ERCST

Roundtable on
Climate Change and
Sustainable Transition

2022

POLICY BRIEF

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Unlocking the governance challenges of Just Transition in the EU

Key messages

- While in certain Member States and regions of the EU we see strong Just Transition governance frameworks in place, in some others accountability, clarity on implementation plans, inclusive dialogue and transparency are lacking.
- Establishing a long-term vision and a detailed transition plan will prove crucial for the socio-economic success of regions in transition in the following decades.
- Looking beyond the JTF and the TJTPs, in the longer term, political and economic decisions will have to be made in this context and we believe that the basic principle to be followed should be to make Just Transition self-sustainable and cost-efficient beyond grant-based instruments as the JTF. One example would be to strengthen the InvestEU component of the JTM.
- Social and environmental objectives throughout the EU decarbonisation process will only be reached by a well-proportioned mix of market approaches, standards, and regulations in conjunction with a strong political vision.

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Abbreviations

EC European Commission
EGD European Green Deal
EPOV Energy Poverty Observatory
ETS Emissions Trading System
JTF Just Transition Fund
JTM Just Transition Mechanism
MS Member States
TA Technical Assistance
TJTPs Territorial Just Transition Plans

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1. The evolution of the Just Transition concept in the EU

Just Transition refers to the concept of designing environmental policies together with social and labour policies that mitigate the potential negative effects of the environmental transition – such as unemployment, income loss, migration, energy and transport poverty.

Currently, in the EU, the idea of Just Transition aims to reconcile the Union's exceptional climate ambition (-55% emissions by 2030 and Net Zero by 2050) while ensuring that social impacts are addressed and mitigated.

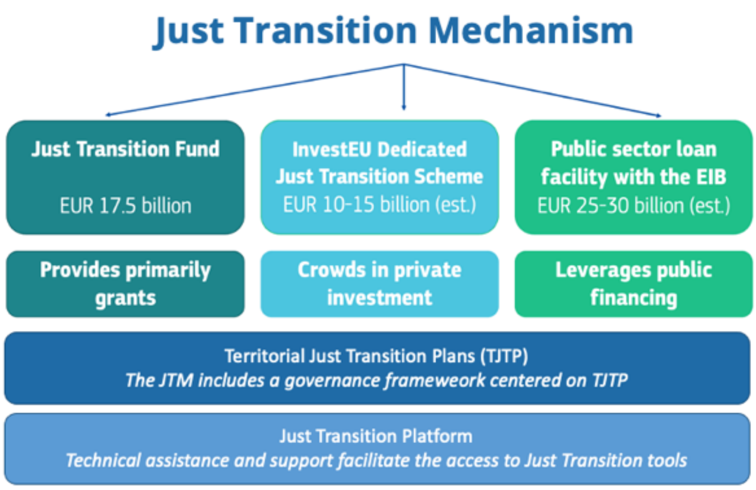
The Energy Union package[1], passed in 2015 by the Juncker Commission, acknowledged that "an energy transition that is just and fair will therefore require retraining or up-skilling of employees in certain sectors and, where needed, social measures at the appropriate level".

In 2017, with the **Clean Energy for All Europeans**[2], the European Commission (EC) reinforced the idea of a socially fair and inclusive clean energy transition by launching a number of non-legislative initiatives for coal regions as well as other initiatives that tackle energy poverty - including the Coal and Carbon-Intensive Regions in Transition initiative, the Clean Energy for Islands, and the establishment of the EU Energy Poverty Observatory (EPOV).

In 2019, with the **European Green Deal (EGD)**[3] the definition of Just Transition was taken a step further where "ensuring a Just Transition for all" became one of the building blocks of the plan.

The realization of the need for a financial instrument to move ahead and implement the Just Transition agenda led to the creation of the **Just Transition Mechanism (JTM)**. The JTM is a financial triptyque that aims to mobilise around €55 billion over the period 2021-2027 and provides a useful mix of instruments, which combine grants and loans to the public and private sectors.

Figure 1. Just Transition Mechanism Framework



***Source**: ERCST on the base of EC, 2022*

[11] https://eur-lex.europa.eu/resource.html?uri=cellar:1bd46c90-bdd4-11e4-bbe1-01aa75ed71a1.0001.03/DOC_1&format=PDF
[2] https://ec.europa.eu/energy/sites/ener/files/documents/cleanenergy_com_en.pdf
[3] https://eur-lex.europa.eu/resource.html?uri=cellar:b828d165-1c22-11ea-8c1f-01aa75ed71a1.0002.02/DOC_1&format=PDF

The main funding sources targeting social and just transition issues in the EU are portrayed in Table 1 below. Even though the Modernization Fund and the Social Climate Fund are not targeting Just Transition issues per se, they aim to alleviate the socio-economic consequence of the transition.

