Comments on the World Bank report entitled

«Managing Coal Mine Closure: Achieving a Just Transition for All»

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The end of the coal era is today a historic imperative. This is the basic assumption of the report[2] that we almost all share for reasons of mine safety, public health and quite simply the preservation of Earth's ecosystem.

Starting with this assumption, the report addresses the operational step and attempts to list the "good" practices for coal-producing countries in order to ensure the political feasibility of the transition beyond coal and to contain its economic cost. Therefore, the approach taken is cost-effectiveness analysis[3], which consists in identifying the most effective way to achieve a pre-established objective.

This analytical framework is based on the theory of the second-best optimum, which locks the role of the State in palliative choices with lesser harm, with the aim to correct the sub-optimality resulting from the "imperfect" nature of the real world and to remedy the failure of the market (see below). As such, the rationality is to optimize under budgetary balance constraint. Consequently, the intuitive question before us, although not mentioned explicitly in the report, is in order to finance said transition, are we enabling the countries directly (producers) or indirectly (consumers - see point 5 below) involved to deepen their budget deficit beyond the usual norm?[4]

This report is a feedback from countries that have already made their transition from coal and, as such, full of lessons learned, and ought to (only) have a suggestive role for the countries that will follow suit. Reading the report begs a five remarks:

1/ The first and most important remark in my opinion is methodological and general. The report looks like a doctor's prescription which became part of a process (widespread in development economics) consisting of establishing "good" practices/incentives/reforms (based on an ideology or past experiences although still conditioned by time and space) setting the norms against which the actions of States will be judged.

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[2] Stanley, Michael C.; Strongman, John E.; Perks, Rachel Bernice; Nguyen, Helen Ba Thanh; Cunningham, Wendy; Schmillen, Achim Daniel; Mccormick, Michael Stephen. 2018. Managing Coal Mine Closure: Achieving a Just Transition for All (English). Washington, D.C.: World Bank Group. http://documents.worldbank.org/curated/en/484541544643269894/Managing-Coal-Mine-Closure-Achieving-a-Just-Transition-for-All

[3] The report adopts the cost-effectiveness analysis framework without the required budgeting, even though this only concerns 6 coal-producing countries (at the top of table 1, page 14 of the report) whose production increased between 2000 and 2016.

[4] Furthermore, can we consider a criterion of debt sustainability including environmental and social aspects? This question certainly goes beyond the field covered by the report and is very complex since it requires ethical choices, however the answer given is one of the crucial puzzle pieces if the problem of transition to a low-carbon world is to be tackled in its entirety.

This approach pre-requires a knowledge of all causality relationships and an ability to identify the role of each of them in the final result. It is therefore deterministic, omitting the role of uncertainty as well as the weight of the History of the territories, neglecting the expectations and aspirations of the people involved (beyond the proposed consultations which are subsequent to the decision taken and hardly discuss its merits) and underestimating their ability to innovate in order to adapt and find solutions endogenously.

Indeed, according to its guidelines to transition from coal, the report would be more effective if it adopted the posture of a psychologist who empowers his patient to self-help through providing the technical tools needed for the task, instead of the posture of a doctor who prescribes mechanically the same treatment for all patients with similar symptoms. The reason being the success of public policies is contingent on factors relating to History and to the nature of the social contract that shapes the future of the people involved. The report would benefit from being more suggestive than directive and normative.

This is the more true based on the fact that past experiences of countries that have chosen to transition from coal are mainly failures rather than successes in transition management (see page 13 of the report). The lesson would then be more instructive if it focused on what did not work in particular context and let the countries concerned chart their own trajectory according to their constraints and aspirations.

This normative approach can become even more damaging when it comes to developing countries where officials responsible for implementing the recommendations drawn up by **the operational** staff of international institutions do not generally show a critical thinking. These officials do not even attempt to compare comments made by operational staff with the more nuanced ones made by their fellow researchers in the same institutions (the example of the recommendations pushing for the adoption of a flexible exchange rate regime or a cash transfer policy in Morocco is relevant).

