



An overview of the EU Just Transition Fund

Key Messages

There is a preliminary agreement between the European Parliament and the EU Council for the forthcoming EU Multi-annual Financial Framework (2021-2027) and the Next Generation EU Fund (2021-2024), including the appropriation for the EU Just Transition Fund. The agreement has to be endorsed by both the Council and the Parliament.

This Fund will assist communities who have challenges in decarbonising of their economies and industries. For Ireland, the Fund will help regions that face significant difficulties in the local labour market from the phasing out of peat and coal for electricity generation and will assist those regions in the transition to a low carbon emissions economy.

The Fund will have an allocation of €17.5 billion to be distributed across EU Member States over the period 2021-2027. Ireland is set to receive up to €77 million from the Fund or 0.4% of the total.

Introduction

The term Just Transition refers to policy measures that mitigate the socio-economic costs for the most fossil fuel-dependent regions and their communities in the process of transitioning to a low carbon economy. There are various regions and communities across Europe which have significant employment in carbon-intensive industries or carbon extractive industries, and in order to achieve the EU objective of a climate-neutral economy by 2050, supports and incentives are being developed to progress the green transition.¹

The EU has developed a Just Transition Mechanism to facilitate such a process. The Mechanism includes a Just Transition Fund. The representatives of the European Parliament and the Council of the EU (EU Member States) reached an agreement on 10 November for the Multi-annual Financial Framework (MFF) for 2021-2027 and the Next Generation EU (2021-24). In the agreement, the EU Council's proposals for **€7.5 billion from the MFF and €10 billion from Next Generation EU instrument for the Just Transition Fund** were accepted.² The European Parliament and European Council still have to approve this agreement.

Ireland could receive up to €77 million from the Just Transition Fund for the period 2021 to 2027. This amounts to 0.4% of the overall total EU fund.

1 European Council (2020) "[Just Transition Fund: Council agrees on its partial negotiating position](#)".

2 European Commission (2020) "[EU's Next Long-Term Budget & Next Generation: Key Facts & Figures](#)".

EU Just Transition Fund

The EU Just Transition Fund (JTF) is a fund to assist communities to meet the challenges of the green transition. The EU JTF is part of both the EU's Multi-annual Financial Framework (MFF) and the €750-billion 'Next Generation EU' instrument, the European Union's recovery programme in response to the Covid-19 virus.³ The fund will invest in specific projects that will generate employment in less carbon intensive industries and help to absorb redundancies from the reduction in size or closure of the exiting factories or plants in the regions.

It is also part of a wider EU Just Transition Mechanism to facilitate the process of transitioning to a low carbon economy. The Mechanism consists of three pillars: a Just Transition Fund, a just transition scheme under InvestEU and a public sector loan facility. The Mechanism is part of the €1 trillion European Green Deal investment.⁴

The EU Just Transition Fund was originally proposed as part of the EU's 2021-27 multi-annual budget. Later the European Commission proposed a fivefold increase in the budget of the Just Transition Fund from its original €7.5 billion allocation to a €40 billion fund.⁵ The proposal was to be financed from two sources, firstly €10 billion from the EU budget appropriations for the period 2021-2027, and, secondly, €30 billion from the 'Next Generation EU' Instrument for the period 2021-2024. The latter instrument is part of the response of the EU and Member States to the economic fall-out from the Covid-19 pandemic.⁶ The EU Parliament and the Council of the EU had alternative proposals (see Table 1). Ultimately, the Council's proposals for **€7.5 billion from MFF and €10 billion from Next Generation EU for the Just Transition Fund** was accepted.⁷

Table 1: European Institutions' proposals for funding of the Just Transition Fund

	Date	Multiannual Financial Framework (MFF)	Next Generation EU	Total
European Commission	28 May 2020	€10 billion	€30 billion	€40 billion
European Parliament	6 July 2020	€25 billion		€25 billion
European Council	21 July 2020	€7.5 billion	€10 billion	€17.5 billion

Source: European Council (2020), "[Special European Council, 17-21 July 2020](#)", European Commission (2020) "[EU budget for recovery: Questions and answers on the Just Transition Mechanism](#)" and European Parliament (2020) "[Just Transition Fund](#)".

