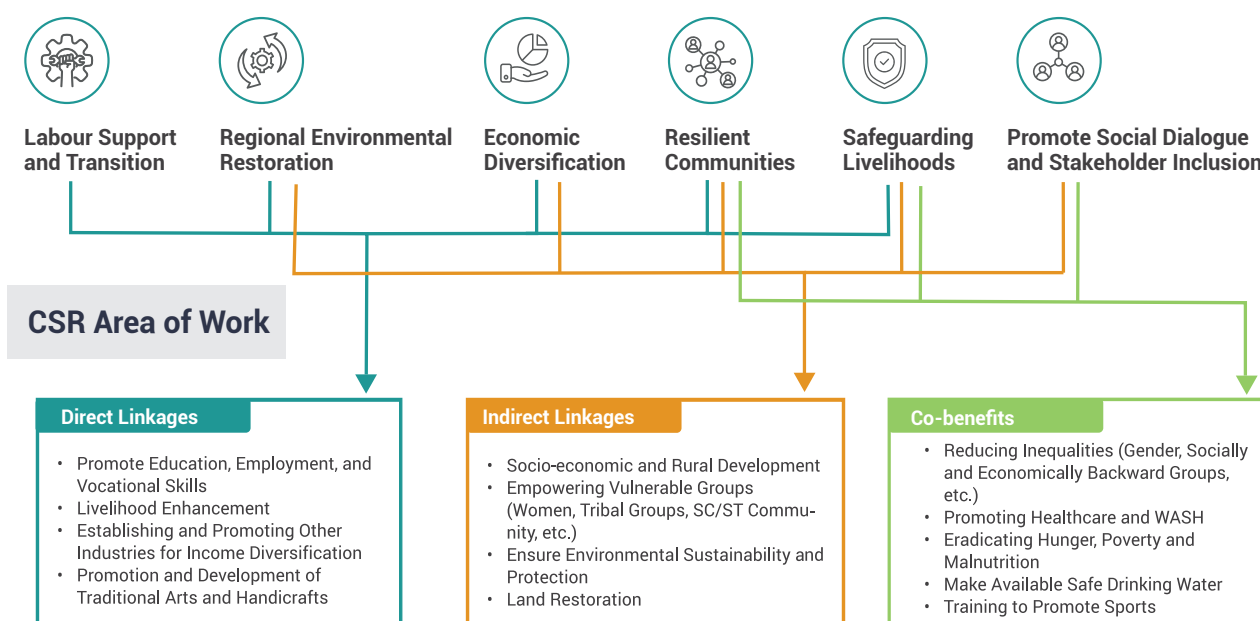
² https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_860182.pdf

³ https://assets.cdcgroup.com/wp-content/uploads/2021/07/09130404/Towards-a-just-transition-finance-roadmap-for-India_July-2021.pdf?id=1

There is a powerful synergy between CSR initiatives in India⁴ and the achievement of Sustainable Development Goals (SDGs), a set of 17 integrated global goals adopted by the United Nations in 2015, aimed at ending poverty, protecting the planet and ensuring peace and prosperity for people. The objectives of CSR actions and SDGs⁵ share many thematic overlaps since the overarching principle of socio-economic development is shared by both. The targets of SDGs are now often used as a guide for businesses to assess the outcome or impact of their CSR activities.

An in-depth examination reveals that elements of JT are also present in the objectives of both SDGs and CSR actions. This implies that investing in just transition provides a strategic opportunity to leverage CSR mandates for a triple win: business-led solutions, achieving SDG targets, and enabling a transformative change.

Just Transition Elements



Aligning SDGs



Figure 3: Overlaps in Areas of Works or Themes between CSRs, SDGs, & JT Elements

As depicted above, a well-crafted CSR agenda aligned with JT can help achieve multiple SDG targets, thus amplifying the impact of CSR. Moreover, **JT principles can be absorbed into ongoing CSR activities and do not require businesses to implement separate projects.**

4 <https://www.csr.gov.in/content/csr/global/master/home/home.html>

5 https://assets.kpmg.com/content/dam/kpmg/in/pdf/2017/12/SDG_New_Final_Web.pdf

4. Potential Role of CSR in JT Financing

Corporates devote a lot of time and energy to devise rational strategies for coping with future scenarios based on science, economics and politics. However, if they fail to take into account the impact on people, both individually and across regions, then these rational strategies may not succeed⁶. To prevent this, CSRs can embed and adopt the key approaches, elements and principles of JT as part of their ongoing CSR initiatives.

