

COAL SECTOR TRANSITION: WORLD BANK GLOBAL EXPERIENCE

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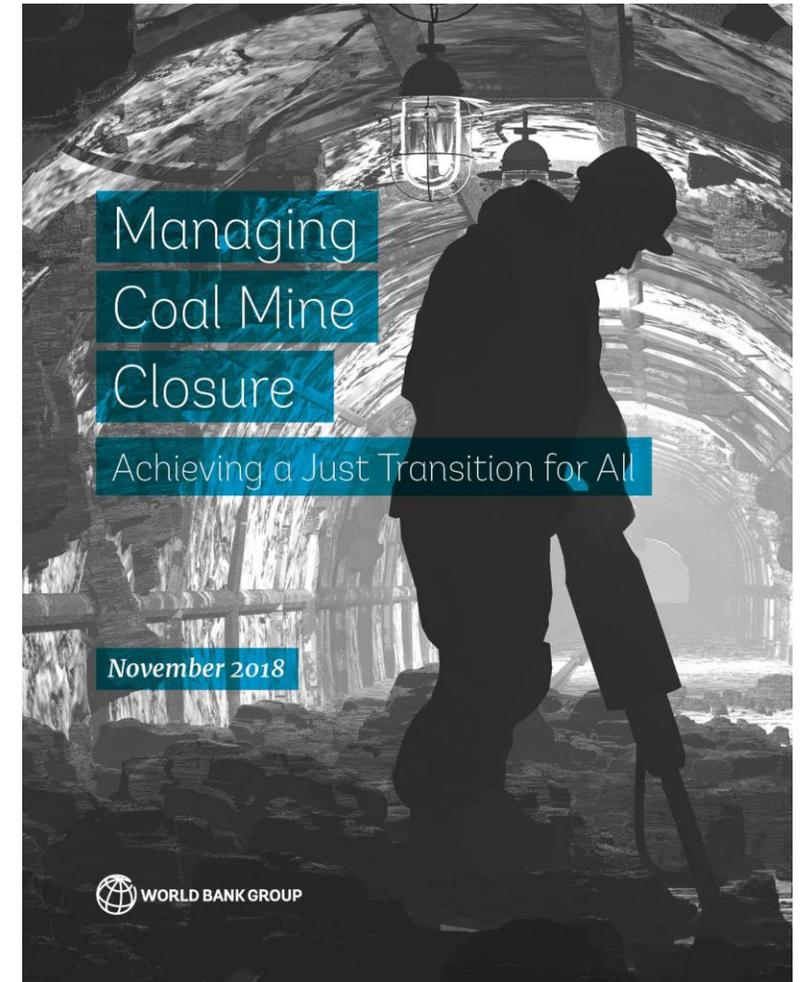
ENERGY AND EXTRACTIVES GLOBAL PRACTICE

3RD INTERNATIONAL COAL CONFERENCE, DNIPRO - UKRAINE | JUNE 13-14, 2019



Two Decades of Global Experience in Coal Sector Transition

- **11** lending operations regarding coal industry adjustment in Russia, Ukraine, Poland, and Romania
- **Types of Intervention:** preparatory diagnostic, technical studies, planning and financing of sector adjustment programs
- **“Managing Coal Mine Closure: Achieving a Just Transition for All”:**
 - ✓ The report was launched and presented at the 24th Session of the Conference of the Parties (COP24) to the United Nations Framework Convention on Climate Change (UNFCCC) in Poland, December 2018
 - ✓ It emphasizes the critical importance of well-planned and coordinated coal sector transition



Key Lessons Learned

Pillar 1:

Policies and Strategies

- **Lesson 1:** Coal mine closures which better manage social and labor issues are guided by comprehensive closure policies and strategies
- **Lesson 2:** Providing for substantial budget commitments is a challenge given the short-term, high costs required for closure
- **Lesson 3:** Effective and well prepared, genuine stakeholder consultation at the planning stage significantly reduces the possibility of tensions

Pillar 2:

