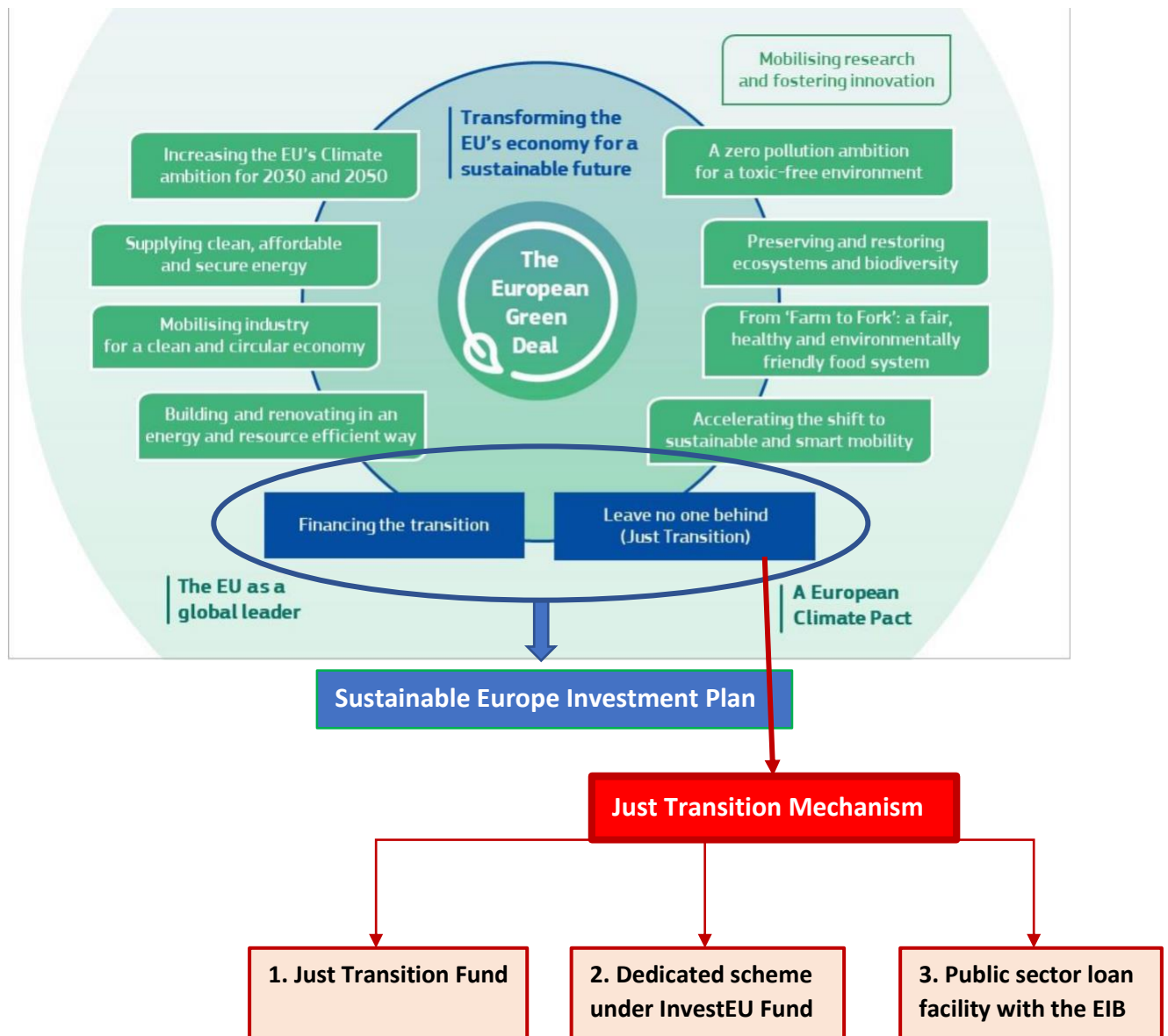


CEMR Analysis – The Just Transition Mechanism

Context

On 11 December 2019, the European Commission released a Communication on [“The European Green Deal”](#). This Green Deal is the von der Leyen Commission’s main political package. The objective: to make Europe the first climate-neutral continent by 2050, in line with the European commitments in the Paris Agreement on Climate and the UN Sustainable Development Goals. The Green Deal covers a number of planned actions by the European Commission for the next decade in various policy areas: clean energy, building and renovation, sustainable industry, biodiversity, the “farm to fork” strategy for sustainable food and pollution reduction. The Green Deal comes with a **Just Transition Mechanism**: a series of measures to finance the transition, create an enabling framework for sustainable investment and compensate municipalities and regions for the social and economic costs.





This Just Transition Mechanism will be composed of three pillars:

1. A **Just Transition Fund** to be included as one of the Cohesion Policy Funds in the EU budget and subject to the Common Provision Regulation
2. A dedicated scheme for the just transition regions under the InvestEU Fund
3. A public sector loan facility with the European Investment Bank Group

In order to include the proposed Just Transition Fund in the current budget negotiations for 2021-2027, the European Commission released on 14 January a proposal for a regulation establishing the Just Transition Fund and amendments to the Common Provision Regulation (which is currently the object of trilogue negotiations). The Commission proposes €7.5 billion in additional budgetary resources for the JTF (with a possibility of increasing the level of ambition at a later stage).

