European Parliament

Just Transition Fund

In line with the European Green Deal, the European Union aims to cut greenhouse gas emissions by 55 % by 2030 and achieve climate neutrality by 2050. These ambitions will, inter alia, require a transformation in regions reliant on fossil fuels and high-emission industries. The Just Transition Fund of €17.5 billion will provide support to address the social, economic and environmental impacts of the transition in the most affected territories. The agreement on the proposal reached after trilogue negotiations with the Council now needs to be confirmed by the European Parliament, with a vote expected to take place during the May 2021 plenary session.

Background

As part of the European Green Deal, the Commission put forward a legislative proposal on the Just Transition Fund (JTF) on 14 January 2020. The proposal was then amended on 28 May 2020 to expand the JTF budget in light of the coronavirus crisis. The Just Transition Fund is part of a broader Just Transition Mechanism, which also includes a scheme under InvestEU and a public-sector loan facility implemented together with the European Investment Bank. The Commission expects all three pillars of the Just Transition Mechanism to mobilise around €100 billion in public and private funding for just transition investments in EU regions.

The budget initially proposed for JTF itself amounted to €7.5 billion under the 2021-2027 Multiannual Financial Framework (MFF). In the amended proposal, the Commission increased the total for the JTF to €40 billion (€10 billion under the new MFF and €30 billion from the Next Generation EU instrument, in 2018 prices). At the special European Council meeting on 17-21 July 2020, EU leaders cut the proposed allocation to €7.5 billion under the new MFF and €10 billion from Next Generation EU, reducing the total JTF budget to €17.5 billion. These figures were then confirmed in the course of the budgetary negotiations between the Parliament and the Council

European Commission proposal

The Commission proposal establishing the Just Transition Fund focused on regions with high industrial emissions, employment in industry and in coal and lignite mining, and production of peat and oil shale. It also proposed adjustments in line with the level of economic development, per capita aid intensity and a 20 % cap on funding per Member State (see Annex I). A preliminary list of territories was proposed by the Commission as part of 2020 country reports under the European Semester. Support would be available at the level of NUTS 3 regions or parts thereof.

According to the proposal, the JTF would support investments such as clean energy technologies, circular economy, emissions reduction, regeneration of sites, reskilling of workers and technical assistance. The MFF share was expected to be complemented by mandatory transfers from the European Regional Development Fund and European Social Fund Plus (between 1.5 and 3 times the JTF amount), as well as national co-financing in line with cohesion policy rules. In order to access the funding, the Member States, together with local and regional authorities and relevant partners, would prepare territorial just transition plans as part of their cohesion policy programmes. These plans would outline the key steps for achieving climate neutrality and details of the support to the just transition territories, including complementarity with other funds and other pillars under the Just Transition Mechanism.

European Parliament position

Parliament's Committee on Regional Development (REGI) adopted its report on the proposal on 6 July 2020. After the plenary vote on amendments to the proposal on 16 September 2020, the file was referred back to the REGI committee in order to enable a swift start to interinstitutional negotiations. Trilogues and technical meetings then took place in the autumn, culminating in a compromise agreement with the Council reached on 9 December 2020.

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The agreed text includes many points raised by the European Parliament, such as voluntary top-ups from cohesion policy, conditionality on climate neutrality, higher co-financing rates and the Green Rewarding Mechanism. However, it does not include natural gas among eligible activities, an issue that the Parliament supported by a narrow majority. The Parliament's proposal to increase the JTF budget from €7.5 to over €25 billion under the MFF component (in addition to the €10 billion NGEU component) was also not included in the compromise, pursuant to the outcome of the MFF negotiations. However, the current JTF budget of €17.5 billion still goes significantly beyond the €4.8 billion proposed by Parliament in its 2018 resolution, when it put forward the idea of a Just Energy Transition Fund to facilitate the transition from carbon dependence.

Compromise agreement

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. The allocation method in Annex I has been replaced by a table of allocations per Member State, which means that EU countries will have more freedom in selecting their just transition territories when submitting their just transition plans to the Commission. The allocation amounts are however consistent with the results of the previous allocation method, while the 20 % cap per country, in light of the JTF budget cut, is now equal to €3.5 billion (€1.5 billion MFF and €2 billion NGEU). Moreover, the provision on the territorial just transition plans (article 11) still stipulates that 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'.

The agreement also broadens the eligibility scope to include investments in, for example, job creation, education and social inclusion, sustainable local transport, and upgrading district heating networks powered by renewable sources. 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). Support to enterprises other than SMEs (small and medium-sized enterprises) is also broadened and allowed if such investments are necessary for the implementation of just transition plans, contribute to climate neutrality by 2050, support job creation and do not lead to relocation. Other key provisions include making transfers from other cohesion policy funds voluntary, and a rule that such transfers from the European Regional Development Fund and the European Social Fund Plus cannot exceed more than three times the amount of JTF resources allocated. The EU co-financing rate would be set at 85 % for less-developed regions, 70 % for transition regions and 50 % for more-developed regions. Specific allocations could also be earmarked for outermost regions and islands in the territorial just transition plans. A 'Green Rewarding Mechanism' has also been introduced to distribute additional resources to countries reducing their industrial emissions faster.

On 18 December 2020, the REGI committee approved the text of the agreement, which was then endorsed by Coreper, for the Council, on 3 March 2021. The text now needs to be formally adopted by Parliament, and is scheduled to be voted during the May plenary session. Once adopted by Parliament the regulation can then be formally adopted by the Council and thereafter come into force rapidly.

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