BRIEFING

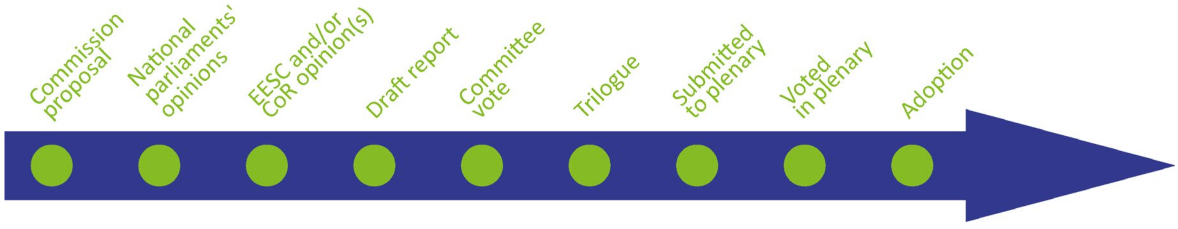
EU Legislation in Progress
2021-2027 MFF

The public sector loan facility under the Just Transition Mechanism

OVERVIEW

The public sector loan facility (PSLF) is the third pillar of the Just Transition Mechanism (JTM), along with the Just Transition Fund and just transition scheme under Invest EU. The facility consists of a grant and a loan component. With the contribution of €1.525 billion for the grant component from the Union budget (including assigned revenues) and EIB lending of €10 billion from its own resources, the aim is for the public sector loan facility to mobilise between €25 and 30 billion in public investment over the 2021-2027 period. Funding will be available to all Member States, while focusing on the regions with the biggest transition challenges. In the European Parliament, the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON) had joint responsibility for this file. Their report was adopted at a joint sitting of the two committees on 16 October 2020. The provisional agreement on the proposal reached after trilogue negotiations with the Council was confirmed in plenary session of the Parliament on 24 June 2021. The Council adoption followed on 13 July, the Regulation was then signed on 14 July and published in the Official Journal on 30 July 2021.

Proposal for a regulation on the public sector loan facility under the Just Transition Mechanism		
Committees responsible:	Committee on Budgets (BUDG) and Committee on Economic and Monetary Affairs (ECON) jointly under Rule 58	COM(2020) 453 28.5.2020 2020/0100(COD)
Rapporteurs:	Henrike Hahn (Greens/EFA, Germany) and Johan Van Overtveldt (ECR, Belgium)	
Shadow rapporteurs:	José Manuel Fernandes, Frances Fitzgerald (EPP) Marek Belka, Eero Heinäluoma (S&D) Clotilde Armand, Linea Søgaard-Lidell (Renew) Gunnar Beck, Hélène Laporte (ID) Alexandra Geese (Greens/EFA) Eugen Jurzyca (ECR) Petros Kokkalis, José Gusmão (The Left)	Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
Procedure completed:	Regulation (EU) 2021/1229 OJ L 274, 30.7.2021, pp. 1-19.	



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Author: Sidonia Mazur
Members' Research Service

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Introduction

Outlining a set of ambitious objectives to curb climate change and protect the environment, the European Green Deal launched in December 2019 seeks to achieve climate neutrality across the EU by 2050 through a new growth policy for Europe driven by green investment. While this initiative has the potential to generate growth and strengthen the EU economy, the climate transition process involves significant structural change, affecting jobs and the local economy in regions heavily dependent on fossil fuels or carbon-intensive industries. Not all regions and Member States, however, are starting this transition from the same place, or have the necessary capacity to respond to this challenge. With this in mind, and to ensure that the EU achieves its goal of becoming climate neutral by 2050 in a fair manner, the Commission published a European Green Deal investment plan setting out a Just Transition Mechanism (JTM) to help those regions and sectors most dependent on fossil fuels and greenhouse-gas-intensive industries undergo the necessary transition. The Just Transition Mechanism comprises three pillars – the Just Transition Fund (JTF), a dedicated just transition scheme under InvestEU, and a public sector loan facility (PSLF).

On 28 May 2020, the European Commission published a proposal for a regulation on the public sector loan facility under the Just Transition Mechanism as part of the sectoral legislation governing the programmes of the 2021-2027 multiannual financial framework. Support under the facility will take the form of grants provided by the EU combined with loans provided by the European Investment Bank. The loan facility will support public investments by providing preferential lending conditions to help those territories most affected by the climate transition. Those territories will be listed in the just transition plans prepared by Member States under the Just Transition Fund.

