



Unpacking the Just Transition policies in the EU

January 27, 2022

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Roundtable on
Climate Change and
Sustainable Transition

What is Just Transition?

- In general terms, 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.
- Just Transition refers to the concept of designing environmental policies together with social and labour policies that mitigate the negative **effects** of the environmental transition
- These social effects and implications have different natures:
 - **Regional:** due to the phase out of specific sectors and companies (certain energy-intensive sectors and regions in the EU will have an irreversible decline in economic output and employment level. Impacted actors in need of state support: regions, companies, workers)
 - **Sectoral:** winners and losers among companies and workers' profile
 - **Distributional:** through regressive climate policies that will impact households, moreover, increased energy and transport costs may lead to energy poverty and mobility challenges. Call for justice in general terms (thus, equity should be seen as an integral part in the transition process to a low-carbon society, addressing the roots of inequality)
- In this context, ERCST decided to further analyse the social implications of the environmental transition generally (with an international lens) and the EGD specifically - [Link to ERCST Just Transition Workstream](#)

Who is impacted and how?

Actors impacted by green transition	Effect(s) of green transition	Type of the effect
National jurisdictions	Changing energy mixes	Sectoral
Specific regions dependent on fossil fuels	Corporate bankruptcy, unemployment, and social unrest	Regional
Companies with a direct and indirect carbon price	Whole supply chain, increased price of carbon and thus increased average costs	Sectoral
Workers	Unemployment, spatial effects, income loss, retirement funds	Distributional
Households	Energy poverty, higher volatility of energy prices, increased transport costs, etc.	Distributional

Source: ERCST, 2021

Institutional bodies active in Just Transition

- **Monitoring bodies within the EU Just Transition Mechanisms:**
 - Initiative for Coal Regions in Transition
 - Just Transition Fund
 - Social Climate Fund
- **European Committee of the Regions**
- **International and European Trade Union Confederation (ITUC & ETUC):** 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
- **ILO:** broad Just Transition Guidelines covering macroeconomic, sectoral, industrial, enterprise policies
- **EU cooperating with third countries:** South Africa, Colombia, USA, etc.
- **Development Agencies:** GIZ, AFD, etc.
- **NGOs:** Bankwatch, WWF, CanEurope

Just Transition: EU Level / Historical Background

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; JT considerations inserted in many policies