The JTF supports include investment in SMEs and start-ups, research and innovation, transfer of advanced technologies, affordable green energy, as well as decarbonisation of local transport.⁸ This is to assist in the long-term process of phasing out production and use of coal, lignite, peat and oil shale, or transform carbon-intensive industries.

³ Bruegel (2020) "[One last push is needed to improve the just transition fund proposal](#)".

⁴ European Commission (2020) "[EU budget for recovery: Questions and answers on the Just Transition Mechanism](#)".

⁵ *Ibid.*

⁶ *Ibid.*

⁷ European Commission (2020) "[EU's Next Long-Term Budget & Next Generation: Key Facts & Figures](#)".

⁸ European Council (2020) "[Just Transition Fund: Council agrees on its partial negotiating position](#)".

The investment support will be based on the specific investment needs identified in the Territorial Just Transition Plans as drafted by the EU Member States and the InvestEU programme (2021 – 2027). The InvestEU programme aims to make funding available to investment, innovation and job creation, using the European Fund for Strategic Investments and 13 EU financial instruments currently available.⁹ Furthermore, nuclear energy, tobacco products and fossil fuels are totally excluded from any investment from the EU Just Transition Fund.

Territorial Just Transition Plans

In order to access the Just Transition Fund, EU Member States will produce and submit Territorial Just Transition Plans to the European Commission. The territorial plans will outline the regions and sector seeking funding from the EU Just Transition Fund. The plans are to include the economic, social and environmental implications for the regions for decarbonising greenhouse gas-intensive sectors. The plans will outline a timetable of the proposed transition process until 2030, in terms of regional economic development, labour market training and reskilling needs, and environmental protection. The plans are to provide key performance indicators and governance mechanisms.

The EU Just Transition Platform offers technical and advisory support to regions and stakeholders. The aim of the platform is to assist regions in unlocking the EU supports available and help the regions absorb the funds.

Allocation of Just Transition Funds to EU Member States

The allocation of the Just Transition funds to EU Member States is determined by an economic, social and environmental criteria, as outlined in Table 2.

Table 2: The Economic and Social Indicators of the EU Just Transition Fund

Economic Indicators	
1.	Greenhouse gas emissions of industrial facilities in regions where the carbon intensity of those emissions exceeds the EU average
2.	The production of peat
3.	Production of oil shale
Social Indicators	
1.	The level of employment in the mining of coal and lignite
2.	The level of employment in industry in the regions where the carbon intensity of those emissions exceeds the EU average

Source: European Commission (2020) [Allocation method for the Just Transition Fund](#).

The economic indicators account for half of the criteria and the social indicators account for the other half of the allocating criteria. However, there are several adjustments to the criteria to balance the funding between the Member States in order to provide appropriate level of funding for the least developed Member States. To implement this, GNI per capita is factored in, specifically the difference between Member States' GNI per capita and the average EU GNI per capita.

⁹ European Commission (2020) "[What's next? The InvestEU Programme \(2021-2027\)](#)".

The allocation of funds per Member State is outlined in Table 3. The table shows that significant investment will be earmarked for Germany, Poland, Romania, Bulgaria due to the sizes of their economies and their reliance on fossil fuels or energy intensive industries. The level of funding Ireland is to receive is comparatively small, however it is relatively in proportion to the size of the Irish economy and the size of its fossil fuel industry.

Table 3: Allocation of the EU Just Transition Fund (€ millions 2018 prices)

	MFF 2021-2027	Next Generation EU	Total	Share
Belgium	71	95	166	0.9%
Bulgaria	505	673	1,178	6.7%
Czechia	640	853	1,493	8.5%
Denmark	35	46	81	0.5%
Germany	966	1,288	2,254	12.9%
Estonia	138	184	322	1.8%
IRELAND	33	44	77	0.4%
Greece	324	431	755	4.3%
Spain	339	452	790	4.5%
France	402	535	937	5.4%
Croatia	72	97	169	1.0%
Italy	401	535	937	5.4%
Cyprus	39	53	92	0.5%
Latvia	75	100	174	1.0%
Lithuania	107	142	249	1.4%
Luxemburg	4	5	8	0.0%
Hungary	102	136	237	1.4%
Malta	9	12	21	0.1%
Netherlands	243	324	567	3.2%
Austria	53	71	124	0.7%
Poland	1,500	2,000	3,500	20.0%
Portugal	87	116	204	1.2%
Romania	834	1,112	1,947	11.1%
Slovenia	101	134	235	1.3%
Slovakia	179	239	418	2.4%
Finland	182	242	424	2.4%
Sweden	61	81	142	0.8%
EU	7,500	10,000	17,500	100.0%