People and Communities

- **Lesson 4:** A systematic process to mitigate social and labor impacts that starts before any labor lay-offs occur can result in a more orderly, less stressful, and ultimately lower cost divestiture process
- **Lesson 5:** Pre-layoff planning and assistance can prepare workers for impending layoffs
- **Lesson 6:** Post-lay off assistance can help sustain laid-off workers in a way that promotes continued attachment to the labor market
- **Lesson 7:** Active labor market policies offer services, programs, and incentives

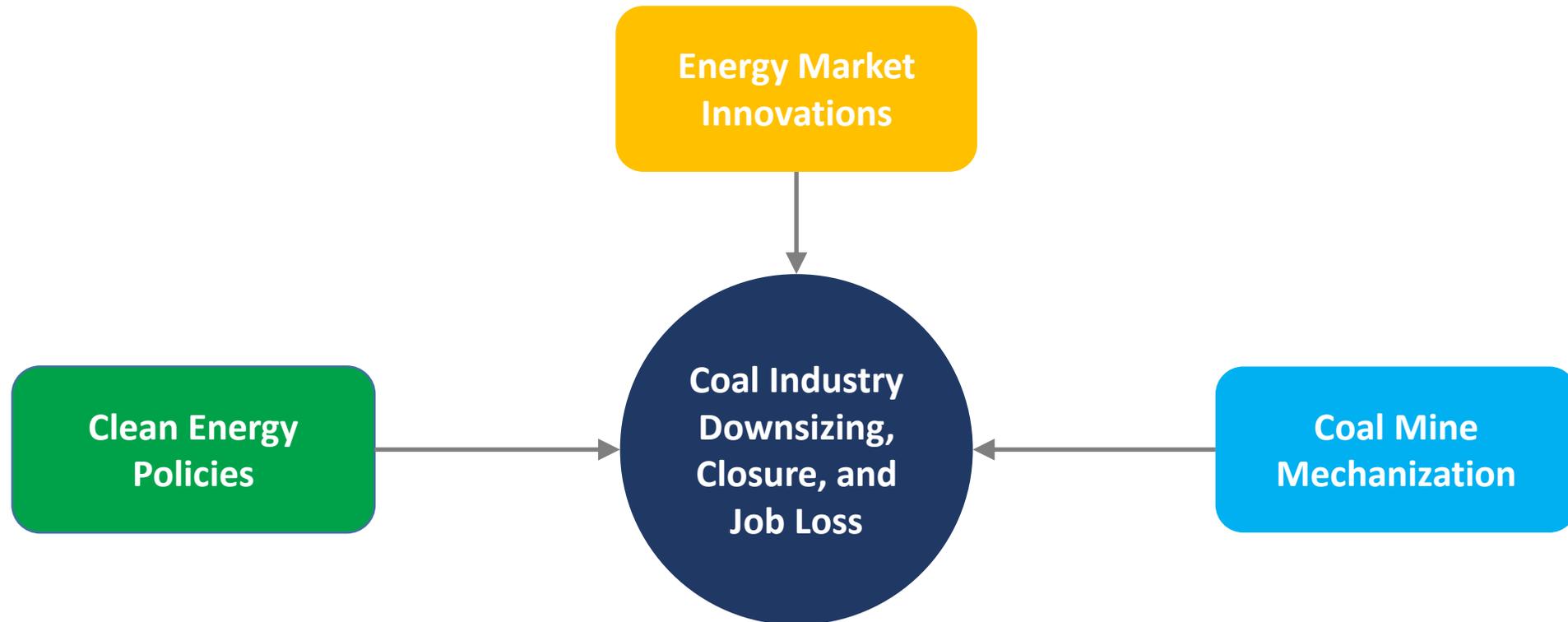
Pillar 3:

Repurposing Land and Assets

- **Lesson 8:** Environmental reclamation is best addressed from the outset of mine planning
- **Lesson 9:** In practice, insufficient funding is the biggest barrier to land reclamation taking place in a satisfactory manner

