BRIEFING

Requested by the REGI committee

Assessment of the Just Transition Fund proposal

1. Introduction

Soon after unveiling the overall roadmap for its flagship European Green Deal initiative, the European Commission published its first concrete proposal on 14 January 2020, on how to establish a Just Transition Mechanism (European Commission, 2020a, 2020b and 2020c). The objective of this initiative is to provide support to territories facing serious socio-economic challenges arising from the transition towards climate-neutrality.

To reach the €100 billion of Just Transition Mechanism financing (for the period 2021-2027) promised by European Commission President Von der Leyen, the initiative relies on three main pillars (European Commission, 2020a):

1. The creation of a Just Transition Fund (JTF): the Commission wants to add €7.5 billion of 'fresh money' to the total amount proposed in 2018 for the 2021-2027 Multiannual Financial Framework (MFF). This is supposed to trigger between €30 billion and €50 billion of additional funding for the regions most affected by the transition

2. The use of a portion of the InvestEU financing devoted to climate to mobilise a total of €45 billion of investment in 'Just Transition' projects between 2021 and 2027.

3. The creation a public sector loan facility at the European Investment Bank partly guaranteed by the EU budget, to mobilise between €25 billion to €30 billion of additional public investments in 2021-2027.

At the time of writing, details on the second and third pillars of the Just Transition Mechanism are scarce, as the legislative proposals focus exclusively on how to establish a Just Transition Fund (European Commission, 2020b) and on how to include it in the EU cohesion policy framework (European Commission, 2020c).

Concerning the InvestEU pillar, the Commission's communication explicitly mentioned that the negotiations between the European Council and the Parliament on InvestEU, which led to an agreement in April 2019, will not be re-opened. This means that the Commission intends to set aside a portion of the financing devoted to InvestEU climate and environment-related investments for 'just transition' labelled projects. This represents a share of the provisioning of around €1.8 billion of the EU budget guarantee for the InvestEU programme, to reach €45 billion of investment in 'Just Transition' projects between 2021 and 2027.

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As far as the public sector loan facility pillar is concerned, the only detail provided for the moment is that the EU budget will contribute with a guarantee of €1.5 billion for the EIB. But the current proposal does not explain where this money will come from or what EU programme will have to be scaled back to create this new guarantee. In addition, such a tool might not be that useful at a time when EU countries can finance themselves very easily in the market at very attractive (and in some cases even negative) rates.

This briefing, prepared by Bruegel on the request of the EP Committee for the Regional Development, focuses on the most concrete elements of the Commission's proposals: the Just Transition Fund regulation proposal that lays down its objective and geographical coverage; the methodology for the allocation of resources and the content of the territorial just transition plans required to underpin the programming, and the targeted amendments of the Common Prevision Regulation (CPR) proposal, which will incorporate the JTF into the overall EU cohesion policy framework (in addition to the ERDF, ESF+, etc.).

2. Highlights of the European Commission's proposal

Objectives of the Just Transition Fund

The fund's stated objective is to "*alleviate the impact of the transition by financing the diversification and modernisation of the local economy and by mitigating the negative repercussions on employment*". In practice, in order to support territories facing serious socio-economic challenges arising from the transition towards climate neutrality, the Just Transition Fund will primarily provide grants to finance three types of project: 1) social support, 2) economic revitalisation, and 3) land restoration.

Size and origin of the JTF funds

The Commission's proposal foresees that the JTF will rely on €7.5 billion of 'fresh money' that is supposed to come on top of the Commission's MFF proposal from May 2018 (European Commission, 2018). The initial €7.5 billion from the Just Transition Fund is expected to be complemented by transfers of funds from other EU programmes and by national co-financing.

To unlock €1 from the JTF, EU countries will have to re-allocate a minimum of €1.5 and a maximum of €3 from their ERDF or ESF+ envelopes to JTF projects (with a limit of 20 percent in each case), and they will also have to directly co-finance projects according to cohesion rules. That is why the Commission foresees that the overall financing capacity of the JTF will be between €30 and €50 billion.

