Just Transition Fund: helping EU regions adapt to green economy

For regions that have a lot of industry using carbon the move to a climate neutral economy can be challenging. Find out how the Just Transition Fund will help.

The EU is committed to achieving climate neutrality by 2050 and has integrated the target across all its policies within the European Green Deal to tackle climate change. This ambitious target requires a transition to a low carbon economy and is challenging for regions relying mostly on fossil fuels and carbon-intensive industries.

Find out more about the EU's fight against climate change.

To address the social, economic and environmental impacts of the transition, the European Commission proposed in January 2020 the Just Transition Fund, part of the €1 trillion European Green Deal climate finance plan. The Parliament is expected to vote on the establishment of the Just Transition Fund during September’s plenary session.
Who gets funding?

All EU countries are eligible for funding, but resources will be concentrated on regions facing the biggest challenges: regions with high carbon intensity, heavily using fossil fuels (coal, lignite, peat and oil shale). The wealth of the country will also be taken into account.

A bigger budget for European regions

During September's plenary session the Parliament called for more support for regions to make energy transition a success.

MEPs reiterated the need for a substantial increase in resources for the Just Transition Fund coming from the EU's budget for 2021-2027. Members insisted on increasing the amount put forward in May by the Commission in its amended proposal to €25 billion in 2018 prices. This should be supplemented with €32 billion in current prices, already proposed under the EU Recovery Instrument.

A timeline of the figures under negotiation

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<th>Resources from the EU budget</th>
<th>Financing under EU Recovery Instrument</th>
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Moving to a new green era without leaving anyone behind

In its report, adopted during the September plenary session, Parliament made a number of proposals on the functioning of the Just Transition Fund:

- An extension of the fund’s scope to sustainable investments, for example in microenterprises, sustainable tourism, energy storage technologies, smart and sustainable mobility, low-emission district heating, projects fighting energy poverty, culture, education and community building
- A co-financing rate of up to 85% of relevant costs for eligible projects targeting the most vulnerable communities in each region
- A share of 1% of the total budget for islands and another 1% for the outermost regions
- 18% of the total resources of the fund should go to the countries reducing their greenhouse gas emissions fastest under a green rewarding mechanism and only 50% of the national allocation will be available for those which have not yet committed to a 2050-climate neutrality national target.

MEPs also ask that regions heavily reliant on the extraction and combustion of coal, lignite, oil shale or peat should be able to use these funds to invest in natural gas projects if these projects are classified as environmentally sustainable under the Taxonomy Regulation.

The text supported by MEPs provides for the possible transfer of resources from other cohesion funds on a voluntary basis.
Where the Just Transition Fund aims to invest

• Small and medium-sized enterprises as well as new firms
• Research and innovation
• Affordable clean energy, emission reduction, energy efficiency and renewable energy
• Digitalisation and digital connectivity
• Regeneration and decontamination of sites, land restoration and repurposing
• The circular economy, including waste prevention, reduction, resource efficiency, reuse, repair and recycling
• Upskilling and reskilling of workers for alternative employment
• Job search assistance
• Transformation of existing carbon-intensive installations

Just Transition Platform

In June, the Commission launched the Just Transition Platform, providing support to public and private stakeholders from coal and other carbon-intensive regions. It will include a database of projects and experts, sharing information and technical advice.

Background

In March 2018, the Parliament called for a comprehensive fund to be established to support a just transition in the energy sector.

In January 2020, the Commission proposed the Just Transition Fund to support the regions that will be most affected by this transition.

In July, EU leaders agreed on a smaller amount for the recovery plan and the EU's budget for 2021-2027, which was strongly criticised by the Parliament.

During the plenary session on 23 July, Parliament had already challenged the Council to justify the massive reductions in the budgets of the Just Transition Fund and InvestEU in the context of the Green Deal - a long-term EU priority that should not be put at risk.

Following the resolution adopted during September's plenary session, the negotiations with the Council and Commission on all issues except for the financial budget should start as soon as possible. The precise funding will become clear after a final agreement is reached in the ongoing negotiations on the EU's budget for 2021-2027.
Find out more

Just transition in EU regions: support to people, economy and environment (6 July 2020)
Check legislative progress on the Just Transition Fund
Briefing: Just Transition Fund (July 2020)
Study assessment of the Just Transition Fund proposal (February 2020):
Study: how the EU budget can best assist in the necessary transition from fossil fuels to sustainable energy (April 2020)
Q&A: Just Transition Mechanism (25 May 2020)
Q&A: European Green Deal Investment Plan and Just Transition Mechanism (14 January 2020)