

REPORT | *March 2023*

# Putting people professionals on the road to net zero



The CIPD has been championing better work and working lives for over 100 years. We help organisations thrive by focusing on their people, supporting our economies and societies.

As the career partner to around 11,000 members in Scotland, we sit at the heart of a proud, growing community of practitioners, partners, policy-makers and thought leaders in the world of work, committed to making Scotland a better place to work.

We work with the Scottish Government, its agencies and several academic, business and voluntary partners on a broad range of public policy issues, with a particular focus on fair work, skills and productivity. We are key partners on multiple working groups, and via our Policy Forum, we both inform and deliver changes in policy.

Our Scotland-wide networks offer a forum for HR specialists and practitioners at all levels, to learn, debate and connect with people professionals from across Scotland. We have networks for senior professionals and for specialists working in areas including reward, employee relations and as independent consultants.

## Report

# Putting people professionals on the road to net zero

## Contents

Introduction	3
Report focus	3
Defining the net zero transition	4
Public policy context	4
Scottish Government policy	5
Offshore energy spotlight	5
What are green jobs?	7
Sustainable organisations	9
Challenges and opportunities for HR	10
Sustainability from the top	12
Workforce planning	13
Cross-industrial transitions	14
Recruitment and retention	15
Skills for net zero	16
Transferable skills	17
New and additional pathways	18
Lifelong learning	20
Conclusions and recommendations	20
For people professionals	21
For policy-makers	22
References	24

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# 1 Introduction

The transition to a net zero economy will become a defining trend of the coming three decades. The scale of the changes required – from global macroeconomic policy down to individual behaviours – is only just becoming clear. Governments and organisations across the world are slowly starting to take meaningful steps to reduce our dependence on fossil fuels, invest in new technology and support natural carbon sequestration.

The war in Ukraine has shone a light on issues like energy security, and energy price-driven inflation has led to a cost-of-living crisis that's likely to last several years. This further accelerates the need for change – both for organisations and individuals. We all have a role to play in reducing energy demand, particularly reducing our reliance on fossil fuels. And we will need to change the way we travel – drive electric vehicles or, indeed, not drive at all.

But these transitions will also mean huge shifts in our economies and will require businesses to adapt rapidly. This does not just mean behaving in an environmentally sustainable way. It also means big changes in the kinds of employee skills that will be needed – from offshore wind turbines or air source heat pump installations, through retrofitting houses, to peatland restoration. Construction, manufacturing and energy sectors will need to adapt, while others – like oil and gas – will likely see job losses as well as brand new jobs as the industries slowly transition.

The challenges of these transitions are vast, but so are the opportunities. Scotland, and the north east of Scotland in particular, has an advantage in considerable natural resources, an existing oil and gas skills base to build on, high-quality universities (and research activity in them), a good vocational and work-based learning system, and buy-in from public, private and third sectors. But there are some key barriers that we need to overcome, not least competition from countries like Norway, which are also aiming to position themselves as global net zero leaders.

Organisational change, workforce planning and skills development are key to this transition. All three areas depend on people professionals, and they should lead the way. Their contribution will be crucial in achieving a just transition to net zero.

## Report focus

The aim of this report is to provide a starting point for our profession on its net zero journey. Our values-led people professionals – be it HR, L&D or OD – are well placed to lead on this agenda throughout Scotland's organisations.

For policy-makers, this report highlights the opportunities from the people profession's perspective. Both of Scotland's governments (UK and Scottish) have a once-in-a-generation opportunity to become a true global leader in net zero. The foundations are there, but building our net zero future will have to be a joint endeavour.

The key theme running through this report is that it is people in a transforming labour market who will be at the heart of the transition to net zero. And that means that people professionals will be at the heart of the transition too:

- by driving the sustainability agenda through organisations of all sizes
- by approaching workforce planning with a just transition lens
- by focusing on upskilling, reskilling and redeployment for their employees.



To aid organisations on this journey, policy-makers need to ensure there is an enabling public policy environment. They need to recognise that as a country we have an opportunity to ensure that, unlike in the past, the upcoming changes benefit individuals and communities:

- by providing funding and signposting resources
- by ensuring skills development systems are ready
- by driving fair work principles throughout the transition.

### **Defining the net zero transition**

The net zero transition is a broad topic, impacting virtually all sectors of the economy and all areas of public policy. This report uses the offshore energy sector (oil and gas, offshore wind, carbon capture utilisation and storage, and hydrogen) as its focus point – in particular, the transition from the (high-carbon) oil and gas sector into (low-carbon) energy sectors. Of course, as we will emphasise throughout the report, this is not a binary switch, but a broad spectrum of gradual changes.

Many of the issues in relation to net zero are outside the scope of this report. From taxation and licensing, through energy security and transmission costs, to sustainable finance and green investment funds – even focusing in on the energy sector leaves the scope too wide. The insights in this report are based on a series of confidential interviews with senior CIPD members from the offshore energy industry, which organically led us to focus on three areas – sustainability, workforce planning and skills development.

There is a distinction to be made between the role of net zero in an organisation and the role of an organisation in reaching net zero. In other words, we differentiate between the sustainability agenda within organisations (from an employer perspective) and the country-wide transition to net zero (from a government perspective). Naturally there is overlap between the two, especially in the energy industry.

All the conversations we've had, however, underline the importance of people to the transition. Indeed, organisational sustainability is increasingly seen as an HR issue, alongside the 'bread and butter' of workforce planning and skills development. And while the focus of this piece of work is Scotland, the lessons we draw can be applied across the UK as a whole and, indeed, globally.

## **2 Public policy context**

Recent years have seen an increase in the number of legislative greenhouse emission targets introduced across the UK and beyond. The UN Paris Agreement of 2015 – and the Intergovernmental Panel on Climate Change 1.5C Special Report in particular – have accelerated moves governments had been making since the early 2000s.

One of the most significant pieces of UK legislation around climate change was the Climate Change Act 2008, which put in place legally binding targets to reduce carbon dioxide emissions in the UK by at least 80% by 2050 (against a 1990 baseline). This target was subsequently increased to 100% in 2019.