Table 1 shows the minimum and maximum amounts of ERDF/ESF+ funds (in values and as a percentage of the total) that will be transferred to the JTF according to the Commission's proposal. Table 1 also gives each country's share of the JTF allocation and of the total of ERDF and ESF+ funds. Because of the difference in allocation methods (discussed below), the destination of the funds is quite different. Assuming that at the end of the MFF negotiations, the money for the JTF will not really be additional but taken from other cohesion policy funds (which is quite probable, as the discussion in the next section suggests), this would translate into a partial reallocation of €7.5 billion from some countries (mainly Italy, Spain, Portugal, and Hungary) to others (mainly Poland, Germany, Czechia and Bulgaria), as can be seen in column 8 of Table 1.

Geographical scope of the JTF and allocation to member states

The money will be available to all EU countries. The Commission's proposal (annex 1 of European Commission, 2020b) provides a formula to determine how the funds will be distributed geographically, depending on the following factors, weighted as described:

- The carbon intensity of a country's NUTS2 regions (weighting 49 percent);
- Employment in mining of coal and lignite (weighting 25 percent);
- Employment in industry (weighting 25 percent);
- Production of peat (weighting 0.95 percent);
- Production of oil shale (weighting 0.05 percent).

Countries can be allocated a maximum of €2 billion; any amount exceeding this would be redistributed proportionally to the allocations of all other member states. The regulation also requires the allocation to represent at least €6 *per capita* (based on the entire population of a member state) over the entire period in each member state. Column 1 of table 1 gives the allocation of the JTF to member states according to this methodology, and column 7 gives the proportion of the total allocation attributed to each country.

Eligible projects to be financed by the JTF

The regulation proposal provides details about the types of projects on which the money will be spent. Some of it will be used to invest in private projects and in particular in SMEs, but member states will also be able to use the funds to invest in human capital. The JTF will support a total of 11 types of activities which can be regrouped (apart from activity (k) ie technical assistance) into three broad categories[1]:

1. <u>Economic revitalisation</u>: (a) productive investments in SMEs, including start-ups, leading to economic diversification and reconversion[2]; (b) investments in the creation of new firms, including through business incubators and consulting services; (c) investments in research and innovation activities and fostering the transfer of advanced technologies; (d) investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy; (e) investments in digitalisation and digital connectivity; (g) investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling;

2. <u>Social support</u>: (h) upskilling and reskilling of workers; (i) job-search assistance to jobseekers; (j) active inclusion of jobseekers;

3. <u>Land restoration</u>: (f) investments in regeneration and decontamination of sites, land restoration and repurposing projects.

1 The regulation also explicitly disallows the JTF from financing the following activities: (a) the decommissioning or the construction of nuclear power stations, (b) the manufacturing, processing and marketing of tobacco and tobacco products, (c) undertakings in difficulty, (d) investment related to the production, processing, distribution, storage or combustion of fossil fuels, and (e) investment in broadband infrastructure in areas in which there are at least two broadband networks of equivalent category.

2 Enterprises other than SMEs can also access funding from the JTF, on the condition that this is approved by the Commission as part of a country's territorial just transition plan.

Governance and conditions to access the Just Transition Fund

In addition to the pre-allocation and the obligations to reallocate ERDF/ESF+ funds and to co-finance projects at national level, there are a number of other conditions for countries to access the JTF. Countries will have to submit 'territorial just-transition plans' to show that the funds are needed and where they will be spent. Countries will also have to demonstrate how they plan to fulfil their national climate objectives, as the proposal also mentions the (rather vague) need to be "*consistent with their National Energy and Climate Plans and the EU objective of climate neutrality by 2050*" and "*steered by Country Specific Recommendations*" of the European Semester. The following elements are described as requirements in member states' territorial just-transition plans:

