Stakeholder Engagement in the Transition Context

Guidance for Practitioners

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Foreword

Acknowledgements

The following guidance was developed by Business for Social Responsibility (BSR), a sustainable business network and consultancy focused on creating a world in which all people can thrive on a healthy planet, in conjunction with participants from the Energy for a Just Transition (EJT) collaboration. The perspectives expressed solely reflect the views of BSR and the authors and have been informed by insights and discussions fostered in the EJT collaboration.

EJT is a precompetitive, business-led collaborative initiative facilitated by BSR, in partnership with The B Team, a global collective of business and civil society leaders driving a better way of doing business for people and the planet. EJT’s mission is to bring together committed energy, utilities, and related companies to support a worker- and community-centered transition to a net-zero economy.

This report was authored by Andrey Pertsov and Ouida Chichester. The authors wish to thank all BSR colleagues and B Team partners for their invaluable insights and contributions to this guidance, particularly Sierra Leder, Cameron Steagall, Anine Bundgård, Deborah Gallagher, Paloma Muñoz Quick, and the dedicated EJT participants.

Intended Audience

This guidance is intended for local practitioners at project and country levels involved in engaging the workforce and unions, stakeholders and communities, business partners, and governments within the energy and utilities sectors. It also serves site-level business functions responsible for operational decisions and corporate staff who develop frameworks to support colleagues in the field.

While this document targets these specific roles, it is important to acknowledge that companies have different organizational structures and the responsibilities outlined may not fall within a single person's scope. However, a key message at the company level is the importance of adopting an integrated and strategic approach to social dialogue and stakeholder engagement, which may require collaboration across departments and a concerted effort to break down functional silos, ensuring a cohesive and comprehensive engagement strategy that aligns with the principles of a just transition.

While tailored for energy companies, the principles are applicable across various industries.

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Introduction

A just transition cannot truly be considered “just” unless those most affected are included in the process and have an opportunity to shape its outcome and process. As businesses navigate the transition to a low-carbon economy, companies should engage in a proactive, responsive, and ongoing way with stakeholders to understand their perspectives and concerns before making major decisions that impact them.

Stakeholder engagement and social dialogue in the context of a just transition involves connecting with diverse groups to understand and address social risks while also identifying and maximizing potential benefits. The approach to stakeholder engagement and social dialogue may differ depending on whether a company is "transitioning out" of high-carbon assets and activities or "transitioning in" to low-carbon opportunities. The aim is to integrate stakeholder—including worker—perspectives into transition planning and management, ensuring the process is fair and has the goal of creating positive outcomes for all involved.

- Transition out: For companies phasing out emissions-intensive assets like coal plants or oil/gas operations, stakeholder engagement and stakeholder dialogue focuses on responsibly managing the impacts on affected workers and communities. This requires deep engagement with those closely tied to the legacy business. While risk mitigation and remedy are crucial, companies should also strive to create lasting positive impacts, such as supporting community and worker resilience through skills development, fostering local economic diversification, or leaving behind beneficial infrastructure so that stakeholders can thrive post-transition.

- Transition in: For companies developing new low-carbon projects, stakeholder engagement involves proactively consulting with potentially impacted groups to understand their perspectives, concerns, and aspirations. This process should build on established best practices while broadening engagement to include voices from traditionally overlooked or excluded groups. Companies should seek opportunities for benefit sharing and co-creation, key mechanisms for achieving a just transition, to ensure that host and impacted communities and stakeholders receive economic, social, and environmental value from the project. It is also crucial to acknowledge the potential for cumulative impacts and stakeholder engagement fatigue, especially in regions with multiple projects. To address this, companies operating in the same area have an opportunity to collaborate, coordinating their engagement efforts to minimize redundancy and maximize meaningful participation.

> "A just transition, by nature, is localized. Many project teams on the ground are already engaging with all manners of stakeholders, as part of their roles. However, the key question facing many of these practitioners is, what is the added element of a just transition to what they are already doing?"
>
> — *Global Head of Just Transition, Energy Company*

Ultimately, comprehensive social dialogue and stakeholder engagement will enhance understanding of the perspectives and priorities of workers, their unions and representatives, affected communities, local and national governments, and other stakeholders that are foundational to the process of ensuring a rights-respecting energy transition.

Defining Key Concepts: Stakeholder Engagement and Social Dialogue[1]	
Stakeholder engagement and social dialogue are related but distinct concepts. This guidance focuses on stakeholder engagement, though social dialogue is an equally important part of a just transition.	
Stakeholder engagement involves interaction and dialogue between an enterprise (e.g., a company or organization) and its potentially affected stakeholders, which can include various groups such as workers, local communities, civil society organizations, government agencies, and others.	**Social dialogue** refers to the process of negotiation, consultation, or information sharing between workers and management (bipartite) or workers, management, and government representatives (tripartite).

[1] The International Labour Organization (n.d.), Social Dialogue.

Stakeholder Engagement in a Transition Context

The UN Guiding Principles on Business and Human Rights (UNGPs) emphasize meaningful stakeholder engagement as a critical component of corporate responsibility to respect human rights. This process involves ongoing interaction and dialogue between companies and those potentially affected by their operations, enabling businesses to understand, address, and mitigate their human rights impacts. Effective stakeholder engagement, as outlined in the UNGPs, requires companies to proactively identify affected stakeholders, engage in genuine consultation, and respond to concerns through collaborative approaches.

Stakeholder engagement in the oil, gas, and energy sectors has evolved significantly over the decades, with many companies employing well-developed methods, such as community consultations, social impact assessments, and local content programs, to name a few examples. While a foundation of good practices exists, implementation of these good practices has not always been consistent across geographies and assets.

A just transition introduces new stakeholder considerations beyond traditional best practices approaches. The challenge now is to build upon the foundation of good stakeholder engagement practices and fully embrace just transition principles. This shift requires acknowledging existing strengths in stakeholder engagement while innovating to address gaps in current approaches, ultimately fostering more equitable, inclusive, just, and sustainable engagement with all stakeholders throughout the transition process.

While advocating for expanded and improved stakeholder engagement, it's crucial to recognize a potential tension: the risk of stakeholder fatigue, particularly in regions with multiple energy projects. This may seem at odds with the call for more comprehensive engagement, but addressing both concerns is essential for effective just transition strategies. To reconcile these seemingly conflicting recommendations, companies should focus on quality over quantity in their engagements and explore collaborative approaches. Ultimately, a just transition, by nature, is place-based and will differ across regions, countries, and communities. A successful just transition cannot be imposed from the outside but must be developed and implemented with the active participation and leadership of those most affected, respecting their unique identities, aspirations, and visions for the future. While many project teams already engage with local stakeholders, the question arises: **What new challenges and opportunities does a just transition pose for stakeholder engagement?**

Based on conversations with industry experts and just transition practitioners, the Energy for a Just (EJT) collaboration has highlighted some considerations and processes to help answer this question. The following include elements critical for stakeholder engagement in a transition context.

