

Education

**What is 'Just
Transition' & Why
Does it Matter for UK
Real Estate?**

A 'Just Transition' recognises that reaching net-zero emissions whilst ignoring the human cost isn't enough. It means ensuring that the shift to a low-carbon economy protects workers and communities—addressing job losses, rising energy bills, and economic disruption—so that those who've contributed least to climate change aren't left to bear its heaviest burdens.¹

In brief

- **Reporting Development:** The Transition Plan Taskforce (TPT) published Just Transition metrics in 2024, expected to influence mandatory reporting for asset managers and Financing a Just Transition Alliance members like the Local Government Pension Scheme are requesting disclosures on Just Transition
- **Policy Integration:** Growing alignment between Just Transition principles and UK Levelling Up agenda
- **Recent Research:** A report by ShareAction highlights the importance of a Just Transition, however it is unclear from the research how investment managers are engaging with the themes of the Just Transition.²
- **Article Focus:** AREF is publishing a series of articles exploring the implications of a Just Transition for real estate investors, along with practical steps that can be taken.

Climate change is arguably one of the greatest injustices in history—those most affected by its devastating impacts have often contributed least to its causation, frequently due to poverty.³ This stark reality has given rise to the concept of a 'Just Transition', which recognises that achieving net-zero emissions alone isn't sufficient. To be truly successful, we must also address the socio-economic impacts of transitioning to net-zero, such as potential job losses and rising energy prices.⁴

For UK real estate investment managers controlling £360 billion of Assets Under Management committed to net-zero targets, this presents both a challenge and an opportunity.⁵ The question isn't just whether we can decarbonise our portfolios, but whether we can do so in a way that protects and empowers the communities where we invest.

Why This Matter Now for UK Real Estate

The scale is significant. The International Labour Organisation predicts that 72 million full-time jobs will be lost globally by 2030 due to heat stress alone.⁶ Annual climate adaptation costs in emerging markets are expected to reach £110-240 billion by 2030, rising to £220-400 billion by 2050.⁷ These aren't abstract statistics—they represent real communities, real livelihoods, and real risks to our portfolios.

In the context of growing ESG backlash, net-zero target backtracking, and global policy U-turns on key climate policies, a critical question emerges: are those most affected by the transition being meaningfully included in the journey? Can real estate investors play a constructive role in advancing the transition by making it more equitable and just?

The focus on Just Transition has gained significant momentum since the Paris Agreement, driven by the understanding that climate change will have unprecedentedly negative impacts on society. Recent coverage

¹ Source: <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/>

² Source: <https://shareaction.org/reports/built-to-last>

³ Source: <https://www.unpri.org/inevitable-policy-response/why-a-just-transition-is-crucial-for-effective-climate-action/4785.article>

⁴ Source: <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/>

⁵ Source: <https://www.betterbuildingspartnership.co.uk/member-climate-commitment>

⁶ Source: 4. International Labour Organization. (2024). Climate Change and Employment: Global Projections to 2030.

⁷ Source: International Labour Organization. (2024). Climate Change and Employment: Global Projections to 2030.

from organisations like Impact Investor, The Urban Land Institute, and the World Green Building Council has highlighted the essential role the real estate sector must play in this transition.⁸

With the UK's dual commitment to net zero by 2050 and the Levelling Up agenda, real estate investors have a unique opportunity. Just Transition principles don't just align with these policy priorities—they offer a pathway to capture value whilst protecting communities.

In this context, we will explore policies and frameworks aimed at ensuring that the transition is "Just." The Association of Real Estate Funds (AREF) will publish a series of three-monthly articles addressing the following questions:

1. What does a Just Transition mean for real estate investors?
2. What are the value drivers of a Just Transition?
3. What practical steps can investors take?
4. How does Just Transition differ from and align with social and environmental impact?
5. What challenges are associated with the concept of a Just Transition in real estate investment?

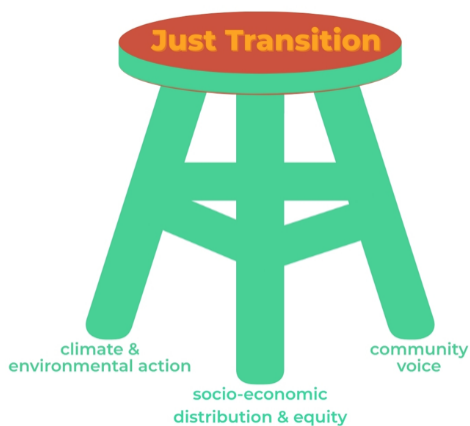


Figure 1: [Three Elements of the Just Transition](#)

communities in which it invests (see Figure 1). It increases community involvement—whether through real estate investors aligning their decarbonisation strategies with efforts to foster community resilience, climate adaptation, social licence, sustainable growth, economic diversification, innovation in green technology, or education and skills development.¹⁰

Clearing Up Common Misconceptions¹¹

1. **Just Transition is not the same as social impact;** while closely related to social impact, the Just Transition is distinct in its focus. Social impact encompasses a broad range of social outcomes—such as employment, health, education, and inequality—whereas the Just Transition specifically addresses issues of equity and fairness in the context of environmental

Figure 2: [Components of a Just Transition](#)



⁸ Sources: <https://impact-investor.com/special-report-impact-investing-and-the-just-transition/>; urbanland.uli.org/sustainability/social-equity-and-net-zero-real-estates-role-in-a-just-transition; <https://worldgbc.org/article/how-can-the-built-environment-ensure-the-environmental-transition-leaves-no-one-behind/>.