- A timeline of key transition steps at national level;
- A justification for identifying the territories most negatively affected by the transition – these territories can be considered at any level, including NUTS3;
- An assessment of the challenges faced by these territories (estimated job losses, development needs and objectives);
- A description of the expected contribution of the JTF to address these challenges;
- An assessment of the consistency of JTF support with national transition plans;
- A description of the governance set-up for implementation, monitoring and evaluation;
- A description of operations envisaged;
- Where support will be provided to non-SMEs, a list of all the operations and companies that will be included, along with a justification for their inclusion;
- A justification of support provided for investment aimed at achieving reductions in greenhouse gas emissions from particular activities[3];
- Synergies with other EU programmes and pillars of the Just Transition Mechanism, to address identified development needs.

Access to the funds will be conditional on the approval of these plans by the Commission, whose evaluation will be based on all the above elements.

[3] The activities are those listed in Annex I of Directive 2003/87/EC.

Table 1 : JTF allocation and ERDF/ESF+ funds

	JTF 2021-2027 Allocation € million (1)	ESF+ 2021-2027 Allocation € million (2)	ERDF 2021-2027 Allocation € million (3)	Range of ESF+/ERDF Transfers: including 1.5 to 3 JTF and 20% constraints (4)	Range of ESF+/ERDF Transfers to the JTF in % of total ERDF and ESF+ funds (5)	Share of ESF+/ ERDF funds (6)	Share of JTF funds (7)	JTF bias (7) – (6) (8)
BE	68	1044	1027	102 - 204	4.9% - 9.8%	0.7%	0.9%	+
BG	458	2292	4998	687 - 1374	9.4% - 18.8%	2.6%	6.1%	+ +
CZ	581	2428	9338	872 - 1743	7.4% - 14.8%	4.2%	7.7%	+ +
DK	35	161	189	53 - 70	15.0% - 20.0%	0.1%	0.5%	+
DE	877	5506	9180	1316 - 2631	9.0% - 17.9%	5.3%	11.7%	+ +
EE	125	437	1465	188 - 375	9.9% - 19.7%	0.7%	1.7%	+
IE	30	514	399	45 - 90	4.9% - 9.9%	0.3%	0.4%	+
EL	294	5232	10222	441 - 882	2.9% - 5.7%	5.5%	3.9%	-
ES	307	10722	22516	461 - 921	1.4% - 2.8%	11.9%	4.1%	- -
FR	402	6383	8566	603 - 1206	4.0% - 8.1%	5.4%	5.4%	+
HR	66	1902	5122	99 - 198	1.4% - 2.8%	2.5%	0.9%	-
IT	364	13319	24321	546 - 1092	1.5% - 2.9%	13.5%	4.9%	- -
CY	36	184	385	54 - 108	9.5% - 19.0%	0.2%	0.5%	+
LV	68	652	2279	102 - 204	3.5% - 7.0%	1.0%	0.9%	-
LT	97	913	2775	146 - 291	3.9% - 7.9%	1.3%	1.3%	-
LU	4	19	19	6 - 7	16.1% - 20.0%	0.0%	0.1%	+
HU	92	4257	10296	138 - 276	0.9% - 1.9%	5.2%	1.2%	- -
MT	8	81	306	12 - 24	3.1% - 6.2%	0.1%	0.1%	-
NL	220	490	597	217 - 217	20.0% - 20.0%	0.4%	2.9%	+
AT	53	453	617	80 - 159	7.4% - 14.9%	0.4%	0.7%	+
PL	2000	12660	40113	3000 - 6000	5.7% - 11.4%	18.9%	26.7%	+ +
PT	79	6725	10273	119 - 237	0.7% - 1.4%	6.1%	1.1%	- -
RO	757	7414	15317	1136 - 2271	5.0% - 10.0%	8.1%	10.1%	+
SI	92	704	1484	138 - 276	6.3% - 12.6%	0.8%	1.2%	+
SK	162	2197	7388	243 - 486	2.5% - 5.1%	3.4%	2.2%	-
FI	165	643	838	248 - 296	16.7% - 20.0%	0.5%	2.2%	+
SE	61	839	995	92 - 183	5.0% - 10.0%	0.7%	0.8%	+
Total	**7 501**	**88 168**	**191 024**	**11139 - 21822**	**4.0% - 7.8%**	**100%**	**100%**	+