Benefit Sharing

In a just transition, benefit sharing is becoming increasingly integral to project development and operations, ensuring that host and impacted communities receive economic, social, and environmental value. This involves creating structured mechanisms like revenue sharing agreements, community funds, local employment prioritization, and environmental stewardship initiatives in line with their priorities, needs, and aspirations to ensure equitable distribution of project benefits. (For additional information, see Appendix Topic Spotlight: Benefit Sharing.) This shift reflects changing societal expectations and a recognition that local communities should directly benefit from energy projects in their area.

When developing community benefits sharing arrangements, it is important to account for various historical, environmental, social, and economic factors that may influence the local context. This can include insights into the unique challenges, sensitivities, and power dynamics within the community (e.g., the presence of Indigenous Peoples, any history of conflict with land-based businesses, land tenure insecurity, previous instances of economic or physical displacement/resettlement, low or unequal access to energy, high levels of poverty and unemployment, and the existence of other large projects in the vicinity, etc.) that would enable more effective and contextualized benefit sharing strategies.

Including impacted stakeholders early on in the process of determining community benefit-sharing agreements is an evolving expectation in a just transition context. Additionally, co-creating these agreements alongside impacted stakeholders to create equitable, long-term benefit-sharing agreements that preserve cultural identities and build community resilience is best practice.

Co-creation

Co-creation is a collaborative process that places affected communities at the center of decision-making, actively involving them in developing strategies and solutions alongside companies and other stakeholders. This approach is fundamental to a just transition because it recognizes that communities experiencing direct impacts are best positioned to identify suitable solutions. Key aspects of co-creation include listening and learning from community perspectives, acknowledging and taking accountability for past harms, engaging in long-term, equitable, and trust-based partnerships, and sharing opportunities and benefits. In transition-out contexts, co-creation focuses on jointly developing strategies for economic diversification and community resilience post-closure. For transition-in scenarios, this means collaborative planning of new energy projects, ensuring local perspectives shape decisions from inception.

To implement effective co-creation, it is crucial to create safe spaces for open dialogue, potentially using neutral facilitators, and providing adequate compensation to stakeholders to cover lost working hours and expenses incurred due to engagement activities as well as for sharing their knowledge and expertise. Companies should offer various participation formats to accommodate different comfort levels and capabilities. Practitioners should regularly assess the process, asking questions such as "Are all stakeholder groups adequately represented?" "How are we incorporating their views?" and "How are we ensuring that stakeholder groups are provided real opportunities to offer expertise in designing plans?" In transition-out scenarios, practitioners should organize joint planning sessions to develop economic diversification strategies and repurposing options for industrial sites. For transition-in projects, this involves facilitating workshops to collaboratively design benefit-sharing agreements, local content policies, community development initiatives, and environmental management plans.

Thoughtful and intentional co-creation with affected communities facilitates conscious inclusion of those who historically were or are excluded from both policy and business decision-making processes; presents an opportunity to address disparities and systemic inequities and discrimination; and can enhance institutions and climate solutions through diversity of experience, thought, and expectations.

Cultural Identity

Cultural identity, often overlooked yet profoundly impactful, can become the linchpin in a community's collective response to large-scale industrial changes. The core challenge lies in navigating the balance between honoring a community's historical ties to existing industries—where a local cultural identity can be closely embedded with the predominant industry in the area and often represents an intergenerational legacy in the community—while fostering new cultural narratives that embrace future opportunities. In both transition-out and transition-in scenarios, recognizing and respecting cultural identity is crucial for successful, harmonious transformations. When transitioning out, practitioners should recognize that the closure or reduction of long-standing industrial operations can profoundly impact a community's sense of identity and purpose. This is particularly true in regions where generations of residents have built their lives around a specific industry. When transitioning in, the focus shifts to integrating new industries and technologies in a way that respects and enhances existing cultural identities.

By prioritizing cultural considerations throughout the transition process, companies can ensure that changes are not merely imposed upon communities but are shaped by and aligned with their deeply held values, aspirations, and sense of self, ultimately leading to more resilient and sustainable outcomes. In a transition context, this could involve conducting comprehensive cultural impact assessments; facilitating community dialogues about identity, values, traditions, and future aspirations; supporting initiatives that preserve industrial heritage while fostering new cultural narratives; and collaborating with local artists, historians, and cultural institutions to document and celebrate the community's legacy.

Time Horizon

Extended time horizons are essential for navigating the complex landscape of just transitions. Early engagement recognizes the complexity and far-reaching implications of a transition to a net-zero economy and the need for stakeholders to be active participants in shaping the transition's outcomes. When transitioning out, extended timelines for engagement allow adequate time to engage workers, plan workforce reskilling, and implement community economic diversification and responsible asset decommissioning. When transitioning in, longer timelines ensure new projects carefully consider socioeconomic impacts, take a human-centered approach, and leave room for co-creation, project redesign, and meaningful benefit sharing. While this approach of early and extended engagement carries some risks for the business, such as the potential for increased scrutiny or the need to manage stakeholder expectations over longer periods, practitioners should recognize that the risks of not adopting this approach in a transition context may often be greater. Failure to engage stakeholders early and meaningfully could lead to significant opposition, delays, or even the undermining of transition plans altogether.

Practitioners should embrace the opportunity to think differently about timelines and engage with stakeholders much earlier than usual. By initiating dialogue well in advance of decisions, stakeholders have sufficient time to familiarize themselves with the issues, consult internally, and develop informed perspectives that they can share with the company. From there, a company should demonstrate the intent to listen and adapt to the needs of affected stakeholders.

Transparency

In the context of a just transition, transparency is crucial for empowering stakeholders and building trust. This expanded approach addresses the information gap often present between companies and affected communities, helping to bridge differences in technical expertise and access to specialized data. Stakeholders frequently lack technical expertise, specialized data, and access to resources that companies command, which can inhibit their ability to engage on an equal footing. When transitioning out of existing operations, transparency involves openly communicating about the reasons for closure, the timeline for decommissioning, and the potential impacts on the workforce and community. This could include sharing information about the company's broader transition strategy and how local decisions fit into the larger picture of climate change mitigation efforts. When transitioning into new energy projects, companies should consider sharing information about the potential environmental and social impacts of new technologies and be open about both the opportunities and risks associated with the new projects.

Transparency involves a fundamental shift toward openness, accountability, and collaborative problem-solving. By openly sharing details through tailored communication in accessible formats (e.g., written in local language, presented visually, etc.), companies can empower stakeholders with facts rather than perpetuating information asymmetries.