The Act also established the Climate Change Committee (the CCC) as an independent statutory body. The CCC provides advice to the UK Government and reports to Parliament on progress made in reducing greenhouse gas emissions and preparing for climate change. It was the Committee's 2019 Net Zero Report that recommended a 100% reduction in greenhouse gas emissions by 2050 be enshrined in legislation.

The UK Government's net zero commitment is underpinned by a series of strategy documents:

- Net Zero Strategy, published in October 2021
- Industrial Decarbonisation Strategy, published in March 2021
- British Energy Security Strategy, published in April 2022.

In addition to these, in January 2023 the government published *Mission Zero* – an independent net zero review by Chris Skidmore. The document has been welcomed by stakeholders for setting out the scale of the challenge alongside some tangible policy recommendations.

The UK Government is also advised by the Green Jobs Taskforce, established in November 2020, which includes business leaders, skills experts and trade unionists. One of the key themes of their work is to link the net zero transition to the good work agenda, which is something we wholeheartedly support and come back to throughout this report.

### Scottish Government policy

Scotland is well placed to lead on the net zero agenda. In fact, research by Oxford Economics (2021) has placed Scotland first out of all UK nations and regions when it comes to the opportunities from a transition to a green economy, citing a large volume of low-carbon energy capacity already in place and a strong supply of skilled workers to support and enable the transition.

The Scottish Government declared a climate emergency in April 2019 and increased legislative targets to meet net zero emissions by 2045, with an interim target of a 75% reduction by 2030.

The Scottish Government's policy steps have been set out in the 2018 Climate Change Plan (and its 2020 update) as well as a Climate Emergency Skills Action Plan, which is due to receive an update later this year. In January 2023, the Scottish Government also released a new draft Energy Strategy and Just Transition Plan, which is out for consultation at the time of writing. This is to be supplemented by a series of sectoral Just Transition Plans.

Advising the Scottish Government – and, just like the Climate Change Committee, not shying away from criticising it when it feels it's warranted – is the Just Transition Commission. The commission brings academics, business leaders as well as environmental groups and trade union representatives together to develop strategies and report on progress made.

One of the focal points of the net zero transition is the north east of Scotland. Aberdeen and Aberdeenshire, where 98% of the 25,000 jobs directly dependent on oil and gas production are located (Scottish Government, 2023), have over the last few decades become a global energy hub. The local economy is tied to the offshore energy sector, with the oil price slump in 2014 still felt across local communities. The north east is more exposed than most to the risks – but also the opportunities – of the net zero transition.

## 3 Offshore energy spotlight

The north east of Scotland, with its concentration of oil and gas employment, provides a useful case study on the journey to net zero. Oil and gas, as a high-carbon industry, is more exposed than most to the coming changes in our economies. However, the overwhelming sense from interviews with the sector is that it approaches net zero as an opportunity rather than a threat.

Indeed, increasingly, reference is made to the offshore energy industry, with four distinct sectors at different stages of maturity – oil and gas, offshore wind, carbon-capture utilisation and storage (CCUS), and hydrogen. The opportunity for traditional oil and gas businesses to diversify investment, repurpose existing infrastructure assets, or retrain and redeploy talent is considerable.

For people professionals, the last point is particularly pertinent. The nature of the offshore energy industry's workforce is bound to change, but it will be the transferable skills and expertise of the oil and gas industry that will make a key contribution in the transition towards low-carbon energy sectors. In other words, this is a process and not a binary switch – a process that will require a step change in our approach to upskilling and reskilling.

Latest estimates suggest that the oil and gas industry supported 118,400 direct and indirect jobs (OPITO, 2022). By 2050, it is estimated that oil and gas jobs could fall down to 50,000. However, forecasts show that the offshore energy sectors as a whole could support up to 350,000 jobs by 2050. This is the opportunity that a shift towards CCUS, offshore wind and the hydrogen economy presents.

These opportunities – as well as the direct impact on local employment and the economy – mean that the north east of Scotland, and the offshore energy industry by extension, has increasingly been receiving additional policy focus from Scotland's two governments and local partners. For example, the 2016 Aberdeen City Region Deal – jointly funded by the Scottish and UK Governments, with additional council funding – included the establishment of an Oil and Gas Technology Centre, which has since evolved into a Net Zero Technology Centre, providing support to offshore energy businesses on their net zero journey.

Cross-governmental collaboration is also supplemented by industry buy-in. In 2021, the UK Government signed the North Sea Transition Deal, which set out joint government and industry commitments in the transition to net zero. Annual progress reports are also being published.

The downturn in 2014 (linked to a dramatic fall in oil prices) has seen an estimated 150,000 jobs across the UK lost in the sector. As part of their response, the Scottish Government introduced the Oil and Gas Transition Training Fund, which provided around 4,000 retraining opportunities. This was then expanded nationally into a National Transition Training Fund, only to be expanded even further with the announcement of a 10-year £500 million Just Transition Fund – this will fund a broad range of projects and not just skills development. There is also a £14 million North East Economic Recovery and Skills Fund specifically aimed at retraining 3,000 oil and gas workers impacted by the pandemic.

In addition to the above, the Energy Transition Zone (ETZ Ltd) was set up in 2021, funded by the UK and Scottish Governments and Opportunity North East (a regional, private-sector led, economic development agency). ETZ Ltd operates as a not-for-profit company, with the aim of establishing the region as a global leader in energy transition to net zero and a net exporter of products, services, technologies and skills. Its aim is to deliver 40 hectares of sites available for energy-transition-related investment.

One of the key selling points of the ETZ is its focus on the skilled workforce. This has led to the creation of NESA – the National Energy Skills Accelerator – supported by Skills Development Scotland. This too is a not-for-profit organisation, providing a single point of contact for the energy industry to access a wide range of training and skills development programmes. Showing the strength of collaboration in the region, it was



established jointly by Robert Gordon University, the University of Aberdeen and North East Scotland College. NESAs has recently received £1m from the above-mentioned Just Transition Fund to assess the energy transition skills landscape from now until 2030, and to design pilot training programmes.

Alongside NESAs, there is also the Energy Skills Alliance, which is a cross-industry group led by OPITO (the global skills body for the energy industry). It brings together leaders from across the oil and gas, renewables, nuclear and refining industries, as well as representation from within regulators, governments and trade unions. Its key stated aim is to develop a clearer all-energy career proposition.