Source: Bruegel based on European Court of Auditors (2019), European Commission (2018) and European Commission (2020b). Note: amounts in euros are expressed in constant 2018 prices.

3. Assessment of the proposal and recommended amendments

Scope of the potential amendments to the regulation

To enhance the Commission's proposal, the European Parliament could amend the following parameters of the JTF:

- Its objectives (article 2);
- Its size (article 3);
- The scope of projects financed (article 4) or excluded (article 5);
- Its geographical scope and the allocation methodology (article 3 and annex 1);
- Its governance structure and the conditions attached to access to the programme, ie the territorial plans and the criteria for approval by the European Commission (article 7);
- The transfers from the ESF+ and the ERDF (article 6 and article 21a of the amended CPR).

The following sections describe in detail how each of these parameters could potentially be amended, especially bearing in mind the mechanisms through which the JTF interacts with existing cohesion policy.

The main objectives and overall design of the Just Transition Fund

As the original proposal from the European Parliament to establish a 'Just Transition Fund' (European Parliament, 2017) highlighted, a just transition strategy requires policies to be put in place that will facilitate the transition into new jobs for those whose jobs are at risk. Even if, in net terms, the effect on employment of the transition could be neutral or even slightly positive, the transition will make some jobs disappear, while creating new ones. Sectors in which jobs could be lost include power generation using fossil fuels (including coal mines, fossil-fuel power plants an refineries), energy-intensive manufacturing, transport, the automotive sector, the equipment sector for fossil-fuel technologies and retail sales of fossil fuels (eg gas stations). In principle, these job losses will be compensated for by new jobs in sectors including renewable energy installation, maintenance and operation, and construction (because of the need to renovate the building stock). The renewable energy sector should also create more domestic jobs than the fossil-fuel energy sector. But these new jobs could be in different regions or require different skills. If a change in the demand for skills is rapid, there is a clear role for authorities to ensure that the workforce (and in particular displaced workers with low skills) can be retrained successfully and quickly. It is thus crucial to invest heavily in human capital: adult education, re-training, and policies to improve the labour mobility of workers, in order to avoid high levels of unemployment in some particularly affected regions. That is why the European Parliament envisaged the EU Just Transition Fund as playing that role.

To do this, the Just Transition Fund could have been designed in line with the model of the European Globalisation Adjustment Fund (EGF), an institutional tool that has a fairly long track record of acting in similar circumstances. The EGF was established in 2006 to support workers who lose their jobs as a result of major structural changes, originally from world trade patterns arising from globalisation. EU countries apply for funding from the EGF, and national or regional authorities oversee the deployment of project funds[4]. Over time, the EGF has been adapted to new economic and social challenges emerging in Europe[5]. The EGF's flexible model (project-based, and without any pre-allocation of funds), which tries to help citizens directly, could thus be a template for the JTF to help people who lose their jobs as a result of the decarbonisation process.

Size and potential impact of the Just Transition Fund

Before discussing if the JTF is big enough, it is worth considering whether the €7.5 billion proposed really constitutes 'fresh money', as claimed by the Commission. In our view, it is naïve, or even misleading, to claim that the funds devoted to the JTF will be additional to the EU budget, given that the first stage of the MFF negotiations is focused on agreeing on an overall headline number. This means that once an agreement is finally reached, the JTF will fall under this aggregate number and therefore the amount devoted to the JTF will mechanically reduce the funds devoted to other programmes. It will thus be important to check what other programmes will be affected, and if they would not have performed a similar role to the JFT. In such cases, the JTF would just amount to the renaming of pre-existing cohesion policies and its additional impact would be nil for the societal, economic and industrial situation of EU regions.