Stakeholders to Engage in the Transition Context

The energy transition—whether it is a transition in or a transition out—will have distinct impacts on stakeholders across labor, communities, business, and government. Practitioners should seek to engage these distinct groups, integrating their diverse perspectives into company transition plans.

Labor

Labor stakeholders encompass workforce and unions, contractors, and workforce development partners (e.g., universities, trade schools, training institutions). The stakeholders in this category are fundamental in the context of a just transition, particularly when considering the need for workforce adaptation, skills development, and managing the social impacts of transitioning to new industries or technologies.

In the just transition context, practitioners should recognize that workforce planning is no longer solely an operational concern but a critical component of a broader transition to net zero. When engaging these stakeholders, early workforce planning and social dialogue are critical. Failure to proactively address workforce transitions can lead to social and economic disruptions, undermine the company's social license to operate, and ultimately hinder the transition's success. Early engagement allows for comprehensive planning of workforce transitions, skills development, and social protection measures. This extended timeline enables companies to align their strategies with long-term goals, while providing time for workers to adapt.

The engagement process should adhere to key principles guiding ongoing interactions. These include:

- Engaging in social dialogue that is ongoing and meaningful through bipartite (unions and employers) and tripartite (unions, employers, and governments) negotiations.
- Providing transparent communication about transition plans and their impacts on jobs.
- Developing clear information about future job opportunities and required skills.

By following these principles, companies should work toward collectively achieving larger goals, such as:

- Creating quality jobs that respect labor rights and provide fair working conditions.
- Aligning workforce capabilities with future industry needs.

- Supporting long-term community resilience through skills development, retraining programs, and social protection measures.

A defining feature of a just transition is its commitment to minimizing negative social impacts of the energy transition. These impacts may vary between transition-out and transition-in scenarios. In a transition out, the focus is on mitigating job losses and economic disruption through proactive workforce planning. Transition in emphasizes skills development for new low-carbon industries, partnering with workforce development partners, and fostering a supportive ecosystem. While the specific challenges may differ between transition-out and transition-in scenarios, the core principles and high-level outcomes of stakeholder engagement remain relevant.

Workforce and Unions: Reflections and Questions for Practitioners to Consider

Transition Out

Companies should begin planning early and look at factors, including project life cycles and broader company transition plans, to understand upcoming and planned project transitions. Moreover, this process does not need to be performed in isolation—it can be useful to engage with government stakeholders and other companies to understand all available opportunities. From there, practitioners should establish ongoing communication channels, such as worker councils and regional union platforms, to support ongoing and meaningful dialogue for comprehensive planning of workforce transitions, skills development, and social protection measures.

- How can the company collaboratively develop long-term workforce transition plans that respect workers' rights and livelihoods?
- What skills development and retraining programs can be implemented to support workers in transitioning to new sectors?
- How can the company support social benefits and social protections for workers and unions being impacted by the closure of existing assets?
- How can the company support a transition process that is transparent, inclusive, and respects collective bargaining agreements?

Transition In

Practitioners should focus on proactive skills assessment and development strategies tailored to new low-carbon projects and involve unions and workers in co-creating workforce development programs. There should be an emphasis on the creation of quality jobs that respect labor rights, provide fair working conditions, address inequalities, and offer opportunities for traditionally marginalized and overlooked communities (e.g., women, minorities, etc.), while also addressing how digitalization and automation might impact future roles. A critical aspect throughout this process is addressing diversity, equity, and inclusion considerations to avoid perpetuating past inequities.

- How can the project create quality jobs that respect labor rights and provide fair working conditions?
- What opportunities exist for co-creating workforce development programs to support the transition to new energy sectors?
- How can the company ensure that the benefits of the transition are shared equitably among workers and communities?

Contractors: Reflections and Questions for Practitioners to Consider

Transition Out

Practitioners should provide contractors with transparent information about changes well in advance of a transition out and develop strategies for including the contractor workforce in retraining or re-employment opportunities.

- How can the company work in partnership with its contractors to minimize the negative impact on their employees and support these workers' transition to new opportunities?
- What retraining or skill development programs can be offered to help the contractor workforce find new quality jobs?
- How can the company ensure transparent communication and fair treatment of the contractor workforce throughout the transition process?

Transition In

Practitioners should engage contractors and the contractor workforce to ensure they understand new project requirements and opportunities, focusing on skills development and inclusive hiring practices.

- What skills and capabilities will be needed for the new project, and how can the company support contractors in developing these skills in their employees?
- How can companies develop inclusive local content plans that extend competitive opportunities to local and diverse-owned businesses?
- How can the company collaborate with local educational institutions and training centers to develop programs that

enhance the skills of the local workforce, making them more competitive for contractor opportunities in the new project?

- What strategies can be implemented to identify and mentor local small and medium-sized enterprises (SMEs) to become part of the project's supply chain?
- How can the company effectively communicate the relevance of the transition to the contractor workforce and address their specific concerns?

Workforce Development Partners: Reflections and Questions for Practitioners to Consider

Transition Out and Transition In

Practitioners can work alongside, and fund, workforce development partners (e.g., universities, trade schools, training institutions) to assess the local education landscape and provide the needed training to the workforce. Preparation should include gathering data on current workforce skills and anticipated future needs. It is crucial to engage these stakeholders early to allow sufficient time for developing and implementing skills training programs.

- How can nearby universities, trade schools, and/or training institutions contribute to developing transferable skills for the workforce?
- What research collaborations could provide insights into managing social and economic impacts of the transition?
- How can the company collaborate with these partners to develop tailored training programs for the new energy landscape?
- How can these partnerships contribute to long-term economic development in the region?
- What opportunities exist for research partnerships to support project development and impact assessment?
- How can these partners facilitate dialogue between various stakeholders in the transition process?
- How can workforce development partners help ensure a diverse group of people, including those not traditionally employed in the energy sector, are trained and well-positioned for future jobs?

Community

Community stakeholders in a just transition context encompass populations who are directly affected by business operations—including communities, Indigenous Peoples, and other vulnerable groups—and the local civil society organizations (CSOs) who represent them. These stakeholders are crucial to engage as they possess valuable local knowledge and perspectives, and their involvement is essential for ensuring equitable, sustainable outcomes in both transition-in and transition-out scenarios.

When engaging community stakeholders, timing is one of the most critical just transition considerations. Early planning and engagement with these stakeholders sets the foundation for a rights-respecting process and builds trust. This early involvement becomes an enabling factor, allowing practitioners to integrate other just transition elements effectively.

The engagement process, initiated by early timing, should adhere to core principles that guide ongoing interactions. These include:

- Communicating in a culturally appropriate, transparent, and inclusive manner that considers and addresses the needs/limitations across all community members (e.g., prepare clear, accessible information about the project, tailored to the community's language and cultural preferences, offering a mix of times and days).