Table 1. Main fund tackling Just Transition objectives in the EU

Mechanism	Type of Initiative	Timeline	Fund size	Main goal
Just Transition Mechanism	EU initative under the EGD	2021-2027	• **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 while also supporting a just transition in carbon dependent regions
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

Source: *ERCST, 2022*

2. The Just Transition Fund (JTF) and Territorial Just Transition Plans (TJTPs)

While the discussion on Just Transition in the EU has many aspects, this policy brief is going to focus on the JTF and the TJTPs.

The JTF is one of the pillars of the JTM and is a key tool to support regions dependent on fossil fuels (coal, lignite, peat, oil shale) as well as carbon-intensive industries which will have to undergo a deep transformation in the following years.

The fund aims to mobilize around 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+).

The governance framework of the JTF is centred on the TJTPs. Preparation of the TJTPs by Member States (MS) is a key condition for programming and subsequently accessing resources from the JTF. Once a MS has prepared and submitted their TJTPs, the EC revises the proposals and decides which territories will be eligible for funding[4].

Specifically, TJTPs should describe the transition process at the national level towards a climate-neutral economy, including a timeline for key transition steps. The plans must be prepared 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 National Energy and Climate Plans (NECPs).

[4] The EC revises the TJTPs according to the JTF regulation. Article 8 determines the scope of support and Article 11 states the elements that a TJTP should contain to be eligible for support: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A02021R1056-20210630

Preparation of the TJTPs by each MS ensures that the JTF is implemented in a more decentralized manner compared to other instruments, with grants being disbursed to territories that have been identified by local authorities which ensures local participation and ownership of the processes. As it will be discussed in section 5, however, this is not always the case.

Lastly, the Just Transition Platform[5] also plays an important role in the equation by providing technical assistance, fostering knowledge sharing and good practices, capacity building and bilateral and multilateral exchange of views across all affected sectors.

3. Governance issues linked to Just Transition in the EU

The definition of good governance from UNDP states: *"Good governance is, among other things, participatory, transparent, and accountable. It is also effective and equitable. And it promotes the rule of law. Good governance ensures that political, social and economic priorities are based on broad consensus in society and that the voices of the poorest and the most vulnerable are heard in decision-making over the allocation of development resources"*[6].

In the EU, the Council of Europe provides 12 Principles of Good Governance[7], covering issues such as ethical conduct, rule of law, efficiency and effectiveness, transparency, sound financial management and accountability.

As a result of the different discussions at the ERCST[8], along with the desk research, the following key aspects anchoring a good governance design and implementation process for the TJTPs have been identified:

- A multilevel participatory process
- A multidisciplinary approach
- Responsive, proactive, and conscious
- Timely and efficient
- Transparent
- Clear accountability
- Consensus-oriented
- Appropriate identification of main challenges to be tackled
- Visionary and target-oriented

Figure 2. Multi-level governance

Source: *Wuppertal, 2022*

To substantially contribute to the debate regarding the optimal JT process design and governance, it is important to first understand the EU JT picture and its main related challenges.

[5] https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/finance-and-green-deal/just-transition-mechanism/just-transition-platform_en#about-the-just-transition-platform
[6] UNDP Report Governance for Sustainable Developments (1997)
[7] https://www.coe.int/en/web/good-governance/12-principles#{%2225565951%22:[]}
[8] https://ercst.org/event/just-transition-governance-and-financing-across-eu-member-states/

The big picture: JT is a multi-faceted process that involves different layers of society and thus is difficult to track and manage. The impacts, effects, and implications of the environmental transition will be both social and economic and will have different natures:

- **Regional:** due to the phase-out of specific sectors (certain energy-intensive regions in the EU will see a decline in economic output and employment level)
- **Sectoral:** winners and losers among sectors, companies, local communities, and workers profiles
- **Distributional:** through climate policies that will have social impacts on households. Moreover, increased energy and transport costs may lead to energy and transport poverty

The overall objective of a Just Transition can be defined as follows: to steer the process by giving the overall vision and direction, operationalising a transition that is just at all levels of society and as rapid and as efficient as possible. Local and regional authorities along with civil society and the private sector should be able to take the lead and identify functional solutions on the ground. These functional solutions should aim to optimize the fund allocation in a cost-efficient way.

