

STAKEHOLDERS IN THE JUST TRANSITION

N°2 CONSUMERS

The objective of a “just transition” was included in the 2015 Paris Agreement on climate change. It aims to make the transition to low-carbon economies fair to all stakeholders: workers, consumers, local communities, and society at large.

While workers are generally at the heart of just transition debates, consumers have often been overlooked in discussions around the just transition. Nonetheless, this dimension will be key to consider if the transition is to embark all actors and leave no one behind. Indeed, the transition to more sustainable systems will only be feasible if governments and businesses seek to mitigate social inequality and increase access to cleaner goods and services. Whether in the energy, food or transport industries, actions can be taken for low-income households in particular to access sustainable, safe, and healthy products at affordable prices.

In the second paper of our “Stakeholders in the Just Transition” series, *Finance for Tomorrow* members highlight the need for financial institutions to integrate consumer concerns as part of their Just Transition strategies. Banks have an important role to play, by providing financial services that connect the environmental and social objectives of the transition. As for investors, incorporating extra-financial indicators that relate to both environmental and social metrics in their investment strategies would allow for a better integration of consumer concerns in ESG frameworks.

Developing robust engagement strategies also provides an efficient way to encourage companies to define investor expectations on the consumer dimension of the just transition. *Finance for Tomorrow* members are committed to making this axis a key element of their investment and financing strategies, so as to encourage a fair transition while reaching climate objectives.

INTRODUCTION

The transition to low-carbon economies has already had a significant impact on a wide range of stakeholders, leading to economic restructuring in a vast number of key industries. These transformations are evidently being felt by individuals employed in sectors particularly affected by national decarbonization plans. This is why the first paper of the "Stakeholders in the Just Transition" series aimed to highlight the risks and opportunities faced by workers in the transition to net zero.

As companies and their employees have started to face important changes due to governments taking climate action around the world, **consumers of goods and services have, too, started to feel the multiple effects of the transition.**

In France, the "Yellow Vests" movement brought forward the importance of integrating just transition measures in the elaboration of governments' climate policy. The unrest initially targeted the government's announcement of an increase in gas and diesel taxes, which protesters deemed to have a disproportionate impact on lower-income working-class people. After months of demonstrations across the country, it became evident that devising climate policies that had an unequal impact on consumers and that exacerbated economic inequality would be politically unacceptable.

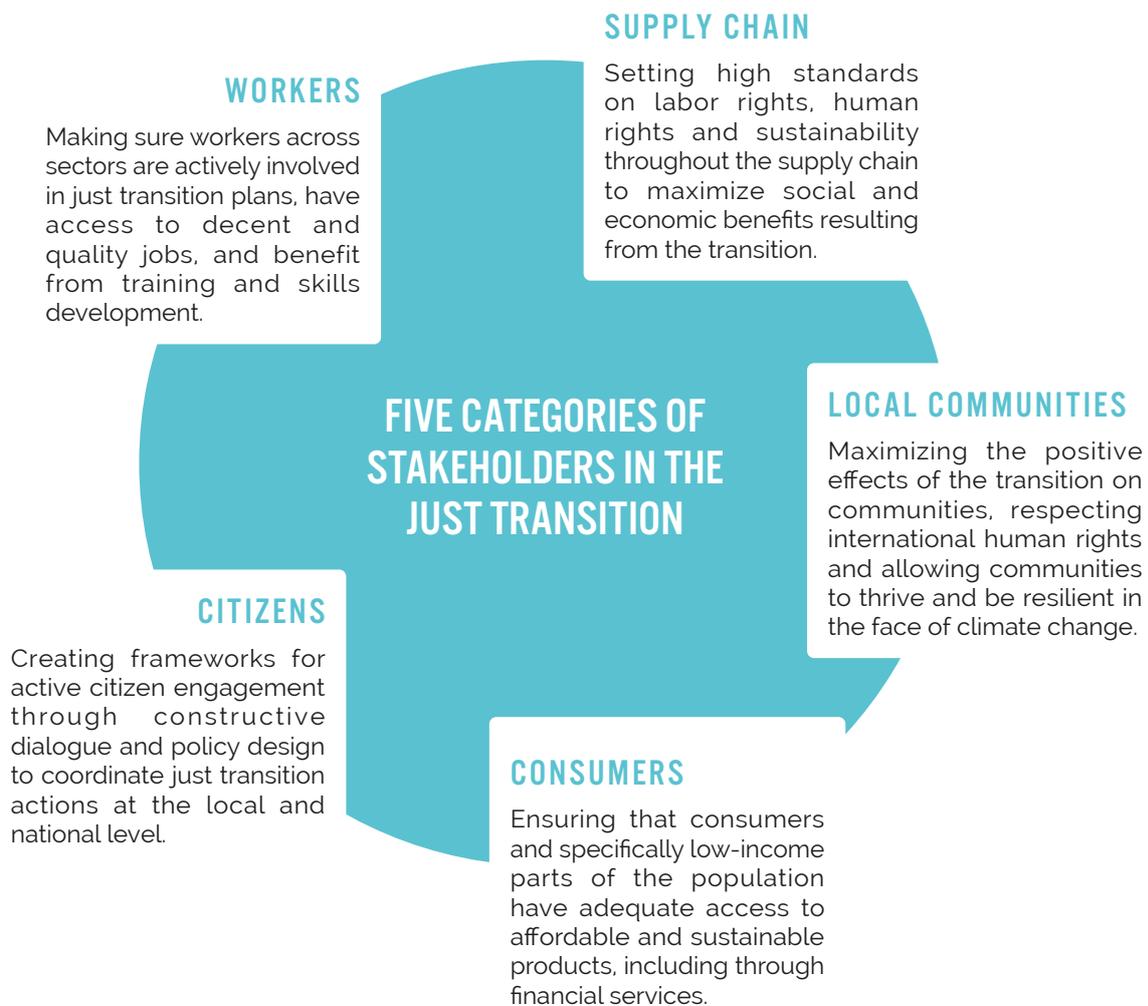
A key lesson emerged from this movement: going forward, **solutions addressing climate change must be conceived in a way that provides universal access to sustainable goods and services at affordable prices.** This is the key principle underpinning the need for a just transition for all consumers.