Existing situation

Under the 2014-2020 multiannual financial framework (MFF) there was no specific legislation in place to support the just transition process or to help leverage public sector investment in this area. Climate action, however, represented a key priority for the European Union, with the 2014-2020 MFF establishing that at least 20 % of the EU budget must be allocated to climate-related measures. In addition, the rules governing cohesion policy, which accounted for over one third of all EU spending during the 2014-2020 period, outlined a number of thematic objectives that focused EU support on climate action, e.g. support for the shift towards a low-carbon economy. The individual regulations for the European structural and investment funds that made up cohesion policy's legislative framework further translated these thematic objectives into investment priorities.

The European Regional Development Fund financed investments that, among other things, support renewable energy use in enterprises, energy efficiency in public infrastructure and housing, climate change adaptation and risk prevention, low-carbon strategies as well as the industrial transition towards a resource-efficient economy. The European Social Fund supported the shift towards a low-carbon, climate-resilient, resource-efficient and environmentally sustainable economy, through measures such as the up-skilling of the labour force and the creation of new jobs in sectors related to the environment and energy. Support in this area was also available under the Cohesion Fund, primarily for projects related to energy or transport, through investment priorities that included promoting the production and distribution of energy derived from renewable sources, and developing and improving environmentally friendly and low-carbon transport systems. This fund was, however, only accessible to Member States whose per capita GNI (gross national income) was below 90 % of the EU average.

A number of other EU instruments helped fund actions related to the climate transition. The European Fund for Strategic Investments (EFSI), which is now replaced by the InvestEU programme, provided support in the energy sector in areas such as the development of wind farms or the construction of near zero energy residential buildings. The main partner for EFSI was the European Investment Bank (EIB), which also provided funding outside the framework of EFSI by providing companies with loans and other financial instruments for projects that supported the environment and climate, yet that were otherwise not able to secure the necessary funding.

Parliament's starting position

EU support for the just energy transition should be seen in the context of the European Parliament's contribution to the debate on the multiannual financial framework (MFF) for 2021 to 2027. It was during preparations for the MFF that the European Parliament, in its May 2018 resolution, introduced the idea of a 'comprehensive fund in order to support a just transition', which would not only support energy transition but that would address 'social, economic and environmental impacts'. Parliament's subsequent November 2018 MFF resolution called for a specific allocation of €4.8 billion for a new just energy transition fund to address the societal, socio-economic and environmental impacts on workers and communities adversely affected by the transition from coal and carbon dependence. This idea was further highlighted in Parliament's March 2019 resolution, 'A Europe that protects: Clean air for all', which drew attention to the need to support regions affected by the energy transformation, especially mining regions.

Following the publication of a legislative proposal on a regulation establishing the Just Transition Fund in January 2020 and the European Council agreement on the 2021-2027 MFF, Parliament adopted another resolution in September 2020. In this resolution Parliament called for a significant increase in JTF resources from the EU budget for 2021 to 2027 to €25 billion (in 2018 prices), up from the €10 billion proposed by the Commission, and expressed its disagreement with the decrease to €7.5 billion agreed by the European Council in July 2020. Other changes introduced by Parliament included a green rewarding mechanism that would earmark a share of the JTF's total resources to those countries with the most ambitious emissions reduction targets, and the introduction of an 85 % co-financing rate for projects supported under the fund as well as special allocations to islands and the outermost regions. On the public sector loan facility, Parliament noted that resources from the JTF would be unable, on their own, to deliver the transition to climate neutrality, emphasising that the remaining two pillars would provide an additional set of measures and financing opportunities to facilitate and speed up the transition process in those regions most affected.