However, despite the broad spectrum of activity described here, there have also been recent disappointments. In early 2023, it was announced that Aberdeen's Green Freeport bid was unsuccessful. This joint initiative between the UK and Scottish Governments would have provided additional funding, unique tax incentives and allowances to drive investment. In addition to this, the Scottish Government's draft Energy Strategy announcement of a presumption against new oil and gas exploration has been met with dismay.

Commitment from the public and private sector, as well as collaboration across all levels of government, is key to unlocking the potential benefits of net zero. The north east of Scotland already sees both governments, local authorities, business organisations, training providers, universities and colleges, and the voluntary sector all working together. This approach to the just transition can provide lessons for the rest of the UK too.

## 4 What are green jobs?

The labour market impacts of the net zero transition will be considerable and go beyond just job creation and job displacement (ILO, 2022). There will be impacts on skills demand and needs, the occupational mix in the labour market as well as wages. Given these wide-reaching effects, it is surprising that we do not yet have an agreed definition of 'green jobs', resulting in competing research findings.

Several broad approaches have been taken:

- focusing on the products/production processes as opposed to identifying specific employee skillsets relevant to net zero
- taking a top-down approach (all jobs in chosen 'green' sectors) or a bottom-up approach (looking at specific activities or individual occupations)
- differentiating between directly green and indirectly green (that is, supporting the transition to net zero) jobs.

Due to data limitations, it is likely that whatever figures one uses, they are likely to be underestimates (for example, when taking a top-down sectoral approach) and others are likely to be overestimates (for example, when taking a bottom-up occupational approach).

The Office for National Statistics has highlighted the challenges with the measurement of green jobs (ONS, 2021). It consulted on defining green jobs in late 2022 and has an ongoing programme of work, with the intention of publishing a new set of statistics based on updated definitions in due course.

Clearer definitions are not just interesting to researchers, but are pivotal to policy-makers when designing interventions and to employers for labour market insights. An example of a broader definition in public policy is the Scottish Government's Green Jobs Fund, announced in 2020. The fund supports organisations “to create and retain jobs that produce goods or services that benefit the environment or conserve natural resources, as well as jobs that help drive more environmentally friendly processes in organisations across our region”.

The fund provides capital expenditure that helps organisations retain or create green jobs.

These are twofold:

- Jobs in businesses that produce goods or provide services that benefit the environment or conserve natural resources – for example, in a business whose products and services benefit the environment, this would include any job from warehouse and office staff, to engineers and researchers.
- Jobs in which workers' duties involve making their establishment's production processes more environmentally friendly or use fewer natural resources – for businesses whose main focus isn't the environment, this would include any job directly related to making the company, its processes and its products more environmentally friendly.

More recently, consensus seems to be emerging in literature around three broad categories of jobs, also used in the Scottish Government's Climate Emergency Skills Action Plan (Scottish Government, 2020a):

- new and emerging jobs that relate directly to the transition to net zero (for example, hydrogen cell technicians)
- jobs affected by the transition to net zero that will need enhanced skills or competencies (for example, architects)
- existing jobs that will be needed in greater numbers as a result of the transition to net zero (for example, insulation installers).

This threefold categorisation was used by the Grantham Research Institute on Climate Change and the Environment (based at LSE) in their *Are 'Green' Jobs Good Jobs?* report (LSE, 2021), as well as the Resolution Foundation's *Economy 2030 Inquiry* (Broome et al, 2022). The research uses a broader approach – an occupation-level classification of 'green jobs' developed by O\*NET, the US Department of Labor database of occupational characteristics, applied to a UK context.

Using the same classification, the *Green Jobs in Scotland: An inclusive approach to definition, measurement and analysis* report provided an estimate of green jobs in Scotland, as well as their different characteristics (Rubio, 2022). The report was commissioned by the Implementation Steering Group behind Scotland's Climate Emergency Skills Action Plan, with the support of Skills Development Scotland and the Scottish Government.

The research developed a new green occupational definition – a 'GreenSOC'. The GreenSOC is based on an adaption of the three types of green occupations, and then applied to Labour Force Survey (LFS) data and data scraped from job vacancy websites. While some data limitations are recognised due to sample sizes and lack of granularity of occupational definitions, this is a framework that should be adopted and developed further.

The research describes the three types of green jobs and provides current estimates of their share in Scotland's labour market:

## Main green job types (Rubio, 2022)

### 1 New and emerging

The impact of green economy activities and technologies creates the need for unique work and worker requirements, which results in the generation of new occupations. These new occupations can be entirely novel or 'born' from an existing occupation. An example is solar system technicians who must be able to not only install new technology but also determine how this technology can best be used on a specific site.

Currently, new and emerging green jobs account for just 4.3% of all jobs in Scotland.

### 2 Enhanced skills and knowledge

The impact of green economy activities and technologies can result in significant change to the requirements of existing occupations. The essential purposes of the occupation remain the same, but tasks, skills, knowledge and external elements, such as credentials, have been altered. An example is architects, an occupation in which greening has increased knowledge requirements pertaining to energy efficiency, as well as skills associated with integrating green technology into the design of buildings.

Currently, just over a quarter of jobs (25.7%) are enhanced skills and knowledge jobs.

### 3 Increased demand

The impact of green economy activities and technologies can increase employment demand for some existing occupations. However, this impact does not entail significant changes in the work and worker requirements of the occupation. The work context may change but the tasks do not. An example is the increased demand for electrical power line installers and repairers related to energy efficiency and infrastructure upgrades.

Currently, almost one-tenth (9.9%) are increased demand jobs.

While the authors recognise the research likely overestimates the shares of green and greening jobs in Scotland, it does provide a useful framework for further analysis. In addition, it also uncovers policy challenges in the geographic spread of these jobs, their occupational breakdown as well as well-known issues with gender balance.

The last point is a particular focus for our profession, with green jobs disproportionately undertaken by men (72.2% men vs 27.8% women). The importance of equality, diversity and inclusion (EDI) – alongside other fair work dimensions – cannot be understated.

## 5 Sustainable organisations

There is a wide range of terms associated with the green transition (for example carbon neutral, climate positive, net zero), often referring to different processes and targets. For example, while *carbon neutral* usually refers to an organisation's CO2 emissions being offset by an equivalent level of carbon sequestration, *net zero* usually refers to an organisation removing all greenhouse gas emissions from their and their supply chain processes.