Finance for Tomorrow defined the **Just Transition** in its October 2020 position paper as a strategy to:

- Mitigate the negative social consequences of transitioning towards sustainable economic models;
- Maximize the positive aspects of a transition to a low-carbon economy.¹

This paper is the second of our series of five papers on stakeholders in the Just Transition: workers, consumers, supply chains, local communities, and civil society. Its objectives are three-fold:

- Understanding how consumers are impacted by the transition to a low-carbon economy;
- Assessing how financial actors can better integrate this dimension in investment and financing frameworks to combat poverty and social exclusion;
- Exploring the ways in which the Paris Financial Center can take the lead on protecting consumer rights in the transition.



¹ ILO (2016) "Guidelines for a just transition towards environmentally sustainable economies and societies for all" https://www.ilo.org/global/topics/green-jobs/publications/WCMS_432859/lang--en/index.htm

1/ CONSUMERS IN THE JUST TRANSITION

When designing the contours of the transition, governments, local authorities and private actors need to take into consideration the extent to which citizens have access to goods and services that will make the shift to sustainable economies possible. Often, a lack of knowledge around the topic leads to underserved consumers not benefitting from the consumption of low-carbon, clean, and healthy products. In other cases, the latter may not be affordable to the poorest fringes of the population.

Moreover, several opportunities can arise from ensuring a just transition for all consumers.

In light of this, we have chosen to highlight **three key sectors – energy, food, and mobility** – that will particularly need to integrate consumer needs as they transition towards a low-carbon economy. We have chosen these three sectors for the sake of brevity and pedagogy, although several other industries could also provide us with interesting illustrations.



* UNEP (2015) "Sustainable Consumption and Production: A Handbook for Policymakers"

ENERGY SERVICES

As governments engage in the transition, **the affordability of energy for low-income households** emerges as a crucial issue to address. In the EU, the largest part of energy usage for households is allocated to space heating (63.6%), followed by water heating (14.8%), lighting and appliances (14.1%) and cooking (6.1%). In 2018, only 20% of final energy consumption came from renewable sources, while 32.1% was covered by natural gas, 24.7% by electricity, and 12% by petroleum products.¹

For consumers, access to clean energy raises two types of issues. On the supply side, a significant scaling up of electricity generation from renewable sources will be needed to cover growing energy needs while ensuring sustainable patterns of consumption. While there has been a **gradual shift** in the past decade **from fossil fuels to renewable**

energy sources, this expansion is uneven across countries and still rather modest. Based on current trends, the share of renewables is expected to reach 21% globally only, by 2030.²

On the demand side, clean energy solutions may not be accessible to all, especially to low-income households. Engaging in energy renovation is costly and knowledge around the different public financial aids that exist are not always well-known.