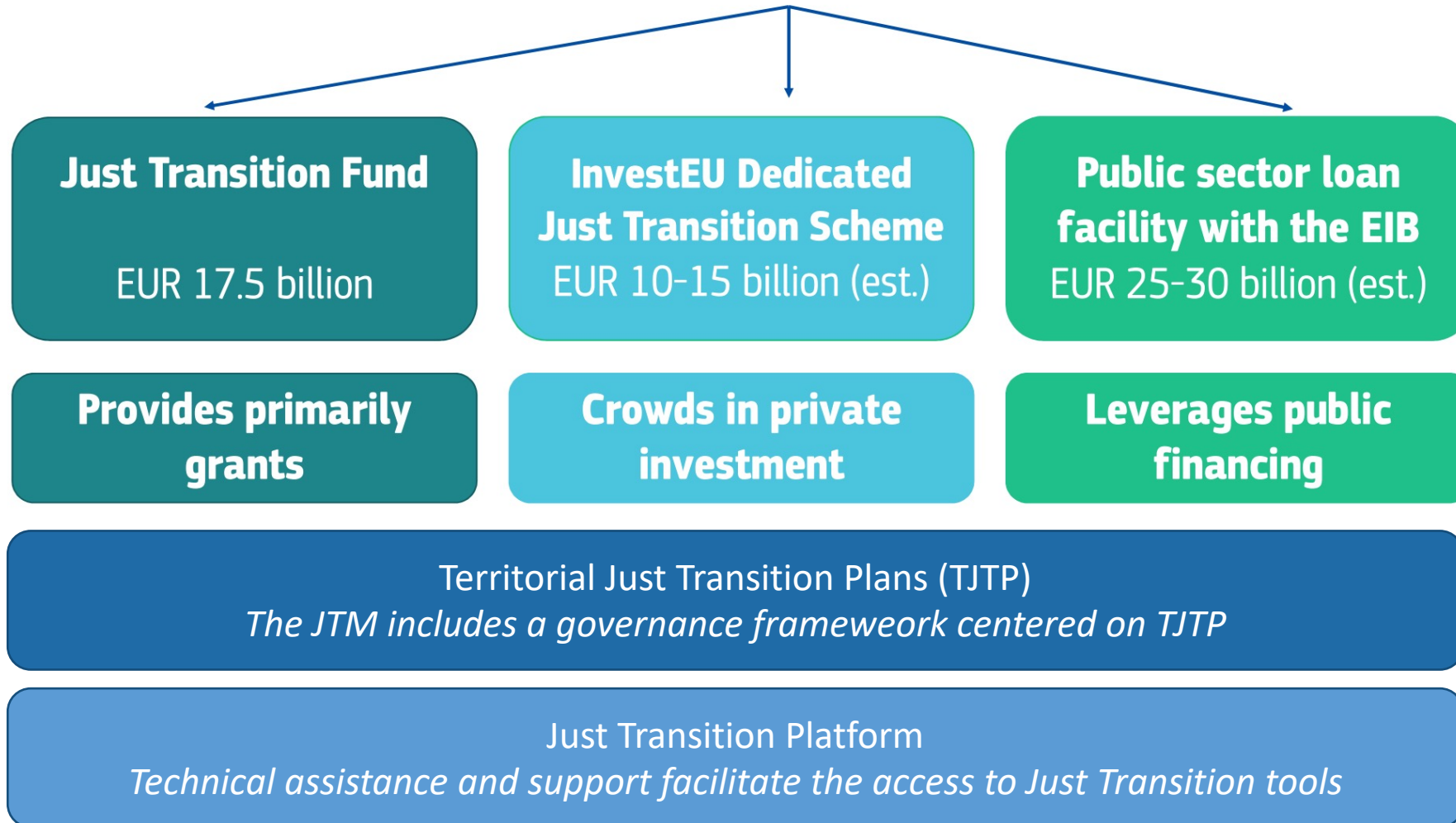
Financing the Just Transition in the EU

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:

Mechanism name	Type of Initiative	Timeline	Fund size	Main goal
Just Transition Mechanism	EU initiative under the EGD	2021-2027	<ul style="list-style-type: none"> • Just Transition Fund: 17.5 bn • InvestEU: mobilize 10-15bn (supports private investments) • Public Sector Loan Facility: mobilise 25-30bn by EIB (supports public sector) • Total: ca EUR 55bn 	targeted at regions which are most exposed to transition challenges
Modernization Fund	Fund under the EU ETS	2021-2030	ca EUR 14bn	helping to modernise energy systems and improve energy efficiency in the 10 lower income EU MS
Social Climate Fund	Fund under the EU ETS Revision Proposal	2025-2032	ca EUR 72.2bn	address the social impacts arising from the extension of the EU ETS to buildings and transport

Just Transition Mechanism

Provides a useful mix of new instruments, which combine grants with loans to the public and private sectors



Territorial Just Transition Plans (TJTPs)

GOVERNANCE FRAMEWORK

- **The governance framework of the JTM is centred on the TJTPs**
- **Preparation of the TJTPs is a key condition** for programming and subsequently implementing resources from the JTF and the other two JTM pillars.
- TJTPs should describe the transition process at national level towards a climate-neutral economy, including a timeline for key transition steps.
- Each MS will prepare them together with the relevant local and regional authorities of the territories concerned, in dialogue with the Commission, and by ensuring they are consistent with the regional smart specialisation strategies and the National Energy and Climate Plans.
- **Examples of elements to be included in the TJTP** (full list Art 11 of the JTF):
 - Description and timeline of the transition process at national level
 - Assessment of the transition challenges faced by the affected territories
 - Description of type of operations envisaged and their expected contribution

