



Analysis of the Just Transition Mechanism

The European Commission has presented the **Just Transition Mechanism**, an initiative with the aim to provide and leverage financial resources to guarantee support to those regions more affected by the transition to a carbon-neutral economy.

The Just Transition Mechanism is presented as the backbone of the European Green Deal Investment Plan which is the investment pillar of the European Green Deal. The European Green Deal is the main headline ambitions for Europe during the Von der Leyen Presidency over the next five years.

The Just Transition Mechanism consists of three main sources of financing:

- A Just Transition Fund (JTF)
- A dedicated just transition scheme under InvestEU
- A public sector loan facility with the European Investment Bank backed by the EU budget

The CPMR General Secretariat prepared an analysis with a **summary of the main points of the Just Transition Mechanism** with a special **focus on the Just Transition Fund and its impact on Cohesion Policy**.

INITIAL REACTIONS FROM THE CPMR GENERAL SECRETARIAT

REGARDING THE AMBITION

- The **approach at the heart of the broader European Green Deal Investment Plan** and the Just Transition Mechanism **bringing together citizens, cities and regions together and 'to leave no one behind' is a positive signal worth noting.**
- If the Just Transition Mechanism is presented as the 'necessary investment to help workers and communities which rely on the fossil fuel value chain' at EU level for Europe to reach carbon neutrality by 2050, **the additional EUR 7.5 billion proposed for the Just Transition Fund is modest to say the least.**
- Concerning the very scope of the Just Transition Mechanism, the ambition to address the social dimension of the transition is certainly welcome. However, **one should not forget about the broader challenges linked to the transition and the territorial needs of maritime and peripheral regions to support them in reaching the objective of carbon neutrality by 2050 while ensuring their sustainable development.**
- Given the limits of the European Fund for Strategic Investments (EFSI) as reported by the Court of Auditors¹, **the ambition to rely on InvestEU and European Investment Bank to mobilise**

¹ 'Some EFSI support just replaced other EIB and EU financing, part of the finance went to projects that could have used other sources of public or private finance, estimates of additional investment attracted by EFSI were sometimes overstated and

respectively EUR 45 billion and EUR 25-30 billion to deliver on EU's ambition to finance a just transition will need to be followed carefully. There is a need to ensure that these investments are going to be fully aligned with the Paris agreement and the EU objectives to be the first climate continent.

REGARDING THE OBJECTIVES OF THE JTF

→ The majority of activities eligible under **the Just Transition Fund can already be supported through the ERDF and ESF+**, somewhat putting into the question the added value of setting up a new fund to tackle the challenges of transition. **This seems in contradiction with the push for a greater rationalization of instruments and simplification of provisions which characterizes the MFF 2021-2027.**

REGARDING THE LINKS WITH THE EU BUDGET NEGOTIATIONS

→ **The preservation of an ambitious budget for the cohesion policy post-2020 must remain the main priority to fight climate change at territorial level.** In other words, the establishment of an additional fund **should not be used as a pretext to justify further cuts to the cohesion policy envelope in the context of the MFF negotiations.**

REGARDING THE TERRITORIAL DIMENSION OF THE JTM AND ROLE OF REGIONS

→ **The marked territorial dimension of the Just Transition Mechanism is welcome**, in particular the embedding of the Just Transition Fund in the cohesion policy framework and its implementation through shared management.

→ **A positive element is the requirement to establish territorial just transition plans** that have to take into account the needs of the regions for the transition and that have to be consistent with regional or territorial strategies or plans. **However, as found in a [recent study from the CPMR](#), the possible lack of involvement of the regions and of policy detail in the draft National Energy and Climate Plans (NECP) is a concern.**

→ It is to be noted that **Member States will be fully responsible for the identification of eligible areas and the allocation of the resources among them.** Given the lack of regional earmarking, the CPMR asks the European Commission to ensure that the distribution of funds at subnational level is done based on regional needs.

→ We recommend a balanced implementation of the provision **requiring Member States to match the resources of the JTF with complementary support from ERDF and ESF+**. It would be important to ensure that this **mechanism does not lead to diverting cohesion policy funding already planned for other objectives.**

REGARDING THE GOVERNANCE OF THE JTF

→ A possible matter of concern is the governance of Just Transition Fund as it might see a **disproportionately strong role for national governments vis-à-vis local and regional authorities, in spite of the obligation to involve them set by the regulation.** The Commission should ensure that the **preparation of the just transition territorial plans is done in close cooperation with the authorities of the areas involved.** It is crucial that these authorities are entrusted with a leading role in both the programming and management of resources of the Just Transition Fund. To this purpose the potential of ITIs and other territorial tools available under the cohesion policy framework should be fully exploited.

most investments went to a few larger EU 15 Member States with well-established national promotional banks' – [Court of Auditors Special report no 03/2019](#)

→ The Commission should **ensure that the JTF does not generate additional bureaucracy** and thus complexity in the ongoing negotiations of cohesion policy regulations and programmes causing delays in the deployment of the programming period 2021-2027.