Nonetheless, while energy efficiency solutions may impose higher upfront costs, consumers eventually benefit from energy and money savings in the long term. Indeed, evidence shows that French households heated mainly with fuel oil have a higher average annual energy bill (€1,870) than those heated mainly with electricity (€1,200) or natural gas (€1,360).³

1 Eurostat (June 2020) Energy Consumption in Households https://ec.europa.eu/eurostat/statistics-explained/index.php/Energy_consumption_in_households

2 UN (2019) "Accelerating SDG 7 Achievement: SDG 7 Policy Briefs In Support Of The High-Level Political Forum 2019"

3 M. Clement and A. Rolland Insee Références (2017) Dossier "La facture énergétique du logement a baissé depuis 2013 malgré la hausse de la fiscalité"

Moreover, renewables have the capacity to tackle numerous social issues, on top of providing more sustainable solutions to meet global energy needs. In fact, there are multiple ways for the transition away from fossil fuels and towards renewable energy sources **to contribute to combating social exclusion**. As the production costs of solar and wind power technologies are dropping, so are the prices of electricity from renewable sources. Evidence from OECD countries shows that **increasing the share of renewables in the energy mix has lowered the retail price of electricity**.¹

Accelerating the shift towards sustainable energy sources requires **long-term commitments by states** to implement policies and regulations that allow consumers to respond to an evolving energy market. These should specifically tackle access to modern energy services for **vulnerable groups and low-income households**, as part of broader poverty reduction strategies.

For example, the **UK's Energy Company Obligation program**, implemented in 2013, subsidizes insulation projects for low-income households to save energy and reduce electricity bills.² Another interesting illustration of government action can be observed in **Poland**, where the **"clean" air program** aims to help vulnerable households modernize their heating systems. The Polish government has allocated \$30 billion to this program, \$18 billion of which are paid as government subsidies, the rest being provided through loans. Ultimately, the public sector aims to co-finance household insulation and the purchase of cleaner heating systems to improve energy efficiency and cut down pollution.³

"Third party investor" systems are also worth exploring: they consist in an investor (investment fund, finance institution) meeting the initial costs of installing energy efficient solutions, and being compensated by receiving a part of household savings on the energy bill. This can help energy consumers avoid high upfront investment costs while benefitting from energy savings in the long term.

Ultimately, it is clear that efforts to develop sustainable energy solutions should go hand in hand with policies to ensure **universal access to affordable, reliable and modern energy services**, in line with Target 7.1 of the Sustainable Development Goals (SDGs).

1 A.M. Oosthuizen, R. Inglesi-Lotz and G.A. Thopil, "The relationship between renewable energy and retail electricity prices: panel evidence from OECD countries", ESRA Working Paper, No. 797 (2019).

2 International Trade Union Confederation, "The role of social protection in a just transition", 2018, p.

3 U.S. International Trade Administration (2018) "Poland Launches "Clean Air" Program" <https://www.trade.gov/market-intelligence/poland-launches-clean-air-program>

FOOD PRODUCTS

An important driver of climate change and biodiversity loss, the food system as a whole contributes 15-28% to overall greenhouse gas emissions in developed countries, if we consider all steps in the supply chain.

The agribusiness industry thus has a key role to play in meeting Paris Agreement objectives, mainly by moving away from intensive and industrialized models **towards food systems based on agroecology**.⁴

In practice, efforts to cut greenhouse gas emissions will bring about significant changes in peoples' lives, and notably for consumers. The current food system is already marked by deep injustice: according to the Food and Agriculture Organization (FAO), an estimated 2 billion people in the world were food insecure in 2019.⁵ As a result, the transformation of food systems towards more sustainable approaches must be done in a way that provides adequate protection for low-income urban and rural consumers.