All Member States will be eligible for the JTF, with allocations reflecting their capacity to make the necessary investments, the scale of the transition challenges of the most carbon-intensive regions and the social challenges that could result from potential job losses.

The JTF will be under shared management. The Member States will have to identify the territories that will benefit from the JTF (at NUTS 3 level) in dialogue with the European Commission and in line with the European Semester Country Specific Recommendations. For each of these, a territorial just transition plan will be adopted, describing the challenges and planned actions to be supported by the JTF. The selected territories will also be eligible for technical assistance and the Mechanism's two other pillars. Broader geographic regions will also be able to benefit from these two pillars if such investments could have a positive impact on the territory in question (e.g. transport networks).

The JTF's objective is to enable "regions and people to address the social and economic impacts of the transition towards a climate-neutral economy". It will support:

- Productive investments in SMEs, including start-ups, leading to economic diversification and reconversion
- Investments in the creation of new firms
- Investments in research and innovation activities and fostering the transfer of advanced technologies
- Investments in the deployment of technology for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy
- Investment in digitalisation and digital connectivity
- Investments in regeneration and decontamination of sites, land restoration and repurposing projects
- Investments in enhancing the circular economy, through waste reduction, resource efficiency, reuse and recycling
- Upskilling and reskilling of workers
- Job search assistance to job seekers
- Active inclusion of job seekers
- Technical assistance



Positive points

- 1. The JTF is a much-needed and welcome fund, matching the EU's ambition of achieving carbon neutrality.** CEMR positively welcomes the creation of the Just Transition Mechanism and its three pillars (JTF, InvestEU scheme and EIB public sector loan). This package will indeed be of great help for regions, territories and municipalities that will have to implement radical changes and make significant investments to transition towards a carbon-neutral Europe by 2050. This especially concerns regions that have so far heavily relied on carbon-intensive industries. In particular, **CEMR is relieved that the Just Transition Fund would bring additional money to the EU budget.**
- 2. Inclusion of the Just Transition Fund Under the Common Provisions Regulation** also means that the drawing up of the territorial just transition plans will have to comply with the same rules as the other European Structural and Investment Funds (ESIF), in particular the code of conduct and **the Partnership Principle**. Local and regional governments should therefore be consulted when determining which territories will benefit from the JTF and then be closely associated with the drafting of the territorial just transition plans. However, for an effective implementation of the Partnership Principle, **the code of conduct should also be extended to the European Semester process.**
- 3. All Member States will benefit from the Just Transition Fund.** These will have to identify the territories most in need of support. CEMR recommends **not overlooking territories that have already started their transition**, often at considerable cost. These territories should also be supported by the JTF.
- 4. NUTS 3 is indeed the most appropriate level for drawing up the territorial just transition plans.** This will enable the recognition of the specific challenges of specific territories and the involvement of the local governments closest to citizens.
- 5. Technical assistance and planned platforms for the exchange of practices** will ensure effective use of the Just Transition Fund. Many local and regional governments have already taken initiatives and innovative policy measures to move towards carbon neutrality. Their experiences and lessons learned should be used to accelerate the transition and avoid eventual obstacles. **Additional measures to encourage local public investments are also needed** although a truly enabling framework for local sustainable investment may require fiscal reforms in some Member States.

Points of concern

- 1. How realistic is it to expect additional money for the EU budget?** The budget for the next Multi-annual Financial Framework is being hotly debated within the Council and between the Council and the European Parliament, as several Member States are reluctant to increase the overall EU budget. This has resulted in proposals to reduce the budgets for Cohesion Policy by between 7% and 12% compared to the current financial period. If Member States stand by their unambitious position for the next long-term budget, then an additional fund would bring very little added value as Cohesion Policy will still suffer from the overall reduction of budget. What's more, although we welcome the proposal for an additional budget for the JTF, the proposed €7.5 billion will not be enough to cover all transition costs. Most municipalities and regions will still struggle to finance their environmental, social and economic transition.



- 2. How to ensure the added value of the Just Transition Fund in relation to the other ESIF?** Most of the JTF's objectives are covered under Cohesion's Policy Objectives, in particular PO2 "Greener Europe" (which benefits from an important thematic concentration under ERDF) and PO4 "Social Europe" (financing the upskilling of workers and support for job seekers through ESF+). Other possible investments under JTF (e.g. investment in technologies and digital connectivity) could also be covered by PO1 or PO3. It is then difficult to identify the real added value of the proposed JTF with respect to the new Cohesion Policy's objectives.

- 3. The JTF would mean additional thematic constraints for Cohesion funding.** Under the proposed rules, Member States will have to transfer funds worth between 1.5 and 3 times their JTF allocation from their ERDF and ESF+ resources. This means up to 20% of their initial ERDF and ESF+ allocations would be dedicated to the objectives of the JTF and not Cohesion Policy's other objectives.