

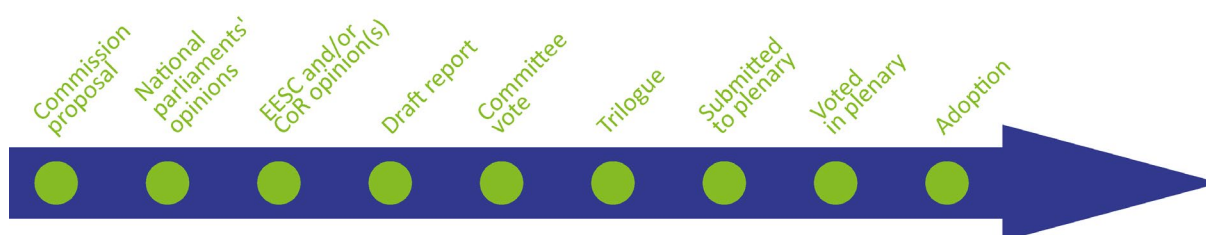
Just Transition Fund

OVERVIEW

The EU aims to cut greenhouse gas emissions by at least 55 % by 2030 and achieve climate neutrality by 2050. This will require a socio-economic transformation in regions relying on fossil fuels and high-emission industries. As part of the European Green Deal, on 14 January 2020, the European Commission adopted a proposal for a regulation to create the Just Transition Fund, aimed at supporting EU regions most affected by the transition to a low carbon economy. In the context of recovery from the coronavirus pandemic, an amended proposal on the Just Transition Fund (JTF) was published on 28 May 2020. The JTF is set to have a budget of €17.5 billion (€7.5 billion from the core EU budget under the Multiannual Financial Framework and €10 billion from the Next Generation EU instrument, in 2018 prices). Funding will be available to all Member States, while focusing on regions with the biggest transition challenges. The budget for the Just Transition Fund may be complemented with resources from cohesion policy funds and national co-financing. The Fund will be part of a Just Transition Mechanism, which also includes resources under InvestEU and a public-sector loan facility.

In the European Parliament, the file was entrusted to the Committee on Regional Development (REGI). A provisional political agreement was reached in trilogue on 9 December 2020, with the Parliament adopting the draft regulation on 18 May 2021. The final act was published in the Official Journal on 30 June 2021.

Proposal for a regulation of the European Parliament and of the Council establishing the Just Transition Fund		
<i>Committee responsible:</i>	Regional Development (REGI)	COM(2020) 22
<i>Rapporteur:</i>	Manolis Kefalogiannis (EPP, Greece)	14.1.2020
<i>Shadow rapporteurs:</i>	Pedro Marques (S&D, Portugal) Ondřej Knotek (Renew, Czechia) Niklas Nienass (Greens/EFA, Germany) Francesca Donato (ID, Italy) Raffaele Fitto (ECR, Italy) Martina Michels (The Left, Germany)	2020/0006(COD) Ordinary legislative procedure (COD) (Parliament and Council on equal footing – formerly 'co-decision')
<i>Procedure completed.</i>	Regulation (EU) 2021/1056 OJ L 231, 30.6.2021, pp. 1–20.	



Introduction

As part of the [European Green Deal](#), the EU aims to cut greenhouse gas emissions (GHG) by at least 55 % by 2030 and to achieve climate neutrality by 2050. A [regulation](#) on the 'European Climate Law' enshrining the 2050 climate [neutrality](#) objective was adopted in June 2021.

Reducing GHG [emissions](#) will have an impact on jobs and regional economies, especially in regions relying on fossil fuels and carbon-intensive industries. The 2018 Joint Research Centre (JRC) [report](#) on 'EU coal regions' analysed future trends in terms of declining employment and economic activity in the coal sector. It recommended diversification of regional economies and replacing traditional energy sources with cleaner alternatives. A 2020 JRC [report](#), entitled 'Clean energy technologies in coal regions: Opportunities for jobs and growth,' highlights the significant potential of clean energy technologies in terms of job creation (up to 315 000 new jobs by 2030 and up to 460 000 by 2050). Other industry sectors with high emission levels may also find technological alternatives to carbon-intensive processes in order to start their transition, while maintaining economic output and enhancing employment. A 2019 Eurofound [report](#) estimates the impact of transition to a low-carbon economy by 2030 on manufacturing. While the impact varies between sectors and occupations, the report identifies positive scenarios for GDP and employment growth, resulting from demand generated by a shift in production, investments to achieve the transition, as well as lower spending on importing fossil fuels.

On 14 January 2020, the Commission published a legislative [proposal](#) on the Just Transition Fund (JTF), aimed at helping the most affected regions alleviate the socio-economic impact of the transition. To support recovery from the coronavirus pandemic, the proposal was [amended](#) on 28 May 2020, increasing the proposed JTF budget from €7.5 to €40 billion (in 2018 prices). Under the proposal, the new amount included €10 billion under the 2021-2027 MFF, and €30 billion under Next Generation EU (2021-2024). The MFF component of JTF resources may be complemented with cohesion policy funds and would be governed by cohesion policy rules, therefore the JTF proposal also entailed [amendments](#) to the proposal on the Common Provisions Regulation governing cohesion policy funds.

At the European Council meeting on 17-21 July 2020, EU leaders reached an [agreement](#) on the recovery package and 2021-2027 EU budget. The European Council [conclusions](#) reduced the total JTF resources to €17.5 billion (€7.5 billion under the MFF and €10 billion under Next Generation EU, in 2018 prices). During its plenary session on 17 September 2020, the European Parliament adopted its [amendments](#) to the Commission proposal, including recommending an increase in the MFF part of JTF to over €25 billion, in 2018 prices. The final agreement between the Parliament and the Council reached in December 2020 confirmed the JTF budget of €17.5 billion (€7.5 billion from the core EU budget under the MFF and €10 billion from NGEU).