As cost is generally a key determinant of food choices, the affordability of food products tends to take priority, particularly for low-income consumers. Moreover, sustainable diets tend to be perceived as rather expensive food options, accessible to only a fringe of the population. However, according to a 2019 UK study, healthy and sustainable diets do not necessarily trigger additional costs compared to a typical diet, and could thus be affordable for all income groups.⁶

In France, evidence shows that responsible food consumption is on the rise across all socioeconomic categories, including lower-income households. According to a recent survey, there was a 73% increase in the consumption of "Made in France" products from 2018-2019 by the middle class, versus 68% for more affluent households. This gap is also positive for Fair Trade products, with an increase of 49% over the same period for lower income households, compared to 46% for higher-income households.⁷

4 Agroecology is defined as a science that applies ecological concepts and principles to optimize interactions between plants, animals, humans and the environment, while taking into consideration the social aspects that must be addressed to ensure a sustainable and fair food system. Agroecology Knowledge Hub <http://www.fao.org/agroecology/home/en/>

5 Food and Agricultural Organization (2020) "The State of Food Security and Nutrition in the World" <http://www.fao.org/3/cag699gen/cag699gen.pdf>

6 C.J. Reynolds et al. (2019) "Healthy and sustainable diets that meet greenhouse gas emission reduction targets and are affordable for different income groups in the UK" Cambridge University Press.

7 Opinion Way Survey – Baromètre Max Havelaar de la Transition Alimentaire 2019 <https://maxhavelaarfrance.org/fileadmin/fairtrade/Barometres/Synthese-Barometre-de-la-transition-alimentaire-novembre-2019.pdf>

Overall, this growing body of research reveals that affordability is becoming less and less of an obstacle to adopt a more sustainable diet. However, while this is the case in high-income countries, the story is different in low-income countries where the poorest individuals, mostly located in Sub-Saharan Africa and South Asia, are not able to afford healthy and environmentally sustainable diets.¹

All in all, a truly sustainable food system will be one that not only benefits nature and the climate, but that can also ensure the right to food for all. **The main challenge, in this regard, will be to ensure that all households have access to diets that are safe to consume, as well as healthy, sustainable and affordable.**

THE MOBILITY SECTOR

Mobility represents 20–30% of the environmental impact from household consumption.² To tackle this issue, the European Union aims to reduce transport-related emissions by 90% by 2050 as part of the Green Deal. Reaching this ambitious goal will require increasing the uptake of zero-emission vehicles, supporting digitalization and automation, and improving connectivity and accessibility to smart mobility.

However, the transition will only be successful if the benefits and costs associated with policy decisions are distributed fairly across all parts of society. This is particularly important as transportation is the second-largest component of household expenditures, after housing costs.³

First, policies need to ensure that low-income groups are included in the process of planning and designing the transition to environmentally friendly mobility. For example, electric cars will represent a viable path towards sustainable mobility systems only if all consumers can have access to affordable solutions and adequate charging infrastructure.⁴ At the moment, sales of electric cars, still largely marketed

as luxury vehicles, go mostly to affluent households. In that regard, the French government has put in place various financial assistance schemes to incentivize the purchase of electric cars: a CO₂ based bonus-malus vehicle tax when purchasing a new car and a "conversion bonus" to encourage consumers to get rid of an old high-emitting vehicle in favor of a new or used low-emitting vehicle.⁵

Moreover, as electric vehicle technology improves, there is potential to reduce several cost components associated with car ownership, such as vehicle purchase, maintenance, and fueling costs. Such evolutions could significantly change transportation costs relative to household income, especially for low-income households.

Second, sufficient attention needs to be paid to rural communities that have historically been overshadowed by urban planning measures. Indeed, more than a quarter of Europeans live in rural areas, and an important share of rural citizens (23.7%) are already at risk of poverty or social exclusion.⁶ To encourage the switch to clean rural mobility, the Alternative Fuels Infrastructure Directive (2014/94/EU), expected to be revised and republished by the end of 2021, should include a binding target for EU member states to build electric vehicle charging points in rural areas.⁷

Going forward, such policies will contribute to the switch to cleaner mobility, while placing special focus on vulnerable groups with limited mobility options.

Evidently, *Finance for Tomorrow* is aware of the environmental costs associated with the manufacturing of electric car batteries. Questions around the end of their life cycle and the lack of recycling of lithium-ion batteries across the European Union also raise several issues, as the world seeks to replace fossil fuels by clean energy. Nonetheless, as the market is developing, so will solutions to make electric vehicles more eco-friendly and sustainable over the long-term.