Three Persistent Drivers to Coal Sector Transition and Job Losses Today

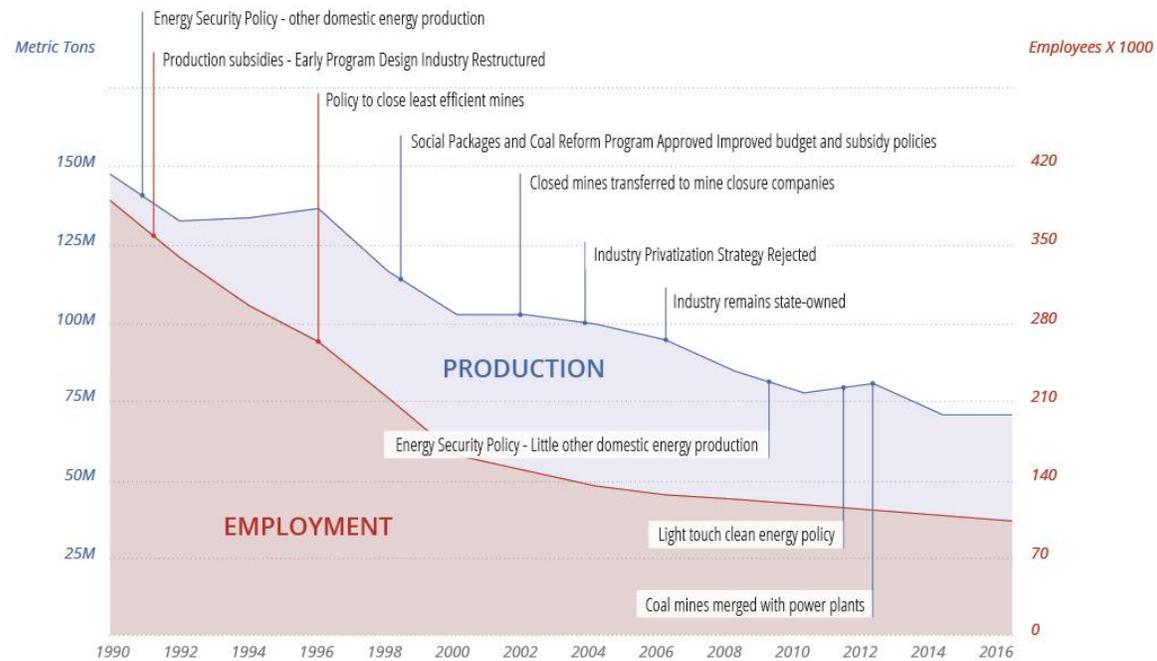
Today we are in an inevitable **global energy transition** not experienced previously...



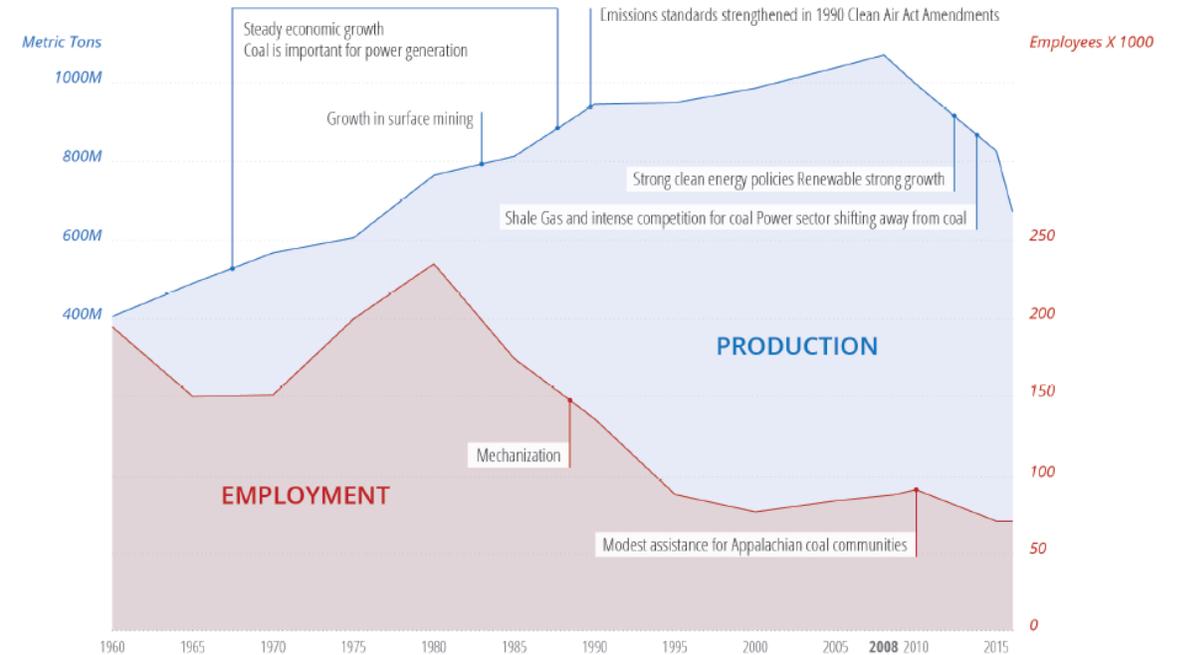
...market forces drive coal producers to lower costs, leading to a large substitution of capital (machinery) for labor.

