The Just Transition Fund (JTF) is the EU funding tool under cohesion policy 2021-2027 to support regions dependent on fossils and high-emission industries to prepare for the transition to a carbon-neutral economy. Its scope and governance give the Just Transition Fund a specific character among the cohesion policy funds of the current programming period.

With this paper, the CPMR aims to present the state of play on the programming of the JTF in the Member States and to provide an overview of the principal issues affecting its implementation. To this end, the CPMR General Secretariat has been in contact with CPMR member regions that are home to JTF eligible NUTS 3 territories.

1. Introduction

The Just Transition Fund is intended to address the social and economic costs of the transition to a climate-neutral economy, especially in territories highly dependent on fossils and high-emission industries.

The Fund, which falls under the cohesion policy framework, has certain particularities in terms of scope, governance, and eligibility. The most important is that only certain NUTS-3 geographical areas are eligible for funding. In 2020, the European Commission issued guidelines on the JTF, the so-called “Annex D bis”, within the framework of the 2020 European Semester Country Reports, recommending which sectors and territories the JTF should target in each Member State.

The CPMR closely followed the legislative process highlighting a series of issues and concerns on the territorial implementation of the Fund. These include the role of national governments vis-à-vis local and regional authorities or the relatively small budget (17.5 billion €) in comparison to the ambitious goals of the Fund. Other areas of concern are the potential overlaps between the JTF and the ERDF/ESF+ and the administrative workload for national or regional authorities resulting from implementing an additional Fund.

The JTF regulation (EU) 2021/1056 officially entered into force on June 24, 2021. The CPMR has carried out a survey among its members who are home to areas identified as eligible territories. The main goal
of this exercise has been to learn about the state of play of implementation. A description of the methodology can be found on Annex 1.

2. Eyes on the implementation of the Just Transition Fund

2.1 PROGRAMMING OF THE FUNDS

Based on the analysis from the regions which provided feedback to the CPMR General Secretariat, we have been able to identify common concerns and recommendations. They are outlined in this section.

2.1.1 Eligible territories

The identification of the eligible areas has not been a straightforward exercise.

One key feature of the JTF is the lack of regional earmarking unlike the ERDF and the ESF+. In accordance with the regulation, Member States are ultimately responsible for the identification of targeted areas and the allocation of the resources among them, even the Commission has set out a (non-binding) list of eligible territories in the “Annex D bis”.

A few Member States, such as Italy and Spain, have decided to keep the eligible territories in line with the European Commission’s guidelines, whereas several have opted to increase the number of eligible territories. This is for instance the case for Finland, which has expanded the list of NUTS-3 beneficiaries from 7 to 14 territories. By the same token, France has extended the list to territories concerning 6 NUTS2 regions as well as Sweden that has now 4 eligible territories.

The Finnish case, among others, shows that the identification of the most affected areas has been far from being a consensual process. The criteria underpinning the allocation methodology were wide enough to fuel differing views when selecting the eligible areas. For instance, the Finnish government considered that the European Commission did not include all territories that are heavily dependent on peat production, which is one of the allocation criteria. This is the main reason why Finland extended the list of eligible territories for the JTF funds after a review.

In some instances, negotiations between Member States and the Commission are said to have been very intense due to differing opinions. In addition, in some countries, the final list of eligible territories has still left some regions unhappy because they have felt unfairly excluded. This is partially the result of two deliberate choices made by the Commission: making non-binding the list of eligible areas indicated in the Annex D-bis and refusing to disclose the theoretical allocations at the regional level despite the allocation methodology being based on NUTS2.

It appears evident that the Commission intended to limit the number of eligible areas to ensure an adequate concentration of funding, whilst scattering the resources across too many territories would

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1 CPMR members with identified territories are from the following Member States: France, Portugal, Finland, Spain, Sweden, Italy and Greece.
2 NUTS 3 territories in Finland that will receive JTF funding: Pohjois-Pohjanmaa, Etelä-Savo, Keski-Pohjanmaa, Pohjois-Savo, Etelä-Pohjanmaa, Pohjanmaa, Lappi, Kymenlaakso, Kainuu, Pohjois-Karjala, Satakunta, Pirkanmaa, Keski-Suomi, Etelä-Karjala.
3 Regions in France in which territories will receive JTF funding: Hauts de France, Provence-Alpes-Côte-D’azur, Grand Est, Normandie, Auvergne-Rhône-Alpes, Pays de la Loire.
4 Regions in Sweden in which territories will receive JTF funding: Norrbotten, Vasterbotten, Gotland and Vastra Gotaland.
have crippled the added value of the fund. Fortunately, the risk of the Fund spreading too thinly will be partially offset by the budget increase (from 5BN to 17BN) resulting from the NGEU top-up.

