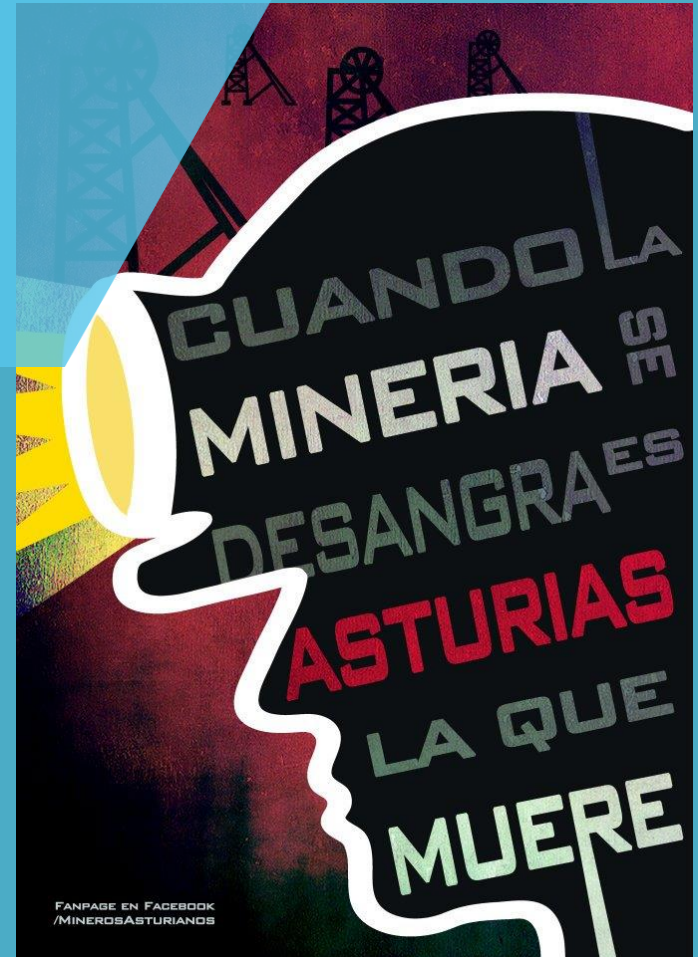


# Just Transition, Energy Transition and Fossil Fuel Subsidy Reform: Focus on Spain

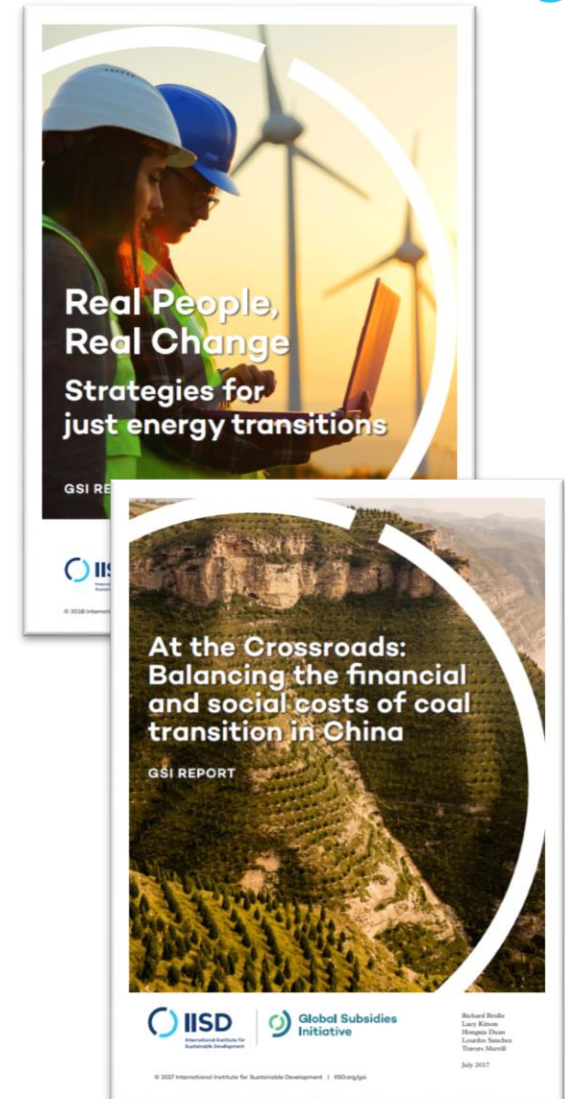


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# Presentation outline:

- Early retirement for coal miners in Spain was a part of the coal phase out between the end of the 1980s and the mid 2010s.
- This presentation explores why early retirement was selected to play such a crucial role and whether this policy was successful.
- It is structured around a conceptual framework developed evaluate and develop coal transition policies.