*Sustainability* has been used as an overarching term describing climate-positive action across organisations. For simplicity and the purposes of this chapter, we use sustainability as defined by the International Labour Organization (ILO, 2015):

“The needs of the present generation should be met without compromising the ability of future generations to meet their own needs. Sustainable development has three dimensions – economic, social and environmental – which are interrelated, of equal importance and must be addressed together.”

As mentioned above, even though there is an overlap between the two, there is a difference between changes at an organisational level and changes in our economies as a whole as we move towards our net zero targets. This chapter focuses on the people profession’s role in organisational changes, with workforce planning and skills development covered later in the report.

Defining terms and measuring progress is crucial and this will differ considerably between industries and individual organisations on their journey to net zero. The oil and gas industry faces considerable challenges in its sustainability journey. It is one of the most exposed sectors, and the coming years will see vast changes, not least from electrification or decommissioning of assets.

Of course, there are differences between companies within the oil and gas industry too. Smaller manufacturers in supply chains will face different challenges from large offshore operators. As an example, while for some, electrification means installing a new subsea cable connection, for those operating assets further offshore, it means building or tapping into an offshore wind farm.

Regardless of the scale of the challenge, however, an organisation’s workforce will need to be on the journey to net zero from the outset. This is an opportunity for HR to do what it does best – drive values-led organisational change. And we know that the demand for our profession is only going to increase. Research (RGU, 2021) suggests that HR will be one of the eight job families that are together projected to amount to 80% of the UK offshore energy workforce.

### **Challenges and opportunities for HR**

The conversations that we’ve had in preparation of this report suggest that sustainability, net zero or green skills are increasingly seen as a pillar of HR.

There are three main reasons for this:

- 1 First, any organisation seeking to meet its sustainability goals will depend on its people to embrace this agenda. Cultural change is contingent on workforce buy-in.
- 2 Second, changes to processes and/or the introduction of technology can only be delivered alongside workforce upskilling and cognisant of other people management considerations, driven by the people profession.
- 3 Third, the sustainability agenda is, just like our profession, values-led. The required changes are in pursuit of a common goal, which we can best articulate.

While there is a desire and willingness from the people profession to embrace the sustainability agenda, we have heard that there is a perceived lack of resources to tap into. In some cases, HR teams are asked to take a lead on sustainability without any additional support from the leadership team (for example additional budget or headcount).

For our part, the CIPD is planning to expand the resources we already provide to our members. In Scotland, there is a range of government-backed sources of advice accessible online, including:

### Useful resources

- **Net Zero Scotland** is the Scottish Government's online hub that brings together resources, toolkits and funding opportunities to help organisations on their net zero journey.
- **Scottish Enterprise**, one of Scotland's economic development agencies, has guides and checklists to help companies achieve sustainability targets. **Highlands and Islands Enterprise** and **South of Scotland Enterprise** provide additional resources too.
- **Adaptation Scotland** provides advice and support to help organisations, businesses and communities prepare for the impacts of climate change.
- **Zero Waste Scotland** is a not-for-profit company, part funded by the Scottish Government, helping organisations embrace the benefits of a circular economy.
- **Business Energy Scotland**, funded by the Scottish Government, provides free, impartial support and access to funding to help small and medium-sized enterprises, primarily around energy costs. This includes guides on staff engagement, an HR issue at its heart.

People professionals need to recognise that employees are very likely to have a mix of knowledge of sustainability, the just transition and net zero. This includes HR teams themselves too. A first step on any organisation's sustainability journey is to spread an understanding of environmental and sustainability issues throughout the organisation. For HR teams, it is important to start with ourselves, for example by tapping into some of the resources described above or accessing external training.

There is a multitude of options when it comes to improving the understanding of sustainability across the workforce. These can range from short webinars, through dedicated online resource hubs, to more formal training interventions. Other creative schemes like sustainability awards or competitions for net zero ideas can also be introduced to get employee buy-in and spread awareness of the responsibility of everyone in the organisation and the steps that can be taken.

The improved understanding of the sustainability agenda does not have to be limited to activity in the workplace – employees may welcome information and guidance on what steps they can take at home too. Given the link between energy usage and energy costs, this may be a particularly welcome intervention.

For sustainability to be built into organisational culture, HR should become its champion – this is what we do best. Some organisations have dedicated sustainability staff, but in the absence of additional resource, providing some additional time to existing staff to serve as sustainability champions can be an alternative.

However, we need to recognise that there will be competing agendas to navigate. Especially in times of crisis – and the last three years has seen a succession of them – sustainability may not be on top of the agenda for employers. Spreading awareness of the importance of the topic, and the impact of (in)action on individuals, communities and organisations, needs to reach all levels of the organisation.

Once organisational challenges are understood, terms are defined and goals and targets are set, people professionals should conduct a review of all company-wide workplace practices to ensure they make a positive contribution. This review is a key part of the sustainability agenda.

For people professionals this can include:

### Sustainable workplace considerations

- **Flexible working:** depending on the sector, the interrelationships between flexible working and energy use or commuting to work need to be considered.
- **Technology:** the role of technology in the office. This can range from audio-visual equipment enabling effective collaborative hybrid meetings, through electronic whiteboards, to more significant investment in automation.
- **Reward schemes:** the reward package and mix of employee benefits can also contribute to sustainability goals, for example electric car incentives or cycle-to-work schemes.
- **Waste reduction:** turning business premises into zero waste workplaces through comprehensive recycling or an elimination of single-use plastics.
- **Onboarding:** amending onboarding processes, which should include an introduction to the importance of sustainability to your organisation's culture, an explanation of the benefits package and signposts to relevant sustainability training and resources.

Perhaps most importantly, it is crucial to recognise that for some organisations, these will be significant transitions that may cause some employees anxiety. Trust between employers and employees, underpinned by effective employee voice (individual and collective), needs to be at the heart of the just transition. Our profession has a key role to play here.

### Sustainability from the top

The importance of the just transition to net zero is increasingly appearing in board-level considerations too. There are two dimensions to it – a corporate responsibility one and a commercial one, although they are not mutually exclusive. Many business leaders realise that their organisations can both make a difference to (regional, national or global) net zero targets as well as potentially gaining a commercial edge.