Council and European Council starting position

In its conclusions of 18 February 2019, the European Council emphasised the EU's determination to lead the way on accelerated climate action on all fronts and to help raise global ambition. Noting that the EU was leading by example by turning its own ambitious commitments for 2030 into concrete action, it stressed that the EU's challenge was to achieve a climate-neutral future, while ensuring a just transition for all, leaving no one behind. At its meeting of 20 June 2019, the European Council invited the Council and the Commission to advance work on the conditions, incentives and enabling framework to be put in place to ensure a transition to a climate-neutral EU that, among other things, is just and socially balanced and takes account of Member States' national circumstances, urging the European Investment Bank to step up its activities in support of climate action. The European Council further endorsed the objectives of achieving a climate-neutral EU by 2050 in its conclusions of 12 December 2019. Emphasising that to achieve climate neutrality serious challenges would have to be overcome, it recognised the need to put in place an enabling framework to benefit all Member States and ensure a cost-effective, just, and socially balanced and fair transition. Acknowledging that there are differences between Member States in terms of their starting points, the European Council noted that the transition would require significant public and private investments, and it welcomed in this context the EIB's plans to support investments in climate action and environmental sustainability. It also underlined that the next MFF would contribute significantly to climate action, adding that tailored support for the regions and sectors most affected by the transition would be made available under the Just Transition Mechanism.

At Council level, an October 2019 meeting of environment ministers agreed on the need for a range of EU financing instruments for climate-friendly solutions and stressed the importance of public funding to leverage private investment. Noting that the transition must be inclusive, just and socially balanced, ministers stressed that avoiding the risk of energy poverty and supporting the most vulnerable parts of the population were key to public acceptance of the transition.

Preparation of the proposal

In the explanatory memorandum accompanying the proposal on the public sector loan facility, the Commission justified the facility's objectives with the findings from public consultation and the impact assessment conducted for the proposal for a regulation on the ERDF and Cohesion Fund. As part of the process relating to the preparation of the proposals for the post-2020 legislative framework, the European Commission carried out a number of public consultations on major spending areas, including on the topic of cohesion policy. Held from January to March 2018, the results of this public consultation revealed that 85 % of respondents viewed the transition to a low-carbon and circular economy, which ensures environmental protection and resilience to climate change, to be an important challenge. Conversely, only 42 % of respondents felt that this challenge was sufficiently addressed by the current programmes and funds.

As well as validating the delivery system proposed for the ERDF and Cohesion Fund under the Common Provisions Regulation, this impact assessment confirmed the need, as highlighted by the results of the public consultation, to support a clean and fair energy transition through a dedicated policy objective and a corresponding thematic concentration mechanism. The explanatory memorandum noted that the third pillar of the Just Transition Mechanism would support the territories most negatively impacted, address the development challenges raised by transition and provide public-sector entities with resources to invest in projects facilitating the transition to climate neutrality. It therefore considered the objective of the Just Transition Mechanism to be justified, since it aimed to ensure a fair energy transition by alleviating the economic and social costs arising from the transition to a climate-neutral economy.

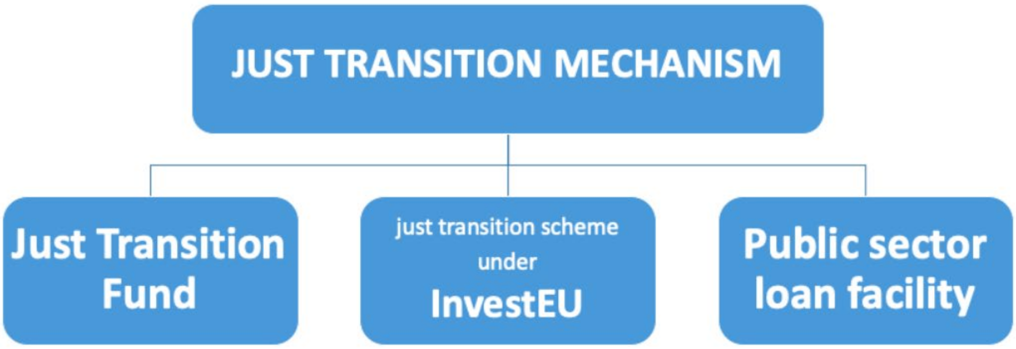
The issue of the unevenly distributed effect of the energy transition was also identified in the above impact assessment, which highlighted the challenges faced by the regions worst affected, given their dependence on solid fossil fuel production and the high proportion of solid fuels in their electricity generation mix. According to the explanatory memorandum, this assessment justified the public sector loan facility's proposed focus on the most negatively affected territories and the proposed temporary allocation of national shares for the grant component, in line with the methodology set out under the Just Transition Fund. The Commission concluded that the above analyses and impact assessment supported the objectives and main features of the third pillar of the Just Transition Mechanism.