The Just Transition Fund will be one of the pillars of a broader [Just Transition Mechanism](#), outlined in the Commission [communication](#) on the Sustainable Europe Investment Plan (see Box on p. 5).

Existing situation

The 2014-2020 Multiannual Financial Framework (MFF) ensures that at least 20 % of the European budget is dedicated to [climate-related](#) expenditure. While no separate legislative framework exists for a 'just transition,' the [European structural and investment funds](#) (ESIF) for 2014-2020¹ contain several [thematic objectives](#) that can support that goal. The scope of support of the ESIF funds is laid out in the [Common Provisions Regulation](#) (No 1303/2013). The [European Regional Development Fund](#) (ERDF) supports the shift to a low-carbon economy through specific actions, such as investments in renewable energy sources, energy efficiency in the housing sector, low-carbon technologies, adaptation to climate change, and industrial transition towards a resource-efficient economy. The ERDF also supports [European Territorial Cooperation](#) (ETC), including cross-border cooperation on climate action between Member States (see [Interreg](#)). Environmental actions can

also be financed from the [Cohesion Fund](#), focusing mainly on the transport and energy sectors. However, this fund is available only in countries with per capita GNI (gross national income) lower than 90 % of the EU average. The [European Social Fund](#) (ESF) supports the shift towards a low-carbon and climate-resilient economy through the improvement of the education and training systems necessary for the adaptation of skills and qualifications, the up-skilling of the labour force, and the creation of new jobs in sectors related to the environment and energy.

The [EU budget](#) for 2021-2027 earmarks 30 % of EU funding (MFF and NGEU) for climate action, while the new [regulations](#) on regional policy funds earmark 30 % of the European Regional Development Fund and 37 % of the Cohesion Fund for climate objectives.

Other instruments are also available for some aspects of the climate transition in the 2014-2020 period and beyond. The [European Fund for Strategic Investments](#), succeeded by the [InvestEU](#) programme, offered support in the [energy](#) sector. The fund was managed by the [European Investment Bank](#) (EIB), which also provides other funding sources in the '[climate and environment](#)' area. Other funding sources for [energy](#) and [climate](#) actions help finance the development of renewable energy sectors, the modernisation of energy networks, [social](#) support, and research into clean technologies. The [Modernisation Fund](#) also supports the modernisation of energy systems and improving energy efficiency in ten lower-income Member States. Technical assistance and advisory support is available via the [Technical Support Instrument](#) (succeeding the [Structural Reform Support Programme](#)), the [European Investment Advisory Hub](#), the [Initiative for Coal Regions in Transition](#) and the [Just Transition Platform](#). Many of these instruments are amended or replaced under the 2021-2027 MFF. Some of them, such as InvestEU, and EIB funding, will be mobilised under the new Just Transition Mechanism, which will also include the new Just Transition Fund, offering tailored support to the 'just transition' regions.

Parliament's starting position

The Parliament had already called for the establishment of a comprehensive fund to support a just transition in the energy sector in March 2018, with the [resolution](#) setting out the Parliament's position on the post-2020 MFF. In a second [resolution](#) on the 2021-2027 MFF, from November 2018, it called for the establishment of a Just Energy Transition Fund of €4.8 billion to support the energy sector transformation, in light of the EU climate objectives, and for addressing the resulting social, economic, and environmental impacts. In a March 2019 [resolution](#) entitled 'A Europe that protects: Clean air for all,' Parliament drew attention to the need to support regions affected by the energy transition and decarbonisation, especially mining regions. In late November of that year, ahead of the United Nations Climate Change Conference (COP25), held in Madrid in December, Parliament approved a [resolution](#) declaring a climate and environmental emergency and asking the Commission to ensure that all relevant legislative and budgetary proposals be fully aligned with the objective of limiting global warming to under 1.5 °C. In a separate [resolution](#) on the 2019 UN Climate Change Conference in Madrid it stated that it expected the European Green Deal to include a strategy for achieving a climate neutral Europe by 2050 at the latest, including the target of a 55 % reduction in domestic GHG emissions by 2030. In a January 2020 [resolution](#) on the European Green Deal, Parliament stressed that just transition is not merely a fund, but a whole-policy approach underpinned by investment. It must ensure that no-one is left behind. Parliament stressed the instrumental role of the post-2020 budget in achieving the climate goals, reiterating that a reduced MFF would be a step backwards. In its October 2020 [amendments](#) to the proposed Climate Law, the Parliament called for the 2030 emissions reduction target to be increased to 60 %.

Council and European Council starting position

In its [conclusions](#) of 18 October 2019, the European Council recognised that dealing with climate change requires greater ambition and enhanced climate action at both the EU and global levels. It confirmed that the EU will continue to lead the way in the implementation of the Paris Agreement, pursuing a socially fair and just, green transition. On 12 December 2019, the European Council

almost unanimously endorsed the objective of achieving climate-neutrality by 2050, welcoming in its [conclusions](#) the tailored support for regions and sectors most affected by the transition (inter alia under the present proposal). It recognised that there are national differences in terms of starting points and highlighted the need for significant public and private investments. The Heads of State or Government underlined that the next MFF will significantly contribute to climate action.

In the Council, in the run-up to the Madrid COP25 summit in December 2019, environment ministers agreed that the [transition](#) should take place in an inclusive, just, and socially balanced manner. They stressed that the transition towards climate neutrality requires a horizontal approach and coherence between all relevant policies. [Priorities](#) of the [Croatian Presidency](#) during the first half of 2020 included the ambitious implementation of the Paris Agreement, with a financially and socially just transition to a low-carbon, circular economy. The [German Presidency](#) (second half of 2020) has committed to focus on recovery efforts, while keeping climate protection high on the EU agenda. Promoting Europe's recovery leveraged by the climate transition is also among the [priorities](#) of the Portuguese Council Presidency in the first half of 2021 and those of the Slovenian Presidency in the second half.