On the former, the United Nations summarises the case in its just transition business brief (UN, 2022):

“Businesses large and small are critical agents of change in the shared ambition to build a just and sustainable world. The structural transformation of the net zero transition offers a once-in-a-century opportunity to put justice, human rights, equity and sustainability at the core of our economies and societies. Harnessing the opportunities of climate action and managing its challenges depends on private sector action and support.”

Environmental, social and governance (ESG) practices, whether part of reporting frameworks or not, are of increased importance to investors too. Furthermore, there has been an increase in financial sector activity around so-called ‘green finance’, with more

favourable terms available on loans to fund projects that meet certain ESG standards. Some companies have started innovating their products and services to create a competitive edge in the market (Deloitte, 2022). An increasing number of companies are putting in place specific targets (usually 2030, 2040 or 2050), with regular progress monitoring.

During our conversations we also picked up on an interesting ongoing debate about the need for climate change (or sustainability) experts on boards – there does not seem to be a consensus on this. An alternative approach is to set up a dedicated board committee to cover ESG issues. Recent research (Deloitte, 2022) estimates around 50% of FTSE 100 and around 30% of FTSE 250 companies have established an ESG/sustainability committee. Lastly, ESG measures are also increasingly part of long-term incentive plans for C-suite executives (Deloitte, 2021).

All of the above points to a gradual shift in the importance of sustainability across all levels of an organisation. Our profession has a key role to play in driving the agenda through workplaces, championing a green organisational culture and enabling a values-led, people-driven change.

## 6 Workforce planning

The labour market impacts of the transition to net zero are going to be considerable, as illustrated by the statistics described in the [What are green jobs? chapter](#). The scale of the changes presents a challenge to employers and people professionals. This also has to be put in the context of the series of crises the UK has seen since 2020 – COVID-19, skills and labour shortages, cost of living and economic recession. Long-term planning, especially for SMEs, is difficult when many are primarily focused on just staying afloat and continuing to trade.

In an offshore energy context, the biggest short-term challenges currently stem from skills and labour shortages, with the competition for talent with transferable skills very high. This has an impact on day-to-day operations, but it also increases the risks of wage inflation in emerging green sectors, which may cause challenges in the medium to long term.

The impact of the 2014 oil price drop, the subsequent crisis and thousands of job losses in the oil and gas sector is still being felt. The just transition presents an opportunity for gradual and well-managed change, in stark contrast with the rapid contraction nearly a decade ago. This is a longer-term challenge that will require cross-industry and cross-sector collaboration to intensify.

Recent years have, however, seen a significant body of work initiated, with key milestones coming over the next few months. Most interestingly for our profession, the publication of the Integrated People and Skills Strategy (OPITO, 2022), which was developed as part of the North Sea Transition Deal, provides a framework for actions to be taken by the offshore energy industry in this area. Several action plans have been developed, including one on defining workforce skills and one on meeting future skills demand.

One of the aims of these developments is to create a better understanding of possible offshore energy pathways and to create an all-energy career proposition that is attractive to new entrants into the industry. This integrated offshore energy approach has been praised throughout our interviews, but most agreed that there is scope to go further and to get buy-in from more organisations.



### Cross-industrial transitions

One of the running themes that emerged during our interviews was the desire to ensure that the net zero transition does not repeat the perceived mistakes of past industrial transitions. Much of the existing oil and gas workforce will be key to unlocking the less mature offshore energy sectors (offshore wind, CCUS and hydrogen). Policy Exchange (2020) analysis estimates that exploiting the full potential of the North Sea could support a net increase of 40,000 direct jobs.

However, the social and community dimension of prioritising redeployment and retraining over redundancy must not be ignored. The net zero transition is not only an economic opportunity for the north east, Scotland and for the UK as a whole. It is also an opportunity to ensure that a decline in one industry (oil and gas) does not result in a rise in unemployment, but has a positive transformational effect on local communities instead.

Across both of these dimensions – economic and social/community – our people profession plays a key role. Workforce planning with a just transition lens will be crucial. Applying the definition of green jobs to workforce planning, the people profession will have to navigate three types of roles:

#### Key roles for people professionals to focus on

- ✓ Roles that are largely unchanged and with high transferability between industries – there is high demand for these roles due to skills and labour shortages across the offshore energy sector.
- ✓ Roles that will evolve and will require an element of upskilling/retraining – these can be within organisations that are adapting their operations as part of their sustainability agenda or due to investment diversification.
- ✓ Roles that will be brand new and required to support emerging sectors within offshore energy – the opportunity to create new jobs with fair work principles at their core needs to be grasped by our profession.

All our conversations suggest that the offshore energy labour market remains very tight at the moment. There is very high demand for professional skills in particular, with project management, logistical skills and contractual expertise from oil and gas easily transferable to green energy developments. We return to this in the [Skills for net zero](#) chapter.

Not all roles, however, will be transferable. Career pathways of young people starting in the offshore energy sector are going to be very different from those who started a few decades ago. For existing workers whose job requirements are likely to change, it is important to focus on continuous career development, with retention, retraining and redeployment the priority. It is also important to recognise that for many workers this may be an anxious time, and open and honest communication needs to be part of the transitions.

The future of offshore workers in particular is likely to evolve considerably. Currently, Offshore Energies UK (OEUK) estimates that there are around 11,000 workers living offshore at any one time. This has had an impact on reward strategies, but also short-term and long-term workforce planning with logistical challenges, staff rotation or annual leave calculations. These roles will virtually cease to exist, but it is up to our profession to ensure that what replaces them has the same fair work principles at its heart.



### SSE Just Transition Strategy

Some employers have put in place specific plans that outline the steps they are taking to smooth the just transition for their existing workforce. SSE was one of the first companies to do this in their *Just Transition Strategy* (SSE, 2020) and in its follow-up *Just Transition: From principles to action* (SSE, 2021).

SSE's commitments to skills transfer and development, and job quality included:

- a STEM returner programme and an Engineering Conversion Programme for talent joining SSE from adjacent industries
- a review of induction programmes, to ensure a sustainability culture is embedded
- networking and mentoring for former high-carbon workers
- the removal of specific industry experience in job adverts and a move to strength-based recruitment
- offer permanent contracts as standard and focus on fair work principles in employment packages.