According to RBI⁷, India would need somewhere between USD 160-288 billion annually to become net zero by 2070. This means, in total India would require USD 10.1 trillion to achieve net-zero transition by 2070.⁸ However, these estimates reflect only the capital investments needed for setting up clean energy infrastructure and technologies and do not take into account the financial needs necessary to address the social risks accompanying the transition such as building capacities of workers, investing to re-build local economies, providing socio-economic security to affected communities etc. This further does not account for the loss of state revenues in fossil fuel producing states (Jharkhand, Chhattisgarh, Odisha etc.) and its impact on existing state finances and public spending.

A recent study⁹, estimated that India would require more than a trillion dollars to transition away from traditional key fossil fuel industries. It estimates that 48 percent of these finances are needed to address the socio-economic and environmental impacts. This includes land reclamation and repurposing, labour support and transition, economic diversification, community resilience, revenue substitution and energy price support, and planning, capacity development and governance.

The study further estimates that 40 percent of the one trillion dollars will have to be in the form of grants and subsidies. However, the figures presented are conservative as they do not take into account the cost of transitioning for other sectors, such as those that use coal directly like bricks, steel, cement etc.

There is a need to unlock all available sources of financial support and innovative financing arrangements from all sets of stakeholders including governments, businesses and the international community, to enable an inclusive, just and equitable energy transition in India.

While private sector investments can readily support the green infrastructure requirements, there is a higher need for grants in this space to enable a just transition. CSR grants that are designed to foster equitable development¹⁰ can play a critical role in tackling these crucial aspects of the just transition and bridge the domestic funding requirement.

6 <https://www.deloitte.com/content/dam/assets-shared/legacy/docs/about/2022/gx-the-chairpersons-guide-to-a-just-transition-2022.pdf>

7 <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RCF03052023395FAF37181E40188BAD3AFA59BF3907.PDF>

8 <https://infra.economictimes.indiatimes.com/news/urban-infrastructure/india-needs-10-1-tn-for-net-zero-goal-private-investment-key-amitabh-kant/106690372>

9 Just Transition, Just Finance (2024, iForest)

10 <https://rbidocs.rbi.org.in/rdocs/Publications/PDFs/RCF03052023395FAF37181E40188BAD3AFA59BF3907.PDF>

Why is CSR suitable for JT Financing?

- **Place-based approaches:** JT planning is highly specific to context and region¹¹. At the same time, CSR strategies have the potential to adopt tailored approaches which integrate local context and accordingly enable micro-planning of the activity or project¹².
- **Pursuing financial, social and climate goals at once:** As of now, there is a lack of both financing and projects that address ensuring JT. Since CSRs intersect with both financing social welfare activities and their implementation, they can emerge as the right tool.
- **Pre-existing institutional set-up in place:** CSR is a pool of funds that is already operational and has synergies with JT. During FY 2021-22, a total of USD 3.15 billion was spent by 20,840 companies on CSR.¹³

5. CSR - A Catalyst for Inclusive Growth

Over the past few years, CSRs have evolved to undertake more strategic initiatives, which is evident from the observations on the top four CSR trends including improved governance around CSRs, alignment with national priorities such as NDCs or SDGs, consolidation of CSR projects for widespread impacts and increased collaboration with the social sector.¹⁴ We feel JT can be mainstreamed as part of the CSR strategy to maximise the impact of its funds. Hence, based on the areas of intervention suggested in the Schedule VII of the Companies Act, we have provided some suggestions to streamline JT based activities in Figure 4.