Preparation of the proposal

In connection with the post-2020 [legislative proposals](#), the Commission conducted a series of public consultations covering major spending areas. In the area of cohesion, the [consultation](#) took place in January-March 2018. About 85 % of the respondents considered the transition to a low-carbon, circular economy that ensures environmental protection and resilience to climate change to be major priority. However, only 42 % of the respondents considered this challenge to be adequately addressed by the current programmes and funds.

According to the Commission, a specific impact assessment of the Just Transition Fund has not been possible due to time constraints related to the ongoing MFF negotiations. However, the [explanatory memorandum](#) for the JTF proposal recalls the results of the [impact assessment](#) conducted in the context of the [proposal](#) on the ERDF and Cohesion Fund. That impact assessment validated the delivery system proposed for these funds under the Common Provisions Regulation, which will also apply to the Just Transition Fund. It confirmed the need to support a clean and fair energy transition through a dedicated policy objective and a corresponding thematic concentration mechanism and to support smart industrial transformation. Moreover, the assessment pointed to the unevenly distributed effects of energy transition and highlighted the challenges for regions relying on solid fossil fuel production and having a high share of solid fuels in their electricity generation mix. The JTF responds to these concerns by focusing on the most negatively impacted territories, with the specific objective of alleviating the social, economic, and environmental impacts of the climate transition. The Commission therefore concluded that both the public consultation and the impact assessment support the objectives and main features of the JTF.

The explanatory memorandum for the JTF proposal mentions lessons learnt from the implementation of selected transition initiatives, such as the coal regions in transition [initiative](#) and the [pilot action](#) for regions in industrial transition. While the scope of the JTF goes beyond coal mining, the implementation of the fund could draw on the existing structures and working methods of these initiatives. Lessons learnt include the importance of involving a broad range of local actors, knowledge-sharing, links with cohesion policy, and inter-regional cooperation. Additionally, [smart specialisation strategies](#) (i.e. development strategies building on regional strengths) have been identified as a useful tool to support the transformation.

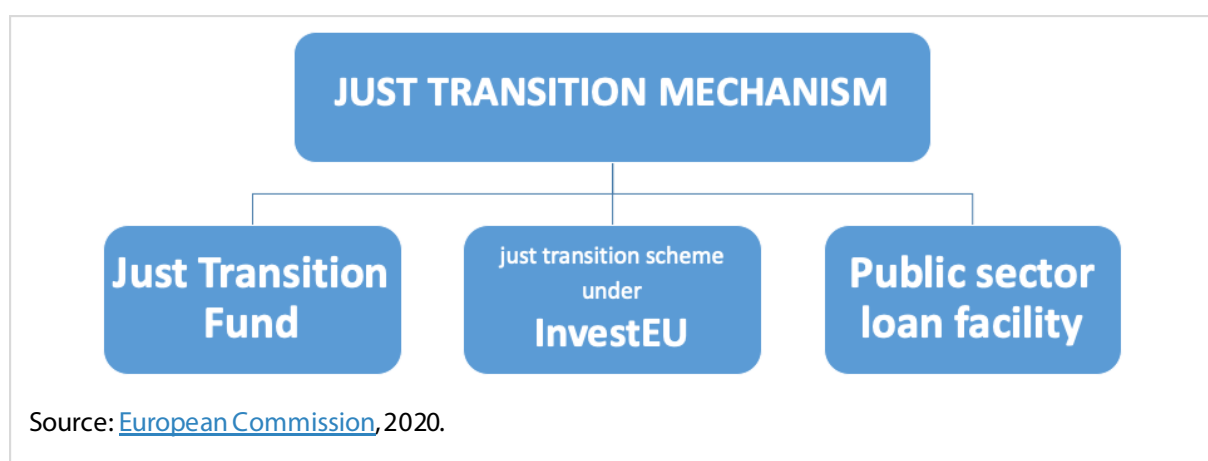
The amended JTF proposal of 28 May 2020 also stipulates that while a consultation of external stakeholders had not been conducted, the amended proposal echoes the recent discussions with the Member States and the European Parliament, which suggested a substantial increase of the JTF budget. A self-standing impact assessment for the amended proposal was not carried out, given

that in the Commission's view the amendments focus on increased resources and only minor changes, and do not modify the JTF architecture outlined in the initial proposal.

The changes the proposal would bring

General framework

The new legal framework consists of a dedicated [proposal](#) for a regulation establishing the Just Transition Fund ([amended](#) in May 2020) and the subsequently amended [proposal](#) on the Common Provisions Regulation (CPR) ([amended](#) again in May 2020). In addition, the Commission [communication](#) on the Sustainable Europe Investment Plan outlines the broader Just Transition Mechanism (see Box). The just transition scheme is mentioned in the [regulation](#) on the InvestEU programme (with further details available in InvestEU investment [guidelines](#)), while the public-sector loan facility is laid out in [regulation](#) on the public-sector loan facility under the Just Transition Mechanism.