- Addressing power imbalances between the company and impacted communities in a manner that builds capacity within communities and empowers stakeholders to be self-sufficient and more resilient (e.g., through capacity building and/or offering third-party advisory or legal services).

- Establishing robust feedback mechanisms for ongoing community input and equitable participation, incorporating proactive risk management strategies to help identify and mitigate conflicts (e.g., by seeking to understand the community's primary concerns and being ready to adapt based on community input).

By following these principles, companies should work toward collectively achieving larger goals, such as:

- Fostering a sense of community ownership (e.g., incorporating the community's vision into transition plans).

- Developing a culture of collaborative problem-solving (e.g., identifying shared value opportunities and developing adaptation strategies).

To prepare for these engagements, conducting human rights due diligence and vulnerability assessments can be essential to understand the local context, including historical, environmental, social, and economic factors. This process should identify potentially impacted groups, paying special attention to vulnerable and marginalized populations. While these efforts may not guarantee immediate trust or definitive tangible outcomes, especially given historical complexities, they lay the groundwork for more equitable and constructive relationships between companies and affected communities. This approach recognizes the unique perspectives and needs of each stakeholder group, striving to create a just transition process that is both inclusive and responsive to local contexts.

Communities: Reflections and Questions for Practitioners to Consider

Transition Out

Practitioners should address how to ensure continued access to essential services and resources, and what skills and resources the community needs to build resilience and adapt to the changes. Importantly, the exit plan should incorporate the community's vision for their economic and social future, fostering a sense of ownership and sustainability in the transition process. Moreover, practitioners should ensure that groups with a heightened risk of vulnerability or marginalization do not experience disproportionate impacts and that existing vulnerabilities are not exacerbated as a result of the company’s transition out from existing operations.

- How can the economic vitality of the community be maintained after the company's departure, and what opportunities exist for repurposing existing infrastructure or assets?
- What are the primary concerns of the community regarding the exit, particularly in terms of job losses, cultural identity, and access to essential services?
- How can the company support the development of new skills or industries to help the community adapt to the post-exit economy?
- What mechanisms can be put in place to enable the continuation of social investments and community programs after the company leaves?
- How can the exit plan incorporate the community's vision for its future, and what role can the company play in facilitating this transition?
- Are there opportunities for partnerships with local businesses, government entities, or other organizations to support the community's long-term sustainability?
- How can the engagement process itself be designed to be inclusive and accessible to all, regardless of factors like literacy levels, physical disabilities, gender, etc.?
- How will the company monitor and address any unforeseen impacts on vulnerable groups post-exit?

Transition In

Practitioners should balance the prevention and management of environmental and social project impacts on local communities with the imperative to deliver direct value and benefits to those same communities. These outcomes, when combined, should seek to establish trust, gain social license to operate, and ensure the project respects human rights. Additionally, practitioners should be intentional about including groups that are traditionally excluded from having the opportunity to provide input, despite being impacted by a project. Lastly, practitioners and companies should be mindful of cumulative impacts and avoid stakeholder engagement fatigue by streamlining consultations and focusing on meaningful participation.

- How can the project be designed to maximize benefits for the local community, while minimizing negative impacts on rights and livelihoods?
- What are the community's expectations and concerns regarding the project, and how might these differ from initial assumptions?
- How can the company enable equitable participation and benefit distribution, particularly for vulnerable or marginalized groups (e.g., through targeted engagement, training programs, inclusive hiring practices, benefit-sharing agreements)?
- How can the company identify and mitigate stakeholder engagement fatigue while ensuring that all affected groups, particularly those traditionally excluded, have meaningful opportunities to participate in project consultations?
- How can engagement processes be designed to be culturally appropriate and accessible to members of vulnerable groups?
- What are the community’s unique circumstances (e.g., coastal communities, desert communities, water-stressed regions, rural farming communities, remote communities, religious/cultural minority communities, and informal settlements) and how can the project address vulnerabilities from those circumstance to build resilience?
- What mechanisms can be put in place to enable the continuation of social investments or continuation of community programs after the company leaves?
- How can the exit plan incorporate the community's vision for its future, and what role can the company play in facilitating this transition?
- Are there opportunities for partnerships with local businesses, government entities, or other organizations and businesses to support the community's long-term sustainability?

- How can the engagement process itself be designed to be inclusive and accessible to all, regardless of factors like literacy levels, physical disabilities, gender, etc.?
- How will the company monitor and address any unforeseen impacts on vulnerable groups post-exit?

Indigenous People: Reflections and Questions for Practitioners to Consider

Transition Out

Transitioning out needs to respect Indigenous rights, focusing on preserving cultural heritage, supporting economic resilience, and addressing past harms.

- What mechanisms can be put in place to ensure the continuation of social investments or continuation of programs in place for Indigenous communities after the company leaves?
- How can the exit strategy incorporate Indigenous knowledge and perspectives on land stewardship and cultural preservation?
- What opportunities exist for supporting Indigenous-led economic initiatives or repurposing existing infrastructure to benefit the community long term?
- What processes can be implemented to identify, acknowledge, and address any historical or past harms caused or contributed to by the company's operations, ensuring these are properly remediated before/during exit?

Transition In

Indigenous Peoples need to be engaged to seek Free, Prior, and Informed Consent (FPIC) at every stage, along with the right to grant, withhold, or withdraw consent throughout the process. Practitioners should engage early to allow sufficient time for Indigenous decision-making processes and build community capacity for effective participation in technical discussions. These efforts should prioritize transparent communication and working collaboratively with Indigenous communities to develop projects that contribute to their self-determined development goals while respecting their cultural identity and traditional practices.

- How can the project be designed to respect and enhance Indigenous rights, cultural practices, and traditional land use?
- What benefit-sharing mechanisms, including co-ownership or co-equity models, can be developed to ensure equitable participation in the project's success?

- How can Indigenous knowledge and perspectives be meaningfully integrated into project planning and implementation?
- What strategies can be employed to build long-term capacity within Indigenous communities to participate in and benefit from the transition to a low-carbon society?

Local Civil Society: Reflections and Questions for Practitioners to Consider

Transition Out

Practitioners should identify key local nongovernmental organizations (NGOs) and CSOs with interests in the transition out process. Preparation should include assessing the historical relationship with these groups and the project while understanding their main concerns and priorities related to the exit. Other considerations should include compensating them for their work and time and ensuring that the company provides access to remedy to address any past harms.

- How can local NGOs and CSOs contribute to developing sustainable post-exit plans for affected communities?
- What mechanisms can be established to address environmental and social concerns raised by these stakeholders during and after the transition?

Transition In

Practitioners should aim to foster constructive relationships with local civil society to gain valuable insights and bring to light any early indicators of potential opposition to the project or need for project redesign. Early engagement through transparent, two-way dialogue enables companies to address concerns early and change project design, as needed.