2/ The report highlights, on several occasions, the proactive role of the State both to trigger a dynamic of transition from coal (part 2 Drivers) and to manage said transition (part 3 Lessons), without however encompassing the creation, for example, of new productive activities or any new public useful appointments to at least partially compensate for the job losses resulting from the closure of the coal mines.

The support policies proposed in the report quickly fall back on individual solutions in the form of direct aid to make the reform socially acceptable. Likewise, most of the actions mentioned in the report take an incentive character (self-entrepreneurship – when some researches shows that at least part of it is actually disguised unemployment, lump sum and temporary cash transfer, training, mobility, flexibility in the mining job market, etc.) This induces the believe that supporting transition's losers comes through the rationalization of their decision-making process (in the sense of G. Becker). The collective solutions are (simply) not addressed and we can only hope that the real world behaves as the new micro-economy of consumer expects!

In summary, this is a selective appeal to the State, without this being the subject of any logical argumentation within the report or of a diagnosis of the specificities of the countries involved. This strategy can only be understandable if the analysis is placed within the framework of the search for a second-best optimum. The normative approach returns again as an ideological inspiration.

3/ For a smooth transition from coal, the report recommends the strategy of stratifying the mining population into several sub-groups to ensure (according to the report) a better adaptation of the support solutions to the targeted people. Thus, for example, when a coal mine closes, seniors would tend to prefer to leave earlier to retire and therefore it is better to offer them additional retirement coverage (a solution inspired - curiously - by the Chinese case which does is not the best example of aggregating people's preferences - see page 39-40). Likewise, according to the report (see page 36) women are more inclined to accept other job offers even with less favorable conditions.

In reality, the success of such strategy depends on the validity of a strong assumption that is the absence or weakness of solidarity in the coal mines. However, the same report claims that the mines are often located in remote places and the miners as well as their family and relatives live there and organize themselves in community.

4/ The report cites a solitary example, from North Macedonia, of the closure of the coal mines which happened in a climate of social tension because of "rigid" labor legislation. It deduces (somewhat hastily) that the regulation balancing the power within the labor market could be the cause of degeneration in the event of mine closure (see page 32). The counterexample comes from France, which closed its last coal mine in 2004 in the context of a labor market not particularly known for its flexibility. Labor legislation will therefore affect the cost of the transition and not its feasibility.

5/ The central objective of the report is to help anticipate the direct (on the miners) and indirect /induced (on their immediate environment) repercussions of this transition in order to be able to control its cost. Yet there is another non-negligible effect resulting directly from this choice that was not addressed in this report, not even a summary form showing that it will be the subject of a separate report.

It is the transition's effect on the international coal market and, as a corollary, on the energy mix of dependent countries, among them in particular, the developing countries that not produce primary energy. Since the latter do not have sufficient resources neither to improve their energy efficiency nor to develop alternative energy sources (as was the case with nuclear energy in France, natural gas in the Netherlands or more recently the case of shale gas in the USA or renewable energies in Germany), the resulting higher cost of coal would be assimilated to an "unfair" carbon tax[5] (because it is regressive on the scale of the countries) supported by countries historically not responsible for climate change.

This point is crucial if the fight against global warming is not to result in the impoverishment of the poorest and the energy exclusion of the already excluded.

With this in mind, and if we take the case of Morocco as an example, the reaction of international donors was indeed inappropriate : it consisted in supporting megaprojects for renewable energies the development of which did not have a noticeable knock-on effect on national production (low integration rate) and which resulted in more external debt and an increase in consumer energy prices.

[5] Except in the case where renewable energy becomes more competitive in electricity, which is what the report suggests by referring to the work of the Lazard cabinet (2017). However, these results are contradicted by other works (Frank, 2014; Cour des comptes, 2018). Even if this is was true, the amortization of the installed thermal power plants is achieved over long periods of time making a rapid switch to renewables more expensive.

Bibliographie

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