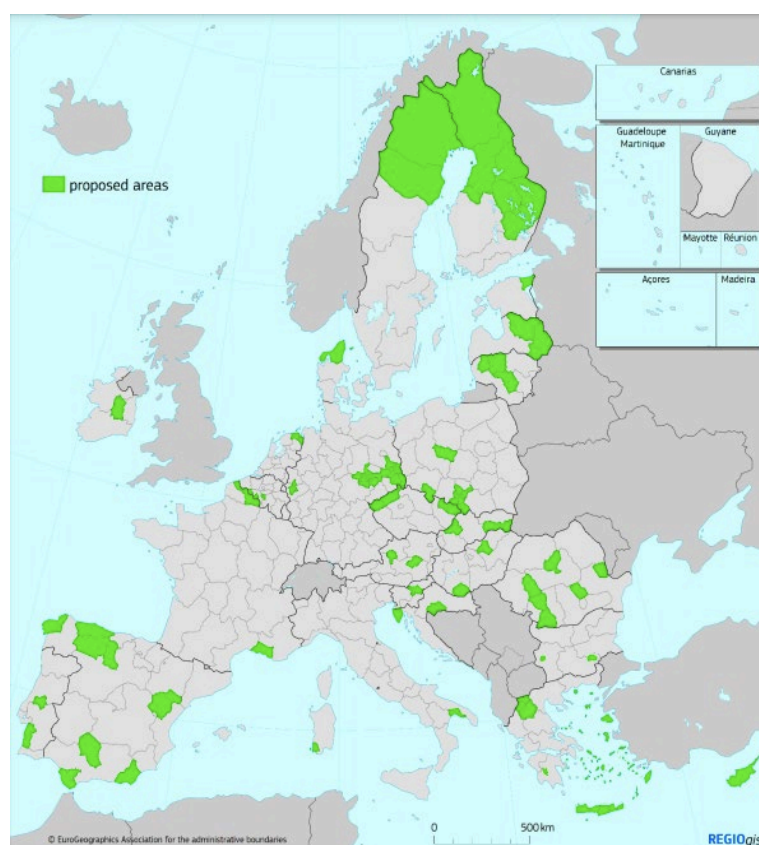
The initial Commission proposal on the Just Transition Fund would have provided the JTF with its own budget of €7.5 billion in 2018 prices (Heading 3 – Natural resources and environment), in the 2021-2027 MFF, complemented by the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+), as well as national co-financing. The amended proposal of May 2020 raised the fund's resources to €10 billion from the EU budget (2021-2027 MFF) and a top-up of €30 billion from the European recovery instrument ('[Next Generation EU](#)') for 2021-2024. This brought the total for the Just Transition Fund to €40 billion (in constant 2018 prices).² Taken together (i.e. with national co-financing and ERDF and ESF+ top-up), these funding sources were [expected](#) to reach a total of €89-107 billion. The Just Transition Fund will finance only the activities specified in the proposed JTF regulation, and focus on territories with the most pressing social, economic, and environmental transition challenges. It is important to note in this context, however, that EU leaders at the European Council [meeting](#) of 17-21 July 2020 decided to cut the JTF budget to €17.5 billion (€7.5 billion under the MFF and €10 billion under NGEU, in 2018 prices). The European Parliament in its [amendments](#) to the Commission proposal voted on 17 September recommended raising the MFF component of the JTF budget to over €25 billion in 2018 prices. In line with the [regulation](#) on the 2021-2027 MFF and the [regulation](#) establishing the EU recovery instrument, both adopted in December 2020, the final JTF [budget](#) will be €17.5 billion (€7.5 billion under the MFF and €10 billion under NGEU, in 2018 prices).

The Just Transition Fund will be implemented under the cohesion policy. Its delivery will follow the [Common Provisions Regulation](#) 2021-2027 and be included in partnership agreements and programmes. In line with the compromise [agreement](#) on the proposal, the MFF component of the JTF's own specific budget can be complemented with resources from the ERDF, ESF+, or a combination of the two, through voluntary transfers. The total of ERDF and ESF+ resources

transferred to the JTF should not exceed three times the amount of the JTF budget stemming from the EU budget. It is important to note that the initial Commission proposal envisaged obligatory transfers of 1.5 to 3 times the JTF resources. In order to ensure continued impact of cohesion policy, the resources transferred from either the ERDF or ESF+ cannot exceed 20 % of the respective ERDF and ESF+ allocations to any individual Member State (new proposed article 21a of the amended CPR, now Article 26 in the adopted CPR [regulation](#)). The remaining top-up for the JTF is expected to come from external revenue under the new [recovery instrument](#) (Next Generation EU), without the requirement of additional support from ERDF and ESF+. If the Member States decide to transfer resources from ERDF and ESF+, they are also expected to provide funding of their own, with levels of EU co-financing depending on the category of the region in which the 'just transition territory' is located. In the compromise [agreement](#) on the JTF proposal, the rates of EU co-financing for each region were set as follows: 85% for less developed regions, 70% for transition regions and 50% for more developed regions.

The remaining two pillars of the Just Transition Mechanism – the InvestEU scheme and the public-sector loan facility – will have a broader geographical and thematic scope than the JTF, being available to territories outside the 'just transition' zones, on condition that projects are beneficial to 'just transition territories' – for example, transport or energy infrastructure projects that improve the connectivity of these territories. The two pillars will also cover a broader range of activities. According to the Commission [communication](#) on the Sustainable Europe Investment Plan, the

Map – Proposed territories eligible for JTF



Source: [European Commission](#), 2020.

scheme under InvestEU may finance energy and transport infrastructure, including gas infrastructure and district heating, as well as decarbonisation projects, economic diversification of the regions and social infrastructure. Concrete details of the scheme are available in the InvestEU investment [guidelines](#). The scheme is expected to mobilise up to €45 billion, generated by the provision of around €1.8 billion from the EU budget under InvestEU (in 2018 prices). According to the [regulation](#) on the public-sector loan facility, the facility will cover energy and transport infrastructure, district heating networks, green mobility, smart waste management, clean energy and energy efficiency measures including renovations and conversions of buildings, support to transition to a circular

economy, land restoration and decontamination, as well as up- and re-skilling, training and social infrastructure, including social housing. The loan facility will include a grant component of €1.5 billion from the EU budget and €10 billion of EIB lending (in 2018 prices). These resources are

expected to mobilise €25-30 billion of public investments over the 2021-2027 period. The JTF will primarily provide grants. The InvestEU scheme will seek to bring in private investment, whereas the loan facility will leverage public funding (through a mix of grants and loans). The Commission expected the three pillars of the Just Transition Mechanism to mobilise at least [€150 billion](#) of investments, though this amount will be [smaller](#) (around €65-75 billion) since the JTF budget has been decreased from €40 billion proposed by the Commission in May 2020 to €17.5 billion confirmed in the final agreement on the EU budget.