- How can the company leverage NGOs' and CSOs' local knowledge and expertise to improve project design and implementation?
- How can local NGOs and CSOs help enable community participation in discussions and co-creation?
- What mechanisms can be established for ongoing collaboration and feedback throughout the project life cycle?

Business

Business stakeholders encompass customers, business partners, and investors. This category includes stakeholders that are directly involved in or have significant influence over a company's business operations and market positioning.

The engagement process, initiated by early planning, should adhere to key principles that guide ongoing interactions. These include:

- Fostering transparent communication about transition plans and their impacts on business relationships, services, and local economies.
- Establishing mechanisms for ongoing dialogue with customers, business partners, and investors.
- Developing clear information about transition time lines, regulatory requirements, and potential changes in business operations.

By following these principles, companies should work toward collectively achieving larger goals, such as:

- Maintaining business continuity and customer trust throughout the transition process.
- Aligning transition plans with government priorities for energy transition and local development.
- Fostering partnerships to support economic development and diversification.
- Ensuring regulatory compliance and securing necessary permits for new projects or responsible exits.

This engagement strategy should recognize the diverse needs and perspectives of business partners, customers, and investors, striving to create a just transition process that balances business objectives with broader societal and economic considerations in the evolving energy landscape.

Customers: Reflections and Questions for Practitioners to Consider

Transition Out

Customers face the unique challenge of adapting to changes in energy supply and potentially shifting to new providers during transition out. The local energy context is important to consider because there may be customers who are dependent on the company for their energy provision. Practitioners should consider focusing on creating detailed continuity plans and establishing partnerships with alternative energy providers to ensure a smooth transition for customers.

- How can the company ensure or support continuity of service during the transition?

- What are the potential impacts on customers, and how can the company mitigate them?
- How can the company effectively communicate transition plans to maintain customer trust?

Transition In

The transition provides the opportunity for customers to benefit from new, cleaner energy sources and innovative technologies. Practitioners can prepare by developing comprehensive customer education programs and tailoring service offerings to meet evolving energy needs.

- What are the potential risks and responsibilities in the new value chain, particularly regarding customer complaints or issues?
- How can the company effectively communicate the benefits of the transition to customers while addressing any concerns this group may have?
- How can the company ensure that transparent communication can address or combat potential misinformation about a new energy project?

Business Partners: Reflections and Questions for Practitioners to Consider

Transition Out

Companies should seek to establish alignment on post-exit responsibilities and understand how business partners will assume ongoing operations, social commitments, and liabilities after the company's exit. Moreover, relevant teams should be trained and equipped to integrate human rights and broader social considerations into their conversations with business partners.

- Who will be accountable for addressing environmental and social aspects, as well as any associated liabilities, after the company's exit?
- How can the company and business partners support the resilience of local communities and help them adapt to the post-closure reality, especially if their cultural identity is tied to the industry?
- What collaborative plans can be developed with business partners for workforce reskilling, redeployment, and minimizing job losses?
- What opportunities exist for the company and business partners to support the diversification of the local economy and create alternative employment opportunities?

- How can the company ensure open and transparent communication with business partners, explaining the rationale and benefits of the exit plan, while fostering trust and addressing concerns?

Transition In

Practitioners involve business partners as integral components of the project ecosystem, including them in decision-making processes and stakeholder engagement to collectively meet regulatory requirements and gain social license to operate. For example, the company and business partners should work collectively with communities to develop benefit-sharing arrangements.

- What mechanisms can be established to ensure that business partners align on sustainability goals and human rights obligations throughout the project?
- How can the company collaborate with business partners to co-design locally appropriate strategies and programs that equitably benefit local communities?
- What potential risks and responsibilities in the new value chain should be discussed and planned for with business partners?
- How can the company work alongside business partners to create opportunities for local workforce development and skills training in the new energy landscape?
- What processes can the company put in place to regularly review and adjust partnership strategies as the project evolves?

Investors: Reflections and Questions for Practitioners to Consider

Transition Out and Transition In

Over the last few years, social risks in low-carbon projects (manifested in labor strikes, community protest, just transition litigation, and political backlash) have become more prominent. In this context, investors and financial institutions expect a robust energy transition strategy that demonstrates a capacity for identifying and mitigating social risks threatening the delivery of the strategy. In addition, financial institutions and banks (including multilateral banks) are paying more attention to social risks associated with projects they finance. This has magnified the importance of companies demonstrating positive social consequences of their low-carbon solutions to gain access to capital.

The role and priorities of investors can vary significantly depending on the investor type, the financing mechanisms involved, and the overall project context. Understanding these contextual differences is crucial for practitioners to effectively engage with investors, as needed, to enable the project to align with the local community's and workers' needs and respect their rights throughout its life cycle.

- What type of investors are involved in the project (e.g., banks, institutional investors, venture capitalists, impact investors, international finance institutions)?
- What are the key investment objectives and priorities of these investors (e.g., financial returns, environmental/social impact, policy alignment)?
- What are the specific investment terms on relevant topics such as exit strategies?
- What are the key risks that the investors have identified, both financial and nonfinancial (e.g., regulatory, technological, community-related)?
- How well do the investors' priorities and expectations align with the local community's needs, concerns, and development aspirations?
- Are there any potential areas of tension or conflict between the investors' interests and the local community's interests?

Government

It is crucial to recognize that companies alone cannot ensure a just transition. Governments play a pivotal role in the just transition process, simultaneously serving as both regulators and collaborators. As regulators, governments set the legal and policy frameworks that define the parameters for a just transition, ensuring that companies are held accountable for their social and environmental impacts. These frameworks include labor laws, environmental regulations, and social protection measures that guide companies in making equitable and sustainable changes. Additionally, governments are not only regulators but also potential investors and business partners in energy projects. Therefore, companies should leverage their expertise to support the development of forward-looking policies that can help shape an enabling environment conducive to a just transition. By collaborating with governments, companies can influence the development of supportive policies, access public funding, and ensure that infrastructure and community support systems are in place to ensure that projects are a value add to local communities and economies. To do this companies should leverage their expertise to help governments develop forward-looking policies that extend beyond typical business cycles. This involves sharing long-range impact assessments and industry transition plans to inform policy development, with extended time horizons in mind. Ultimately, this dual role makes governments critical to the success of just transition efforts, ensuring that the shift to a low-carbon economy is inclusive, fair, and sustainable for all stakeholders involved.

Regulators and Government: Reflections and Questions for Practitioners to Consider

Transition Out

Practitioners should engage with government well in advance of planned exits, allowing comprehensive planning to address lost tax revenues, job losses, and socioeconomic and environmental impacts, and to develop alternative economic strategies. Moreover, it will be important to consider election cycles and potential changes in administration when planning long-term engagement strategies as well as being able to navigate the landscape of different government levels and departments, each with potentially divergent interests and perspectives on the transition.

