

October 6, 2021



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This project is funded by the European Union.

Just Transition in the EU

EU-Turkey Climate Policy Dialogue

Pietro Cesaro, ERCST

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What is Just Transition?



- Just Transition intends to counter the idea that valuing social aspects of sustainable development (economic, social and environmental) and caring for the environment are mutually exclusive goals.
- **The EU's climate ambition in the context of the EGD (-55% in 2030 and Net Zero in 2050) will have social impacts.** The EU is trying to make this transition fair, leaving no one behind.
- The 2 types of social impacts caused by the green transition:
 1. **Regional:** certain energy-intensive sectors and regions in the EU will have an irreversible decline in economic output and employment level
 - Need to offer state support to affected workers and communities
 2. **Systemic:** increased energy and transport costs may lead to energy poverty and mobility challenges
 - Call for justice in general terms (equity as an integral part in the transition process to a low-carbon society, addressing the roots of inequality)

A historical overview of Just Transition in the EU

The idea of "just transition" is as old as European integration



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- **1951 – Treaty of Paris - European Coal and Steel Community's (ECSC):** established the Fund to facilitate re-employment opportunities for coal and steel workers made redundant by the development of new technologies. First attempt at a European social and regional policy.
- **1957 – Treaty of Rome - European Economic Community (EEC):** ECSC fund was then transformed into the European Social Fund (ESF). Member States committed to the *"promotion of employment, improved living and working conditions ... proper social protection, dialogue between management and labour, the development of human resources..."*
- **1986 – Revision of Treaty of Rome - Single European Act (SEA):** states *"reducing disparities between the various regions and the backwardness of the least-favoured regions"*
- **2009 - Lisbon Treaty:** made a plea for *"economic, social and territorial cohesion"*
- **2015 - Energy Union Package:** concept of Just Transition is underpinned under *"an energy transition that is just and fair will therefore require retraining or up-skilling of employees in certain sectors and, where needed, social measures at the appropriate level"*
- **2017 - Platform for Coal Regions in Transition**
- **2019 - Clean Energy for All Europeans Package with:** Coal and Carbon-Intensive Regions in Transition initiative; Clean Energy for Islands initiative; Define and monitor energy poverty in EU (EPOV)
- **2019 - European Green Deal:** encompasses a Just Transition Mechanism to facilitate the green transition of territories in the EU that are currently hosting CO2-intensive industries and are thus most affected by the transition.
- **2021 – Fit for 55:** proposal of Social Climate Fund; JT considerations inserted in lots of policies

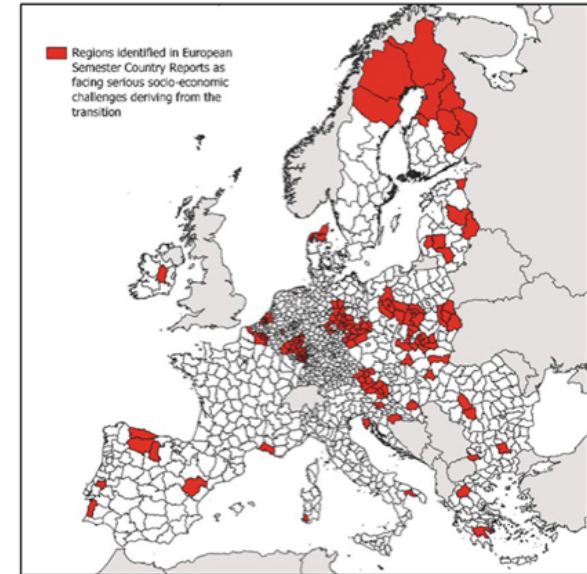
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- In order to start addressing these issues and to reconcile the transition with *social justice*, the EU Commission launched a number of new initiatives that aim to help workers and households with tailored financial and practical support, notably:
 - **The Just Transition Mechanism (EGD)**
 - **The Modernization Fund (EU ETS)**
 - **The Social Climate Fund (Fit for 55)**
- Just Transition Fund will have a “regional” approach; Modernization Fund is dedicated to 10 MS; Social Climate Fund is the first taking into consideration redistribution aspects at systemic level

“At-risk” regions (in need of “just transition”)



Source: Country reports of the European Semester, presented in EP study.

