

Just Transition Fund

2020/0006(COD) - 14/01/2020 - Legislative proposal

PURPOSE: to establish a Just Transition Fund to assist territories facing economic and social transformation as part of their transition to a climate-neutral economy by 2050.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure on an equal footing with the Council.

BACKGROUND: the transition to a circular, climate-neutral economy is one of the main strategic objectives of the Union. On 12 December 2019, the European Council endorsed the objective of achieving a climate-neutral Union by 2050, in line with the objectives of the Paris agreement.

The proposed Regulation implements one of the priorities set out in the Communication of 11 December 2019 on the [European Green Deal](#) and is part of the [Sustainable Europe Investment Plan](#), which provides for specific funding under the Just Transition Mechanism in the context of cohesion policy.

The Just Transition Mechanism (JTM) shall provide targeted support to the regions and sectors most affected by transition due to their dependence on fossil fuels or industrial processes that are high emitters of greenhouse gases, to help them mobilise at least EUR 100 billion over the period 2021-2027 and thus mitigate the socio-economic impact of transition.

The JTM shall be additional to the contribution made by the EU budget through all instruments directly related to the transition, including the European Regional Development Fund (ERDF) and the European Social Fund plus (ESF+). It shall have three main sources of funding: (1) a Just Transition Fund, (2) a dedicated scheme under [InvestEU](#) and (3) a Public Sector Loan Facility with the European Investment Bank (EIB).

CONTENT: the proposed Regulation aims at establishing the Just Transition Fund (JTF), which is one of the pillars of the Just Transition Mechanism implemented under cohesion policy.

Subject matter

The aim of the JTF is to mitigate the adverse effects of the climate transition by supporting the most affected territories and workers concerned. In line with the JTF specific objective, actions supported by the JTF should directly contribute to alleviate the impact of the transition by financing the diversification and modernisation of the local economy and by mitigating the negative repercussions on employment.

Programming

The programming process, including the identification of the territories for intervention and corresponding actions will be agreed in a dialogue between the Commission and each Member State. It will be steered by the European Semester process.

Taking into account the Commission's analysis, Member States shall prepare one or more territorial just transition plans, providing an outline of the transition process until 2030, consistent with the National Energy and Climate Plans and the transition to a climate neutral economy and identifying subsequently the most impacted territories that should be supported.

The proposal also establishes a framework for measuring the achievements of the JTF using the relevant indicators and a mechanism for adjusting support if the targets are not met.

Scope of support

The Fund would essentially provide grants to the regions. The projects funded should contribute to a transition to a circular, climate-neutral economy. The Fund would support, inter alia, the following activities:

- productive investments in SMEs, including start-ups, leading to economic diversification and reconversion;
- investments in research and innovation activities and in fostering the transfer of advanced technologies;
- investments in the deployment of affordable clean energy technologies and infrastructure, in the reduction of greenhouse gas emissions, energy efficiency and renewable energies;
- investments in strengthening the circular economy, including through waste prevention and reduction, resource efficiency, reuse, repair and recycling;
- the up-skilling and reskilling of the affected workers, with the aim of helping them to adapt to new employment opportunities, as well as providing jobsearch assistance to jobseekers and their active inclusion into the labour market.

Budget

The Fund shall be endowed with EUR 7.5 billion (at 2018 prices) for the period 2021-2027 in addition to what the Commission has proposed for the next EU Multiannual Financial Framework (MFF). It shall support the "Investment for jobs and growth" objective of the new regulation on common provisions ([CPR](#)) in all Member States.

Member States will complement their Just Transition Fund allocation from their resources under the ERDF and the ESF+ through a specific and definitive transfer mechanism. Member States will also provide national resources to complement the Union resources. The level of Union co-financing will be set according to the category of region in which the identified territories are located. The overall financing capacity of this fund will exceed EUR 30 billion and may reach EUR 50 billion.