Source: European Commission (2020) “Just Transition Fund – allocations per Member State” All amounts reflect gross allocations, before transfers for technical assistance (In million EUR, 2018 prices). Totals may not tally due to rounding.

JTF and Ireland

As Table 3 above shows Ireland is set to receive up to €77 million from the Fund or 0.4%. A total of €44 million comes under the Next Generation EU instrument and would be aimed at projects during the 2021-24 period.

One region of Ireland to be particularly affected by climate mitigation policies and decarbonising of the local economy is the Midlands region due to the significant presence of Bord na Móna. The phasing out of peat for electricity generation and home heating will generate a significant challenge to the local labour market, particularly for the employees of Bord na Móna and the businesses that support it.

In addition to the EU policy actions, the Irish Government has also established an Irish Just Transition Fund 2020 and the Office of a Just Transition Commissioner. The Just Transition Fund 2020 is a €11 million fund for retraining programmes of the workers and for supporting employment opportunities in green enterprises in the Midlands region. The fund has three areas of focus: employment and enterprise; training; and community transitioning. It may be a model for other areas.

Analysis of the Just Transition Fund

There have been a number of issues raised about the capacity of the Just Transition Fund to achieve its objectives. The Brussels based think tank **Bruegel**, has pointed out that the funding is limited for the ambition of the objectives of dramatically repositioning and repurposing many regions and sectors across Europe.¹⁰ This includes social support, economic opportunities and environmental rehabilitation. Bruegel has recommended changes to the project eligibility and the allocation methodology of the Just Transition Fund.

In terms of project eligibility, they recommend a refocus on social support for the local populations in the transitioning regions, including reskilling and upskilling projects aligned with the needs of the local labour market. For the work of a Just Transition, the statistical and data analytical capacity of the regional authorities will need to be developed. This will assist in connecting businesses and training supports with the regional labour market. The issue of income support to the regions should be considered, specifically, pension bridging grants for older workers and mobility grants for workers seeking employment in a wider geographical area.

The allocation methodology is recommended to include an assessment of the ambitiousness of the Member States transition plans to the European Commission. Furthermore, Bruegel recommend that the allocation formula uses NUTS level 3 data in the Territorial Just Transition Plans rather than NUTS level 2 data. NUTS level 3 data would capture more granularity about the conditions of the transitioning regions, their fossil fuel industries and their labour markets. There is a possibility that employment in these industries is orientated around local areas (NUTS level 3) rather than wider regions.

Another think tank, the **European Policy Centre (EPC)** points out that Next Generation EU only lasts for four years (2021-2024).¹¹ The challenge of the Just Transition towards a low emissions economy will still exist after 2024 and therefore, the operations should be part of the core programmes of the EU and its MFF. According to the EPC, the funds for Just Transition for 2024 to 2027 will be only €1.4 billion per year.

¹⁰ Bruegel (2020) "[A Just Transition Fund – How the EU Budget can help with the transition](#)".

¹¹ European Policy Centre (2020) "[An opportunity to improve the MFF permanently](#)".



The (EPC) is also concerned about policy incoherence in climate mitigation and just transition, particularly Member States' failure to outline a detailed plans and roadmaps for achieving the emission reduction targets for 2030. This policy challenges are further highlighted by public subsidises of the fossil fuel and livestock sectors by both Member States and the EU.

The **Centre for European Policy Studies (CEPS)** research on coal regions stresses the importance of a more targeted approach to the Just Transition including a place-based measures and regional strategies.¹² This will combine tangible progress on the regional, national and EU economy and improving the environment and climate mitigation by generating an investment-friendly economic environment and aligning various EU and Member States policies and instruments.

¹² Centre for European Policy Studies (2020) "[The time for rapid redevelopment of coal regions is now](#)".