- How can the company and government collaborate to minimize negative impacts on the local economy and workforce?
- How can the company work with the government to support regional or national net-zero targets and/or climate transition places?
- What policies can be developed to share responsibilities for supporting affected communities?
- How can the exit plan align with the government's broader economic and energy transition strategies?

Transition In

Practitioners should align projects with local, regional, and national development goals by engaging early with diverse government stakeholders. This collaboration enables companies to demonstrate their project's socioeconomic benefits and can also be an opportunity to advocate for an equitable regulatory just transition landscape, while integrating into broader development strategies.

- How can the company’s project support the government's just transition goals and time lines?
- How can the company engage with regulatory bodies to help shape policies that support a just energy transition?
- Are there specific incentives or support mechanisms available for companies transitioning to cleaner energy technologies?
- What opportunities exist for co-creating workforce development programs to support the new energy landscape?
- How can the company better understand and learn from past examples of successful community engagement and economic development initiatives to leverage those in conversations with governments?

Conclusion

A just transition is not possible without engaging, through social dialogue and stakeholder engagement, those who will be impacted and incorporating their perspectives into the plans for transitioning out or transitioning in. Therefore, ensuring a just transition requires a commitment to operationally embedding diverse perspectives into every phase of decision-making, driving transparency, and creating greater opportunities for collaborative development and ownership with impacted rightsholders. In addition to including the elements critical for stakeholder engagement (benefit sharing, co-creation, cultural identity, time horizon, transparency) and the stakeholders to engage with in a transition context (labor, community, business, and government), other key actions that can enable a just transition include:

- **Develop a Local-level Stakeholder Engagement Strategy**: Conduct local stakeholder mapping to identify all relevant groups, including often overlooked stakeholders, in advance of any project-related business decision. Create a detailed engagement timeline that starts earlier than traditional project cycles, and design culturally appropriate engagement methods for each stakeholder group.

- **Conduct Human Rights and Social Impact Assessments**: Conduct human rights and social impact assessments focused on local contexts, developing mitigation plans with clear accountability and mitigation measures for identified risks. Consider creating community-based monitoring teams to track project impacts and support local cultural and environmental initiatives that preserve heritage and traditional practices.

- **Focus on Long-term Value Creation**: Develop long-term community investment plans and partnerships with local organizations that extend beyond the transition period, building community resilience. Establish local benefit-sharing mechanisms, such as community development funds, and invest in local infrastructure projects that will have lasting community benefits.

- **Ensure Access to Remedy:** Establish and/or maintain robust grievance mechanisms and provide access to remedy for all affected stakeholders. These mechanisms should be aligned with the UNGPs and be legitimate, accessible, predictable, equitable, transparent, rights compatible, and a source of continuous learning.

By building on existing best practices for stakeholder engagement, companies can align with just transition principles, including meeting obligations to mitigate and address human rights impacts while enhancing resilience, fostering long-term value creation, and positioning inclusion as a core business imperative.

Appendix

Energy for a Just Transition Company Examples

bp in Western Australia

In Western Australia, bp is developing several low-carbon projects, including the Australian Renewable Energy Hub and transitioning the Kwinana oil refinery into an energy hub.

To guide this transition, bp partnered with Creating Communities, an Australian social impact consultancy, to engage with local communities and stakeholders surrounding the three projects in the region. bp's approach involved understanding the needs and aspirations of communities surrounding its projects and how communities hope to benefit from the energy transition. This knowledge will be used to inform social investment and stakeholder engagement strategies, and how social risks are identified, mitigated, and managed.

The initiative highlighted the potential advantages of early engagement, co-creation with communities, and adopting a regional place-based approach in the context of energy transition projects.

bp: Sustainability Report 2023

bp: Australian Renewable Energy Hub

Iberdrola in Spain

Iberdrola developed a large portfolio of regional initiatives and collaborations to meet its just transition commitments as the company was closing its coal-powered thermal power stations in Lada (Asturias) and Velilla (Palencia), Spain to deploy new renewables and clean energy solutions. Co-creation was a core tenant of these efforts. Iberdrola worked closely with the Spanish government in the implementation of its national Just Transition Strategy. This was then followed up with action plans to address both the opportunities and challenges of the transition for different regions that were developed through social dialogue and close collaboration among public and private sector stakeholders.

To avoid job losses in the region due to the closure of the Lada and Velilla plants, Iberdrola initiated several green transformation plans in these regions, including creating citizens' platforms and circular economy projects and stimulating businesses and local employment. For example, the Citizens' Innovation Platform was a collaborative initiative launched by Iberdrola in partnership with the Centre for Innovation in Technology for Human Development of the Polytechnic University of Madrid (itdUPM) and the Agirre Lehendakaria Center (ALC). This project focused on those regions that were facing the closure of coal-powered thermal power plants and aimed to address the complex challenges associated with the shift from traditional energy sources to renewable power.

The company's just transition efforts in the region exemplified a shift from traditional consultation to stronger alignment with co-creation principles in managing energy transitions. It demonstrated how companies could foster inclusive participation, acknowledge diverse community perspectives, and collaboratively develop strategies for economic diversification and community resilience in both transition-in and transition-out scenarios.

Iberdrola: Lada and Velilla del Río Carrión Innovation Platform Results Report

Iberdrola: Iberdrola España Completes the Closure of Its Coal Plants and Moves Toward Green Transformation

We Mean Business Coalition: How Iberdrola Is Embedding the Just Transition Across Its Business

Shell in the Netherlands

In 2023, Shell opened the Pottendijk wind and solar power park in the Netherlands, implementing an approach that integrates key considerations including community engagement and environmental stewardship. The hybrid park, consisting of 14 onshore wind turbines and 90,000 solar panels, incorporates a revenue-sharing agreement with the local community. Shell has committed to contributing 50 euro cents per megawatt-hour generated to the Pottendijk Wind Fund over a 16-year period, with an expected total contribution of around US$2 million. This fund, managed by the municipality of Emmen in consultation with residents, allows the community to directly benefit from the renewable energy project and decide how to allocate the funds.

Additionally, Shell has implemented measures to protect local wildlife, including creating new foraging areas for birds like buzzards and sparrowhawks, preserving watercourses as flight paths for bats, and developing habitats for amphibians and fish. An ecological expert oversaw the construction to ensure the protection of specific species, such as the pool frog and mud creeper. The company has also established a monitoring plan for birds and bats and uses sheep grazing to maintain the park's grasslands, further integrating the energy project with the local ecosystem.

