JUST TRANSITION FUND

The Just Transition Fund 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 Just Transition Fund 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

The Just Transition Fund is one of the European Union’s key tools to support regions in the transition towards climate neutrality by 2050.

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 European 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, which includes a Just Transition Fund. It said that the Just Transition Mechanism 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 consists 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 to mobilise additional investments in the regions concerned.

The Just Transition Fund primarily provides grants. The dedicated transition scheme under InvestEU crowds in private investments. European Investment Bank activities should leverage public financing.

[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).
Support provided through the Just Transition Fund is 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 Just Transition Mechanism are broader in order to also support activities related to the energy transition.

OBJECTIVES

The Just Transition Fund is 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 objectives are 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 Just Transition Fund supports 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 Just Transition Fund is implemented under shared management rules, which means close cooperation with national, regional and local authorities. In order to access Just Transition Fund support, Member States have to submit territorial just transition plans. These plans outline the specific intervention areas, based on the economic and social impacts of the transition. In particular, these plans have to take account of 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 Just Transition Fund provides 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 climate neutrality by 2050 will only be awarded 50% of their planned allocation. The level of EU co-financing of projects is set according to the category of region in which these projects are located. For less developed regions, it is set at maximum 85%, for transition regions 70% and for more developed regions 50%.

The Just Transition Fund has an overall budget of EUR 17.5 billion for 2021-2027. EUR 7.5 billion will be financed under the multiannual financial framework and an additional EUR 10 billion will be financed under NextGenerationEU.

Member States can complement their Just Transition Fund allocation with the resources allocated under the European Regional Development Fund and the European Social Fund Plus.

ROLE OF THE EUROPEAN PARLIAMENT

During the negotiations on the Just Transition Fund proposal, the European Parliament was 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 Just Transition Fund, including those of micro-enterprises, universities and public research institutions, as well as digital innovation and activities in the areas of education and social inclusion. That will 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.

In 2020, the European Parliament proposed that a substantially higher budget be allocated to the Just Transition Fund. This allowed transfers from the European Regional Development Fund and European Social Fund Plus to be made on a voluntary basis and not on a mandatory basis. The European Parliament also recommended the addition of a ‘Green Rewarding Mechanism’, which can allocate additional funding to Member States that manage to reduce their gas emissions at a faster-than-expected rate.

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