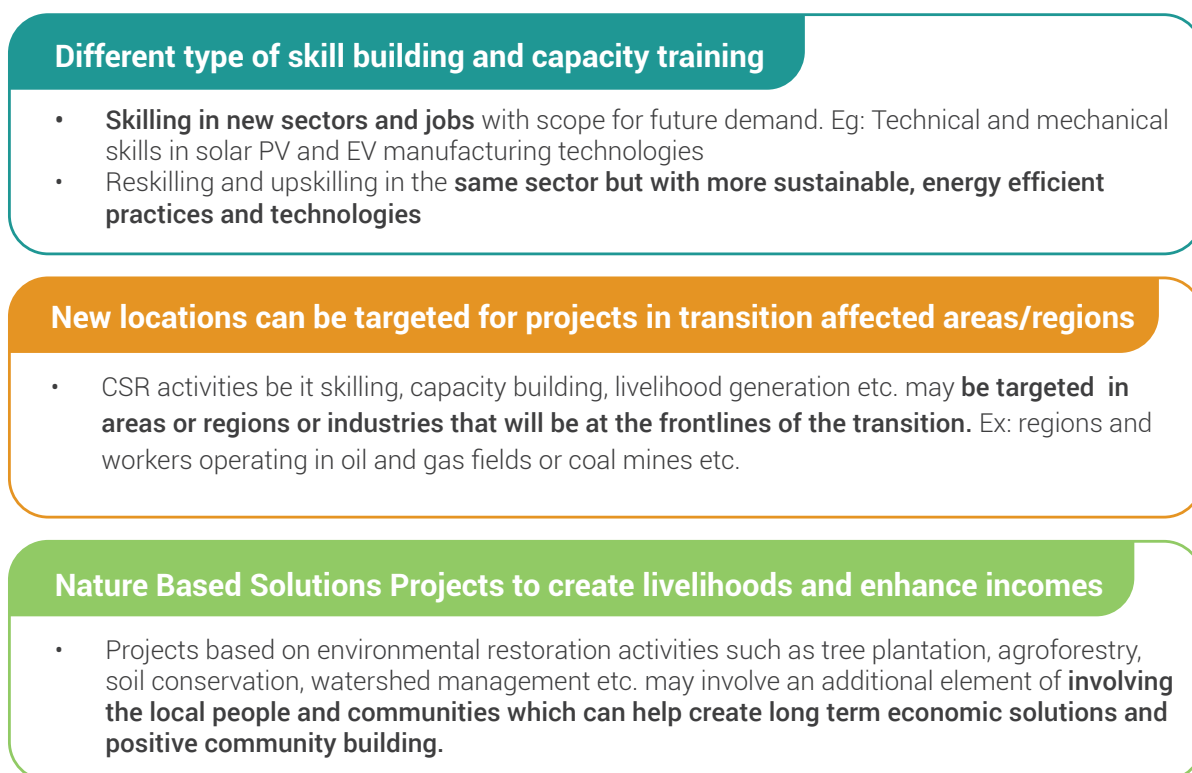


Figure 4: Suggestive JT-aligned Actions Illustrative Just Transition Action

11 https://www.ilo.org/wcmsp5/groups/public/---ed_emp/documents/publication/wcms_860182.pdf

12 <https://energy.economictimes.indiatimes.com/news/renewable/aligning-skilling-initiatives-with-just-transition-goals/103137501>

13 <https://www.mca.gov.in/content/csr/global/master/home/home.html>

14 <https://indiacr.in/wp-content/uploads/2023/10/India-CSR-Outlook-Report-2023.pdf>

6. Call for Action

Achieving a net-zero economy necessitates a rapid increase in efforts to implement a fair and equitable transition that considers the impacts on society and regions. While governments have the primary responsibility for ensuring a just transition, businesses, and civil society also have important roles to play. CSR can play a pivotal role by seamlessly integrating social considerations into climate strategies. Adopting a holistic approach to climate action is not only strategically advantageous for businesses but also entails adhering to social standards, mitigating systemic risks, championing sustainable development and generating positive impacts.

Active Engagement for Positive Change

In this pursuit, **active participation in learning platforms and engagement** with relevant networks becomes paramount. Drawing from diverse CSR experiences with a wide array of stakeholders can offer valuable insights to inform Just Transition (JT) efforts.

Financing for transition planning stands out as a critical area where CSR funds can make a meaningful impact, facilitating a smoother and more inclusive journey towards a sustainable and just future. Utilising CSR funds to support transition plans and collaboratively designing or co-creating these transitions can be instrumental in achieving net zero.



The India Climate Collaborative (ICC) is a first-of-its-kind organisation working to accelerate climate action in India, with a lens towards justice and equity. The ICC identifies and designs for critical sectors that need investment, drives funding towards climate solutions, and enables private and corporate philanthropy to engage more effectively with climate action.



Vasudha Foundation is a non-profit organisation established in 2010 to promote environment-friendly, socially just and sustainable energy models by focusing on renewable energy and energy-efficient technologies. We aim to create a sustainable and inclusive future for all by utilising innovative approaches, data-driven analysis, cross-sectoral data repositories and outreach to ensure resource conservation.