Objective and geographical coverage

The Just Transition Fund is to contribute to the single specific objective of 'enabling regions and people to address the social, economic, and environmental impacts of the transition towards a climate-neutral economy' and include all Member States. Support will be available at the level of [NUTS 3](#) (Nomenclature of Territorial Units for Statistics) regions, especially to areas facing serious transition challenges resulting from high employment in the fossil fuels sector and high industrial emissions (see map).

In February 2020, when presenting the country reports on socio-economic policies for 2020 in the framework of the [European Semester](#), the European Commission announced, in Annex D to each country report, its proposals for the territories eligible for the Just Transition Fund, in order to quickly open the discussions with the Member States ([see overview](#)).

Allocation method

[Annex I](#) to the proposed regulation ([amended](#) in May 2020) lays out the [allocation method](#) for resources under the Just Transition Fund. While all Member States can access funding, the method ensures a concentration of funding on regions with the biggest challenges resulting from the transition. While all Member States are in principle entitled to access JTF funding, the method ensures that most of the funding would be allocated to regions with the biggest transition challenges.

Available funding for each Member State is based on criteria such as GHG emissions of industrial facilities in [NUTS 2](#) regions with high carbon intensity, employment in the industry sector in these regions, employment in coal and lignite mining, production of peat, and production of oil shale. [Annex I](#) to the proposed regulation shows the calculation of the percentage weighting for each Member State. The allocations are further adjusted to ensure that no Member State receives funding in excess of €8 billion and that all Member States reach at least the minimum level of per capita aid intensity. Adjustments up or down are made on the basis of a Member State's per capita GNI in relation to the EU-27 average. It is important to note here that in the compromise [agreement](#), Annex I contains only a table of allocations per Member State. While the allocation amounts are consistent with the results of the allocation method proposed by the Commission, EU Member States will have the freedom to determine their just transition territories in line with article 11 (territories funded under JTF should be 'those most negatively affected based on the economic and social impacts resulting from the transition, in particular with regard to expected adaptation of workers or job losses in fossil fuel production and use and the transformation needs of the production processes of industrial facilities with the highest greenhouse gas intensity').

Scope of support

The Just Transition Fund will only finance activities that are directly related to its specific objective and that contribute to the implementation of the territorial just transition plans (see section below). It will support workers, companies, and regional authorities, encouraging investments that facilitate the transition. The activities supported are restricted to a) productive investments in SMEs (including start-ups) that lead to economic diversification and reconversion, b) investments in the creation of new firms, including support for business incubators and consulting services, c) investments in research and innovation activities that foster the transfer of advanced technologies, d) investments

in the deployment of technology and infrastructure for affordable clean energy, as well as in greenhouse gas emissions reduction, energy efficiency, and renewable energy, e) investments in digitalisation and digital connectivity, f) investments in regeneration and decontamination of sites, land restoration, and repurposing projects, g) investments that enhance the circular economy, including those that promote waste prevention, reduction, resource efficiency, reuse, repair and recycling, h) upskilling and reskilling of workers, i) job-search assistance to jobseekers, j) active inclusion of jobseekers, and k) technical assistance. The compromise [agreement](#) reached between the Parliament and the Council in December 2020 added further aspects such as: micro-enterprises, modernisation, job creation, universities and public research institutions, energy storage technologies, reducing energy poverty, sustainable transport, upgrading district heating networks and activities in the areas of education and social inclusion.

The fund may also support investments in enterprises other than SMEs, and investments aimed at reducing greenhouse gas emissions resulting from activities listed in Annex I to [Directive 2003/87/EC](#) (EU emissions trading system – ETS), as long as they have been approved in the territorial just transition plans and are necessary for the implementation of those plans.

Under the proposal, excluded from the scope of the fund are (a) the decommissioning or the construction of nuclear power stations, b) the manufacturing, processing, and marketing of tobacco and tobacco products, c) undertakings in difficulty, as defined in Article 2(18) of Commission [Regulation](#) (EU) No 651/2014, d) investment related to the production, processing, distribution, storage, or combustion of fossil fuels, and e) investment in broadband infrastructure in areas in which there are at least two equivalent broadband networks. The compromise [agreement](#) deletes broadband investments from the exclusions, and adds that undertakings in difficulty may be supported if authorised under temporary State aid rules established to address exceptional circumstances or under *de minimis* aid to support investments reducing energy costs in the context of the energy transition process.

Territorial just transition plans

Territorial just transition plans will be prepared by the Member States, together with the authorities of the territories concerned and the relevant partners specified in article 6 of the new CPR. The selection of territories should be made on the basis of the economic and social impacts of the transition, especially with regard to employment in the fossil fuel sector and the transformation needs of industries with the highest greenhouse gas intensity (see the [list of territories](#) proposed by the European Commission). One or more territorial just transition plans can cover one or more affected territories – NUTS 3 level regions or parts thereof.