More generally, the proposal by the Finnish EU presidency (Council of the EU, 2019) mentioned an overall level of commitments for the EU budget representing 1.07 percent of EU GNI – ie €1087 billion (in 2018 prices) – for the period 2021-2027. Given that the Commission's original proposal included a ceiling equal to 1.11 percent of EU GNI – ie €1135 billion – and that the Parliament originally proposed 1.30 percent – ie €1324 billion – this means that the proposal for the MFF currently under discussion in the Council is €48 billion below the original Commission's proposal and €237 billion below the Parliament's. So whether the €7.5 billion constitutes fresh money appears very much irrelevant.

On the size of the JTF, one key element to note is that we could not find any justification for the €7.5 billion mentioned in the Commission's proposal: there is no estimation of the needs of a Just Transition Fund based on its envisaged operations. In addition, although at first glance the headline number appears higher than the €4.8 billion requested originally by the Parliament (European Parliament, 2018), the intended scope of the JTF in the Commission proposal is much broader and includes missions other than just social support for workers who lose their jobs as a result of the transition.

Whether the amount is sufficient or not is a question that cannot be answered before determining first what its exact scope should be.

Scope of the Just Transition Fund

As we have discussed, a comprehensive just transition strategy entails three sorts of actions to mitigate the social and economic costs of the transition to a climate-neutral economy: social support, land restoration and economic revitalisation. Unlike the original idea from the European Parliament, the Commission envisages that the JTF will be able to deal with all these three objectives. However, given the very limited

4 The EGF can be triggered when more than 500 workers are dismissed by a single company, or if a large number of workers are laid off in a particular sector in one region or neighbouring regions. The EGF then provides up to 60 percent of the funding for projects, lasting up to two years, to help workers who have lost their jobs to find new jobs or set up their own businesses. See Claeys and Sapir (2018) for more details on the functioning of the EGF, its evolution since its creation and how it could be improved to better fulfil its objectives.

5 In 2009, the EGF scope was broadened to also cover people losing their jobs as a result of the global financial and economic crisis; and in 2014, the categories of workers eligible for support were broadened to include young people not in employment, education or training (NEETs).

financial resources for the Just Transition Fund currently under discussion, it will not realistically be able to tackle effectively all three components, especially if it is supposed to be available to all member states.

With this level of funding, we recommend that European Parliament consider to focus only on two of the three components: social support and, to a lesser extent, land restoration. This is the only way to make it effective and also politically visible. This does not mean that economic revitalisation is not crucial. On the contrary, it should be an essential part of any just transition strategy. But given the major investment needed to transform the EU economy into a carbon-neutral economy – between €250 and €300 billion per year (Claeys *et al*, 2019) – compared to its small size, the JTF would anyway play a marginal (if not negligible) role in filling that gap. Economic revitalisation should thus be done with other instruments: by prioritising carbon intensive regions/territories via EU structural funds, by mobilising private funds thanks to the InvestEU initiative and the EU network of promotional banks, and by reforming EU fiscal rules to allow EU countries to invest much more in green investment (Claeys *et al*, 2019)

In any case, the eligible interventions under the JTF (as defined in article 4 of the regulation) overlap with cohesion policy: almost all JTF activities are already covered under the ERDF and the ESF+ specific objectives. The only exception is "*(f) investment in regeneration and decontamination of sites, land restoration and repurposing project*". Nevertheless, these activities partly overlap with the soil management and improved land use thematic priorities of the LIFE programme, and the specific objectives of the European Agricultural Fund for Rural Development (EAFRD). This means that all these activities can anyhow be financed through other EU programmes (without the need for EU countries to submit territorial just-transition plans).

