

Just transition in EU regions

The EU plans to cut greenhouse gas emissions by at least 50 % by 2030, and to achieve climate neutrality by 2050. This will require a socio-economic transformation in regions relying on fossil fuels and carbon-intensive industries. As part of the European Green Deal, the new Commission has announced a 'Just Transition Mechanism' of €100 billion to support the territories most affected by the transition towards climate neutrality.

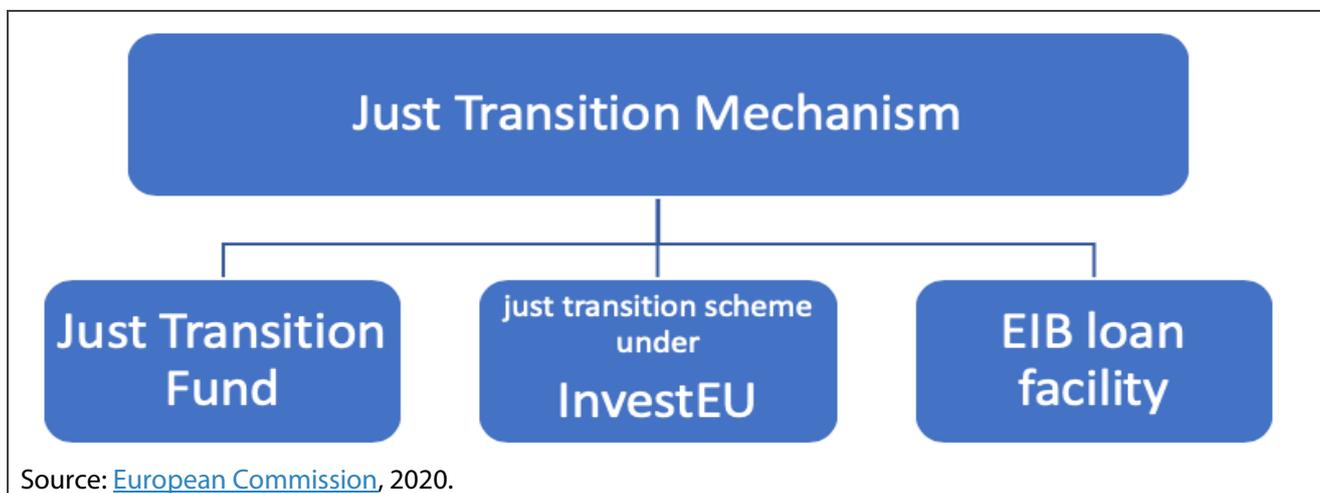
Background

In December 2019, the European Commission published a [communication](#) presenting the European Green Deal. Further details on financing followed in January 2020 in the [communication](#) on the Sustainable Europe Investment Plan (European Green Deal Investment Plan), including the 'Just Transition Mechanism'. On 14 January 2020, the Commission also published the legislative [proposal](#) on the 'Just Transition Fund' (JTF), which specified its scope of support. The establishment of the Fund entailed [amendments](#) to the proposal on the Common Provisions Regulation governing cohesion policy funds, which are expected to complement the resources of the JTF. These steps come in response to the need for finance for the transformation towards climate neutrality and investment in [restructuring](#) of regional economies, to mitigate the social [impacts](#) and expand activities supporting the green transition.

Just Transition Mechanism

The mechanism will consist of **three pillars**: the Just Transition Fund, a just transition scheme under InvestEU and a loan facility with the European Investment Bank (EIB). Taken together, it is expected to mobilise at least €100 billion for just transition in EU regions.

The **Just Transition Fund** will have its own budget of €7.5 billion, complemented by the European Regional Development Fund (ERDF) and European Social Fund Plus (ESF+), as well as national co-financing. With these additional resources, it is expected to generate €30-50 billion in total. Support will be available to all Member States, while focusing on the regions most affected by climate transition. It will be allocated on the basis of greenhouse gas (GHG) emissions of industrial facilities in [NUTS2](#) regions with high carbon intensity, employment in industry in these regions, employment in coal and lignite mining, production of peat and production of oil shale. The [allocation method](#) will also take into account the country's level of economic development (gross national income (GNI) per capita). Eligible territories will correspond to [NUTS3](#) regions or parts thereof. The activities supported will [include](#) investments in SMEs, clean technologies, renewable energy, energy efficiency, and reskilling of workers. Territorial just transition plans will be prepared, and a set of indicators used to monitor progress.