Given this objective, the following governance gaps were identified:

1. A territorial approach to JT that must become systemic
2. A limited number of definitions and not enough data availability
3. JT informal forums must become recognized task forces

In addressing the first gap, the key player is the EU. The EU has indeed designed a funding architecture with a related governance structure at regional level. However, a systemic approach must be kept at all levels of society. This would also bring a vision in the problem identification at territorial level. Moreover, funds dedicated to specific regions are not sufficient and the social climate fund will not proactively solve the issues but rather mitigate a JT challenge caused by the future ETS2.

In the second gap identified, the key players are both the EU and MS. Once a vision is identified, constant monitoring of the process and the governance used to implement it is needed to make the process operational and cost-effective and allow for mid-term adjustment. To better understand the needs in the process there should be more granular data and knowledge on the nature of JT effects. To transform and effectively use such knowledge and granular information, there needs to be a flexible governance approach in parallel with Technical Assistance, especially for local and regional authorities.

In the third gap identified, the key players are MS. MS should indeed take the lead and make forums proactive task forces with clear goals to facilitate active collaboration between national, regional, local governments, municipalities, and all involved stakeholders.

On the basis of these gaps, ERCST presents some suggestions to strengthen the EU and MS approach in designing their JT processes and implementing the TJTPs.

4. Recommendations for EU and MS in their approach to JT and TJTPs

To meet the overall objective defined above, whilst filling the specific gaps, the following approaches and suggestions are given by ERCST.

Recommendations at EU level:

- Keep the key role of central funding support, proactive management, and coordination at a high level (whilst allowing for and encouraging local and regional leadership)
- Strengthen the current Technical Assistance framework both at JT Platform and InvestEU level
- Define energy poverty and transport poverty at EU level
- Implementing a Social Climate Fund not in response to the ETS2 but to fight the increasing level of energy and transport poverty
- Propose a framework to collect consistent and comparable JT data across the EU (beyond the EPOV) and in collaboration with Eurostat (ESTAT) and national statistical offices
- Strengthen the narrative of the JTF as a means to support not only the coal sector but also other hard to abate sectors (e.g.: cement, iron and steel, aluminium, fertilisers, electricity)
- Increase support for technical innovation in the hard to abate sectors
- Create the right incentives to decarbonise in a cost-efficient way, in order to shape and create new green markets
- Strengthen the InvestEU guarantee based instruments and the JT component. Creating TA task forces with a strong environmental and financial background to approach the problem holistically.
- Facilitate and ensure synergies of the JT fora with existing European Social Dialogue mechanisms, including the bipartite and tripartite dialogues[9]

Measures at MS level:

- Create forums/task forces and clear roles for the authorities and relevant Ministries responsible for the transition processes (e.g.: in the Ministry of Environment, Energy, Regional Development)
- Ensure more participative governance in decision-making processes, involving social partners and regional authorities from the start to guarantee broad support of the plans
- 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)
- Ideally, the plans should take the form of long-term strategies with embedded environmental and social goals (early assessment and planning) with a clear and binding timeline; robust monitor/evaluate/report system to allow for mid-course adjustments
- Involve national statistical systems to identify and collect the right data in coordination with all the MS and Eurostat

[9] European social dialogue refers to discussions, consultations, negotiations, and joint actions involving organizations representing the two sides of industry (employers and workers) - https://ec.europa.eu/social/main.jsp?catId=329&langId=en

5. Tacking stock of the TJTPs processes in EU Member States

This section will highlight some of the main takeaways on the governance of the Member States that emerged from the January 23, 2022 event[10]. While most countries have achieved good progress in preparing comprehensive TJTPs there are still large differences in the approach from country to country and from region to region, making the process somewhat chaotic and unclear for many stakeholders.

Table 2. Overview of country progress

Country	Coal Phase Out Date	Coal % of electricity	Retirements since 2010	Operating plants	Number of jobs in coal mines and plants (2018)[11]	TJTP Status	TJTPs Submitted
Poland	2049[12]	76%	5	30	112 500	Developed	7
Czech Republic	2033	29%	2	8	21 600	Finalizing the plans	3
Slovak Republic	2030	4%	1	1	2 700	Developed	1 (which includes 3 regions)
Spain	2030	2%	8	5	6 700	Developed	9

Source: *ERCST, 2022*

A. Poland

With approximately 112 500 jobs in the coal industry[13], Poland has a history on its own of Just Transition and coal regions in transition.