Some Global Trends: Coal Production VS Employment

POLAND



UNITED STATES

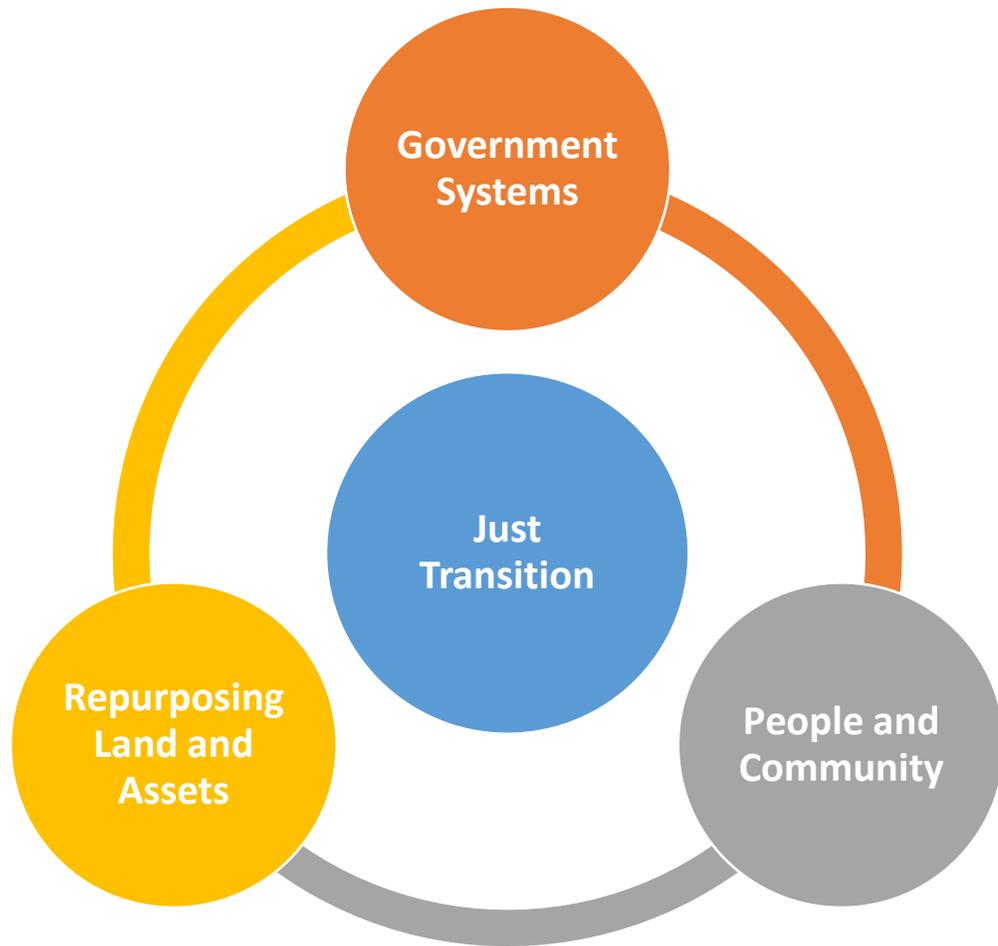


Coal Sector Adjustment in the 1990s

Transition from Coal

Broader Energy Transition

Role of the World Bank

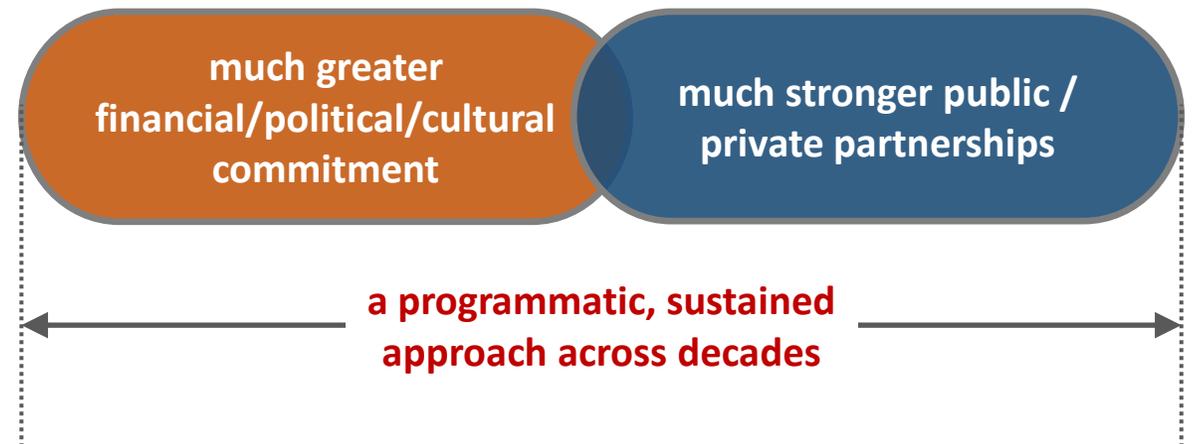


Today, the World Bank is working with governments that:

- Have taken the decision to close mines; and/or
- Are facing massive loss of labor even if mines remain open.



It requires...



Program Design to Achieve Just Transition for All in Coal Sector Transition Process

Achieving a *Just Transition for All* requires strong analytics to inform development of comprehensive transition road maps, and identification of concrete projects that mitigate the social impacts on labor and communities.

3 Phases of Work

Phase I

Preliminary Dialogue

- **2 months**
- Presentations on World Bank's relevant case studies and international experience
- Study tours for clients
- Understanding by clients on how to systematically approach the design of a Road Map that supports a transition away from coal, and the delineation of concrete investment projects

Phase II

Road Map for Project Design

- **10-14 months**
- Application of the assessment framework
- Analytical work and feasibility studies
- Design of a regional transition strategy / roadmap underpinned by the above analytical work

Phase III

World Bank Support of Concrete Transition Projects

- **5-10 years**
- Development policy financing supported policy reforms
- Trust fund grants on key socio-economic transition projects
- Investment project financing supporting social protection programs, reclamation of mines and power plant lands, and repurposing of these lands and assets for alternative uses

Phase I: Preliminary Dialogue

Preliminary Dialogue

- **2 months**
 - **Presentations on World Bank's relevant case studies and international experience** on coal sector transition, with a focus on “people and communities” and “repurposing land and assets”
 - **Training and capacity building activities for key decision makers and higher management personnel** to raise awareness of the holistic approach to coal sector transition
 - Phase I concludes with **an understanding by clients on how to systematically approach the design of a *Road Map*** that supports a transition away from coal, and the delineation of concrete investment projects
- **Advisory services and analytical work** to strengthen the knowledge base at the national and provincial level
 - **South-South or North-South study tours** to gain first-hand knowledge of other coal-dependent regions undergoing transition: for example, study tours to Poland, Romania and the United States and visit successful land reclamation examples
 - **Funding Mechanisms:**
 - Donor funding in the form of a bilateral Externally Funded Outputs (EFO)
 - Small grants provided by available World Bank Trust Funds
 - Reimbursable Advisory Services (RAS) paid for by client