Template for a TJTPs

ANNEX II	
TEMPLATE FOR TERRITORIAL JUST TRANSITION PLANS	
1.	Outline of the transition process and identification of the most negatively affected territories within the Member State
Text field [12000]	
Reference: point (a) of Article 11(2)	
1.1.	Outline of the expected transition process towards the Union's 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, in line with the objectives of the integrated national energy and climate plans and other existing transition plans with a timeline for ceasing or scaling down activities such as coal and lignite mining or coal-fired electricity production
Reference: point (b) of Article 11(2)	
1.2.	Identifying the territories expected to be the most negatively affected and justifying this choice with the corresponding estimation of the economic and employment impacts based on the outline of Section 1.1
Reference: Article 6	
1.3.	Identifying the outermost regions and islands with specific challenges within territories listed under Section 1.1 and the specific amounts allocated for those territories with corresponding justification
2.	Assessment of transition challenges, for each of the identified territories
2.1.	Assessment of the economic, social and territorial impact of the transition to a climate-neutral economy of the Union by 2050
Reference: point (c) of Article 11(2)	
Text field [12000]	
Identification of economic activities and industrial sectors impacted, distinguishing:	
— declining sectors, expected to cease or significantly scale down their activities related to the transition, including a corresponding timeline;	
— transforming sectors, expected to undergo a transformation of their activities, processes and outputs.	
For each of the two types of sectors:	
— expected job losses and requalification needs, taking into account skills forecasts;	
— economic diversification potential and development opportunities.	

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.

Fund name	Fund description
Cohesion policy: the European Structural and Investment funds (ESI funds)	
<i>European Regional Development Fund (ERDF)</i>	supports shift towards a low carbon economy while promoting a balanced development in different EU regions
<i>Cohesion Fund (CF)</i>	funds transport and environment projects
<i>European Social Fund Plus (ESF+)</i>	supports social innovation and the most vulnerable suffering from job losses and income reductions
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 including in the coal and steel sectors
Innovation Fund	one of the world's largest funding programme 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

Source: ERCST, 2022

How to approach the Just Transition?

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

More communication at different levels...

- Just Transition is a multi-faceted phenomenon that involves different layers of our society and therefore difficult to holistically track.
- For such a complex issue, there is the need to involve all the spectrum of society (procedural justice) in designing possible solutions whilst considering the specific regional nuances (e.g. policy co-design, tested in Estonia, appears to work relatively well)
- Commission recommendations on energy poverty: *“develop measures [...] that build on close cooperation between all levels of administration”*
- Forum to be found to facilitate active collaboration between national, regional, local governments, municipalities and all involved stakeholders (e.g. multi-stakeholder Commissions / Task forces)

...for a strengthened Just Transition governance

- With a more participatory process, the long-term result should be a strengthened JT governance, ideally following these principles:
 - Preparation of long-term strategies with embedded environmental (polluter pay principle) and social goals with a clear and binding timeline
 - Strong monitoring, evaluating, reporting system, allowing for mid-course adjustment of the Just Transition process
 - With these elements, Just Transition can represent an opportunity to readress systemic injustices under the current economic paradigm, ensuring fair re-distribution of cost and distribution of benefits from the transition

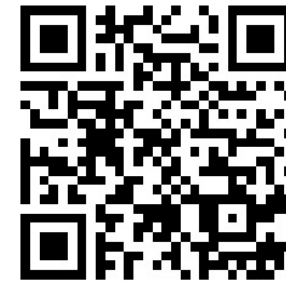
Which JT approach for EU policies?

- *Social objectives* throughout the societal decarbonisation process can only be reached by a cautious and well-proportioned mix among **market mechanisms** (notably carbon pricing), **standards**, and **regulation**.
- EU programmes and policy making could:
 - support and steer locally driven process: 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.: focus on less regressive fiscal policies and policy tools)
 - Monitor and tackle energy poverty (as well as the volatility in electricity prices)
 - Creating the right incentives to decarbonise in a cost-efficient way, in order to shape and create new green markets (InvestEU guarantee based instruments)

Slido Poll

What key indicators would you use to measure whether a transition is just? (in one or a few words)

- Join the poll at slido.com with the code #238986
- OR scan the QR code below





Thank you!