REGARDING INVESTEU AND THE EIB

→ **We welcome**, at first glance, **the holistic approach of the European Commission by proposing the InvestEU just transition scheme and new public sector loan facility with the EIB** (and their broader scope), as well as a consistent regulatory framework.

1. Budgetary aspects – fresh money.... with a little help from ERDF and ESF+

- **EUR 7.5 billion (in 2018 prices) of “fresh money”**. The Commission proposes to allocate 7.5 billion of euros with the possibility to revise this amount upwards at a later stage.
- **A new provision in the MFF final agreement?** The European Commission expects the provision for the JTF to be accommodated in the MFF negotiating-box, the living document used by Member States to track progress of the negotiations at Council level. The ongoing negotiations on the MFF 2021-2027 are at this point being led by the European Council President Charles Michael, who took the lead after the stagnation of the discussions between Member States in the last European Council (December 2019). A new negotiating-box could be presented in the next month before the potential extraordinary European Council where the MFF would be the sole item on the agenda.

The regulation proposes that the Just Transition Fund is placed under heading 3 (“Natural resources and environment”) of the MFF 2021-2027, instead of heading 2 (Cohesion and Values), although the Fund is being presented as part of the cohesion policy framework.

- **Transfers from Cohesion policy allocations**. Additional resources will come from existing cohesion policy funds through a “specific and definitive transfer mechanism”. **Member States will have to transfer a share of their ERDF and ESF+ allocations to the Just Transition Fund**. Such additional support from ERDF and ESF+ should account for between one and half times and three times the national envelope of the JTF. The complementary support shall not exceed 20% of ERDF and ESF+ national allocations as specified in the regulation amending the CPR. National co-financing is also compulsory on the basis of the cohesion policy standard rates set in the general regulation.

The mandatory transfer will not count against the 5% threshold set by art.21 of new CPR². However, Member States are allowed to move additional resources from any of the cohesion funds to the Just Transition Fund under the terms established by the said.

QUESTION MARKS

It is hard to determine at this stage whether this transfer would lead to diverting cohesion policy resources from other objectives. This is certainly a risk. Another danger is that in some cases the mechanism can be used to shift cohesion policy resources from regional to national programmes.

² Member States may request the transfer of up to 5 % of programme financial allocations from any of the Funds to any other Fund under shared management or to any instrument under direct or indirect management.

On its position on the European Commission proposal for the CPR Article 21 the CPMR already warned that cohesion policy resources should not be reduced further through the possibility of transferring cohesion policy funds to other programmes or instruments.

- **Not counting for thematic concentration.** The EDRF and ESF+ resources allocated to the JTF will not be subject to thematic concentration established in the sectorial regulations.

2. Programming – more bureaucracy and delays looming?

- **The programming.** The delivery and implementation of the Just Transition Fund will be under the Common Provisions Regulation. The programming of JTF resources can take place in the form of **dedicated JTF programmes or separate specific priorities within an ERDF, ESF+ or Cohesion Fund programme.**
- **A JTF specific objective.** The proposal sets out a new cohesion policy specific objective for the JTF linked to – but not under – the policy objective “A greener, low-carbon Europe”.

The JTF specific objective: *‘enabling regions and people to address the social, economic and environmental impacts of the transition towards a climate neutral economy’.*

Art. 4 of the proposal defines the activities that can be financed through the JTF, ranging from investment in SMEs leading to the diversification of the economy to the upskilling or reskilling of workers. It appears that most of these activities are already eligible under the specific objectives set out for the ERDF and ESF+ post-2020.

- **Territorial just transition plans, a condition to receive funding.** The programming shall be based on territorial just transition plans, which Member States must prepare with the involvement of the concerned territories and submit for approval to the Commission. These plans must identify the targeted areas, corresponding to NUTS 3 level regions, and detail the specific challenges they face, and types of actions envisaged.

Territorial plans should be consistent with the content of the National Energy and Climate Plans (NECP), the relevant smart specialization strategies and territorial strategies set up under cohesion policy programmes. Territorial just transition plans shall be prepared and annexed to JTF-related programmes.

QUESTION MARKS

It is not clear at this point how long the programming process will take, bearing in mind the time needed to adopt the legal text and amend the common provisions regulation accordingly. The Commission expects the territorial plans to be approved in the second half of 2020 and the JTF-related programmes to be adopted sometime during 2021.

One question is whether this could cause **delays to the implementation of some cohesion policy programmes, in particular where JTF is a priority within an ERDF and ESF+ programme.**

The requirement to align the territorial just transition plans with various existing strategies could also prove a complex exercise. The supposed place-based nature of transition plans, as they should detail actions targeting NUTS3 areas, may sit oddly, especially in large member states, with the obligation to use the National Energy and Climate Plans as the main reference for their preparation.