### Recruitment and retention

The post-COVID skills and labour shortages are still acutely felt in the offshore energy sector. On top of cross-industrial competition as described above, the sector is facing strong competition for experienced workers from other parts of the world with well-developed offshore industries. This has led to some recent developments as the sector is focusing on recruitment and retention:

- Employers are increasingly looking at expanding their traditional labour pools by focusing on deepening links with local training providers and schools, but also looking at older returners to work. Employers are also looking at attracting older workers back to work.
- There is an increased focus on employing apprentices and on the development of an integrated offshore energy career proposition (including an all-energy apprenticeship, discussed in the next chapter).
- An evolving Energy Services Agreement has been reached between companies employing thousands of offshore workers in the industry. This sets base contractual terms and conditions for employees across signatory companies, with a focus on fair work principles to drive recruitment and retention.

The oil and gas sector has traditionally been well rewarded, reflecting the health and safety risks as well as work-life balance challenges for offshore workers in particular. The Scottish Government's draft Energy Strategy states that the average salary for those working in extraction was £88,000, while for those working in the supply chain it was £51,000, compared with an average salary in Scotland of £29,000 (Scottish Government, 2023). Our discussions suggest some level of concern over this, as it presents a potential long-term risk for emerging offshore energy sectors (as well as the renewables industry more broadly) seeking to accommodate transferring workers. Some employers are considering broadening benefits packages and other job quality dimensions (work-life balance, flexible work) to counter the need to break salary structures, or indeed to introduce unsustainable structures in the first place.

A common theme across all our interviews was the impact of recent political and media rhetoric on the image of the oil and gas industry. This seems to be a bigger issue when it comes to recruitment, especially of young people, but it is likely that there is an impact on retention too. The conversations we had with organisations that primarily operate in renewables suggest that the sense of purpose – that is, the importance of the net zero transition – is one of their strongest recruitment tools.

However, it is important to emphasise that the oil and gas sector will need to be the entry point for the other emerging sectors within the offshore energy industry. A rapid decline of the sector would be detrimental to the development of the low-carbon energy industry. Research by the Energy Transition Institute, based at the Robert Gordon University in Aberdeen, illustrates this point:

“Sustaining and developing the sector’s skills and capabilities will be critical in ensuring the region has the workforce to deliver the energy transition. (...) Realising the ambition for the North-East of Scotland to become a Global Energy Hub may require close to 14,000 people in the region to move from oil and gas to renewables roles between 2022 and 2030.”

There is also an EDI dimension to the recruitment and retention debate. There are long-standing issues with representation of ethnic minorities as well as women in engineering jobs in particular. This is reflected in the North Sea Transition Deal, which makes it clear that the oil and gas sector has much more to do to ensure its workforce better reflects UK society.

More broadly, Rubio (2022) estimates that green jobs are currently disproportionately undertaken by men, with only 27.8% undertaken by women. The opportunity to improve this balance during the just transition needs to be taken, and while public policy – especially careers services – is important, people professionals have a key role to play here. EDI is an agenda that needs to be driven through recruitment as well as workplace practice.

## 7 Skills for net zero

The skills agenda has been receiving increased interest across Scotland and the UK. [Recent CIPD research](#) in this area has highlighted the growing scale and impact of graduate overqualification, leading to calls for a rebalancing of funding towards vocational education and improvements in careers services. Given the scale of changes facing our economy, we also need to see much more focus on lifelong learning to allow for easier transitions between industries for existing workers.

These themes are especially relevant in the context of Scotland’s just transition to net zero. And while much of the agenda can be influenced by organisations themselves, the role for public policy in relation to skills development is absolutely pivotal (ILO, 2015). The government and its agencies are responsible for ensuring the skills development system is flexible and responsive to the needs of the economy, with sufficient capacity to meet demand. This means effective allocation of resources, accurate labour market intelligence and a comprehensive and individualised careers service.

Furthermore, past CIPD [research](#) has also highlighted an issue with the lack of understanding of skills needs and gaps within organisations, particularly among SMEs. Demand for skills interventions can be boosted through improvements in business support services, particularly around people management. This can unlock business investment in technology and skills to support the net zero transition.

Broadly speaking, Scotland has a well-developed skills system, with several strands of further reform (and a series of reviews) currently ongoing. It is a positive sign that most of our interviewees had some level of contact or relationship with Skills Development Scotland, Scotland's skills agency. There is targeted work ongoing in the north east of Scotland to support the changes in the offshore energy sector too.

Keeping in mind the definition of green jobs, the offshore energy transitions, as well as the workforce planning challenges described above, we believe Scotland's skills development system will need to work better in three areas:

### Focus areas for Scotland's skills development system

- ✓ First, we need to develop and manage transferable skills. Not only do we need to ensure that existing employees with transferable skills can cross industries, but we also need to embed such skills into the system now for transitions decades down the line.
- ✓ Second, we need to introduce new and additional pathways to meet labour market demand. Skills and labour shortages are already constraining growth in the offshore industry, and we are only in the infancy of sectors like hydrogen and CCUS.
- ✓ Third, we need an increased focus on lifelong learning. There are thousands of employees across high-carbon industries who will face unemployment unless given the opportunity to upskill or reskill.

### Transferable skills

The importance of skills that can be applied across industries and sectors has increased across the UK as we face generational changes in our economies. In the context of the net zero transition, transferable skills can also mean two things (Cedefop, 2022a):

- technical skills – required to adapt or implement standards, processes, services, products and technologies
- transversal – linked to thinking and acting, relevant to work in all economic sectors, occupations and life; also referred to as 'essential skills', 'soft skills' or 'core skills'.

On the latter, Scotland has made good progress in embedding such essential employability skills (for example problem-solving, collaboration skills) into our apprenticeship frameworks. However, there is scope to produce a joint agreed development framework that can work in educational settings from a young age through to employment. Essential skills, if developed early, will make it easier to cross sectors in future transitions.

On the former, transferable technical skills are especially important in an offshore energy context. Unlocking the benefits of the just transition will require thousands of existing oil and gas employees to transition to emerging offshore energy sectors. In addition to above-mentioned professional occupations (for example project planners), there is a wide range of skilled job roles that can transfer to less mature sectors – for example pipe fitters, leak test technicians or offshore barge operators could all be utilised in the building and operation of CCUS infrastructure (ECITB, 2020).

