

Public sector loan facility under the Just Transition Mechanism

2020/0100(COD) - 28/05/2020 - Legislative proposal

PURPOSE: to provide for the public sector loan facility under the Just Transition Mechanism to support public investment in the territories most negatively affected by the climate transition.

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: in order to help the most vulnerable regions to cope with the socio-economic effects of transition, the Commission proposed in January 2020 to establish a Just Transition Mechanism, amounting to EUR 100 billion and based on three pillars:

- A [Just Transition Fund](#),
- a dedicated just transition scheme under [InvestEU](#) and
- a public sector loan facility.

In line with the objective to achieve EU climate-neutrality by 2050 in an effective and fair manner, the [European Green Deal](#) announced a Just Transition Mechanism to provide means for facing the climate challenge while leaving no one behind.

In view of the coronavirus crisis, the European Commission wishes to strengthen the Just Transition Mechanism as part of its response to the crisis and in its new proposal for the next Multiannual Financial Framework (MFF) for the period 2021-2027.

The present proposal of the European Commission addresses the third pillar of the Just Transition Facility, namely the Public Sector Loan Facility to support public sector entities in their investments.

CONTENT: the proposed Regulation provides for the ‘Public Sector Loan Facility’ to support public sector investments by combining grants financed from the Union budget with loans granted on preferential terms by financial partners such as the European Investment Bank (EIB).

The public sector loan facility of the present proposal constitutes the third pillar of the Just Transition Mechanism. It will support public investments, through preferential lending conditions. These investments will benefit the territories most negatively affected by the climate transition as identified in the territorial just transition plans for the purposes of the Just Transition Fund.

The grant component of the Facility shall be implemented directly by the European Commission while the EIB shall implement the loan component.

Objectives

Under the Just Transition Facility, the Public Sector Loan Facility shall benefit, in each Member State, the territories most affected by the transition to a carbon-neutral European Union, as identified in the territorial Just Transition Plans of the Just Transition Fund.

All investments under the Just Transition Mechanism, including the public sector loan facility, shall be implemented based on territorial just transition plans.

In order to ensure an effective implementation of the Facility, the proposed Regulation provides for the provision of advisory support for the preparation, development, and implementation of projects. Only projects that do not generate sufficient stream of own revenues and that would not be financed on commercial terms without the element of grant support may be eligible.

Investments

In order to enhance the economic diversification of territories impacted by the transition, the Facility should cover a wide range of investments. They may 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,
- up- and re-skilling, training and social infrastructure, including social housing.

Proposed budget

The total budget proposed for the grant component of the facility is EUR 1.525 billion. It is envisaged to finance this amount mainly :

- with assigned revenue EUR 1.275 billion and;
- partly with appropriations programmed under the Multiannual Financial Framework (MFF) 2021- 2027 for EUR 250 million.

EUR 1 billion of the assigned revenue foreseen would stem from the estimated surpluses of the provisioning of the European Fund for Strategic Investments (EFSI) after its constitution phase, ending in 2022.

From the financial envelope for the grant component, up to EUR 25 million from assigned revenues will be allocated to advisory services to support the preparation and implementation of eligible projects.