Currently, Poland has a hybrid model of governance for Just Transition where the regions (in Polish Voivodeships) and subregions prepare their TJTPS which then feed into and are complementary to a National Just Transition Plan (NTJP) which is prepared by the central government.

For the implementation of the NTJP, the roles and responsibilities are still unclear. Up to now, the Ministry of Climate and Environment in Poland has initiated the national JT plan, however it was the Ministry of Funds and Regional Policy formally responsible for preparing the operational program and submitting it to the EC.

For the TJTPs instead, each province involved has set up dedicated working groups which are composed of a variety of stakeholders and societal groups. In Poland, 7 TJTPs[14] were submitted, covering 13 subregions (NUTS3 and NUTS 4 levels) which are in 6 regions (NUTS 2 level). 3 TJTPs have already been approved by the EC for JTF funding.

The state of play of these TJTPs however greatly differs from region to region, especially due to the diverging climate ambitions between each of them. Depending on the region also, some working

[10] https://ercst.org/event/just-transition-governance-and-financing-across-eu-member-states/
[11] file:///Users/marinamonciatti/Downloads/kjna29292enn%20(1).pdf
[12] Stated by Ministries but not yet legislated
[13] Including coal power plans and coal mines
[14] Silesia, Walbrzyski, Zgorzelecki, East Wielkopolska, West Malopolska, Lubelskie, Łódzkie for more information on the regions and subregions that fall under the TJTPs please refer to – https://ercst.org/wp-content/uploads/2021/12/Full-presentation-Adam-Drobniak.pdf

groups have generally been quite inclusive and transparent. On the TJTP implementation process, some plans lack sufficient diagnosis of the main challenges to be addressed and possible strategies of how to deal with system changes, as for example in the Ludzkie and Lubelskie regions.

Some of the questions that arise on the governance aspects of Just Transition in Poland are: how will the implementation of the funds be tackled at the Ministerial level? How to ensure a participatory implementation process with a bottom-up approach? How to level up ambition and speed of action between the different coal regions in transition? What is the long-term socio-economic vision for the regions in transition beyond the JTF?

For the magnitude and socio-economic importance of the coal industry in Poland, we recommend creating an inter-ministerial coordination working group or body that would bridge the communication gap between the different Ministries involved in Just Transition in the country, while also providing more transparency and clear accountability. Additionally, authorities should facilitate active fora for collaboration between national, regional, local governments, municipalities, and all involved stakeholders.

B. Spain

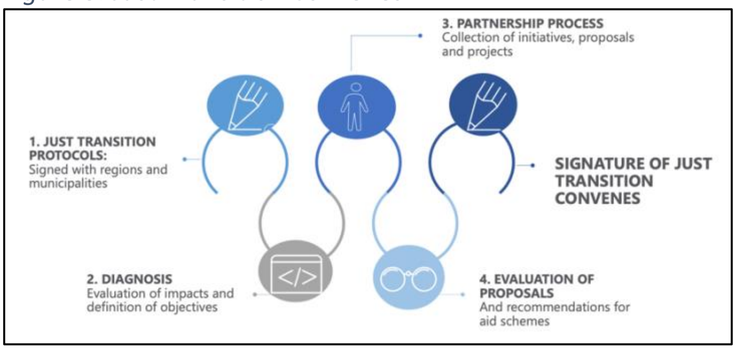
In Spain, all coal mines have been closed in 2018 and the country is now in the process of phasing out all coal power plants. Numerous regions are also in the process of transitioning from their GHG-intensive industries. The TJTPs have been prepared for eight regions[15] and one additional area[16].

The process in the country is overseen by the Just Transition Institute, a dedicated body under the Ministry for the Ecological Transition and the Demographic challenge. The modus operandi foresees the preparation of one just transition plan reflecting the necessities of each territory, with the Institute acting as coordinator. Additionally, there will be steering committees with the participation of partners and relevant stakeholders.

With the umbrella Institute collecting all the information under one body, better coordination, criteria harmonization for the different territories and higher visibility of the JTF are ensured. It also enables for a more holistic JT approach and better preparedness for system change at the national level.