1 K. Hirnoven et al (2020) "Affordability of the EAT–Lancet reference diet: a global analysis" *Lancet Global Health*, 59–66.

2 UN Interim Report of the Special rapporteur on extreme poverty and human rights (October 2020) "The "just transition" in the economic recovery: eradicating poverty within planetary boundaries"

3 G. Bauer et al. (2021) "When might lower-income drivers benefit from electric vehicles? Quantifying the economic equity implications of electric vehicle adoption" International Council on Clean Transportation.

4 European Policy Centre (December 2020) "On the road to sustainable mobility: How to ensure a just transition?" https://wms.flexious.be/editor/plugins/imagmanager/content/2140/PDF/2020/Sustainable_Mobility_v2.pdf

5 S. Wappelhorst "Actions speak louder than words: the French commitment to electric vehicles" International Council on Clean Transportation. <https://theicct.org/blog/staff/actions-speak-louder-words-french-commitment-electric-vehicles>

6 Eurostat (February 2020) "Urban and rural living in the EU" <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/EDN-20200207-1>

7 European Policy Centre (December 2020) "On the road to sustainable mobility: How to ensure a just transition?"

2/ INTEGRATING CONSUMERS IN FINANCING AND INVESTMENT FRAMEWORKS

Having highlighted the main sectors where equal access to sustainable goods and services is crucial for the transition, it is important to understand how financial actors can take steps towards integrating this dimension in their strategies.

Private finance has the potential to significantly scale up capital allocated to the reduction of inequality and social exclusion. More specifically, the financial sector has a key role to play in promoting the inclusion of consumer rights in the context of the transition to low carbon economies. **This section will explore how financing and investment frameworks can be adapted to ensure that consumers from underserved communities can have access to sustainable goods and services at affordable prices.**

JUST TRANSITION & CONSUMERS IN FINANCING FRAMEWORKS

LOANS TO INDIVIDUAL CUSTOMERS TO FINANCE LONG-TERM PROJECTS

Banks, and financial institutions more broadly, are key actors in facilitating the transition to low-carbon economies. A growing number of them have already made commitments to withdraw financing from high-carbon sectors and to increasingly redirect capital flows to green economy sectors.

To ensure this transition is fair and equitable, banks need to understand the needs of different groups – particularly under-served segments in society – to better support their customers and clients. There are a number of ways for them to make sure that their clients have access to affordable banking services adapted to the transition to the new economy.

In this paper, we have chosen to focus on the housing sector, which provides a relevant illustration of how banks can innovate in favor of the just transition. An important share of bank credit is concentrated in loans to households, the largest share of which is mortgage lending.

The **housing sector** will have to face significant transformations in the coming years if net-zero targets are to be met. Indeed, households represent some of the most significant contributors to greenhouse

gas emissions from the building sector. However, **upgrading buildings will have massive social implications**, most of all related to the affordability of housing for underserved communities.

In this context, banks and other financial institutions can play a role in supporting customers who need green mortgages to retrofit their houses, so as to meet new zero-carbon standards. In France, several banks, such as Crédit Agricole, Société Générale or BNP Paribas, provide attractive rates to finance energy renovation projects for housing through "Zero-Rate Eco-Loans" ("Eco-PTZ").¹ These loans may be provided to individual homeowners regardless of their financial resources, thus tackling the issue of "fuel poverty" that vulnerable households are confronted with.

LOANS TO SMES

Beyond mortgage lending, banks can have a **role in supporting SMEs develop sustainable products and services in favor of a just transition**. Research from V.E, part of Moody's ESG Solutions shows that 110 of 196 (56%) issuers within the European financial sector offer loans to SMEs. The European Investment Bank is the largest provider of loans to SMEs by share of total loans, with 40% of their total loans being directed towards SMEs. However, loans to SMEs represent a minor share - around 10% - of total assets for most banks.²

Although banks account for 70% of SME external financing in Europe, **many companies see their demand for loans rejected**, thus lacking access to capital for growth.³ This is especially true for SMEs whose business models require the development of innovative technologies: they are the ones with the most difficulty securing loans.