In fact, it is estimated that over 90% of the oil and gas workforce has medium to high skills transferability between adjacent energy sectors and will only require limited upskilling and a general induction to the new sector (RGU, 2021). However, our conversations suggest that there are three key barriers that need to be overcome for this to be a smooth transition.

### Key barriers to net zero skills transferability

- First, there is considerable uncertainty about the pace of change. This means that there may be a lag between the loss of existing job opportunities (for example in oil and gas) and the emergence of new job opportunities (for example in hydrogen). Organisations and policy-makers will both have a role to play in bridging an eventual gap.
- Second, future skills requirements are likely to change in ways we can't predict today. Good labour market intelligence will have to play a key role and the skills development system as a whole will need to be more flexible and responsive to accommodate fast changes in skills demand.
- Third, organisations largely rely on qualifications to recognise skills, with each industry having its own set of qualifications. This means that job roles with virtually identical skill requirements (for example health and safety, first aid or rope access) require different qualifications depending on the industry. We have heard specific examples of where this is a clear barrier for employees who want to move across the offshore energy industry.

There is, however, progress being made in this area. OPITO is leading work to design a so-called skills passport, aiming to radically transform workforce mobility across the offshore energy industry. Currently targeting a launch in the third quarter of 2023, the skills passport will be a digital tool holding all qualifications in one place, underpinned by an alignment of standards across the industry.

### New and additional pathways

All projections show that the demand for green jobs cannot be met from the existing workforce alone. Policy-makers will need to ensure that labour market demand is met through the supply in our skills development system. Today we already know that there are significant projected gaps in some areas crucial to the transition to net zero. For example, the Construction Industry Training Board (CITB, 2021) estimates that the UK will need 60,000 workers for heat pump installation in domestic and non-domestic buildings over the next seven years, compared with just 900 installers in 2019. The demand for energy efficiency retrofitting labour is also projected to increase exponentially.

The occupational mix of green jobs means that there is a role to play across the educational system. One of the recurring themes of our conversations was the importance of STEM education from a young age, which is being perceived as insufficient. This echoes the findings of our *2022 Gaps and Opportunities report*, which showed that Scottish employers feel young people leaving school lack numeracy skills.

More positively, Scotland has an excellent higher education base. The Fraser of Allander Institute (2022) highlights that, relative to population size, Scotland has the highest number of higher education students enrolled in green-related subjects of all the nations and regions of the UK. The greening of the economy will rely on technical development

and innovation, and universities will play a key role in the creation of new high-skilled occupations that will be needed (Cedefop, 2022a).

However, as we have seen in the *What are green jobs?* chapter, the majority of ‘increased demand’ jobs are in lower occupational classes (for example skilled trades or process, plant and machine operatives), which emphasises the need to boost vocational pathways in Scotland, especially green apprenticeships. Scottish research (RGU, 2022) predicts increasing demand for vocational skills and skilled trades. Furthermore, international evidence (Cedefop, 2022a) suggests that work-based learning has a pivotal role to play in our transition to net zero.

Scotland’s further education institutions understand this challenge. In addition to the cross-sectoral collaborative initiatives described in the *Offshore energy spotlight* chapter (ETZ Ltd, NESAs, ESAs), Scotland’s college sector also works together in the Energy Skills Partnership (ESP). The ESP was established in 2011 to coordinate a collaborative college response to the growth in skills demand across the energy sector, with core funding from the Scottish Funding Council matched by membership subscriptions from Scotland’s colleges.

Pathways and qualifications within the industry are also evolving in response to net zero. For example, in late 2022 OPITO *launched* a new suite of strategic energy transition qualifications, covering the four key areas of the energy sector – wind power, hydrogen, CCUS, and oil and gas. This is in addition to the work on the development of an all-energy apprenticeship, which is seeking to make the offshore energy sector as a whole an attractive proposition for young people entering the labour market.

In addition to this, industry-led improvements in data intelligence and labour market projections are also being made. The Defining Workforce Skills Action Plan, developed under the North Sea Transition Deal (NSTD) Integrated People & Skills Strategy (OPITO, 2022), includes a commitment to establish a Future Skills Working Group that “will lead on the translation and interpretation of the skills data and intelligence, clearly identifying specific future skills needs, volumes, and likely geographic distribution based on project locations. This will support the development of appropriate interventions across technical, digital, safety and business disciplines.”

While much of the volume of new and additional pathways depends on policy-makers working in collaboration with employers, as people professionals we also have a role to play. People professionals should:

### Key focus areas for people professionals

- ✓ Ensure we understand our own workforce and its skills needs, today and in the future.
- ✓ Be able to navigate recent developments in the skills space, be it across the publicly funded institutions or industry bodies.
- ✓ Understand the range of funding options available to access training and be able to utilise these for the existing workforce.
- ✓ Develop closer relationships with schools, colleges, universities and other training providers.
- ✓ Provide opportunities for young people, either through work experience, internships or apprenticeships.

### Lifelong learning

Alongside workers with easily transferable skills and new labour market entrants, public policy will also need to cater to those who will require upskilling or reskilling to avoid unemployment. The oil price crash at the end of 2014 has led the Scottish Government to introduce dedicated reskilling help for the oil and gas sector, which now continues to evolve (the National Transition Training Fund, Flexible Workforce Development Fund and Individual Training Accounts are all being reviewed with a green lens).

The scale of the current offer is – if unchanged – likely to be insufficient. Estimates (RGU, 2022) suggest that around 30,000 people in the north east of Scotland alone will require some accessible induction training in the period to 2030. On top of this, more intensive interventions will be required for up to 10,000 people who have medium or low transferability to adjacent energy sectors.

The Scottish Government's draft Energy Strategy recognises the importance of lifelong learning and includes a commitment to develop a stronger, simplified lifelong learning system, including support targeted at those who need it most. Disappointingly, there is a lack of any detail around what this will look like, although it may be that the soon-to-be updated Climate Emergency Skills Action Plan will include more.

The key role for policy-makers here is in ensuring that public funding is directed to support changing labour market demands. An area that has consistently come up during our discussions is the Apprenticeship Levy and the discrepancy between how accessible funding is across the four nations of the UK. While the Flexible Workforce Development Fund provides an avenue to access funding for shorter skills interventions, its scope is very limited.