The territorial just transition plans will be annexed to the cohesion policy programmes entailing support for the JTF and will be adopted by the Commission alongside those programmes. The funding sources programmed can take the form of one or more specific programmes, or of one or more priorities within a programme. The required content of the just transition plans is laid out in article 7 of the JTF regulation proposal (Article 11 in the adopted [regulation](#)), and a template for the plans is established in [Annex II](#). In the context of the [Structural Reform Support Programme](#), the European Commission [approved](#), at the beginning of May 2020 requests made by Member States for support with the preparation of their territorial just transition plans.

The territorial just transition plans must describe the transition process at national level and aim towards a climate-neutral economy, including a timeline of key steps consistent with the National Energy and Climate Plans. They must contain a justification for identifying the most affected territories to be supported by the JTF, an assessment of transition challenges, the expected contribution of JTF support to address these challenges, an assessment of consistency with other national, regional, or territorial strategies and plans, a description of governance mechanisms, descriptions of the types of operations envisaged and their contribution, justification for potential support for enterprises other than SMEs or for investments to reduce greenhouse gas emissions resulting from activities listed in Annex I to [Directive 2003/87/EC](#) (ETS), as well as synergies and

complementarities with other EU programmes and with the pillars of the Just Transition Mechanism. The territorial just transition plans must also be consistent with a) the territorial strategies based on article 23 of the new CPR, b) the [National Energy and Climate Plans](#), c) relevant smart specialisation strategies, and d) the European Pillar of Social Rights. The compromise [agreement](#) also adds that the plans must mention specific allocations earmarked for outermost regions and islands. It also specifies that transition steps towards EU 2030 and 2050 climate goals must be addressed in the plans.

Indicators

[Annex III](#) to the JTF proposal sets out a number of common output and results indicators. Output indicators focus on measures such as the number of enterprises supported, additional production capacity for renewable energy and waste recycling, surface of rehabilitated land and support for various social groups – according to employment status, age, and educational levels. Results indicators measure jobs created in supported entities, SME innovations, patent applications, and population benefiting from measures aimed to improve air quality, for example. The compromise [agreement](#) added dwellings and public buildings with improved energy performance, estimated greenhouse gas emissions and modernised public transport to the indicator list.

For output indicators, baselines are set at zero. Milestones for 2024 and targets for 2029 (included in the template for territorial just transition plans) are cumulative. Targets cannot be revised after the request for programme amendment has been approved by the Commission. In case of failure to achieve at least 65 % of the target established for one or more output indicators for the JTF resources, financial corrections may be applied.

Advisory committees

The European Committee of the Regions (CoR) adopted an [opinion](#) on the proposal on 2 July 2020, following its mandatory consultation. The opinion (drafted by the Commission for Territorial Cohesion Policy and EU Budget (COTER); rapporteur general: Vojko Obersnel, PES, Croatia) welcomes the JTF and proposes a number of amendments. It suggests making the contribution from ERDF and ESF+ voluntary and reducing its range to 0.5-1.5 times the amount of JTF support, and establishing territorial plans at NUTS 2 rather than NUTS 3 level, in line with the main cohesion policy programmes implemented at NUTS 2 level and taking spill-over effects into account. It also proposes integrating the JTF into Heading 2, 'Cohesion and values', in the 2021-2027 MFF instead of Heading 3 on 'Natural resources and environment', and reiterates its rejection of the envisaged cuts to cohesion policy. The opinion also recommends making clear references to the Paris Agreement, the EU's goal of climate neutrality by 2050 and the 2030 reduction targets in the fund's objective and in the territorial transition plans. It proposes introducing specific provisions banning support to regions which plan to open new mines (coal, lignite or oil shale) and/or peat extraction fields, or re-open decommissioned ones. Moreover, it expresses concerns about the expected leverage rate under the Just Transition Mechanism. It also recommends expanding the scope of support and ensuring close involvement of local and regional stakeholders in the preparation of the territorial plans. It warns against delays in implementing cohesion policy and recommends adjustments of State aid rules. It also proposes co-organising an Annual Forum of Just Transition Regions as a political strand of the [Just Transition Platform](#). Previously, the CoR adopted an [opinion](#) on 'The socio-economic structural change in Europe's coal regions' in October 2019. It stressed the need to achieve climate policy goals while at the same time alleviating the socio-economic and environmental effects of the required transition in coal regions. It called for additional funding for these regions.

The European Economic and Social Committee (EESC) adopted its [opinion](#) the 'Just Transition Fund and amendments to the Common Provisions Regulation' on 10 June 2020 (prepared by the Section for Economic and Monetary Union and Economic and Social Cohesion, with rapporteur Ester Vitale (Workers – Group II, Italy) and co-rapporteur Petr Zahradnik (Employers – Group I, Czechia). The

opinion welcomed the Just Transition Fund as the first tangible instrument contributing to the ambitious target of carbon neutrality by 2050. It also supported a holistic approach, taking into account the economic, social, industrial and technological dimension of the transformation process towards a climate-neutral economy, with the involvement of local actors, social partners and NGOs. In light of the Covid-19 crisis, it recommended that public investment in environmental protection and climate change be excluded from the constraints of the Stability and Growth Pact. It also suggested phasing out fossil fuel subsidies and expanding support to large companies. It emphasised the need to ensure a balance between restructuring measures and measures aimed at protecting and retraining workers, calling for devoting a substantial portion of the JTF resources to investments supporting workers' transition from one occupation to another.