Another issue lies in the **lack of SME demand** for loans to finance economically attractive carbon reduction activities. This can be due to a lack of knowledge around green finance opportunities or a perception of heightened risks associated to such opportunities. In this regard, an institution providing advisory to SMEs around the topics of sustainable finance and the just

1 Eco-prêt à taux zero (éco-PTZ) <https://www.service-public.fr/particuliers/vosdroits/F19905>

2 Research from V.E, part of Moody's ESG Solutions

3 Euler Hermes (April 2019) "European SMEs: Filling the bank financing gap"

transition could help these companies participate to the transition, notably by **providing sustainable products and services to underserved households and consumers.**¹

Qarnot Computing provides an illustration of a SME contributing to the just transition by providing disadvantaged consumers access to energy efficiency upgrades. A French circular economy company, its model is based on using the heat from decentralized computer servers to heat buildings. According to the greentech, the carbon footprint of the computing which passes through these radiators is 78% lower compared to a traditional data center. This technology has notably been used to heat social housing buildings in France.² By 2023, the company aims to provide 11,000 social housing units with free heating.³

INSURANCE PRODUCTS:

Finally, other financial institutions have also started to promote consumers' rights about just transition through their products. For example, since January 2020 in France, "multi-support" life insurance contracts must contain at least one unit of account invested either in a solidarity fund or in "Socially Responsible Investment" (SRI) or Greenfin labelled funds.⁴ By the end of 2019, almost all companies had aligned with the new legislative requirements.

These kinds of innovations are a testament to financial actors' willingness to ensure a just transition for all of their customers.

JUST TRANSITION & CONSUMERS IN INVESTMENT FRAMEWORKS

Consumer considerations are, to some extent, already integrated in current investment frameworks. Within the social pillar, companies are evaluated on their integration of criteria such as **product safety and quality or access to finance**. On the environmental side, data providers assess the "greenness" of companies' products and services, considering indicators such as **product carbon footprint**, or the percentage of revenue derived from **opportunities in clean technologies or renewable energy**.

As a result, asset owners and managers tend to consider green and social indicators separately as part of their ESG policy. **However, the just transition points to the need for institutional investors to connect the "E" and "S" pillars of their strategies, so as to develop a more comprehensive and adapted response to climate change.** Investors could take a first step in this direction by incorporating **specific extra-financial indicators related to both environmental and social metrics** in their investment strategies. With regards to the consumer dimension of the just transition, this implies taking into account the **accessibility of sustainable and low-carbon solutions to underserved customers and households**.

Moreover, an increasing number of institutional investors are looking to measure **the alignment of their portfolios with the SDGs**. To better integrate consumer concerns in the transition, investors can focus on **SDG 7** ("Ensure access to affordable, reliable, sustainable and modern energy for all") and more specifically on **indicator 7.1.2** measuring the proportion of population with primary reliance on clean fuels and technology. Alignment with **SDG 12** ("Ensure sustainable consumption and production patterns") can also contribute to a fair transition for consumers, insofar as **target 12.6** encourages companies to integrate sustainability information into their reporting cycle and **target 12.8** seeks to ensure that citizens and consumers everywhere have access to relevant sustainability information.

INVESTMENTS IN PUBLIC UTILITIES

Utility companies have a significant role to play here, as access to affordable and low-carbon sources of energy is at the heart of concerns around the transition to more sustainable societies. Below are a few examples of European companies that can be considered pioneers on this topic, providing financial assistance to low-income customers that wish to make their households more energy efficient. V.E.' data

1 LSE Grantham Research Institute & University of Leeds (October 2019) "Banking the just transition in the UK"

2 "Qarnot Computing: des bâtiments chauffés par la chaleur des ordinateurs" <https://www.lejdd.fr/Societe/qarnot-computing-des-batiments-chauffes-par-la-chaleur-des-ordinateurs-3997703>

3 Engie Rassembleurs d'Energies "Rapport de progrès 2020" https://www.engie.com/sites/default/files/assets/documents/2020-05/Rapport-de-progres-ENGIE-Rassembleurs-Energies_0.pdf

4 Article 221, Loi n° 2019-486 du 22 mai 2019 relative à la croissance et la transformation des entreprises

shows 30% of their rated European energy and gas utilities sector issuers have made strides in this regard, with 19 out of 62 found to be taking action to improve underserved populations' access to energy.¹ We also include potential indicators that asset owners should be considering in order to integrate the concerns of consumers in their ESG policy.