The changes the proposal would bring

General framework

The public sector loan facility proposal formed one of the three pillars of the Just Transition Mechanism. Alongside the PSLF, the broader legal framework, therefore, comprised a proposal for a regulation establishing the Just Transition Fund (the first pillar, amended in May 2020), implemented under shared management, which provided for the adoption of territorial just transition plans identifying the key elements of the transition process and the regions most affected by the climate transition process, and a proposal on the InvestEU programme (the second pillar), which outlined the just transition scheme.

Figure 1 – Diagram illustrating the Just Transition Mechanism and its components



Source: European Commission, 2020.

While support under the first pillar of the Just Transition Mechanism, the Just Transition Fund, is restricted to investments that help allay the social and economic costs of the climate transition for the territories in question, focusing on issues such as economic diversification or job search assistance for workers, the second and third pillars of the mechanism may be used to support investments that have a wider geographical or sectoral scope. As outlined in the Commission communication on the Sustainable Europe investment plan, in practice, this means that support under the public sector loan facility, the third pillar of the Just Transition Mechanism, may also be extended to projects in regions located outside the just transition territories, provided that the projects receiving such support also benefit the just transition territories themselves.

Objective

Article 3 of the proposed regulation states that the public sector loan facility has the specific objective of 'increasing public sector investments, which address the development needs of regions identified in the territorial just transition plans, by facilitating the financing of projects that do not generate a sufficient stream of own revenues and would not be financed without the element of grant support from the Union budget'.

Advisory support will also be available under the regulation to help with the preparation, development and delivery of eligible projects.

Structure and budget

The JTM public sector loan facility comprises two elements, a grant and a loan component, and provides support by combining grants allocated by the EU with loans provided by a finance partner. Financed directly from the Union budget, the grants will serve to lighten the financial load for beneficiaries by providing support to help with the repayment of the loan provided by a financial partner. A total of €1.525 billion (in current prices) will be available under the public sector loan facility for the grant component. Of this amount, approximately €1 billion should be financed from the surplus expected from the European Fund for Strategic Investments, with €275 million expected to be financed by repayments from financial instruments established under various EU programmes and the remaining €250 million funded from the EU budget as set out in the European Commission's May 2020 MFF proposal. When it comes to the loan component, a total of €10 billion will be provided by the European Investment Bank as a finance partner, with the regulation also providing for the possibility of cooperating with other finance partners. The purpose of the public sector loan facility is to leverage public investment in those regions that are most affected by the climate transition process. In the PSLF Regulation the Commission underlines that the facility aims to mobilise a total of between €25 and 30 billion of public investments during the 2021-2027 period.

EU support under the facility will be available to all Member States, initially based on earmarked national allocations determined following the allocations set out in the Just Transition Fund Regulation, and will be awarded through calls for proposals. These national shares will be allocated up until 31 December 2024, beyond which all EU resources for the grant component will be made available to any project on a competitive basis with no national allocations. Grants awarded after this date will take account of the need to ensure the predictability of investments and promote regional convergence.

Scope of support

The facility aims to support public entities and cover a broad range of investments provided that they contribute to addressing the challenges raised by the transition to a climate-neutral economy, as identified in a territorial just transition plan. Examples of projects or investments that contribute to the development needs in the transition to a climate-neutral economy include energy and transport infrastructure, district heating networks, green mobility, smart waste management, clean energy and energy efficiency measures including renovations and conversions of buildings, support to transition to a circular economy, land restoration and decontamination, as well as up- and re-skilling, training and social infrastructure, including social housing. In addition, infrastructure developments may also include solutions that can help boost resistance to withstanding disasters.

Eligibility

The only beneficiaries that can receive support under the facility are public-sector legal entities established in a Member State as a public law body or as a private law body with a public service mission. To be eligible for such support, projects must meet a number of conditions: a) they should achieve measurable impact in tackling serious social, economic or environmental challenges arising from the transition process towards a climate-neutral economy, and benefit regions identified in a territorial just transition plan (even if they are not located in these regions); b) they may not be in receipt of support under any other EU programme; c) they must receive a loan from the finance partner under the facility, the European Investment Bank; and finally, d) support may only be extended to projects that do not generate a sufficient source of own revenue to enable them to be financially viable and financed by market-rate loans alone, without EU support.

