

Europe's one trillion climate finance plan



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Find out how Europe aims to fund projects to tackle climate change and support the regions most affected by the transition to a green economy.

Just over a month after the presentation of the [European Green Deal](#), the European Commission presented a detailed proposal on how to finance it in January 2020. The [European Green Deal Investment Plan](#) - also known as Sustainable Europe Investment Plan - is designed to attract at least one trillion euros worth of public and private investment over the next decade.

Why it matters

[Turning the EU into a climate neutral economy](#) by 2050 will require massive investment in clean energy technologies. To achieve an interim greenhouse gases reduction target of 40% by 2030

would require €260 billion of additional investment a year, according to the Commission's estimates.

[Find out more on the EU's response to climate change](#)

Where the money will come from

Around half of the money should come from [the EU's long-term budget](#) through various programmes that contribute to climate and environment projects, for instance through agricultural funds, [Horizon Europe](#), the [Life programme](#) and the [regional and cohesion funds](#), which should earmark at least 30% of their package for climate action.

This in turn would attract co-financing by EU countries. More private and public investment is expected to be mobilised through funds from InvestEU and [the EU's Trade Emissions Scheme](#) (ETS) while additional investment should be attracted using the new Just Transition Mechanism, which is designed to support regions and communities that are most affected by a green transition, for instance regions that are heavily dependent on coal.

Just Transition Mechanism

The mechanism will be based on three pillars:

1. the Just Transition Fund (JTF)
2. the InvestEU funding stream
3. loans from the European Investment Bank (EIB) backed by the EU budget

All these instruments are expected to attract public and private investment – money that could be used for workers to learn new skills for jobs of the future, support for businesses to create new employment opportunities as well as investment in clean energy and the insulation of homes.

1. Just Transition Fund

The fund's investments should help those regions that are particularly dependent on **fossil fuels**, such as coal, which still is still used for about a quarter of EU power generation. [The EU's coal sector](#) employs 238,000 people in coal mines and power plants in more than 100 European regions from Poland to Spain. In 2015, there were 128 coal mines in 12 EU countries and 207 coal-fired power plants in 21 EU countries.

Presenting the proposal to MEPs on 14 January 2020, Frans Timmermans, the commissioner responsible for the European Green Deal, said: "It's a message to coal miners in Asturias, Western Macedonia or Silesia, to the peat harvesters in the Irish midlands, Baltic regions relied on oil shale and many more. We know that you face a steeper path towards climate neutrality and we know that the prospect of a different future - a cleaner one - might be a welcoming prospect in general but the road to it looks daunting today. This Just Transition Mechanism is a pledge that the EU stands with you in this transition."

In May 2020, the Commission amended the proposal for the Just Transition Fund, in the context of the Next Generation EU, [the EU's plan for economic recovery](#), to cope with the impact of the [Covid-19 pandemic](#).

[Parliament approved the Just Transition Fund](#) on 18 May 2021, endorsing an [agreement reached with the Council](#) in December 2020 for a €17.5 billion package comprising of €7.5 billion from the EU's budget for 2021-2027 and €10 billion from the [EU Recovery Instrument](#).

To ensure no one is left behind in the transition to a greener economy, the fund will be go mainly to the least developed regions, outermost territories and islands.

Access to financial support is conditional on a commitment to the 2050 climate neutrality goal. Waste incineration and fossil fuels are excluded.

Discover more about the [Just Transition Fund](#)

2. Special scheme under InvestEU programme

The InvestEU scheme should prioritise financing for climate projects and mobilise a total of €45 billion of investment in Just Transition projects from 2021 to 2027, according to the Commission's proposal.

Created in 2018, InvestEU is the EU's proposed flagship investment programme to boost the European economy.

At the end of May 2020, in the framework of [Next Generation EU](#), the Commission proposed increasing the [InvestEU budget](#) and doubling funding for sustainable infrastructure to €20 billion out of the total €75 billion guaranteed from the EU budget.

In March 2021, [Parliament approved the rules for the InvestEU programme](#), which aims to mobilise public and private investment and guarantee simplified access to financing.

The programme will receive €26.2 billion in guarantees from the EU budget and is expected to attract almost €400 billion in investment. It will support crucial health sectors and sustainable projects that [support the EU's environmental and social objectives](#) with 38% of the total budget to be allocated to sustainable infrastructure.

Find out [how InvestEU will encourage investment in climate action](#)

3. Public sector loan facility

Further funding could come from a [public sector loan facility](#) - €1.5 billion in grants from the long-term budget and up to €10 billion in EIB loans - with an additional €25-€30 billion in public authorities' investments to help regions that are most affected to cope with the costs of **decarbonisation**.

Funds would go to investments ranging from energy and transport to district heating networks and public transport.

In June 2021, [MEPs approved](#) the deal reached between Parliament and Council negotiators in April for a public sector loan facility. They ensured:

- Increased funding and financial support for the preparation stage of an investment project
- Provisions to assure that beneficiaries respect the EU's fundamental values, environmental protection and gender equality
- More focus on less developed regions
- Priority to projects of beneficiaries with decarbonisation plans or that contribute directly to the achievement of the EU's climate and energy ambitions

In a [resolution adopted in November 2020](#), MEPs expressed concerns that the Covid-19 crisis might affect the mobilisation of funds for green investments. They said the green transition should be inclusive and respect principles of economic, social and environmental sustainability, whilst reducing disparities between EU countries, boosting competitiveness and creating sustainable, high quality jobs.

Find out more

[Sustainable Europe Investment Plan](#)

[Just Transition Fund](#)

[Invest EU programme](#)

[Public sector loan facility](#)

[Fact sheet: Just Transition Mechanism](#)

[Assessment of the Just Transition Fund proposal \(April 2020\)](#)

[Green deal for Europe: first reactions from MEPs](#)

[The European Parliament declares climate emergency](#)

[Study: EU coal regions - opportunities and challenges ahead \(2018\)](#)

[Commission proposes a public loan facility to support green investments together with the European Investment Bank \(May 2020\)](#)

[EU-funded projects to green the economy](#)

[Fact sheet: InvestEU programme](#)

[Fact sheet: how the EU's cohesion policy funds support member states' green reforms](#)