Some of the most affected sectors include extraction of coal, oil, natural gas, peat, oil shale, lignite and other greenhouse gas-intensive industrial processes

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FUNDS: Financing the Just Transition in the EU



- **Just Transition Mechanism (ca EUR 70bn in 2021-2027):** *specifically targeted at regions which are most exposed to transition challenges*. Financial triptyque which includes:
 - *Just Transition Fund* (mobilise ca EUR 30bn in grants, 17.5bn fresh money and the rest from ERDF and ESF+)
 - *Invest EU dedicated scheme* (mobilise ca EUR 10-15bn of private investments)
 - the *Public Sector Loan Facility* (leveraging EUR 25-30bn of public financing)
- **Modernization Fund (ca EUR 14bn in 2021-2030):** a dedicated funding programme to support 10 lower-income EU Member States in their transition to climate neutrality. It aims at *helping to modernise their energy systems and improve energy efficiency*.
- **Social Climate Fund (ca EUR 72bn in 2025-2032):** established to address the social impacts arising from the extension of emission trading to buildings and transport. It aims at *financing temporary direct income support for vulnerable households and support investments in energy efficiency*.

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FUNDS: Other available funds tackling Just Transition objectives



- Apart from the funding sources targeting Just Transition issues per se, the EU provides a variety of funding that can be used to alleviate the socio-economic consequence of the transition via social funding, funding for energy and climate action, technical assistance, etc.
- **Cohesion policy: the European Structural and Investment funds (ESI funds):**
 - **European regional development fund (ERDF):** supports shift towards a low carbon economy while promoting a balanced development in the different regions of the EU
 - **Cohesion fund (CF):** funds transport and environment projects
 - **European social fund Plus (ESF+):** Invest in young people, Support the most vulnerable suffering from job losses and income reductions, Provide food and basic material assistance to the most deprived, invest in children and support social innovation
- **European Globalisation Adjustment Fund for Displaced Workers (EGF):** provides support for people who lose their jobs as a result of structural changes
- **LIFE Programme:** funding instrument for the environment and climate action.
- **Connecting Europe Facility:** funding instrument to promote growth, jobs and competitiveness through targeted infrastructure investments
- **Horizon Europe:** largest EU research and innovation programme with funding for innovation projects in the coal and steel sectors
- **Innovation Fund:** one of the world's largest funding programme for innovative low-carbon technologies

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Policies enabling a Just Transition in the EU

A “social” Fit for 55?



- The **ETS Directive** and **Energy Efficiency Directive** both already indicate that the use of funds and revenues should take into account social aspects
- The **Energy Efficiency Directive** and **Renewable Energy Directive** stimulate energy savings which can alleviate energy poverty.
- The **Energy Efficiency Directive**, on top of proposing the first EU legal definition of energy poverty, recognises the need to mitigate the distributional effects of policies and promotes EE for energy poor,
- The **Energy Taxation Directive** offers possibilities for exempting vulnerable households from higher energy taxes
- The **Alternative Fuels Infrastructure Regulation** will ensure that charging and refuelling infrastructure for zero emission vehicles will reach all parts of Europe.
- Before the end of the year, the Commission also intends to present a proposal for a Council Recommendation on how to address the social aspects of the desired green transition

How to approach the Just Transition?



1. **Status quo:** crafting transition processes not modifying the socio-economic system
2. **Managerial:** within the current system, altering certain mechanisms
3. **Structural:** using procedural and distributive justice mechanisms to modify some system's mechanisms
4. **Transformative:** overhauling the current socio-economic system

Key principles Just Transition (JT) in the literature (so far):

- Long term strategies with embedded environmental and social goals (early assessment and planning) with a clear and binding timeline
- Monitor, evaluate, report and allow for mid-course adjustment
- Participatory processes in planning the transition
- JT as an opportunity to redress systemic injustices under the current economic paradigm, ensuring fair re-distribution of cost and distribution of benefits from the transition

Source: Just Transitions: a comparative perspective; Scottish Government and JTF: how the EU budget can best assist in the necessary transition from fossil fuels to sustainable energy; Bruegel

What is the future of the EU JT governance?



- Commission recommendations on energy poverty: *“develop measures [...] that build on close cooperation between all levels of administration”*
- Active collaboration between national, regional, local governments, municipalities and all the spectrum of society

How?

- Via multi-stakeholder commissions reflecting regional and context-specific needs and differences, as well as complex political constellations
- Strengthening regional and local governance, and include them in decision making
- Need to establish JT task forces in EU MSs – where are we?

