



# Just Transition in the EU

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**ERCST**

Roundtable on  
Climate Change and  
Sustainable Transition

# 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

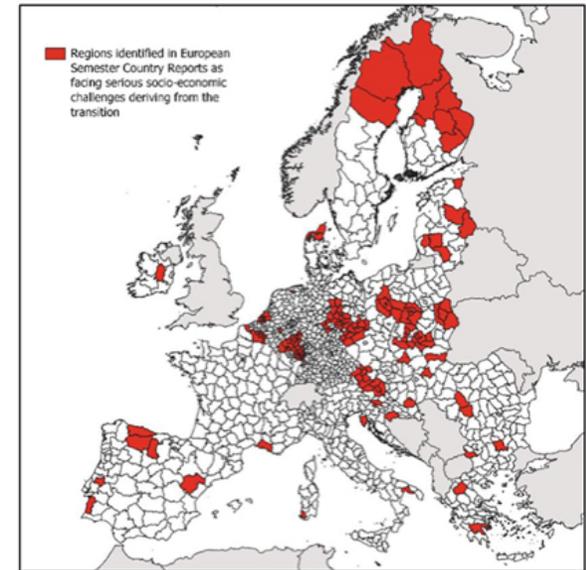
*The idea of "just transition" is as old as European integration*

- **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

# Just Transition in the European Green Deal

- 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)**

“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*

# FUNDS: Financing the Just Transition in the EU

- **JTM (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)
  - *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.*

# 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.
- **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 (ESF):** supports education and training, upskilling of the labour force, and the creation of new jobs in sectors related to the environment and energy
- **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
- **Invest EU (before European Fund for Strategic Investments):** long-term funding to support Union policies in a recovery, funding available for the energy sector (CCS, modernization of energy infrastructure, expansion of renewable energy)
- **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 programmes for innovative low-carbon technologies

\*This is not an exhaustive list of all the available EU funds but it tackles the main ones dealing with Just Transition

# 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

# 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

## 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

# 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 planning)
- Participatory processes in planning the transition
- JT should be seen as an opportunity to redress systemic injustices under the current economic paradigm

# 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
- By strengthening regional and local governance, and include them in decision making
- Keep the key role of central funding support, proactive management and coordination at high level (while allowing for local and regional leadership)
- Need to establish JT task forces in EU MSs – where are we?

# 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
- **UNFCCC:** Response Measures under the Paris Agreement, Solidarity and Just Transition Silesia Declaration - COP24
- **ILO:** Just Transition Guidelines

# Questions

- Are EU financing and policy interventions enough?
- Is the Just Transition discussion already systemically embedded in EU policies or still just an “add on” element within the EU transition considerations?
- How do you make sure that the funds reach the right audience and are deployed in an efficient manner?
- How do you make sure that equity considerations are taken into account when designing policies?
- Are equity considerations being coordinated among different levels of governance? (i.e.: national, subnational, company, organization)
- Will transition costs be visible? The more visible price is, the more transparent and the more you can make the transition just



**Thank you!**

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# Energy Union

- 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

# 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*