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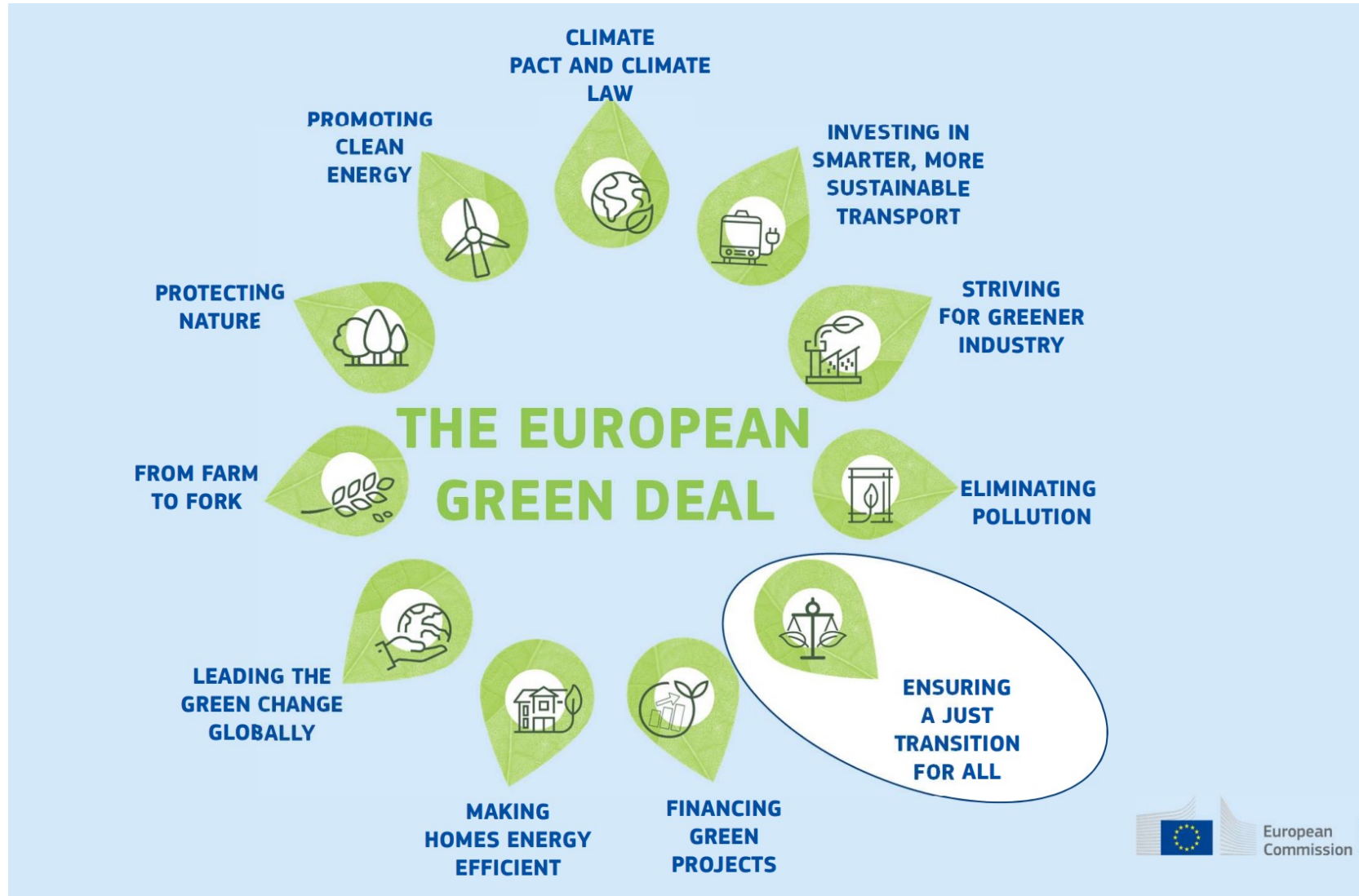
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Backup slides

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Just Transition Fund (JTF)

FIRST PILLAR

- **Objective:** enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union's targets.
- **Description:**
 - EU funding tool for regions dependent on fossil fuels (especially coal, lignite, peat, oil shale) and high-emission industries which will undergo a deep transformation in the following years.
 - Focuses on the economic diversification of the territories most affected by the climate transition and the reskilling and active inclusion of their workers and jobseekers.
- **Fund size:** mobilise ca EUR 30bn in grants, of which EUR 17.5bn fresh money and the rest from the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+)
- **Activities supported:** research and innovation, renewable energy, emissions reduction, clean energy technologies, site regeneration, circular economy, upskilling and reskilling of workers (full list under Art 8 of the JTF Regulation)
- **Conditions to receive support:**
 - Only investments in accordance with the territorial just transition plans (JTTPs) (in accordance to Art 11 of the JTF Regulation)
 - Only MS committed to implement the objective of achieving a climate-neutral Union by 2050
 - SMEs (including micro-enterprises and start-ups)
 - Under certain conditions also to large enterprises (using State Aid Guidelines) and industrial facilities for productive investments (e.g. CCS, electrification processes and hydrogen)
 - Limited number of NUTS 3 (Nomenclature of territorial units for statistics) regions or parts of those regions