Phase II: Road Map for Project Design

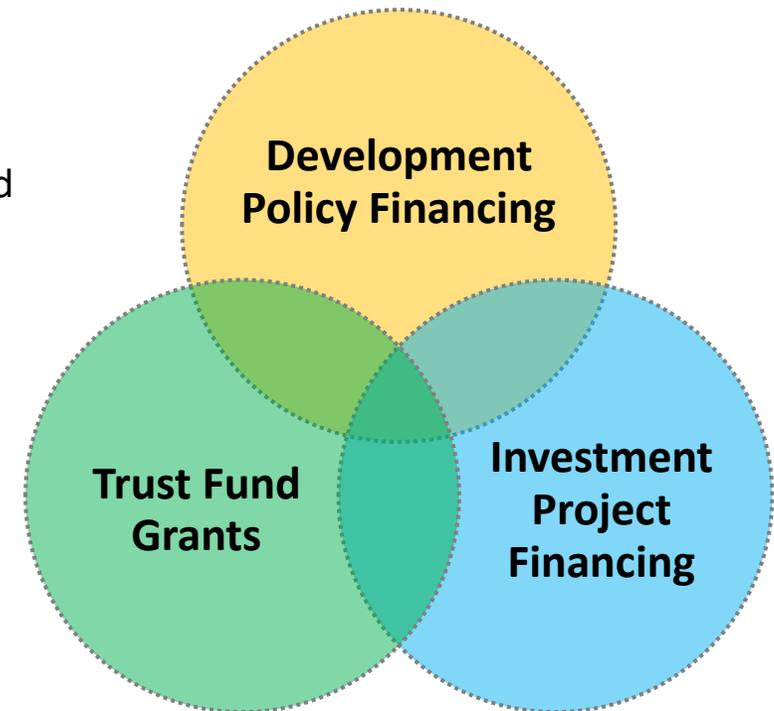
Road Map for Project Design

- **10-14 months**
 - **Application of the assessment framework**
 - **Analytical work and feasibility studies**
 - **Design of a regional **Transition Road Map** with the following themes:**
 - ✓ Recommendations for strengthened governance frameworks
 - ✓ Regional Transition Plans and potential economic development priority programs
 - ✓ Stakeholder Engagement Strategies
 - ✓ List of concrete transition projects, estimated costs and benefits, estimated timelines within the road map, and strategies for public / private partnerships to mobilize finance for development
 - ✓ Reclamation Master Plan and a strategy for repurposing land and physical assets, including lower carbon energy generation, agriculture and open space, industrial applications, exhibition centers, tourist sites, and housing
- **World Bank Signature Technical Assistance (TA):**
 - Provided through a loan, credit, grant, or project-based guarantee
 - A smaller TA may require US\$ 1 million
 - A larger TA might require in excess of US\$ 3 million, with the following scope:
 - ✓ Detailed, fully formed geospatial plan to support the *Transition Road Map*
 - ✓ Design and piloting of social protection programs and capacity building
 - ✓ Deeper support of high-level, decision-making bodies
 - ✓ Detailed Terms of Reference for reclamation of mining and power plant lands

Phase III: World Bank Support of Concrete Transition Projects

World Bank Support of Concrete Transition Projects

- **5-10 years**
- **Development policy financing** to support policy reforms
- **Trust fund grants** on key socio-economic transition projects
- **Technical Assistance** to support social protection programs, reclamation of mines and power plant lands, and repurposing of lands and assets for alternative uses
- **Key Focus:**
 - ✓ Sustained attention to strengthening the governance framework
 - ✓ Extensive planning and preparation for mine and power plant closure
 - ✓ Integrated energy sector reforms
 - ✓ Design and deployment of support social protection projects
 - ✓ Reclamation of mines and power plant sites
 - ✓ Repurposing lands and assets
 - ✓ Implementation of public / private partnerships to mobilize investments
 - ✓ Management of consolidated funds for the transition from coal



Current World Bank Engagement in Coal Sector Transition



Serbia: managing social impacts to workers and communities; repurposing land and assets in Resavica (\$500,000)

Greece: coal sector fair transition road map in lignite regions of Western Macedonia (€500,000)

South Africa: early stage discussions on planning for a coal sector transition as part of broader energy sector transition

China: Shanxi Energy Transition and Green Growth Development Policy Operation as part of China's energy revolution (\$300 million)

Ongoing Partnership:

- European Commission
- International Trade Union Congress
- Clean Energy Ministerial
- US Environmental Protection Agency

Strategic Priorities:

- Global dialogue
- Global awareness
- Global knowledge
- Fund raising

THANK YOU

FOR MORE INFORMATION, PLEASE CONTACT:

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