# Was this a good response?



When we evaluate transitions or seek to promote transitions we consider the following factors:

**1. The context:**

- Politics Matter—The need for an analysis of the political economy
- What's at Stake? Assessing negative and positive effects of a transition

**2. Champions of reform**

- Political leadership, civil society, business, labour unions
- Support from social dialogue between workers, employers and governments

**3. The case for reform**

- Listening as an essential part of the strategy
- Beliefs, values and culture are as important as if not more important than economics
- Communicate in a frank and transparent way, and be clear about the need to phase out while presenting a positive long-term goal.
- Show tangible benefits of a transition, for example through measures that create jobs in the short term. Slide on Indonesia reallocation

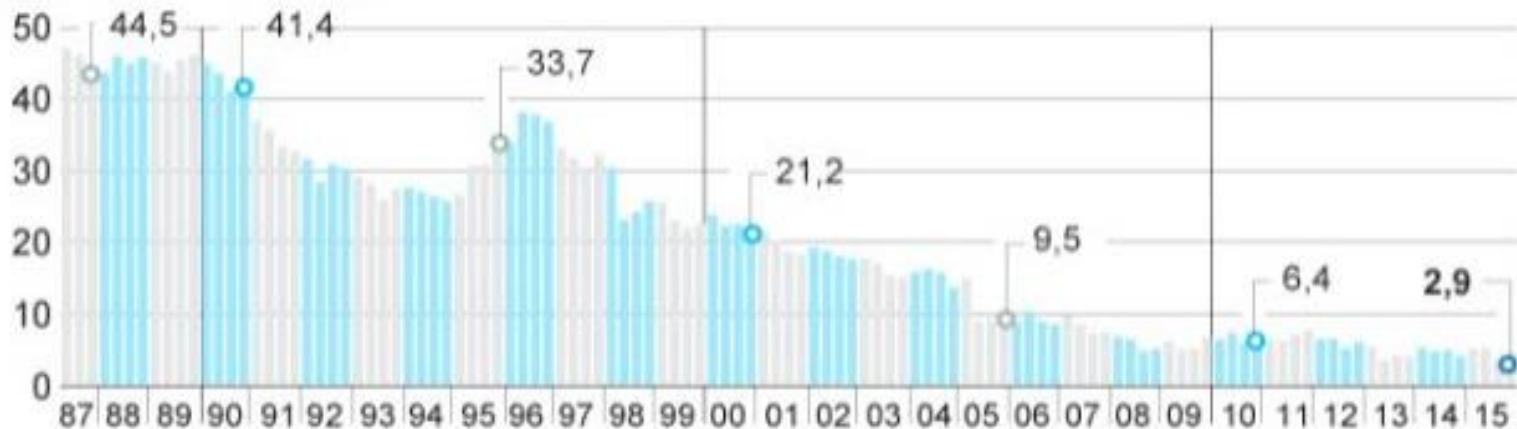
**4. Complementary policies and managing impacts**

**5. Where's the Money? Funding for just transition policies**

# Context:



- EU state aid rules a key driver of reform.
- Early retirement was widely used
- Received a salary through the mining company until retirement age of 1,700 to 2500 EUR per month
- Around 2 to 3 times higher than the national minimum wage.
- Almost half of the pre retirements happened at an age lower than 44



**Evolution of workers in the coal mining sector, 1987 to 2015. Data in thousands.**

*Source: Martínez, 2016*



# A managed transition?



# Context: Summary of Spain's coal mining restructuring plans

Plan	Leading political party	Change on number of employees	Change on production (tonnes)	Cost (M Eur)	Financed by	Areas of support
Coal Reorganisation Plan 1990 - 1993	PSOE	-6'169	-900'116	4'689	Spanish budget	- Early retirement and voluntary redundancy schemes - Compensations for reduction of coal supplies
Coal Industry Modernisation, Rationalisation, Restructuration and Activity Reduction Plan 1994 - 1997	PSOE	769	427'000	4'275	Spanish budget	- Direct and indirect support to coal mining companies to improve productivity and to compensate supply losses - Early retirement and voluntary redundancy schemes
Coal Mining Plan 1998 -2005	PP	-16'190	-5'675'271	9'246	Spanish budget	- Early retirement and voluntary redundancy schemes - Compensations for reduction of coal supplies
Coal Strategic Reserves National Plan 2006 -2012 and New Model of Sustainable and Holistic Development of Mining Regions	PSOE	-4'910	-5'750'000	4'987	Spanish budget	- Direct and indirect support to coal mining companies to increase productivity - Early retirement and voluntary redundancy schemes - Support to environmental and technological investment projects
Action Framework for Carbon Mining and Mining Regions 2013- 2018	PP	-2'222 (planned)	-672'593 (planned)	n/a	Spanish budget	- Direct support to compensate for production losses - Exceptional support including early retirement and voluntary redundancy schemes and mitigation of environmental impact