The work programme and the relevant call for proposals should establish specific eligibility criteria and award criteria for projects. These criteria should take account of how relevant a given project is for the development needs outlined in the territorial just transition plans, as well as the objective to promote territorial and regional convergence. They should also consider how important the grant component will be for ensuring that the project in question will be viable. Accordingly, support under the facility will be made available only to those Member States that have at least one territorial just transition plan prepared in accordance with the Just Transition Fund Regulation. The work programme and call for proposals will also take into consideration the territorial just transition plans to ensure that the support and measures under the various pillars of the Just Transition Mechanism are consistent with and complementary to one another.

Grants

In principle, the grant shall represent no more than 15 % of the total amount of the loan provided by the finance partner under the public sector loan facility. However, in view of the varied development needs of individual EU regions and, in particular, the lower public investment capacity of public entities in less-developed regions, the regulation allows for the use of a higher grant rate of up to 20 % of the total loan amount for projects located in NUTS level 2 regions with per capita gross domestic product (GDP) below 75 % of the EU average.

Monitoring, evaluation and control

Annex II to the proposal for the public sector loan facility identifies a number of key performance indicators to monitor implementation of and progress towards the delivery of the facility's objectives. These include the amount of public financing mobilised, the number of projects receiving financing under the facility, direct support to climate transition (renewable energy, energy efficiency) and the amount of greenhouse gas emissions reduced. Beneficiaries and finance partners will be expected to provide the European Commission with data relating to these indicators efficiently and on time within the framework of a performance reporting system.

Evaluations of the facility's implementation and progress it makes are to be performed on a timely basis, with an interim evaluation of the facility to be carried out by 30 June 2025. This will seek to assess the extent to which EU support under the facility has helped tackle the needs of territories delivering territorial just transition plans. A final evaluation report on the long-term impact and results of the facility will be published at the end of the implementation period, no later than 31 December 2031.

Advisory committees

On 18 September 2020, the European Economic and Social Committee (EESC) adopted its opinion on the public sector loan facility and on the amended proposal for a Just Transition Fund (rapporteur: Petr Zahradnik, Employers – Group I, Czechia). The opinion 'appreciates the proposal for a public sector loan facility and considers it to be innovative, original and highly demanded by public sector entities on their way to climate transition'. It welcomes the specific attention that the public sector loan facility pays to less developed regions and considers the eligibility selection criteria and the proposed investment areas to be very relevant for the purposes of the just transition. In particular, it appreciates the idea of a public sector loan facility that integrates a joint product developed by the European Commission and the EIB, combining a loan component with a grant. While welcoming the concept that projects in less-developed regions will receive a higher grant percentage than projects in other regions, the opinion voices concern that the effective grant rate could be as low as 5 to 7 % compared to the total project cost, which may not result in a sufficient incentive for projects receiving financing.

Although the European Committee of the Regions (CoR) has not issued an opinion on the JTM public loan facility, it adopted an opinion on the Just Transition Fund on 2 July 2020. This opinion welcomes the European Commission's targeted measures of support to the areas most affected by the transition to climate neutrality but stresses that these additional funds must not under any circumstances be taken from the cohesion policy budget. CoR also underlines that a strong budget for cohesion policy must remain the main priority when supporting climate action at territorial level.

National parliaments

The proposal for a regulation was submitted to national parliaments, with a subsidiarity deadline of 31 July 2020. The Committee for European Affairs of the Romanian Senate issued an opinion that noted that the proposal for a regulation provided for an obligation for Romania to transfer from the ERDF/ESF to the Joint Transition Fund an amount at least 1.5 times and up to 3 times higher than its initial allocation under the JTF. In this context, the document considered that it was necessary for Romania to eliminate the mandatory transfer from the ERDF/ESF to the Just Transition Fund, taking into account the new allocations set out for this instrument, the territory and the limited areas that it addresses. A further two opinions were received from national parliaments: the European Affairs Committee of the Spanish Parliament issued a report finding that the proposal complied with the subsidiarity principle, while the European Affairs Committee of Portugal's Parliament issued an opinion stating that the proposal did not violate the subsidiarity principle, noting that its aims might be more effectively achieved by EU action.

