Europe’s one trillion climate finance plan

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. The European Green Deal 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, the Regional Development Fund, Cohesion Fund, Horizon Europe and the Life programme.

This in turn would attract an additional €114 billion in co-financing by EU countries. About €300 billion worth of private and public investment is expected to be mobilised through funds from InvestEU and the EU's Trade Emissions Scheme (ETS) while another €100 billion 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 €100 billion in 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, 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 of at
least €100 billion 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. The proposed financing of €7.5 billion from the EU long-term budget has been increased to €10 billion, in addition to €30 billion in external revenue from the European Recovery Instrument. The Just Transition Fund will provide grants to social support, economic revitalisation and land restoration projects.

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.

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.

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.

Next steps

In July, the regional development committee approved the establishment of the Just Transition Fund, but called for a larger budget, broader scope and a rewards mechanism.

Parliament is expected to vote on its position during the September plenary.
Find out more

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