⁹ Source: <https://www.lse.ac.uk/granthaminstitute/explainers/what-is-the-just-transition-and-what-does-it-mean-for-climate-action/>

¹⁰ Source: <https://www.impactinvest.org.uk/wp-content/uploads/2023/04/Just-Transition-Criteria-Draft-for-Public-Consultation.pdf>

¹¹ Source: [Why Texas's 'cut-throat' approach to net zero is paying off](#)

and economic transformation (see Figure 2).

2. **Just Transition is not focused solely on creating jobs;** while the Just Transition has traditionally focused on employment and workforce-related impacts, real estate investors have a broader opportunity to influence the social and environmental fabric of the communities in which they invest.

As illustrated in the transition framework (Figure 3) developed by the World Green Economy Organization (WGEO), HSBC, the London School of Economics, and Accenture, a Just Transition can deliver benefits across three additional dimensions:

- i. **Access to essential resources** – such as more affordable energy or improved social infrastructure, including healthcare services.
- ii. **Access to finance** – to support local small and medium-sized enterprises (SMEs) in innovating and creating opportunities, particularly in regions where other sectors may be vulnerable to the impacts of the transition.
- iii. **Local economic growth** – through initiatives that promote economic diversification and resilience within communities.



Figure 3: [WGEO Just Transition Framework](#)

The Business Case for Just Transition

As outlined in the introduction, the concept of a *Just Transition* is gaining increasing prominence across both the public and private sectors. This growing awareness is reflected in several key areas:

- **Financing:** Dedicated Just Transition financing mechanisms have emerged, including the Just Transition Fund, InvestEU, and the European Investment Bank (EIB), collectively offering approximately €100 billion in grants, investments, and financial instruments to support equitable climate action.
- **Reporting and Frameworks:** In 2024, the UK's Transition Plan Taskforce (TPT) published a compendium of Just Transition–relevant metrics and indicators. These are expected to form part of the mandatory reporting requirements for leading asset managers and are likely to have a cascading effect on real estate investment practices.
- **Investor Requirements:** Institutional investors and pension funds, such as the Local Government Pension Scheme (LGPS) as part of the Financing a Just Transition Alliance, are increasingly requesting disclosures from real estate asset managers on how their portfolios align with Just Transition principles, including workforce impacts and community outcomes.
- **Products:** Just Transition principles are increasingly being integrated into a variety of industry products. In real estate, this includes regeneration projects and the retrofitting of social housing. Additionally, sustainability-linked loans and insurance products are incorporating Just Transition criteria to promote equitable and inclusive outcomes throughout the transition to a low-carbon economy.
- **Policy Support:** Both national and local governments are implementing policies to promote skills development and alleviate fuel poverty, particularly within the social housing sector. Further detail on real estate specific initiatives will be provided in the next article.

Broader policy examples include government investment in carbon capture and storage (CCS) technologies to support workers in high-carbon industries, like oil and gas, transitioning to low-carbon roles in clean energy. This not only protects livelihoods but also aids the government's efforts to meet net zero targets, as seen with the Acorn Project in Northeast Scotland, which aims to support 21,000 jobs in low-carbon energy by 2035.¹² Similarly, the US Inflation Reduction Act aimed to create 170,000 new green jobs through a Just Transition. Trump's effort to repeal the act is putting him on an unlikely collision course with traditional Republican voters who now have skin in the game when it comes to the climate transition.¹³

What Happens When We Get It Wrong

There are risks when governments fail to ensure a Just Transition. For example, in Spain, policies promoting renewable energy were paired with initiatives encouraging consumers to switch from gas to electricity. Between 2008 and 2012, electricity prices rose 63%, leading to 25% of households being unable to afford adequate cooling in the summer.¹⁴

This example illustrates why considering social impacts isn't just ethical—it's essential for sustainable policy support and long-term investment success. Projects that ignore community impacts risk regulatory backlash, planning delays, and ultimately, impaired returns.

¹² Source: <https://www.oilandgaspeople.com/news/story/21-000-jobs-for-scotland-as-carbon-capture-project-gets-green-light>

¹³ Source: [Why Texas's 'cut-throat' approach to net zero is paying off](#)

¹⁴ Source: https://www.researchgate.net/publication/356831550_The_dark_side_of_energy_poverty_Who_is_underconsuming_in_Spain_and_why/link/61af1ce0c11c103836979149/download?tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uIn19

Looking ahead: from concept to value creation

Amidst ongoing discussions of the ESG backlash within the industry, a carefully considered approach to Just Transition offers an opportunity to restore trust and strengthen commitment to net zero. By embedding Just Transition principles, real estate investors can benefit from enhanced reputations and foster stronger relationships with diverse communities, ultimately creating a mutually beneficial outcome.

The next article will explore the value proposition of Just Transition for real estate investors and outline practical steps for implementation. Additionally, we will consider whether Just Transition should be integrated within broader environmental and social strategies or warrant a dedicated focus within a real estate investor's overall strategy.

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This article is published by The Association of Real Estate Funds (AREF) to inform readers about developments in the Just Transition market. It is not intended to imply that real estate investors should immediately adopt Just Transition principles without careful consideration of their specific circumstances and investment objectives.



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