COMPANY EXAMPLES:

Engie (France)

Engie has sought to expand access to energy to economically vulnerable households. This includes utilizing the "**Engie Rassembleurs d'énergies**" fund, to provide offers to households who struggle to fight against fuel poverty. By the end of 2019, the fund had invested €34 million in companies with social and environmental objectives, helping to provide clean electricity to more than 4 million beneficiaries, achieving the energy renovation of more than 3,000 homes, and creating over 6,000 jobs.²

Engie also accompanies customers benefitting from zero-rate eco-loans in the energy renovation of their households, i.e. conducting home energy assessments, estimating the financial cost of the renovation project, finding professionals to conduct renovation works, etc.³

Iberdrola (Spain)

The electric utility company provides a number of unique energy packages for vulnerable customers.

This includes the "**Electricity for All Programme**", that has extended universal access to modern forms of energy, by providing environmentally sustainable, financially affordable and socially inclusive energy models, with a specific focus on ensuring access to electricity in emerging and developing countries. This has led to 5.4 million people benefitting from access to electricity projects across Latin America and Africa, since 2014.⁴

Moreover, Iberdrola has, in March 2019, signed a new **€1.5 billion multi-currency syndicated credit facility aligned with the just transition**. The fund is linked to criteria related to the **promotion of universal access to energy**, with the aim of targeting **SDG 7.1** to ensure universal access to affordable, reliable and modern energy services and **SDG 7.2** to increase substantially the share of renewable energy in the global energy mix.⁵

To better integrate consumer concerns in the context of the transition, investors could start by taking into account extra-financial indicators linking the E and S pillars of their ESG strategy. When it comes to investing in energy providers, we have highlighted below several indicators that could be worth considering for investors.

Potential "Access to clean energy for all" indicators

- **# of households** benefitting from installation of clean heating solutions
- **# of households** benefitting from installation of energy-saving improvements
- **# of households** benefitting from subsidized clean electricity rates
- **Amount of CO₂ tons avoided** from access to affordable and environmentally sustainable energy packages
- **Amount of MWh** of energy savings resulting from access to affordable and environmentally sustainable energy packages
- **Amount saved per year per household** benefitting from these energy-efficiency measures
- **Loan amount** supporting the purchase and installation of energy efficiency upgrades
- **Loan amount** supporting the purchase and installation of solar energy at home
- **Loan amount** supporting the purchase and installation of high-efficiency, low-emission, wood-heating technology
- **Loan amount** supporting the purchase and installation of more efficient heating and cooling options that eliminate fossil fuels

1 Research from V.E, part of Moody's ESG Solutions

2 Engie Rassembleurs d'Energies "Rapport de progrès 2020" https://www.engie.com/sites/default/files/assets/documents/2020-05/Rapport-de-progres-ENGIE-Rassembleurs-Energies_0.pdf

3 Engie "L'éco prêt à taux zéro" <https://particuliers.engie.fr/economies-energie/aides-financieres/aides-etat/eco-pret-zero.html>

4 Iberdrola Sustainability Report 2020 http://iberdrola.com/wcorp/gc/prod/en_US/corporativos/docs/IB_Sustainability_Report.pdf

5 BBVA (March 2019) "BBVA coordinates Iberdrola's first sustainable credit facility aligned with the just transition principles, totalling €1.5 billion" <https://www.bbva.com/en/bbva-coordinates-iberdrolas-first-sustainable-credit-facility-aligned-with-the-just-transition-principles-totalling-e1-5-billion/>

3/ THE PARIS FINANCIAL CENTRE: TAKING THE LEAD ON CONSUMER RIGHTS/PROTECTION

More than ever, the Paris Financial Center must take the lead in terms of consumer rights and protection. Financial actors' commitment to the necessary transition must allow the development of a clear roadmap. Thus, *Finance for Tomorrow* is committed to:

INTEGRATING CONSUMER REPRESENTATIVES AND CONSUMER RIGHTS ASSOCIATIONS IN ITS JUST TRANSITION INVESTOR COALITION

Stakeholder dialogue is a critical element of the just transition. Consulting **consumer representatives and consumer rights associations** is key to understanding the granular needs of different groups, and particularly of underserved segments of society. For example, associations like ASSECO-CFDT or INDECOSA-CGT have started to work on the just transition, notably by providing educational support on the topic.¹ Dialogue can be initiated as part of *Finance for Tomorrow's* investor coalition on the just transition, which will gather investors, companies, and different civil society representatives.

