

## Research for REGI Committee – The impact of the gas supply crisis on the Just Transition Plans



The European Union (EU) is dependent on energy supply from abroad. Russian gas supplies play a significant role in the EU-energy mix. The dependency reveals a significant regional risk in the face of the supply crisis caused by the Russian war in Ukraine since February 2022.

The level of regional specialisation in economic sectors highly dependent on gas, executed in the course of the study, revealed that

most of the regions specialised in these sectors are located in Italy, France, Belgium, and Croatia. Less specialised regions are by comparison in eastern Member States, and in Spain, Portugal and Sweden. Even if the dependency on Russian imports significantly decreased over the last year, the EU supply differentiation is still ongoing and the reliance on gas, in general, is still high.

Therefore, the exposition to potential future energy-related crisis was also assessed. The assessment revealed that a diversification of energy supply is needed to limit EU regions' exposure to future crisis risks, especially for regions which are highly specialised in gas dependent sectors and those with low economic differentiation in their industrial specialisation structure.

The present document is the executive summary of the study on The impact of the gas supply crisis on the Just Transition Plans. The full study, which is available in English can be downloaded at: <https://bit.ly/3LKVHHb>

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The issue of energy supply is one of the key topics of EU policy – EU intends to become the first climate neutral continent in the world. The main lines of the transformational change to achieve this goal by 2050 are outlined by the European Green Deal (EGD).

The EGD represents the EU's long-term strategy for achieving economic growth to create a modern, resource-efficient, and competitive economy with zero net emissions of greenhouse gases by 2050.

The EU Cohesion policy legislative package 2021-2027 has been aligned with the European Green Deal objectives. The Just Transition Mechanism (JTM), as part of the Cohesion Policy, is intended to support the transition process in the most affected regions to prevent further regional disparities. The JTM was designed to provide territories facing serious socio-economic challenges arising from the transition towards climate neutrality with tailored support. The JTM was announced in January 2020, to support changes in business models and address new skill requirements in these regions.

To unlock and use JTM resources, EU Member States must prepare strategic Territorial Just Transition Plans (JTP), as a part of their cohesion policy programmes. As of April 2023, there are 93 JTP territories in the EU. They are almost all agreed (apart from Bulgaria) and in the early phase of the implementation. The JTPs address different challenges of the transition. While the majority of the Member States have elaborated a separate JTP for each territory (e.g. Poland, Germany, Italy), there are also examples of countries with a single JTP for all the territories (e.g. Austria, Finland). The eligibility of the territories differs in the underlying conditions.

The main factors for the identification of the JTP territories are as follows:

- Coal extraction and industry,
- CO<sub>2</sub> intensive industry in the region,
- Peat extraction,
- Other fossil fuel production.

The RePowerEU Plan, presented by the EC as an answer to the energy crisis induced by the Russian invasion of Ukraine, proposes a combination of investments and reforms. It aims at ending EU dependence on fossil fuels and gas imports from Russia with a target of reducing it by two thirds by the end of 2022 through promoting energy savings, diversifying supply and fostering the deployment of renewable resources. REPowerEU key measures include: improving energy infrastructure and facilities, energy efficiency, renewable energy deployment, biomethane and hydrogen development, energy transportation, distribution and storage, and requalification of the workforce.

The level of synergy between the JTPs and REPowerEU is different from region to region. While the requalification of the workforce is included in all JTPs by default, improvement of energy infrastructure, energy efficiency, and renewable energy deployment are also common measures in the JTPs. Whereas, investments in biomethane and hydrogen as well as energy transportation and storage are less often included in the JTPs.

The case study analysis reveals a wide range of implementation approaches for the Just Transition Fund. Some JTPs are very tailor-made, while others are more general and less adapted to the existing regional characteristics. The more a JTP reflects the regional characteristics, the fewer the concerns for its successful implementation are, especially in light of the existing crisis.

All in all, the analysed JTPs are at the very early stage of implementation. Therefore, a direct impact of the gas crisis on the JTPs cannot yet be observed. The future scenarios reveal that various new drivers affect the development of regions. Existing implications stimulating negative development paths are rather short-term. If no appropriate, regionally specific, measures are taken to tackle them,

they may influence the future in the long-term. The main new positive implication is the existing awareness of the importance and acceptance for the transition process and can be seen as positive indication that the regions can cope with the challenging situation. However, no direct need to adapt the JTPs themselves was observed. Potential improvements concern rather the delivery system and the exchange and communication between the regions and the EC.

Based on identification of the risks and uncertainties through the regional specialisation analysis and the analysis of the case study regions, recommendations for better supporting EU regions on their way to implementing the European Green Deal and, in particular, regions realising their JTPs were developed.

## Findings and policy recommendations

The findings of the study can be used by regions that are likely to be particularly affected by the transition to climate neutrality. Since the regions setting up JTPs have already elaborated tailor-made strategies for the transformation, they act as the pioneers of the transformation. Therefore, a majority of the recommendations derived from the study apply to all EU regions.

Findings and policy recommendations at EU level focus on the necessity of diversification of the energy mix and energy supply chains, coordination between different EU programs supporting transition to lift more synergies, intensification of the knowledge exchange to enable mutual learning, adoption of implementation of the JTPs to exploit its opportunities as well as possible, and improvement of the knowledge base to broaden the regional knowledge and the mechanisms of implementation.

At national and regional level improvement of support structures for the regions to implement the JTP and improvement of the communication between national and regional authorities are recommended. Raising awareness and preparedness to reduce the vulnerability is relevant for all levels of governance.

## Further information

This executive summary is available in the following languages: English, French, German, Italian and Spanish. The study, which is available in English, and the summaries can be downloaded at: <https://bit.ly/3LKVHHb>

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