The Institute has a strong process of diagnosis of the challenges, evaluation of the possible impacts and definition of objectives as solutions to the identified territories (see figure 3).

Figure 3. Just Transition Convenes



Source: *Presentation by the Just Transition Institute during ERCST workshop, 2022*

[15] Asturias, León, Palencia, Cádiz, A Coruña, Córdoba, Almería y Teruel
[16] Municipality of Alcudia and surrounding municipalities affected by the phasing-out of a coal power plant

Lastly, it is worth mentioning that the national TJTP is accompanied by a dedicated component (C10) in the Spanish Recovery and Resilience Plan of EUR 300 M. It entails infrastructure for municipalities in transition, reskilling and upskilling for workers, R&D projects for low carbon energy sources (green hydrogen and energy storage) and environmental restoration of lands affected by coal mining. This funding and projects would support and accelerate the actions under the TJTPs.

In the last few years, Spain has been successful in closing all their coal mines and are on a clear path on how to approach the closing of the remaining operating coal plants. The government has a strong Just Transition governance structure in place with clear accountability from the JT body and a proactive, timely and efficient approach to the issue.

A question that remains unanswered however is: after the coal regions will be tackled what will happen with the hard to abate industry in Spain –especially for the steelmaking and chemicals sectors? Is there a vision or plan to efficiently decarbonize those sectors while alleviating the subsequent social impacts – unemployment, income loss, GDP loss, potential migration? Currently, one of the TJTPs for Spain includes a region with heavy industry, however, more funding and innovation will be needed for the other regions as well.

C. The Slovak Republic

The Ministry of Investments, Regional Development and Informatization oversees the Just Transition process in Slovakia. A TJTP has been prepared for 3 regions[17].

The TJTP in Slovakia provides a good analysis of current challenges and provide possible solutions. One of the reasons for this could be the fact that the government has created a strong and inclusive participatory process by setting an inter-ministerial working group where there are 7 other ministries involved in the planning. Particular focus and involvement have been dedicated to youth groups since these regions are facing negative emigration trends damaging the local economies.

The process also involved the creation of thematic working commissions at regional levels under partnership councils (state institutions, public sector, local governments, NGOs, business, etc.) for each of the three just transition regions in Slovakia and one for the national level.

One of the questions from the TJTP in Slovakia is what will be the transition process and key steps to be taken? Is there a long-term vision in place for the decarbonization of these territories?

D. The Czech Republic

The Czech Republic is the third most important country for employment in the coal sector in the EU with circa 21 600 jobs including in coal mines and power plants.

The Ministry for Regional Development coordinates the development of the TJTP and currently, three regional TJTPs[18] are being finalized.

The territorial plan however is currently lacking in several key governance aspects. Even though the plan involves a Transformation Platform, with 35-40 stakeholders, which is responsible for preparing

[17] Upper Nitra, Košice and Banská Bystrica
[18] Ustecký, Moravskoslezský and Karlovarský

and implementing TJTPS, it is lacking the broader inclusion of civil society and especially NGOs in the design and decision-making process. Thus, it remains unclear how inputs from key local stakeholders are being considered in the process. Additionally, the plans seem to lack sufficient details and clear timelines for the transition processes.

What could be the solutions to make the process more inclusive and foster dialogue at all levels? What could be the instruments or technical capacity needs that would help better analyze the transition process and think of longer-term actions?

6. Conclusion and long-term vision

Looking beyond the JTF and the TJTPs, in the longer term, political and economic decisions will have to be made in this context and the basic principle to be followed should be to make Just Transition self-sustainable and cost-efficient.

Conceptualizing the JT approach today should also make sure that economic benefits and a sustainable cash flow are created by the intervention, to become independent from a grant-based instrument such as the JTF in the long term.

In this context, strengthening the JT component within the InvestEU instrument, which provides long-term funding by crowding in public-private capital through EU budget guarantees, will be pivotal for creating a longer-term vision and ensuring the economic sustainability of European regions in need of a JT.

Establishing a visionary and multidisciplinary team for the Technical Assistance, with robust background in environment and finance, will be crucial to ensure workable solutions and in shaping new green markets.

In light of the above, social and environmental objectives for the EU decarbonisation process can only be reached by a well-proportioned mix among market approaches, standards, and regulations in conjunction with a strong political vision and governance framework for an optimal long-term outcome.