The dedicated **just transition scheme under InvestEU** is expected to mobilise up to €45 billion, mostly of private investments. The target of generating this amount corresponds to a provision of around €1.8 billion from the EU budget under the [InvestEU programme](#). Its scope will be broader than the Just Transition Fund, financing projects not only in just transition territories, but also outside (if these projects are key to the transition within the just transition territories). It will fund renewable energy investments, energy efficiency schemes, and energy and transport infrastructure, including gas infrastructure and district heating, as well as decarbonisation projects, economic diversification of the regions and social infrastructure.

The public-sector **loan facility with the European Investment Bank**, backed by the EU budget, will provide subsidised financing to local authorities in the regions concerned. It is expected to leverage public funding and mobilise €25-30 billion in investments. The loan facility will rely on a [contribution](#) of €1.5 billion from the EU budget and EIB lending of €10 billion at its own risk. Support may take the form of an interest rate subsidy or an investment grant (financed from the EU budget), blended with loans provided by the EIB to municipal, regional or other public authorities. It will finance energy and transport infrastructure, district heating networks, energy efficiency measures including renovation of buildings, and social infrastructure. Similar to InvestEU funding, its scope will go beyond the transition territories to include other regions, if the projects are key to transition within the just transition territories. This may be the case for instance for transport or energy infrastructure projects that improve the connectivity of the just transition territories.

Advisory support and technical assistance

In addition to funding and technical assistance available under the Just Transition Mechanism, the [communication](#) on the Sustainable Europe Investment Plan also lists a number of supporting measures. The **InvestEU Advisory Hub** will offer tailored advisory services on sustainable projects, including just transition. The Structural Reform Support Programme (and its successor, the **Reform Support Programme**) will provide technical support to public authorities on reforms to achieve climate transition, including preparation of territorial just transition plans. Moreover, assistance will be available through a new **Just Transition Platform**, managed by the Commission and building on the existing [Platform for Coal Regions in Transition](#).

Links with cohesion policy

The Just Transition Fund will be implemented under cohesion policy and complemented by its resources. Its delivery will be governed by the [amended](#) Common Provisions Regulation and included in partnership agreements and programmes. According to the [proposal](#) on the JTF, the Fund will be a key tool to prevent regional disparities from growing as a result of the transition towards climate neutrality. Thus, it will contribute to strengthening economic, social and territorial cohesion. In terms of funding, the Fund will have its own resources of €7.5 billion. The proposed [amendments](#) to the CPR also introduce a new article 21a stipulating that JTF resources will be complemented from ERDF, ESF+ or a combination of these two funds. The total of ERDF and ESF+ resources transferred to the JTF will be between 1.5 and 3 times the amount of JTF support. In order to ensure continued impact of cohesion policy, the resources transferred from either the ERDF or the ESF+ cannot exceed 20 % of the respective ERDF and ESF+ allocation to the Member State concerned. Member States are also expected to provide national resources, with levels of EU co-financing set according to the categories of regions in which the territories concerned are located.

European Parliament position

Parliament called for the establishment of a Just Energy Transition Fund of €4.8 billion in its November 2018 [resolution](#) on the 2021-2027 Multiannual Financial Framework. The call for the establishment of the Fund was echoed by the European Committee of the Regions in its [opinion](#) on 'The socio-economic structural change in Europe's coal regions' of October 2019. In its [resolution](#) of January 2020 on the European Green Deal, Parliament stressed that just transition is about more than just a fund, but a whole-policy approach underpinned by investment, which must ensure that no one is left behind. In a [debate](#) during the January 2020 plenary session with the Commission, some MEPs expressed scepticism about the complementary transfer of funds from cohesion policy to JTF. The [work](#) on the Just Transition Fund proposal is currently in preparatory phase. The European Parliament's Committee on Regional Development (REGI) is expected to take the lead (publication of the rapporteur's draft report will be the next step). While revisiting the [proposal](#) on InvestEU is not envisaged, a new legislative proposal to set up the EIB loan facility under the Just Transition Mechanism is [expected](#) in March 2020.

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