*Sources: cost of plans: (Llamas, 2012); Plan 1998–2005 (Ministerio de Industrial y Energía, 1998); Plan 2006–2012 (Instituto para la Reestructuración de la Minería del Carbón, 2012); Plan 2013-2018 (Instituto para la Reestructuración de la Minería del Carbón, 2013); other: (CCOO & UGT-FITAG, 2015)*

# Champions



- The EU provided an external impetus for reform.
- Most reforms under the left-wing Spanish Socialist Workers Party (PSOE) at national and regional levels.
- The Union General de Trabajadores (UGT) was established in the region by Pablo Iglesias, the same leader that established the PSOE; and Unión Sindical Obrera
- Hunosa, the state-owned coal mining company, played an important role supporting the reform plans, since it absorbed many of the private coal mines in Asturias that were expected to close due to their high operating costs.

Many of the people attempting to deliver a phase out trusted each other and were natural political allies

# The case for reform



- EU, state aid rules a key driver;
- The proposals for much of the early retirement plan the coal phase out originated from the Unión Sindical Obrera,
- With political acceptance that reform was inevitable and engagement from unions much of the potential opposition was neutralised.



# Complementary policies



**Table 3. Measures to manage negative impacts**

Measure	Examples	Desired impact
Macroeconomic and structural policies (long-term)	<ul style="list-style-type: none"><li>• Diversifying the economy and businesses</li><li>• Removing barriers to renewable energy or energy efficiency</li></ul>	<ul style="list-style-type: none"><li>• Attracting investment to affected regions</li><li>• “Related diversification” by developing economic activities that are related to existing industries</li></ul>
Public sector policies for job creation (short to medium term)	<ul style="list-style-type: none"><li>• Public procurement, sustainable infrastructure projects, public regulations</li></ul>	<ul style="list-style-type: none"><li>• Stimulating job growth in regions that will face job declines</li><li>• Fighting the “environment vs. jobs” narrative</li></ul>
Active Labour Market Policies	<ul style="list-style-type: none"><li>• Employment services, providing information and matching services</li><li>• Early retirement schemes</li></ul>	<ul style="list-style-type: none"><li>• Support unemployed workers and workers at risk of unemployment</li><li>• Retain income and purchasing power in the affected areas</li></ul>
Skills development and retraining	<ul style="list-style-type: none"><li>• On-the-job-training in companies</li><li>• Training courses</li><li>• Relocation expenses and assistance</li></ul>	<ul style="list-style-type: none"><li>• Support the redeployment of workers in stable and well-paying employment</li><li>• Create income opportunities for workers and their families</li></ul>
Social protection	<ul style="list-style-type: none"><li>• Social security systems, unemployment benefits, retirement</li></ul>	<ul style="list-style-type: none"><li>• Reduce the negative impact of job losses, provide income support to families</li></ul>
Community renewal and regional economic diversification	<ul style="list-style-type: none"><li>• Provide funding for community projects</li><li>• Support to regions based on an assessment of their potential strengths</li><li>• Building up local entrepreneurial networks</li></ul>	<ul style="list-style-type: none"><li>• Help anticipate losses in revenue and economic activity in communities that are highly dependent on fossil fuel-related work sites</li><li>• Make regions more attractive and create a sense of belonging</li></ul>

# Complementary policies



- Early retirement is the clear major mitigation policy deployed here
- Early-retirement measures have a number of positive impacts
  - Reduction of poverty and the preservation of local economies.
  - the predictability of cost and of the outcome
  - Breathing space provided for retraining
- There are several disadvantages to the policy:
  - The cost of the scheme.
  - Paying former miners a monthly salary until they reach the official retirement age is a long-term commitment
  - Unintended consequences, including the tendency towards substance abuse and social breakdown

# What can we learn from this example?



- One of the key messages of the framework is that each case is unique. Politics is the art of the possible;
- This case study highlights the importance of social safety nets for workers and the potential for high prices to avoid overwhelming opposition;
- Shows that it is possible to reform under a system where the power is held by those who would normally be thought to oppose reform;
- Perhaps the key message is the need to study the political economy and explore creative solutions and seek coalitions for reform;

# Thank you for your attention!

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#JustTransition #CoalTransition

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# Further reading from IISD:

Bridle, R., Kitson, L., Duan, H., Sanchez, L., & Merrill, T. (2017). [At the Crossroads: Balancing the financial and social costs of coal transition in China.](#)

Gerasimchuk, I., Merrill, L., Bridle, R., Gass, P., Sanchez, L., Kitson, L. & P. Wooders. (2018). [Fossil fuel phase-out and a just transition. Learning from stories of coal phase-outs. Stories for success for the UNFCCC Talanoa Dialogue.](#)

Zinecker et al. (2018). Real people, real change – strategies for just energy transitions. IISD. <https://www.iisd.org/library/real-people-real-change-strategies-just-energy-transitions>