Dialogue with other kinds of participatory bodies can also be considered. For example, the **French Citizens' Convention for Climate** is a citizens assembly in charge of formulating propositions to reduce emissions "in a spirit of social justice".² The group has recently voted on resolutions to ban advertising on the most polluting products (e.g. fossil fuels) and to regulate the industry more generally so as to redirect consumption towards more climate-friendly products and to discourage over-consumption.³ In fact, some of their propositions have been included in the

government's "Climate and Resilience" bill, demonstrating the importance of consulting citizens along with labor representatives, economic actors, local authorities, and associations when devising climate legislation.⁴

These new models of dialogue and consumer engagement can allow investors to better understand and manage social risks in the transition to a low-carbon economy.

BEING A DRIVING FORCE IN THE INCLUSION OF EXTRA-FINANCIAL ENVIRONMENTAL AND SOCIAL INDICATORS IN INVESTMENT AND FINANCING STRATEGIES

Members of *Finance for Tomorrow* strive to provide a comprehensive response to climate change in their ESG policies. To do so, investors and asset managers need to **further associate the "S" and "E" pillars in their investment frameworks**, so as to better assess companies' consideration of consumer needs in the context of the transition.

A Just Transition investment methodology could, for example, include metrics related to **green lending to vulnerable households or to the provision of affordable sustainable goods and services to underserved customers**. The extra-financial indicators cited in Section 2 could be a good starting point for investors willing to integrate consumer concerns in their investment strategies.

1 Institut National de la Consommation (2021) "INDECOSA-CGT Associations de consommateurs" <https://www.inc-conso.fr/content/indecosa-cgt-association-de-consommateurs>

2 Convention citoyenne pour le climat <https://www.conventioncitoyennepourleclimat.fr/>

3 Convention citoyenne pour le climat "Réguler la publicité pour réduire les incitations à la surconsommation" <https://propositions.conventioncitoyennepourleclimat.fr/objectif/reguler-la-publicite-pour-reduire-les-incitations-a-la-surconsommation/>

4 Projet de loi n° 3875 portant lutte contre le dérèglement climatique et renforcement de la résilience face à ses effets https://www.assemblee-nationale.fr/dyn/15/textes/l15b3875-projet-loi#D_non_amendable_

ENCOURAGING CONSTRUCTIVE DIALOGUE BETWEEN INVESTORS AND COMPANIES

Corporate engagement can provide a useful way for asset owners and asset managers to **define investor expectations on the just transition**. Investors have the capacity to shape the behavior of Boards of Directors and can thus influence companies' integration of consumer concerns in their business practices. Engagement can be exercised via different channels: engaging in regular dialogue with management, drafting letters to company boards, voting on shareholder resolutions, etc.

This is precisely the objective of *Finance for Tomorrow's* upcoming investor alliance on the just transition on the road to COP26. By providing investors with a collaborative engagement platform, this coalition will contribute to three distinct objectives:

- Encourage companies to integrate the just transition into their ESG strategy through continuous dialogue with them;
- Promote best practices in the sectors most impacted by the transition to low-carbon economies;
- Facilitate collaboration between investors and key issuers.

Members of *Finance for Tomorrow* are also committed to organizing joint events and taking part in collaborative work to showcase the leadership of the Paris Financial Center on the topic of consumers in the just transition.

To conclude, acceptance of the transition, and therefore of its effective realization, will depend on the ability of players to position the consumer at the heart of investment decisions. The multi-stakeholder approach adopted by *Finance for Tomorrow* highlights there is still a long way to go. Still, to provide a comprehensive and concrete response to these issues, the Paris Financial Centre seeks to identify existing obstacles and mobilize financial actors as of today, to make the transition as fair as possible for all consumers.



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FINANCE FOR TOMORROW

Finance for Tomorrow, launched in June 2017 is the branch of Paris EUROPLACE to make green and sustainable finance a key driving force in the development of the Paris Financial Centre and to position it as a hub of reference on these issues. The nearly 80 members and observers of *Finance for Tomorrow* are committed by a joint charter to help redirect financial flows towards a low-carbon and inclusive economy, in line with the Paris Agreement and the UN's Sustainable Development Goals (SDGs). *Finance for Tomorrow* is chaired by Thierry Déau, Founder and CEO of Meridiam.

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