National parliaments

The proposal for a regulation was submitted to national parliaments, with the [subsidiarity deadline](#) of 17 March 2020. The Committee for European Affairs of the Chamber of Deputies of the Czech Parliament issued a reasoned [opinion](#), in which it considered the amount of €7.5 billion insufficient and emphasised that JTF should not come at the expense of cohesion policy. It called for greater flexibility for Member States to decide on ERDF and ESF+ contributions and for simplifying the conditions of support to large enterprises (e.g. not requiring territorial plans to include a list of planned supported large enterprises). It also asked for a better specification of terms such as 'significant jobs' and 'substantial reductions in greenhouse gas emissions'. Moreover, the opinion considers that the Commission's intervention interferes with Member States' competences in shared management and subsidiarity in the context of preparing the transition plans. The German Bundesrat issued a [decision](#) stressing that the JTF should not disadvantage the established cohesion policy funds and that a smooth interaction with ERDF and ESF+ must be ensured. It rejected the idea of providing an exhaustive list of projects when submitting territorial plans as neither appropriate nor feasible. It also urged that JTF negotiations be conducted with high priority and finished before the start of the new funding period.

Stakeholder views³

In a [letter](#) of December 2019 to Charles Michel, President of the European Council, the presidents of the regional and local authorities within the [Cohesion Alliance](#) – [Eurocities](#), the Association of European Border Regions ([AEBR](#)), the Assembly of European Regions ([AER](#)), the Conference of European Regional Legislative Assemblies ([CALRE](#)), the Council of European Municipalities and Regions ([CEMR](#)), the Conference of Peripheral Maritime Regions of Europe ([CPMR](#)), and the European Committee of the Regions stressed 'the necessity for cohesion policy to have sufficient funding of at least one-third of the future EU budget at its disposal, and for any new instruments such as the Just Transition Fund and its budgetary allocations to be additional to the existing European Structural and Investment Funds.'

In a detailed [analysis](#), the CPMR states that the new funding resources to support the new fund should not be an argument for further reducing the cohesion policy envelope in the 2021-2027 MFF. As the regulation proposes placing the new fund under heading 3 – Natural resources and environment, instead of heading 2 – Cohesion and Values, the CPMR fears delays in the ongoing negotiations on the cohesion policy regulations and programmes, and additional bureaucracy for practitioners. The CPMR is concerned about 'the disproportionately strong role for national governments vis-à-vis local and regional authorities' and asks the Commission to ensure that the preparation of the just transition territorial plans is done in close cooperation with the authorities of the geographical areas involved.

In a [reaction](#) to the Green Deal, [Business Europe](#) urges the Commission 'to ensure that investment is channelled into productive areas of demonstrable added value, with public funds complementing, and not crowding-out, private sector investments.' Also fearing increased bureaucracy, the confederation thinks that 'the modalities of the mechanism must be well-designed

to optimise its impact' and calls for a broader range of framework conditions to be put in place rapidly 'to make this deeply transformative agenda a success and to avoid damaging growth and jobs.' The European Trade Union Confederation ([ETUC](#)) is concerned that investment does not match the European Commission's ambition for its green deal, saying 'the funding proposed for 10 years is what would be needed every year to achieve climate neutrality by 2050 in a fair way.' The Confederation fears there is a risk that most of the funds will go to research and innovation rather than directly benefiting affected workers.

The [Climate Action Network](#) (CAN) wants the Just Transition Fund to help increase the EU's 2030 [climate target](#) to a 65 % cut in emissions. The organisation considers that a climate-friendly EU budget should stop subsidising all fossil fuels and should dedicate 40 % of its funds to climate action. It points out that 'the entire EU funding for regional development – Cohesion Policy – has the potential to equip the most polluted regions with clean infrastructure.' The [WWF](#) also defends the need for more [funds](#). It believes that the EU should exclude any fossil fuel investments and that comprehensive regional plans must include phase-out dates for fossil fuels. The organisation reiterates that existing funds from the ETS should be optimised, as one of its recent [analyses](#) reveals that EU Member States could be spending billions of euros more on climate action through the ETS.

Views from think-tanks

The European think-tank **Bruegel** [says](#) €1 trillion of investments over ten years represents only a third of the additional investment needed, and that 'only national governments and the private sector will be able to fill the majority of Europe's 'green investment gap'. The policy paper also suggests that the EU fiscal framework should be reformed to authorise deficit-financed green investment, and underlines that carbon pricing has an essential role to play in that regard and that action is required. On the Climate Law, Bruegel [recommended](#) accelerating the pace of decarbonisation and getting coal out of the EU energy mix, while ensuring social inclusion.

The **European Policy Centre** (EPC) [sees](#) several obstacles to the success of the European Green Deal. It fears that incoherent legislation and Member States' failure to achieve the self-set 40 % GHG emission target for 2030 will undermine the Green Deal, as well as an EU budget that continues to subsidise areas such as fossil fuels and livestock production and consumption, when 'the ultimate goal would be to reduce consumption levels and ensure that every product and service on the European market is, by default, sustainable.' The analysis also invites the Commission to highlight Member States' failure to act and launch infringement cases more readily.

The **Centre for European Policy Studies** (CEPS) in its [publication](#) on coal regions recommended a place-based approach, reinforcing regional strategies, creating an investment-friendly economic environment and combining various EU instruments in a complementary way.

Legislative process

The European Commission adopted the legislative proposal on the JTF on 14 January 2020 and amended the proposal in May 2020.

In the Council, the proposal was examined by the [Working Party on Structural Measures](#). A partial [mandate](#) (excluding provisions with budgetary implications) for negotiations with the European Parliament was submitted to Coreper for approval in June 2020. It proposed a reference to the 2030 EU climate targets, adding sustainable transport and upskilling/reskilling of jobseekers among supported activities and new conditions for supporting enterprises other than SMEs and undertakings in difficulty. It also introduced a derogation from financial corrections under certain conditions. On 5 October 2020, the Council issued an updated partial mandate for negotiations with the EP, taking into account the European Council conclusions of July 2020. The new [mandate](#) included a table with distribution of allocations by country, taking into account the July figures.