Stakeholder views[1]

In its January 2020 assessment of the Just Transition Mechanism, the Council of European Municipalities and Regions (CEMR) welcomed the creation of the JTM and its three pillars, noting that this package would be of great help to those regions that need to make significant investments as part of their transition towards a carbon-neutral Europe, particularly those heavily reliant on carbon-intensive industries. The Conference of Peripheral and Maritime Regions (CPMR) took a similarly positive view in its January 2020 analysis of the Just Transition Mechanism welcoming the European Commission's holistic approach, as demonstrated by its plans to create the InvestEU just transition scheme and new public sector loan facility with the EIB, both of which it considers to be broader in scope than the Just Transition Fund.

Noting that the Just Transition Mechanism potentially represents a positive new instrument, a March 2020 article by Energy Cities, the European association of cities in energy transition, stresses that it is important to ensure that just transition governance closely involves cities and regions as part of a structured dialogue. On the specific issue of the public sector loan facility, it argues that this new EIB facility must provide zero-interest loans to local governments if it is to become a credible alternative to other lending institutions. In its March 2020 position paper on the Just Transition Mechanism, SME United, the association of crafts and SMEs in Europe, asks for action to ensure that the EIB public loan facility may also be delivered through national intermediaries so that SME transition projects and small scale infrastructures may also receive support.

Some stakeholders, however, have been somewhat more reserved in their assessment of the Just Transition Mechanism. In its September 2020 report entitled 'Just Transition or Just Talk', the Climate Action Network argues that, under the current allocations, nearly two-thirds of the Just Transition Fund will go to seven countries that do not plan to phase out coal by 2030, with two of these countries also planning a significant expansion of their fossil gas use. The Climate Action Network states that, without reform, the Just Transition Fund risks rewarding 'climate laggards' at the expense of those Member States that have ambitious plans in place for their coal regions.

In July 2021 the European Investment Bank welcomed the adoption of the PSLF Regulation and issued a statement in which it underlined that the EIB was ready to get to work with regional authorities to support their investments with shared social, economic and environmental benefits.

Legislative process

On 28 May 2020, the European Commission adopted the proposal for a regulation of the European Parliament and of the Council on the public sector loan facility under the Just Transition Mechanism. The legislative proposal was examined simultaneously by the Council and the European Parliament.

In the European Parliament, the appointment for this file was announced on 23 July 2020, with the Committee on Budgets (BUDG) and the Committee on Economic and Monetary Affairs (ECON) having joint responsibility, pursuant to Rule 58 of Parliament's Rules of Procedure. Johan Van Overtveldt (BUDG, ECR, Belgium) and Henrike Hahn (ECON, Greens/EFA, Germany) were appointed as rapporteurs. Three parliamentary committees issued opinions – the Committees on Environment, Public Health and Food Safety (ENVI); Industry, Research and Energy (ITRE); and Regional Development (REGI).

The Committees on Budgets (BUDG) and on Economic and Monetary Affairs (ECON) adopted their joint report on 16 October 2020, introducing a number of amendments to the text of the Commission proposal. The BUDG/ECON report stresses that the facility's projects and beneficiaries should comply with the Union's fundamental values, the Paris Agreement, and the Union's climate neutrality and biodiversity objectives. The report notes the disruptive effects of the coronavirus crisis that have weakened public and private investment capacity, limiting the financial resources essential for the transition to a climate-neutral and resource-efficient Union.

The report calls for the grant component to be increased from €1.525 billion, proposed by the Commission, to €1.76 billion (in current prices). Moreover the report proposes to finance the grants entirely from the EU budget. This aims to replace the original Commission proposal of financing the grant component only partly from the EU budget (€250 million), but mainly from assigned revenues. The report calls for higher amounts of technical and administrative assistance to be allocated to beneficiaries with lower administrative capacities. The report proposes to double the allocation for the provision of advisory support for the preparation, development, and implementation of eligible projects, including at the project application stage, from €25 million to €50 million. Moreover the report introduces new provisions regarding the selection of finance partners other then the EIB. The Commission will adopt delegated acts in order to set out the details of eligibility conditions and selection procedures for those finance partners. The report underlines that the eligibility conditions for finance partners other than the EIB should reflect the objectives of the facility.