2.1.2 Governance

→ There is a diverse approach among Member States on the governance of the Fund, which confirms the strong degree of discretion left in the hands of national governments.

Member States have opted for different arrangements when it comes to programming the Just Transition Fund. Countries such as Portugal and Spain channelled the funds into regional programmes, while Italy and Finland for example under national programs. France stands in-between: while industrial decarbonisation-related investments will be under regional programmes, social related investments will be managed by the national government. It is also worth noting that some Member States have chosen to channel the JTF resources into ERDF or ESF+ programmes whilst others will set up dedicated programme(s).

Differing choices in terms of programming have a bearing on the role of the regions in the governance of the Fund. Some regions are designated as managing authorities, while others have the role of intermediate bodies, leaving the role of managing authority to the relevant ministries or national government agencies. This is, for instance, the case for the Finnish regions whereas in Portugal, regions are considered as managing authorities for the Fund.

The aforementioned differences are also reflected in the Territorial Just Transition Plans, which detail the challenges and needs of the areas identified and describe the actions supported by the Fund.

2.1.3 Programming process

→ The large number of EU instruments and programmes they have to deal with is indicated by many regions as having an impact on the programming of the JTF and the elaboration of the Just Transition Plans.

At the time of writing, Member States and regions are facing a busy period due to the programming of cohesion policy funds 2021-2027, the “Next Generation EU” recovery package as well as the implementation of 14-20 programmes and REACT-EU funding (until the end 2023). Several regions fear a shortage of administrative capacity in relation to the management and implementation of the JTF alongside other instruments such as the RRF, the ERDF, or ESF+. They also lament a lack of cooperation and support from national administrations. Other regions consider that the slow and lengthy negotiations over the partnership agreements have led to difficulties in the programming phase of the JTF at the regional level.

Moreover, a large share of the funds shall be spent by the end of 2026 (and committed by 2023) as they stem from the “Next Generation EU” instrument. However, programmes are still being negotiated. This adds further bureaucratic and administrative pressure on regions. In fact, some fear that they will need to speed up the implementation to such an extent that would impinge on the quality of the projects. On the other hand, some regions positively underscore that the financial allocations of the JTF compensate for the reduction in ERDF funds 2021-2027 in comparison to the previous programming period.

On another note, the JTF regulation provides flexibility for the programming of the JTF resources under the Investment for jobs and growth goal, either via a self-standing JTF programme or by incorporating JTF resources into programmes supported by the ERDF, the ESF+ or the Cohesion Fund. It is noteworthy
that a majority of Member States have incorporated the JTF into ERDF or ESF+ national or regional cohesion policy programmes instead of setting up a standalone programme.

2.2 ALLOCATION OF THE FUNDS

There is a large consensus among the regions involved in our survey in considering that the resources allocated have been fairly distributed on the basis of the regional needs. In fact, a certain degree of satisfaction can be found among the regions involved in the survey with regards to the attention paid to the needs and requirements of local economic and industrial realities. The social aspect of the transition towards a low-carbon economy could have been more exploited.

The JTF regulation stipulates that additional financial resources could be transferred on a voluntary basis from the ERDF and ESF+ national allocations to the JTF, if consistent with the type of operations set out in the territorial just transition plans. It must be noted that all regions consulted in our survey reported that the possibility of transferring financial resources from national ERDF and ESF+ allocations to the JTF was not used or considered in their respective Member State.

Member States’ reluctance on this provision may be early evidence that the overall uptake of the ample flexibility in transferring resources between cohesion funds introduced under the new CPR will stay low after all. All the more, in this case, the Commission should be looking to reassess the rationale of these provisions for the future. The CPMR has highlighted that such flexibility, as long as it is solely vested with national governments, can be detrimental to regions.

Chart 1: Word-cloud “The JTF implementation in words”

Source: World-cloud resulting from the answers of CPMR members
3. Key takeaways and open questions

As the CPMR has highlighted over the past two years, the creation of the JTF raises a number of concerns in relation to the core principles of cohesion policy. The CPMR survey raises further questions on to the future of cohesion policy, how to implement climate financing under its framework, or the governance of shared management funds.

3.1 Is the JTF further contributing to the centralization of cohesion policy?

The JTF Regulation certainly leaves much room for manoeuvre to Member States to decide on the governance and management of the Fund. It is reassuring to see that a significant number of Member States have decided to establish regional programmes for the JTF, taking the example of the other cohesion policy Funds and/or ensuring regional authorities as managing authorities of the Funds.