Shell: Renewable Power

Shell's Solar Park in the Netherlands

Environmental Agreement Energy Park Pottendijk

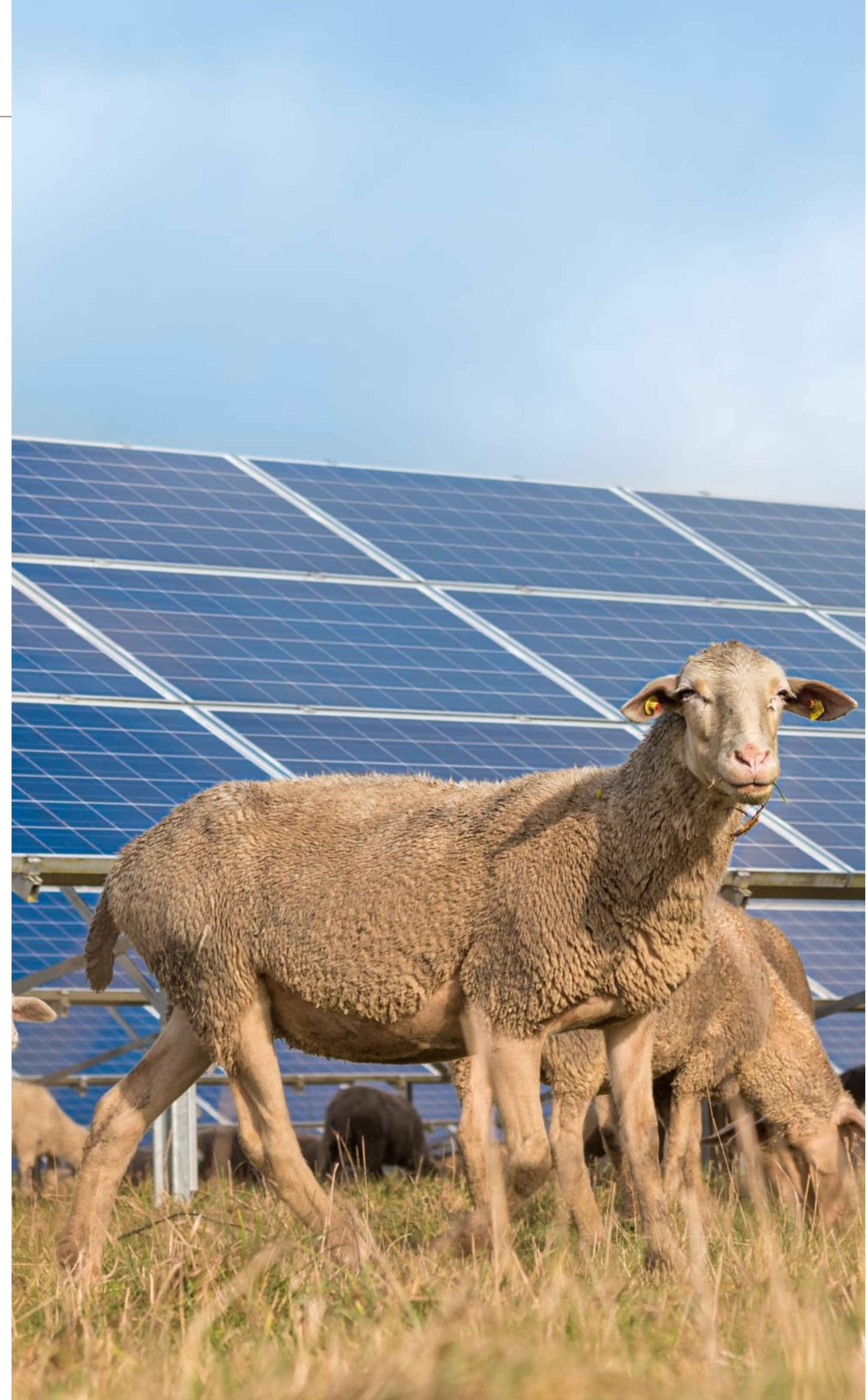
TotalEnergies in France

TotalEnergies is transforming its Grandpuits-Gargenville site in France from a traditional crude oil refinery into a zero-crude platform, showcasing a comprehensive approach to energy transition. The project, announced in September 2020 with an estimated investment of over €500 million, is set to be operational by mid-2025. This transformation encompasses multiple aspects of the energy transition, including biofuel production, plastic recycling, renewable hydrogen, biomethane, solar energy, and electricity storage. A key feature of the project is the conversion of the Grandpuits refinery into a biorefinery, with a focus on producing sustainable aviation fuel (SAF), renewable diesel, and renewable naphtha.

TotalEnergies' approach to this transition demonstrates several important practices in managing energy transitions. The company has committed to a policy of no layoffs or forced mobility for employees, instead offering training paths toward new activities and opening a training center to support both internal and external training. This commitment extends to contractors, with 23 specific programs developed over two years to provide appropriate training and support staff willing to pursue careers in other technical disciplines. The project also showcases a long-term vision, with plans extending to 2027 for increased SAF production and to 2030 for circular polymer production goals. By integrating various sustainable technologies and focusing on worker transition, TotalEnergies' Grandpuits transformation offers insights into managing complex energy transitions that balance environmental goals with social responsibilities.

[TotalEnergies: Sustainability & Climate Workshop]

[Grandpuits: A Zero-Crude Platform in 2025]



Topic Spotlight: Benefits Sharing

The transition in will require the building of a vast amount of new infrastructure in a very short amount of time. A just transition requires that these projects are built to meet the energy demands to reach net zero in a manner that maximizes social and economic opportunities. To ramp up the development of renewables projects, companies need a strong and coherent approach that addresses the rights, expectations, and perspectives of project-affected communities. Community benefits sharing is both a process and an outcome to ensure that the advantages of a green economy are widely distributed among local communities in an inclusive manner.

Community benefits sharing is …

- ✓ **Value-add to communities** → Ensuring that host and impacted communities receive value from a project in the form of economic, social, and environmental gains.
- ✓ **Ongoing stakeholder engagement** → Establishing and maintaining stakeholder engagement with local communities to meaningfully contribute to the host region's future vitality and success.
- ✓ **Link between community and corporate-level decision-making** → Integrating local-level strategy into a larger system of social and environmental impact management and proactive stakeholder engagement.

Community benefits sharing is not …

Impact mitigation → Benefit sharing does not involve compensation or repayment of losses experienced in the context of a project and is focused on value-add to communities, whereas impact mitigation refers to a narrower focus on preventing and managing the environmental and social impacts of projects and new infrastructure on local communities.

One-size-fits-all approach → Benefits sharing should be tailored to local circumstances, culture, and needs, helping to address patterns of conflict or inequality—not reinforce them.

One-sided engagement without community input → Developers should ensure that communities can participate on an equal footing, including by providing them with independent support where appropriate.

Replacement for a grievance and remedy mechanism → Communities should have access to effective and accessible grievance mechanisms that empower them to bring forward complaints regarding the operation of community benefit-sharing arrangements.