Moreover, providing an adequate amount of social support to the most affected citizens would already absorb most of the funds devoted to the JTF. Although the magnitude of job destructions caused by the transition to a low-carbon economy is particularly complex to estimate (and thus estimates should be treated with caution), the gross number[6] of jobs at risk because of the transition in the energy sector alone – and thus the number of workers in that sector who could potentially need help to find another job – during the period 2021-2027 could reach 1.6 million, according to IRENA (2018)[7]. The average amount of EGF funding awarded per worker to provide them labour market services over the period 2007-2016 was €4219. Using this amount as a benchmark for the services that could be provided by the JTF would already translate into a budget of €6.7 billion for the 2021-2027 period to help workers from the energy sector alone. And, as we know, many other sectors are likely to be affected by the transition, ranging from the automotive sector to the steel industry, meaning that €7.5 billion would probably be insufficient even if only spent on social support.

To reflect the narrowing of the objectives of the JTF to social support and land restoration, the list of eligible JTF interventions could be refocused accordingly. The list should include the following eligible activities: (h) upskilling and reskilling of workers; (i) job-search assistance for jobseekers; (j) active inclusion of jobseekers; (f) investment in regeneration and decontamination of sites, land restoration and repurposing projects, while other activities – (a) to (e) and (g) – should be excluded. The regulation should also be made more precise to be sure that the activities financed by the JTF are really useful for the citizens who will benefit from them.

As far as social support is concerned, upskilling and reskilling should be conditional on proof that the retraining provided is in alignment with the needs of the regional labour market. In addition, on-the-job retraining or a combination of part-time working and part-time retraining, should be prioritised to maximise the efficiency of the schemes (Sartor, 2018). Moreover, the JTF should also support activities that

[6] The gross number is what matters because even if in net terms there are more jobs created than destroyed (and this is what most models suggest) the skills needed for the new jobs and their locations might differ from the jobs lost.

[7] To use IRENA's estimate of 7.4 million jobs lost for the 2018-2050 period and make estimates for the 2021-2027 period, we make the simplifying assumption of linearity in the pace of job destruction.

develop regions' capacity to collect, harmonise and disseminate labour data (including with neighbouring regions) – specifically, what skills are needed and where workers could find alternative jobs. This data would give workers a better overview of where they could move to for new jobs, given their skills and experience. Finally, although EU-level funds dedicated to direct income support are less necessary in the EU than, for instance, in the US, given the extent of the social safety net in most EU countries (especially in western countries) the JTF could nevertheless also include income support for transitioning workers, eg pension bridging grants, or mobility grants for workers who need to move for a new job. These activities should thus be added to the list of JTF-eligible actions.

Concerning land restoration projects, their eligibility for JTF funding should be strictly circumscribed. There was a good reason why this type of activity was excluded from previous EU programmes, which is to avoid providing bad incentives for polluting companies. One way to respect the 'polluter pays' principle could be to allow the financing of land restoration projects only when there is no company left to foot the bill.

Geographical scope of the JTF and allocation method

Given the high level of uncertainty about the impact of the transition on employment and its possible geographical distribution, we think it would have been preferable not to have any *ex-ante* geographical pre-allocation of the JTF funds. It would have been better to spend the money where the problem arises, as it is the case for the EGF.

However, given that the JTF was also created to convince some countries to commit to the EU's ambitious climate targets, and in particular to reach climate-neutrality by 2050, it is politically understandable why there might be a need to show the EU's firm (and quantified) commitment to these countries.

At the very least, if the pre-allocation system is retained in the final version of the legislation, the weights or the variables of the allocation formula could be modified to take into account the redefined narrower scope of the JTF.