However, concerns on the central role Member States have on the deployment of the JTF remain. Despite targeting NUTS3 areas, the JTF resources are being channelled to national programmes in several Member States. The fact that Member States took advantage of this national option brings us to think that the tendency is to go towards more centralization. The fragmentation and multiplication of funds appear to reinforce an existing trend towards the (re)nationalisation of certain management aspects. It is obvious that further centralization of the Funds will hamper the implementation of place-based strategies.

3.2 Does the JTF bring an added value?

The rationale of the JTF, i.e. creating a fund with a strong climate focus under cohesion policy, raises questions as to what extent cohesion policy finances climate action. Cohesion Policy 2021-2027 has a strong emphasis on climate. This is not only left to the JTF. A climate thematic concentration applies to the ERDF and the Cohesion Fund: at least 30% of the ERDF allocation and 37% of the allocation shall be devoted to achieving climate targets. In truth, the majority of activities eligible under the Just Transition Fund can already be supported through the ERDF and ESF+, somewhat putting into question the added value of setting up a new fund to tackle the challenges of transition.

The non-use of the possibility to transfer money from the ERDF and ESF+ to the JTF alleviates the concerns that the appearance of the JTF could divert cohesion policy funding already planned for other objectives. At the same time, the frequent programming of the JTF under ERDF or ESF+ programmes (albeit via a separate axis) reinforces the impression that the JTF objectives resembles cohesion policy ones and therefore, for the sake of coherence and complementarity, must be under the same programming umbrella.

This idea was already highlighted by the CPMR in a recent note focusing on the “break-up” of cohesion policy which voices concerns over the current fragmentation faced by EU cohesion policy funds. This issue creates additional bureaucracy for managing authorities already overstretched as well as overlaps and duplications between the funds.

3.3 What the JTF means for the future of cohesion policy?

One key question is whether the JTF can herald a paradigm shift for the future cohesion policy. Current discussions have largely focused on the influence that the Recovery and Resilience Facility may have on the architecture and delivery mode of the post-27 cohesion policy. The European Commission has made no secret of the fact that it is assessing which aspects of the RRF may be incorporated in other spending programmes, including those under shared management. The problem with the RRF is that its structure and mode of working are very different from cohesion policy being essentially top-down,
spatially blind, and fully performance-based. Making cohesion policy in the image of the RRF may stir resistance.

To avoid controversy, the Commission could be tempted to “skew” the structure of future cohesion policy towards the “JTF model” as it provides an ideal blueprint for a compromise between the traditional cohesion policy approach and the RRF one: Member States could be given full discretion on the internal allocation of funds; the geographical scope could be limited only to needier areas whose identification is negotiated with the Commission; the territorial approach would be maintained via dedicated strategies or plans. One could easily see the flaws of such an approach: the place-based nature of cohesion policy, as well as the important contribution of local and regional authorities to its design, would be strongly diminished. The very rationale of cohesion policy will be undermined.

3.4 What are the next steps

The CPMR will continue to work with its Member Regions to understand challenges linked to the implementation of cohesion funds whilst looking at future perspectives under the ‘Territories Matter’ initiative. The findings from the CPMR survey on the JTF largely corroborate those from past analysis (eg, CPMR note on programming delays), or seminars organised by the CPMR. Despite the focus being firmly on the ‘implementation’ phase of Cohesion Policy over the next few years, the debate on the future of Cohesion policy will start in earnest in February, with the largely anticipated publication of the 8th Cohesion Report. The 8th Cohesion Report is expected to be a major topic of discussion under the French Presidency of the Council until July this year, as well as for the Cohesion Forum in March.

Chart 2: JTF allocation per Member State.
Annex 1 - Methodology

The CPMR has carried out in November-December 2021 a survey among its members who are home to areas identified as eligible territories. A total of 17 regions were contacted in the following member states France, Portugal, Finland, Spain, Sweden, Italy and Greece. The main goal of this exercise has been to learn about the state of play of implementation.

The online survey consisted of 7 questions on the following topics:

- Allocation of funds to national or/and regional programmes
- Role of regional authorities in the governance (MAs, intermediate bodies)
- Specific issues encountered in programming the funding
- Degree of satisfaction with the domestic distribution and areas chosen by the Member States
- Use of possibility to transfer resources from the ERED/F/ESF+ to the JTF

The Conference of Peripheral Maritime Regions (CPMR) represents more than 150 regional authorities from 24 countries across Europe and beyond. Organised in Geographical Commissions, the CPMR works to ensure that a balanced territorial development is at the heart of the European Union and its policies.

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