JUST TRANSITION FUND (JTF)

The Just Transition Fund (JTF) is a new financial instrument within the Cohesion Policy, which aims to provide support to territories facing serious socio-economic challenges arising from the transition towards climate neutrality. The JTF will facilitate the implementation of the European Green Deal, which aims to make the EU climate-neutral by 2050.

LEGAL BASIS

Article 175 of the Treaty on the Functioning of the European Union.

CONTEXT

In May 2018, the European Commission presented its proposal for the next multiannual financial framework for the 2021-2027 period. The proposal demonstrated the European Commission’s increased ambition concerning climate-related activities and suggested allocating 25% of EU expenditure to such activities.

In December 2019, the European Commission adopted a communication on the European Green Deal[1], which sets out a roadmap for a new growth policy for the EU. As part of the Green Deal and with the aim of achieving the objective of EU climate neutrality in an effective and fair manner, the European Commission proposed the creation of a Just Transition Mechanism (JTM), to include a Just Transition Fund. It said that the JTM should focus on the regions and sectors that are most affected by the transition due to their dependence on fossil fuels, including coal, peat and oil shale, and on greenhouse-gas-intensive industrial processes.

The mechanism will consist of three pillars:

— the Just Transition Fund;
— a dedicated scheme under the InvestEU programme;
— a public sector loan facility provided by the European Investment Bank (EIB) to mobilise additional investments in the regions concerned.

[1] Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions on the European Green Deal (COM/2019/0640).
The JTF will primarily provide grants. The dedicated transition scheme under InvestEU will crowd in private investments. EIB activities will leverage public financing.

Support provided through the JTF will be focused on the economic diversification of the territories most affected by the climate transition as well as on the reskilling and active inclusion of their workers and jobseekers. The eligibility criteria for investments under the other two pillars of the JTM will be broader in order to also support activities related to the energy transition.

OBJECTIVES

The Just Transition Fund will be a key tool for supporting the territories most affected by the transition towards climate neutrality and for preventing an increase in regional disparities. Its main objective will be 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 order to achieve its objective, the JTF will support investments in areas such as digital connectivity, clean energy technologies, the reduction of emissions, the regeneration of industrial sites, the reskilling of workers and technical assistance.

The JTF will be implemented under shared management rules, which means close cooperation with national, regional and local authorities. In order to access JTF support, Member States will have to submit territorial just transition plans. These plans will outline the specific intervention areas, based on the economic and social impacts of the transition, in particular with regard to expected job losses and the transformation of the production processes of the industrial facilities with the highest greenhouse gas intensities.

BUDGET AND FINANCIAL RULES

The JTF will provide support to all Member States. The allocation criteria are based on industrial emissions in regions with high carbon intensities, employment in industry and in coal and lignite mining, production of peat and oil shale, and the level of economic development. Member States that have not yet committed to implementing the objective of achieving a climate neutrality by 2050 will only be awarded 50% of their planned allocation. The level of co-financing of projects will be set according to the category of region in which these projects are located.

The budget of the JTF is currently being negotiated between the European Parliament and the Council of the European Union and will be determined in the near future.

The European Commission is proposing that Member States be obliged to complement their JTF allocation with the resources allocated under the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) through a specific and definitive transfer mechanism. According to the European Commission’s proposal, these transfers will correspond to at least 1.5 and at most 3 times the JTF allocation.
ROLE OF THE EUROPEAN PARLIAMENT

The JTF is currently being negotiated between the European Parliament and the Council of the European Union. On 17 September 2020, the European Parliament adopted its negotiation position with suggested amendments to the European Commission’s proposal. It is expected that by January 2021, a final version of the JTF will be adopted.

With regard to the JTF proposal, the European Parliament is particularly concerned about the socio-economic impact of the transition towards a climate-neutral economy and has proposed measures that will help the process to take place without disparities between regions growing any further, and without leaving anyone behind.

The European Parliament has suggested broadening the scope of the activities that can be financed under the JTF. That should enable regions, people, enterprises and other stakeholders to effectively tackle the social, employment, economic and environmental consequences of the transition to a climate-neutral economy. In addition, the European Parliament has proposed a series of exclusions for certain economic activities, emphasising the importance of the social aspect of the fund.

The European Parliament has proposed that a substantially higher budget be allocated to the JTF, which would allow transfers from the ERDF and ESF+ to be made on a voluntary, rather than a mandatory basis. It also recommends the addition of a ‘Green Rewarding Mechanism’, which would allocate additional funding to Member States that manage to reduce their gas emissions at a faster-than-expected rate, while providing particular allocations for islands and the outermost regions.

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