



BACKGROUND NOTE

Stranded territories, reinvesting in territories

The shift towards sustainable development models and ambitious decarbonization of national economies implies significant in-country shifts in socio-economic models. In aggregate terms, this shift appears manageable, and is often seen to be a potential source of new economic activity, innovation and jobs. However, this aggregate vision hides a more complex micro picture. Indeed, many regions are already facing challenges of economic stagnation and unemployment; the history of economic restructuring in regions like the Ruhr or Silesia, to take two European examples, looms large in collective memories. This context of already significant structural change creates a priori concerns and barriers to a discussion on sustainability-driven economic change.

1. CONTEXT

Hitherto, the strategy of sustainable development policies mainly consisted of 'niche creation', driving solutions like renewable energy into the system. In many places, the challenge now seems to be shifting towards closing or deeply transforming polluting activities (for example, coal power), in order both to mitigate their environmental impacts but also create more 'space' for niche solutions to become the norm. However, without providing accompanying policies for those impacted by this change, the political economy of the required policies needed to drive transformation or even closure of polluting activities is often very difficult.

Sustainable development solutions are thus faced with what we might term a mainstreaming/retirement impasse.

The predicament of clearly polluting and at-risk industries such as coal production and consumption or centralised electricity utilities is clear, and already subject to operational policy discussions in some countries (e.g. Germany or Australia). However, it seems important to understand that the scope of disruption, driven by environmental policies and other trends including climate impacts, may be very significant indeed. Indeed, it would *need* to be very significant, if the discourses of green growth and green industrial revolution are to prove true, and if we are to get a handle on environmental challenges. This means that the potential

for disruption of entire sectors would be extended beyond obvious candidates like coal, and into sectors like transport, agriculture, etc. This only increases the urgency of research and policy efforts in the area of managed regional transition.

2. ISSUES/SOLUTIONS

Thus the aggregate picture of a broadly manageable shift of investment, economic models and jobs may become much starker at a regional level. Indeed, the history of economic transition clearly shows the often very localised impacts of economic change. The history of economic change is rife with regions that have not successfully managed economic transitions, as well as some that have.

A crucial question is how to anticipate and prepare for change, and how to take strategic bets on the future economic strategy to be followed, the sectors to be developed etc. This is not just a problem of resistance to change, but also the need to anticipate and prepare for the shift, particularly in social terms: for example, the reconversion and requalification of the workforce, the promotion of new sectors, and of labour force mobility.

The challenge of economic reconversion at regional level is complicated by the dynamic of competition that exists between regions, both within and between countries, in terms of investment, trade, talent, innovation and comparative advantage. This makes the fear of economic adjustment all the more pressing for regions impacted by sustainability-driven structural change. However, it also creates potentially an opportunity for collaboration and learning between regions affected by similar challenges, and also the need to think beyond just the local level when considering policy strategies to accompany change.

Thinking about the management of (policy driven) localised economic shifts must involve the individuals concerned. A deep understanding of social, institutional, cultural, historical and identity factors is required. Such factors have an explanatory power, which is necessary and complementary to more economic or quantitative approaches to understanding the challenges of and potential for the sectoral reallocation of workers, production and investment. Beyond being rational agents, people are deeply concerned

with issues of fairness, dignity, and identity; the value of work is often far beyond the scope of monetary compensation. This underscores the importance of a positive strategy for change, in terms of creating jobs and reinvesting in territories undergoing policy-induced structural change.

There is thus a need to learn from past experiences with structural change at local level (for example, in the textile, steel or mining industries, in Northern and Southern countries) and the strategies to be adopted to accompany the change driven by sustainable development policies. This is a challenge that the sustainable development community is not yet addressing sufficiently.

3. OBJECTIVES OF THE SESSION/QUESTIONS

- Do participants agree that sustainable development policies cannot progress from a phase of niche creation to one of mainstreaming and deep transformation without addressing the attendant implication that certain economic activities will have to close or change profoundly?
- Are these issues sufficiently addressed in research, advocacy and policy? What do we know about the often highly localised and concentrated, negative consequences of sustainable development driven change? What policy proposals are already being developed to accompany these changes?

- What innovative policy actions are taken or could be taken in this regard? What is the range of possible solutions and the type of sectorial or transversal policies that is at stake (regional development, employment, education, trade, etc.)?
- How to organise a collective learning process between regions, sectors, and historical examples?

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