Another desirable change in the allocation method would be to use NUTS3-level data in the formula instead of NUTS2-level data (even though data availability might be an issue at first), to be sure the funds can reach every territory where money is needed. We applied the JTF's criteria for identifying "*high carbon-intensity*" regions at the NUTS2 and NUTS3 levels and found that 40 percent of the NUTS3 regions we identified as highly carbon-intensive did not belong to NUTS2 regions identified as highly carbon-intensive. While our estimates are subject to some uncertainty because of the lack of detail in the JTF allocation method (in particular on how greenhouse-gas emissions are converted to CO_2-equivalent emissions), they give an idea of the discrepancy that can occur in the determination of high carbon-intensity regions depending on the level of granularity chosen. In the current Commission's calculation, some highly carbon-intensive NUTS3 regions are not accounted for by the JTF allocation formula, simply because they are situated within a NUTS2 region which is not considered highly carbon intensive. This means that the allocation methodology might discriminate against some countries that will receive less money than what they would actually need.

The need to be granular seems to be recognised by the Commission, as the regulation proposal states that "*in order to ensure the effectiveness of the Just Transition Fund, the support provided needs to be concentrated. The territories identified will therefore correspond to NUTS level 3 regions or could be parts thereof*".

Moreover, as the JTF proposal stands at time of writing, the co-financing rate is set according to the level of development of NUTS2 regions[8]. This means that NUTS3 territories that are less developed than the NUTS2 regions in which they are located will have a lower rate of co-financing than they would otherwise have if this rate were determined at NUTS3 level.

Governance: monitoring of spending by the Commission

Given the pre-allocation of funds, we believe that, at minimum, the conditionality should be strong enough to ensure that the funds are well used in order to achieve the objectives of the JTF. The Commission has proposed to unlock the funds on the basis of its approval of the so-called 'territorial just transition plans', which need to include, in particular, "*a description of the Member State's commitment as regards the transition process consistent with their National Energy and Climate Plans and the EU objective of climate neutrality by 2050*". Two important issues need to be discussed in that regard.

First, while it is certainly good – from a policy consistency perspective – to link the territorial just transition plans to National Energy and Climate Plans, it must be noted that the JTF cannot realistically be seen as leverage to push countries towards decarbonisation. The primary target of the JTF should be, in our view, to support workers who will lose their jobs as a result of the decarbonisation process. This, by itself, should help the transition by making necessary, but intrusive, climate policies socially, and thus politically, acceptable

As a result of this, it might be more useful to structure the governance of the JTF on a 'mission oriented', or project-based approach. This is the case with other EU programmes, including Horizon Europe and the LIFE Programme, and with the EGF (as we have noted). Evaluating individual projects with well-defined transparent criteria might enable better control of the use of the JTF funds by the Commission than an evaluation on the basis of the territorial just transition plans. As the experience of the European Semester suggests, these types of broad recommendation are barely implemented by EU countries (Efstathiou and Wolff, 2018).

Fund transfers from ERDF and ESF+ to the JTF

Given that we believe that the JTF should primarily be used to provide social support to those who will lose their jobs as a result of the transition, it might not be so useful to transfer to the JTF funds from other programmes, such as the ERDF[9]. However, because social support and economic revitalisation are complements and are equally necessary (to ensure that jobs are available for the re-skilled workers), it is paramount to ensure that, in a given region, both policies are implemented simultaneously.

This could be ensured not by directly transferring funds from the ERDF to the JTF but by requesting that countries devote a certain amount of ERDF funds to the regions in which JTF funds are disbursed. The result might not be that different from what the Commission intended to do with its JTF proposal (to ensure both revitalisation and social support), but our improved version of the scheme would guarantee that enough money is spent on social support, while still ensuring that ERDF funds are redirected towards the economic revitalisation of regions affected by the transition.

[8] This is how we interpret the following sentence from the regulation (European Commission, 2020b): "The level of Union co-financing will be set according to the category of region in which the identified territories are located". This sentence should further be clarified in the final legislation to indicate what NUTS level is meant by the term "region".

[9] This applies less to ESF+ funds which are also about social support.

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