- **The link with the European Semester.** The programming of Just Transition Fund resources will be closely related to the European Semester framework as it is already envisaged in the regulations for the cohesion policy funds 2021-2027. The EU economic governance framework will be used to monitor the implementation of the Just Transition Fund in the Member States through the annual structured dialogue between Member States and the European Commission.

In fact, the process will start with the presentation of Annex D-bis as part of the Member States country reports in February 2020. In this Annex D it is expected that the European Commission presents investment priorities in terms of transition for each Member State which could be supported through the Just Transition Fund. Last year, the European Commission introduced as part of the European Semester Country Reports a series of investment guidelines for the cohesion policy funds via the first [so-called “Annex D”](#).

3. Governance – a Member-State driven approach

- **Member States will hold a primary role vis-à-vis regions** despite the strong territorial focus of the fund.
- **Eligible areas to be picked by Member States.** The proposal refrains from identifying the eligible areas. It generally refers to territories most negatively affected by the economic and social consequences of the transition. **It will up to national governments to determine which are the territories to be targeted by the JTF and what is the distribution of resources among them.** The Commission will seek to influence this process in multiple ways. For a start, investment guidelines for the use of the JTF annexed to the next Country Reports (so-called Annex D-Bis) are understood to spell out the areas to target in each Member State. These guidelines are not binding, however. The identification of eligible areas will be also certainly addressed in the context of negotiations between each Member State and the Commission over the just transition plans and programmes, both to be adopted by the Commission. But ultimately the key decisions will be taken by Member States.

QUESTION MARKS

There is a risk that this system, whereby national authorities decide on the eligible areas, leads to a discriminatory approach where some regions are favored over others with no objective reason.

- With regard to the territorial plans and programmes, the proposal requires national governments to involve the authorities of the concerned areas. However, **national governments are ultimately free to decide what will be the extent of local and regional authorities’ involvement in the programming and implementation of the Just Transition Fund resources.** The requirements set out for the territorial just transition plans, such as consistency with regional and territorial strategies, description of governance mechanisms or description of needs and objectives can support an involvement of regions.
- **The requirement of consistency with the NECPs might ensure a coherent and integrated approach to reach the 2030 climate and energy targets** and potentially a stronger territorial approach in the final NECPs that is lacking in the current ones.

QUESTION MARKS

The involvement of regions should not be a pure formal exercise leading to territorial just transition plans to be imposed on regions rather than designed with them, which could in turn cause a lack of ownership not only among the concerned regions but also in other stakeholders, similarly to what happened for the draft National Energy and Climate Plans (NECPs) according to the CPMR analysis.

Consistency with NECPs objectives and measures is a positive element but raise also concerns given the lack of policy details (e.g. development and deployment of marine renewable energy), lack of territorial approach and weak ambition in terms of renewables and energy efficiency in the draft NECPs themselves.

4. How will the Just Transition Fund affect the ongoing negotiations on the Cohesion Policy Funds and the MFF?

As mentioned above, the close interaction between the Just Transition Fund and cohesion policy existing funds gives rise to doubts and might generate additional complexity in the context of the negotiations of legislative texts and programmes for the period 2021-2027. Even more so given the advanced stage of the interinstitutional negotiations on the cohesion policy regulations.

As the JTF will be under the Common Provisions Regulation, **the introduction of the Just Transition Fund implies the amendment of the CPR** in order to accommodate the fund. The following articles in the CPR will have to be amended:

- Article 4 - Introduction of the JTF specific objective
- Article 14 - The JTF will be subject to the mid-term review
- Article 8 and Article 17 - Adjustments to the content requirements for the Partnership Agreement and programmes receiving support from the Just Transition Fund. These set out the obligation to submit territorial just transition plans as annex to the programmes.
- Article 10 and Article 21 - Description of the mechanism and rules governing the obligatory transfer of ERDF and ESF+ resources to the Just Transition Fund.

QUESTION MARKS

As some of the articles to be amended are part of the compromise agreement reached by co-legislators in December 2019, the re-opening of the text could delay the negotiations on the CPR as well as generate uncertainties on the ongoing programming of the funds happening at Member States level. It is worth to recall that the already agreed provisions part of the (Block 1 “programming”, Block 2 “enabling conditions”, Block 5 “management and control”) are key for the programming of the Funds.



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The Conference of Peripheral Maritime Regions (CPMR) brings together some 160 Regions from 25 States from the European Union and beyond.

Representing about 200 million people, the CPMR campaigns in favour of a more balanced development of the European territory.

It operates both as a think tank and as a lobby group for Regions. It focuses mainly on social, economic and territorial cohesion, maritime policies and accessibility.

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