Beyond regional considerations: which policies for a JT?



- *Social objectives* can only be reached by a cautious and well-proportioned mix among **market mechanisms** (notably carbon pricing), **standards**, and **regulation**.
- Locally driven but consistent with EU programmes: keep the key role of central funding support, proactive management and coordination at high level (while allowing for local and regional leadership)
- Support technical innovation in hard to abate sectors
- Embed JT considerations into national planning (e.g.: NECPs) and the overall legislative process (e.g.: less regressive fiscal policies)
- Monitor and tackle energy poverty
- Tackle the volatility in electricity prices

In search of a Just Transition: examples in the EU



- **Poland:** transformation of the Guido mine in Silesia into an industrial heritage museum
- **Germany:** conversion of the Göttelborn coal mine in Saarland into a solar energy park
- **Czechia:** reconversion of the old Frantisek mine into an industrial park
- **Spain:** hydro port plant project at the open cast 'As Pointes' hard coal mine; Bilbao illustrates the possibility of transitioning away from heavy industry through arts and culture

Facts & figures

- Coal is mined in 12 Member States and coal-fired power plants operate in 21 Member States.
- Estimated 160 000 jobs could disappear by 2030
- Further job losses are expected in direct activities along the value chain

Public bodies active in Just Transition



- **EU Energy Poverty Observatory (EPOV)**, initiative of the EU Commission
- Coordinating and monitoring bodies of the JT Plans under the JTF; coordinating authority of the Social Climate Plans under the proposed Social Climate Fund
- **International Trade Union Confederation (ITUC)**: Just Transition Centre
- **EBRD**: Just Transition Initiative, supporting the Green Economic Transition (GET) project
- **UNFCCC**: Response Measures under the Paris Agreement, Solidarity and Just Transition Silesia Declaration - COP24
- **ILO**: broad Just Transition Guidelines covering macroeconomic, sectoral, industrial, enterprise policies

Questions



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- What are/should be the most important goals of a just transition framework?
- Is the Just Transition discussion systemically embedded or still just an “add on” element within the transition considerations?
- Are equity considerations being properly coordinated among different levels of governance? (i.e.: national, subnational, company, organization)
- Do you think the current just transition framework in the EU and/or Turkey is adequate to ensure a just and fair transition?
 - If yes, why are you convinced that this is the case?
 - If not, why do you think it is not adequate and what can be done to enhance the framework?
 - What are the common aspects and differences between the two?
- In your view, which policy tools/options could enhance cooperation between Turkey and the EU in terms of promoting/ensuring a just transition?



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Energy Union



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- The energy union builds five closely related and mutually reinforcing dimensions:
- **Security, solidarity and trust** - diversifying Europe's sources of energy and ensuring [energy security](#) through solidarity and cooperation between EU countries
- **A fully integrated [internal energy market](#)** - enabling the free flow of energy through the EU through adequate infrastructure and without technical or regulatory barriers
- **Energy efficiency** - improved [energy efficiency](#) will reduce dependence on energy imports, lower emissions, and drive jobs and growth
- **Climate action, decarbonising the economy** - the EU is committed to a quick ratification of the [Paris Agreement](#) and to retaining its leadership in the area of [renewable energy](#)
- **Research, innovation and competitiveness** - supporting breakthroughs in [low-carbon and clean energy technologies](#) by prioritising research and innovation to drive the energy transition and improve competitiveness

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An example: “Impact on Households of the Inclusion of Transport and Residential Buildings in the EU ETS”



- EU poorest MS are more vulnerable to the impact of the extension of carbon pricing, especially Eastern European ones.
- **EUR 1 112 billion** potential carbon costs for EU27 households from transport and residential buildings in 2025-2040 (if EUA prices reach level which is needed to meet the environmental objectives)
- In a high price scenario: average yearly increase in energy spending of **44% in transport sector and 50% in residential sector** (buildings) for households in the first (poorest) income quintile.

How could the Commission deal with this?

- Creating a proper compensation mechanism in a heterogenous 27 MS economic area is challenging
- *Social objectives* can only be reached by a cautious and well-proportioned mix among **market mechanisms** (notably carbon pricing), **standards**, and **regulation**. This would put a downward pressure to prices
- In the Commission proposal on the ETS Review, a separate carbon market for transport and buildings was envisaged, with a *cost containment mechanism*

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