In the European Parliament, the file has been entrusted to the Committee on Regional Development (REGI). The rapporteur's draft [report](#) was published on 12 May and the REGI committee vote took place on 6 July. The plenary vote on 16 September 2020 confirmed the key points included in the REGI report. [Amendments](#) proposed by the Parliament call for increasing the JTF budget under the MFF to over €25 billion (in 2018 prices) and a co-financing rate up to 85 %. They recommend that transfers from ERDF and ESF+ should be voluntary and not exceed 1.5 times the amount of JTF support. A green reward mechanism (18% of the JTF amount under the MFF) is proposed for countries reducing their GHG emissions quickly. MEPs also suggest earmarking an allocation for islands and outermost regions (1 % of the JTF amount under the MFF). It is recommended that access to the JTF should be conditional on adopting a national objective of achieving climate neutrality by 2050. In case of no such commitment, only 50 % of the national allocation of funding should be released, with the remainder after adoption of that target. The amendments also extend the scope of support to include micro-enterprises, sustainable tourism, culture, education and community-building, universities and public research institutions, job creation activities, energy storage technologies, low-emission district heating, sustainable transport, digital innovation, fighting energy poverty, training of workers and jobseekers, active ageing support and income support for workers in transition between jobs. Additional exclusions are proposed (e.g. transport of fossil fuels, investment in enterprises other than SMEs involving transfer of jobs and production processes to other Member States or third countries, opening new coal, lignite or oil shale mines or peat extraction fields, or temporarily re-opening existing ones). The amendments also propose a derogation from excluding investments in natural gas under certain conditions.

The file was referred back to the REGI committee in order to start interinstitutional negotiations as soon as possible. The negotiations covered all aspects other than the financial envelope, which was the subject of parallel negotiations on the 2021-2027 MFF and the new recovery instrument (Next Generation EU). On 18 December 2020, the REGI committee voted to approve the outcome of negotiations.

A provisional [political agreement](#) on the JTF Regulation was reached in trilogue on 9 December 2020. The agreement broadens the eligibility scope to include investments in, e.g. job creation, sustainable transport and upgrading district heating networks. It also confirms that the JTF will not support investment in fossil fuels (including natural gas), activities linked to nuclear power stations and tobacco products, and undertakings in difficulty (with some exceptions). The agreement reinforces the reference to EU climate targets and the Paris Agreement, and makes access to 50 % of JTF resources conditional on adopting the EU climate neutrality objective by 2050, reflecting the EP's position. Other key provisions include making transfers from other cohesion policy funds voluntary and not exceeding three times the JTF resources. The EU co-financing rate was set at 85 % for less developed regions (as called for by the EP), 70 % for transition regions and 50 % for more developed regions. Specific allocations will also be earmarked for outermost regions and islands in the territorial just transition plans. A 'Green Rewarding Mechanism' proposed by the EP has also been introduced to distribute additional resources to countries reducing their industrial emissions faster. Moreover, a review clause was included whereby the Commission will review the implementation of the JTF by 30 June 2025 with regard to the achievement of the set objectives.

The final text of the [regulation](#), based on the agreement outlined above, was formally [adopted](#) by the Parliament on 18 May and by the Council in a [vote](#) on 7 June 2021. The final act was signed on 24 June and published in the Official Journal on 30 June 2021. It entered into force on 1 July 2021.

EP SUPPORTING ANALYSIS

Amanatidis G., [European policies on climate and energy towards 2020, 2030 and 2050](#), Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, January 2019.

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Ionescu, S., Sabbati, G. and Scholaert, F., [A Just Transition Fund for climate-neutral EU regions](#), EPRS, European Parliament, October 2020.

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Study on [Energy and the MFF](#), Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, February 2018.

Study on [Energy-intensive industries – Challenges and opportunities in energy transition](#), Policy Department for Economic, Scientific and Quality of Life Policies, July 2020.

Study on [A just energy transition, opportunity for EU industries, the role of hydrogen in the future and the example of energy transition in Germany](#), Policy Department for Economic, Scientific and Quality of Life Policies, European Parliament, June 2019.

Study on [A Just Transition Fund - How the EU budget can best assist in the necessary transition from fossil fuels to sustainable energy](#), Policy Department for Budgetary Affairs, April 2020.

OTHER SOURCES

[Just Transition Fund](#), Legislative Observatory (OEL), European Parliament.

[Allocation method for the Just Transition Fund](#), European Commission, January 2020.

[Clean energy technologies in coal regions: Opportunities for jobs and growth](#), Joint Research Centre, European Commission, 2020.

[EU coal regions: opportunities and challenges ahead](#), Joint Research Centre, European Commission, 2018.

[EU budget for recovery: Questions and answers on the Just Transition Mechanism](#), European Commission, May 2020.

[The European Green Deal Investment Plan and Just Transition Mechanism explained](#), European Commission, January 2020.

Report on [Energy scenario: Employment implications of the Paris Climate Agreement](#), Eurofound, February 2020.

ENDNOTES

- ¹ The five European structural and investment funds for 2014-2020 include the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund (CF), the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF). The ERDF, ESF, and Cohesion Fund are formally part of EU cohesion policy for 2014-2020. The two remaining ESI funds (EAFRD and EMFF) offer support for environmental actions in the areas of agriculture and fisheries, such as energy efficiency measures.
- ² The amounts in the amended JTF proposal are provided in current prices, while a comparison of 2021-2027 MFF funding in 2018 prices and current prices can be found in the Commission [communication](#) on 'The EU budget: Powering the recovery plan for Europe'. The compared figures are also available on the European Commission [website](#).
- ³ This section aims to provide a broad overview of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under 'EP supporting analysis.'

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