Similarly, at the CIPD we have long made the case for reformed Individual Learning Accounts and their potential to be flexible, adaptable upskilling tools. In addition to this, more comprehensive targeted retraining will also be needed to avoid large-scale unemployment.

Careers advice, information and guidance also has a role to play in this space. We know from research (Scottish Government, 2023) that energy sector workers have a low awareness of the just transition and identify the lack of information around reskilling/retraining and job opportunities as one of the key barriers to moving into low-carbon jobs. A positive initiative in this space is the creation of the digital [Green Jobs Workforce Academy](#), which seeks to connect employees with skills development opportunities.

## 8 Conclusions and recommendations

The research highlighted throughout this report, as well as the conversations we had in the preparation of it, are unequivocal – the opportunities from the just transition to net zero for the north east, for Scotland and for the United Kingdom as a whole are huge. But so are the risks, and there are challenges that will need to be overcome by cross-sectoral (private, public and voluntary) and cross-industry collaboration.

This piece of work, based on conversations with senior people professionals in the energy industry, is a starting point for the CIPD. It lays the foundations for more guidance over the coming months and years that will build on the recommendations we make. And even though the focus of the report was the offshore energy transition in the north east of Scotland, most of our recommendations are transferable to other regions and sectors.

## For people professionals

### **1 Embrace sustainability as an HR issue and use your influence to champion the agenda within your organisation:**

- Every organisation's sustainability journey starts with a small group of champions. HR as a values-based profession is well placed to drive cultural change.
- Recognise that employees are likely to have a mixed knowledge of sustainability, just transition and net zero, which includes HR teams themselves. Green upskilling does not have to be costly or time-consuming.
- An understanding of environmental and sustainability issues, including actions employees can take beyond the workplace, should be spread throughout the organisation and the entire employee lifecycle.

### **2 Tap into the range of resources that is being provided by the UK and Scottish Governments, as well as their agencies, in the sustainability and net zero space:**

- There is a vast array of resources, including options for funding, that are easily available online that can help an organisation on their net zero journey.
- In addition to online resources, free consultations may be available to some organisations from government agencies and third sector organisations.
- Peer-to-peer learning opportunities are also increasingly available and can be a good source of inspiration and advice.

### **3 Approach workforce planning with a just transition lens:**

- For some of the most exposed industries like energy, transport or construction, people professionals need to understand what the medium- and long-term impacts of the net zero transition will be on their people.
- This will require difficult balancing of different interests, business objectives and individual employee preferences.
- Organisational just transition plans can be a good way to conceptualise your organisation's journey and communicate clear actions to employees.

### **4 Engage with the skills development system and expand labour pools to meet skills needs:**

- Developing relationships with schools, colleges, universities and other training providers can make a big difference to your talent pool.
- There are several funding sources available to access upskilling/reskilling, with more due to be introduced in the coming months.
- Keep EDI in mind during recruitment to broaden the pool of candidates.

### **5 Put fair work principles at the heart of the transition:**

- Recognise that the upcoming changes may be a source of considerable anxiety for some employees. Intensive, open and honest communication to build trust is crucial.
- Focus on continuous career development for your employees, especially where you know there is likely to be an impact on the nature of the role.
- Consider the social and community responsibility of the net zero transition. Wherever possible, prioritise retraining and redeployment over redundancy.

## For policy-makers

### 1 Harness the willingness of organisations to make progress towards net zero targets:

- There is a desire across Scottish businesses of all sizes to contribute to governmental net zero targets. But there are still gaps in the level of awareness over the specific steps that need to be taken to reach net zero.
- Reaching SMEs is a particular challenge, especially in times of continual crisis and competing priorities. Business support services, particularly around improved people management, should focus on boosting the demand for skills and technology investment. The CIPD's [People Skills](#) model could make a valuable contribution here.
- Signposting and using role models can make a difference. The UK Government's net zero review recommended a targeted information campaign for SMEs around energy use. The Scottish Government could make better use of devolved business support services, for example, making sure Business Energy Scotland is better known.

### 2 Be cognisant of green initiative overload and collaborate:

- There is no shortage of initiatives in Scotland in the net zero space – some UK-wide, some Scotland-wide, others targeted at specific regions and others at industries. Some are organisational and others are for employees. However, we have again heard that this can be challenging to navigate, especially for SMEs.
- Simplifying the advisory landscape and a consolidation of funding streams should be an objective for the Scottish Government and its agencies.
- In an offshore energy context, the level of collaboration has strengthened considerably in recent years. The Scottish Government and its agencies should support this and create an enabling environment rather than risk cluttering their work.

### 3 Boost the upskilling and reskilling offer to meet the challenge:

- All of the research in the offshore energy space suggests that in order to harness the net zero opportunities, we will require new labour market entrants to be supplemented by workers transitioning from oil and gas, with different levels of skill transferability.
- This will require a considerable boost in the upskilling and reskilling offer in Scotland and an increased focus on work-based learning. It is currently not sufficient to meet the requirements.
- Reformed Individual Learning Accounts, coupled with a deeper retraining offer, should be at the centre of the net zero skills response.

### 4 The just transition to net zero has to be embedded into the employee lifecycle:

- The importance of net zero needs to be developed from school age, through careers advice, all learning pathways and any lifelong upskilling/reskilling. STEM from school onwards remains a significant challenge in an offshore energy context.
- Careers services have a considerable role to play and the recommendations of the recent review have the potential to make a big difference. Young people in particular need to be aware of the just transition career pathways available to them.
- Policy-makers need to recognise that language matters when it comes to offshore energy. Retaining and recruiting in oil and gas today is key to the just transition due to high transferability of skills.



## **5 Put fair work principles at the heart of the transition:**

- Transformational changes bring significant challenges, but also provide significant opportunities. By putting fair work at the heart of the transition, the government can ensure that the labour market changes for the better.
- The social and community impacts of labour market transitions need to be kept in mind. Government will have a role to play in bridging any gap between declining workforce numbers in one sector and the increase in demand in others.
- Equality, diversity and inclusion is an issue for the government and its agencies too. For offshore energy, improving the gender balance and minority representation across the industry needs to be a priority. Government can impact this through the skills development and employability systems.



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