InvestEU "Just Transition" scheme

SECOND PILLAR

- **Objective:** will provide a budgetary guarantee under the InvestEU programme across the four policy windows, namely sustainable infrastructure; research, innovation and digitisation; small and medium-sized businesses; and social investment and skills.
- **Fund size:** expected to mobilise €10-15 billion in mostly private sector investments.
- **Activities/projects supported:** energy and transport infrastructure, including gas infrastructure and district heating, but also decarbonisation projects, economic diversification and social infrastructure.
- Previously European Fund for Strategic Investments(EFSI).

- **Objective:** supporting public entities in addressing the socio-economic challenges of the territories most negatively impacted by the EU climate transition and as identified in the TJTPs.
- **Fund size:** comprises and combines two elements
 - A grant component of €1.5 billion allocated by the EU
 - A loan component of €10 billion of loans from the European Investment Bank (EIB)
- **Examples of projects:** energy and transport infrastructure, district heating networks, green mobility, smart waste management, energy efficiency measures, support transition to a circular economy, land restoration and decontamination, as well as up- and reskilling, training and social infrastructure, including social housing
- **Eligibility:** public-sector legal entities

Just Transition Platform

TECHNICAL ASSISTANCE

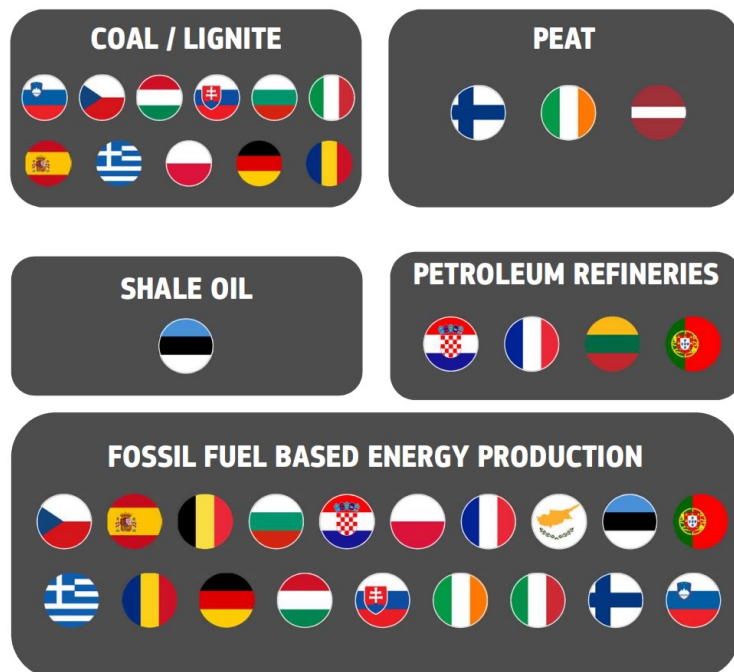
- Set up to support all stakeholders in accessing the available tools and support.
- Events are organised on a regular basis to share knowledge and good practices, support capacity building and bilateral and multilateral exchange of views across all affected sectors and to provide advice on just transition to authorities and stakeholders involved in JTM-related activities.
- Builds on and expands the Coal Regions in Transitions initiative
- Advice is given through a number of working groups dedicated to stakeholder engagement and to specific carbon-intensive sectors, namely steel, cement, chemicals.

Commission recommendations: priority sectors

Economic impact of the transition will differ between declining and transforming sectors:

- **Impact of declining sectors** – mostly related to fossil fuel extraction, production and use is associated with closure of mines and extraction sites, loss of assets and decommissioning of fossil fuel-fired power plants.
- **Impact on transforming sectors** - mostly related to aligning economic development and competitiveness with the need for deep emission reductions to contribute to the Union’s climate targets.

Declining sectors



Transforming sectors