The most impactful benefits-sharing approaches are tailored to local context and align with needs and mandates, which might mean a mixture of monetary and nonmonetary benefits. A combination of resources from the IFC, IHRB, and CCSI, along with various case studies, help provide a useful framework of the categories and opportunities that companies can consider when developing community benefits-sharing strategies for local communities.

Revenue sharing and shared ownership: This category encompasses financial mechanisms that directly benefit local communities from energy projects. It involves structured approaches to ensure communities receive tangible economic benefits from projects in their area. These mechanisms include recurring government payments, community payments, shared ownership models, and preferential electricity rates or discounts for local consumers.

Example 1—Shared ownership in South Africa

Jeffrey's Bay Wind Farm in South Africa features 60 turbines with a combined 138 megawatts capacity. The project was developed by Globeleq and owned by a consortium of South African and international investors.

In the project, the local Amandla Omoya Community Trust holds a 6% equity stake, significantly exceeding the government's 2.5% minimum threshold for community ownership. The trust's mandate is to pursue public benefit initiatives for communities within 50 kilometers of the wind farm.

The trust's equity was financed via a loan from the Development Bank of South Africa, with dividends first allocated to loan repayment and subsequently reinvested into local community development projects.

References: Jeffrey's Bay Wind Farm; Amandla Omoya Community Trust

Example 2—Shared Indigenous ownership in the US

The Oceti Sakowin Power Project (OSPA) in the United States is an onshore wind development that consists of two initial projects totaling 570 megawatts, with further plans to produce up to 2 gigawatts of energy. The project is a cooperative venture between six Sioux tribes in South Dakota who established the wholly-owned, multi-tribal power authority in partnership with wind developer Apex Clean Energy. The project is still in development.

OSPA has a majority stake in the project. Surplus revenue is distributed to member tribes and reinvested in infrastructure development and other economic development projects.

The wind farms' construction, operation, and funding were done jointly by OSPA and Apex. To retain tribal ownership, financing was secured through the issuance of utility revenue bonds, aimed at institutional investors, and grant funding.

References: Oceti Sakowin Power Project

Example 3—Shared ownership in Scotland

The Earlsburn Wind Farm in Scotland features 15 turbines with a combined 37.5 megawatts capacity per year. The project was developed by a partnership between the community organization Fintry Renewable Energy Enterprise (FREE) and Renantis (formerly Falck Renewables).

The community of Fintry, through the Fintry Development Trust (FDT), acquired a 1/15th share of the revenue stream from the wind project development. FDT has used these funds to support a range of community organizations and initiatives.

To facilitate this arrangement, the developer offered FDT a 15-year mortgage-style loan for the £2.536 million capital cost. FDT also incurred approximately £15,000 in project costs for obtaining planning permission, which were funded through the Lottery's “Awards for All” program and an Energy Savings Trust grant.

References: Local Energy Scotland; Fintry Development Trust

Public services and infrastructure: This category focuses on enhancing community well-being through the provision or improvement of essential services and infrastructure. It goes beyond project-specific requirements to address broader community needs. This includes facilitating basic services provision, community well-being and amenity improvements, and energy services at the household or community level.

Example 4—Community well-being and amenity improvements in Senegal

The Taiba N’Diaye Wind Farm in Senegal features 46 turbines with a combined 158 megawatts capacity. The project was developed by Mainstream Renewable Power, owned by Lekela Power, and operated by Vestas.

In addition to supporting 15% of the country’s generation capacity and providing power for over 2 million people, Lekela Power made a commitment to invest up to $20 million in community development efforts over the wind farm’s projected 20-year life span.

Activities included efforts to refurbish or build infrastructure, such as a local marketplace and a technology center for school children. These initiatives were identified as priorities by the Taiba Women’s Association, which Lekela Power consults with on a regular and ongoing basis.

References: Taiba N’Diaye Wind Farm

Employment and skills development: This category aims to boost local economic opportunities and capacity building through project-related activities. It emphasizes creating lasting economic benefits for host communities beyond the immediate project needs. Key aspects include prioritizing local employment, promoting local procurement of goods and services, supporting alternative skills and livelihoods development, and building institutional capacity within the community.

Example 5—Local employment and procurement in Rwanda

The Agahozo Shalom Youth Village Solar Project in Rwanda spans 170 acres and provides 8.5 megawatts capacity. The project was developed by Gigawatt Global and was East Africa's first utility-scale solar field.

The project provided community benefits through local employment and procurement, including supporting women's economic empowerment by ensuring gender-diverse hiring of security, cleaning, and administration staff.

During planning, local Rwandan experts were hired to conduct feasibility studies and perform site preparation. Construction employed 200 part-time Rwandan workers, while 30 full-time local roles were created to maintain the field. Additional jobs were outsourced to local businesses for accounting, legal, administrative, and management support.

References: Agahozo Shalom Youth Village Solar Project

Environmental stewardship: This category focuses on environmental conservation and sustainable development initiatives that extend beyond required impact mitigation measures. It aims to create positive environmental outcomes in conjunction with energy projects. This includes activities for environmental enhancements, such as habitat creation and conservation programs, as well as initiatives promoting low-carbon community development and climate resilience.

Example 6—Environmental enhancements in Colombia

Celsia's Solar Yumbo project in Colombia provides 9.8 megawatts capacity. The project was built by local developer Celsia in the southwestern region of Valle del Cauca. The solar park was developed on the site of a previously occupied coal plant, which had closed more than 20 years ago.

Celsia established the ReverdeC restoration investment program. The program has planted 2.6 million trees to protect the main region's water basins and address erosion, a lack of vegetation cover, deforestation, and a greater need for enrichment with native species.

By restoring watersheds with native trees, the program aims to strengthen water regulation and filtration, increase water flow, reconnect forest corridors, and protect biodiversity.

References: Celsia Solar Yumbo Project; ReverdeC Restoration Investment Program

Additional Resources on Benefit Sharing and Co-creation

Co-creating Climate Justice Interventions Between Business and Communities (BSR)

Benefits Sharing for Renewable Energy Projects (Clean Energy Council)

Local Benefit Sharing in Large-Scale Wind and Solar Projects: Discussion Paper (IFC)

Community Benefit Sharing and Renewable Energy and Green Hydrogen Projects: Policy Guidance for Governments (CCSI)

Evaluating Community Engagement and Benefit Sharing in Australia (Clean Energy Council)

Lessons From 4 Decades of Infrastructure Project-Related Conflicts in Latin America and the Caribbean (IADB)

Expert Insights on Best Practices for Community Benefits Agreements (Sabin Center for Climate Change Law at Columbia University)

Community Benefits Agreements Database (Sabin Center for Climate Change Law at Columbia University)

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