The report makes access to the facility conditional upon the adoption of a national objective towards the achievement of climate neutrality by 2050. For those Member States that have not yet committed to a national target for climate neutrality, only 50 % of their national allocation should be released.

The report excludes from the facility's support those activities that would hamper the development and deployment of low carbon alternatives or that would lead in the long run to a lock-in of carbon-intensive assets and that would undermine the achievement of the Union's climate and environment objectives. The report obliges the Commission to review the eligibility conditions in order to assess their impact on environmental objectives. As part of that review, the Commission should assess whether the conditions need to be updated to appropriately apply the 'do no harm' principle and then take action accordingly.

The BUDG/ECON report states that in the event of a breach of fundamental values in a Member State resulting in the adoption of measures for the protection of the Union budget, the Commission should seek to provide direct support to concerned regions and should temporarily manage funds directly with the recipients.

The report also further develops the selection criteria and conditions that should be included in work programmes adopted in the form of delegated acts. Those work programmes will specify the criteria for the prioritisation of projects. The Commission should ensure that gender equality and a gender perspective are mainstreamed into the work programmes. In addition, the report strengthens the bottom-up approach, emphasising that territorial just transition plans should be prepared together with the relevant local and regional authorities of the territories concerned. It also introduces a clearer definition of additionality, which is defined as support for projects that would not generate a sufficient stream of own revenues to cover investment costs and secure funding to the same extent or within the same timeframe without the element of grant support from the EU budget.

Lastly, the report establishes a number of reporting, disclosure, evaluation and auditing requirements, including the preparation by the European Commission of an annual report on the implementation of the facility in accordance with Article 250 of the Financial Regulation and the preparation by the Court of Auditors of a special report on the implementation of the facility.

On 19 October 2020, the joint committee's decision to open interinstitutional negotiations on the basis of the BUDG/ECON report was announced in plenary. This decision was confirmed by plenary on 21 October 2020 in accordance with Rule 71 of the Parliament's Rules of Procedure.

In Council, the proposal was examined by the Working Party of Financial Counsellors on 8 June, 23 June, 14 July, 22 July and 9 September 2020. Member States supported the Commission proposal but expressed their intention to make some amendments. In its mandate for negotiations with the European Parliament, adopted on 16 October 2020, Council specifies that the facility should not support activities excluded from the scope of support under the Just Transition Fund. In addition, Council's position includes the possibility for projects receiving support under the facility to also receive advisory and technical support from other EU programmes. Council's mandate confirms the budgeting provisions for the facility proposed by the Commission.

Following the adoption of the respective mandates for negotiations by the co-legislators, interinstitutional negotiations on the proposal for the regulation establishing the PSLF took place in 2021 under the Portuguese Presidency. After trilogue negotiations, which concluded on 26 April 2021, a provisional agreement was reached. The agreed text includes many points raised by the European Parliament, such as the 'do no significant harm' principle and compliance with the EU's

Treaty-based fundamental values. Parliament secured an increase for advisory support from €25 million to €35 million, and raised the amount for grants from 15 % to 25 % of the amount of the loan for the poorest regions. The agreement confirms the budget for the grant component of the PSLF as proposed originally by the Commission, that is resources from the Union budget at an amount of €250 million in current prices and assigned revenue to a maximum amount of €1.275 billion in current prices. A joint BUDG-ECON meeting approved this agreement on 10 May 2021. The text was formally adopted by Parliament during the June II plenary session.

The Parliament's plenary voted its first-reading position on the PSLF regulation on 24 June 2021 confirming the agreement with the Council with a large majority (635 in favour, 35 against, 21 abstentions). Additionally the Parliament voted a Joint Statement of the European Parliament and of the Commission securing the necessary resources for the PSFL in relation to assigned revenue. The Council adoption of the Regulation followed on 13 July. Regulation (EU) 2021/1229 of the European Parliament and of the Council (the PSLF Regulation) was signed on 14 July 2021 and published in the Official Journal of the European Union on 30 July 2021. The PSLF Regulation applies retroactively from 1 January 2021.

EP SUPPORTING ANALYSIS

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OTHER SOURCES

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ENDNOTE

1 This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis'.

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