

INVESTING IN CLIMATE-NEUTRALITY AND SOCIAL INCLUSION

Leaving no region behind: the regional importance of the Just Transition Fund and Mechanism



Published in November 2020

INTERVIEW

Peter Berkowitz
Head of Unit, Smart
and sustainable growth,
Directorate General Regional
and Urban Policy - DG REGIO,
European Commission



“[...] the socio-economic consequences of the transition should be anticipated and addressed as of now, through investments to diversify the economy and develop new sectors, and through the establishment of schemes to train and reskill the current and future workforce.”

evpa
INVESTING FOR IMPACT

INTERVIEW

Peter Berkowitz

Head of Unit, Smart and sustainable growth, Directorate General Regional and Urban Policy - DG REGIO, European Commission



1. Which are, in your perspective, the key elements leading to a successful just transition towards climate-neutrality?

The transition to climate neutrality in Europe will pose significant challenges to some territories, in particular those that are dependent on fossil fuels and carbon-intensive industries. In these regions, the transition will require a fundamental restructuring of the economy, structural changes in business models, and new skill requirements. It is crucial to ensure that in these territories, this transformation benefits the economy and the people through the development of new sectors and activities and new opportunities for workers. The transition to climate neutrality can only be successful if it is fair and **endorsed by the citizens**. This means that the socio-economic consequences of the transition should be anticipated and addressed as of now, **through investments to diversify the economy and develop new sectors**, and through the **establishment of schemes to train and reskill the current and future workforce**.

Another key element to a successful just transition is to ensure that it is an **inclusive process, where all citizens and stakeholders are consulted and involved**, including local and regional authorities, young people, trade unions, representative from the industry, NGOs, etc. Grounding the transition at the local and regional level is important in order to create a sense of ownership of the transition amongst citizens. Furthermore, stakeholder involvement is crucial to guarantee that the projects planned are aligned with the needs of the end users.

These two dimensions lie at **the core of the Just Transition Mechanism**, which primary goal is to alleviate the impacts of the transition in the most affected territories. The financial support available through the three pillars of **the JTM will allow**



JTM's primary goal is to alleviate the impacts of the transition in the most affected territories.

to invest in projects to revitalise regions and stimulate job creation. However, **funding is only part of the solution.** Financial support will be underpinned by a strong governance framework and assistance will be provided to regions throughout the

process. To this end, the Commission launched the Just Transition Platform, which is dedicated to providing support to fossil fuels and carbon-intensive regions, to enable dialogue between regions and gather all relevant stakeholders around the table to discuss the needs and solutions to achieve a just transition.



INTERVIEW

Peter Berkowitz
Head of Unit, Smart and sustainable growth, Directorate General Regional and Urban Policy - DG REGIO, European Commission

2. How is the transition of regions supported by the Just Transition Fund and which are the most important elements of this new fund? What type of regional projects can be supported by grants under JTF and what is the target for final beneficiaries?

The objective of the **Just Transition Fund** is to mitigate the social and economic consequences resulting from the transition to carbon-neutrality in the territories most negatively impacted.

The EUR 17.5bn available from the fund for the regions will be provided primarily in the form of grants. The eligible regions will be determined in a dialogue between the Commission and the respective Member State on the basis of a just transition territorial plan. These plans will set out the social, economic, and environmental challenges stemming from the transition to carbon neutrality, give an outline of the transition process until 2030 and list a set of operations and governance mechanisms to be established in order to meet the targets. The submission of plans is a key condition to unlock funding from the JTF as well as from the other forms of financial support under the Just Transition Mechanism.

In terms of the projects eligible to benefit from the JTF, the JTF regulation proposal states that the Fund shall contribute to the objective of 'enabling regions and people to address the social, economic and environmental impacts of the transition towards a climate-neutral economy'. Article 4 of the JTF regulation lists activities that can be supported by the Fund. In practice, it will support activities enabling the economic diversification and reconversion of the territories concerned. This means **backing**

productive investments in Small and Medium-sized Enterprises, creation of new firms, research and innovation, environmental rehabilitation, clean energy, up- and reskilling of workers, job-search assistance and active inclusion of jobseekers programmes, as well as the transformation of existing carbon-intensive installations when **these investments lead to substantial emission cuts and job protection.** As part of the European Semester exercise, the 2020 Country Reports include a dedicated section ('Annex D') presenting the Commission's preliminary views on the target territories and investment priorities for using the Just Transition Fund.

Beyond financial support, the JTF seeks to strengthen governance, capacities and expertise, as well as cooperation, which are often the key success factors to enable the transformation of regions.



Beyond financial support, the **JTF seeks to strengthen governance, capacities and expertise,** as well as cooperation, which are often the key success factors to enable the transformation of regions. Through the Just Transition Mechanism and Fund, advisory support and technical assistance for regions will be provided. In order to help regions and cities facing particular transition challenges, the Commission launched the Just Transition Platform. The platform is a tool to help transition regions and to support all authorities, businesses, trade unions, civil society and any organisation involved in the just transition process.



INTERVIEW

Peter Berkowitz

Head of Unit, Smart and sustainable growth, Directorate General Regional and Urban Policy - DG REGIO, European Commission

3. How does the EC intend to mobilise regional private investors to financially contribute to the transition and the proposed fund?

In addition to the financial support provided through the Just Transition Fund, the two other pillars under the Just Transition Mechanism aim at steering investments from private investors and the public sector. The second pillar of the Just Transition Mechanism, a dedicated just transition scheme under InvestEU, will support economically viable investments by private and public sector entities, following the same rules and principles as the InvestEU Programme.



On the other hand, the third pillar of the JTM, a public sector loan facility managed by the European Investment Bank, will target public sector investments. The facility, combining grant support with European Investment Bank loans, will support public investments for the benefit of the territories the most impacted by the transition towards climate neutrality. This scheme is designed for public sector projects with insufficient own revenues to get easy access to market financing without the grant component.



It should also be mentioned that in the context of the European Green Deal Investment Plan, the Commission is working on creating an **enabling framework for sustainable finance** and

The Commission is working on creating an enabling framework for sustainable finance.

to **guide financial institutions and private investors in identifying sustainable investments**

that, in fine, contribute to the just transition. This is the case of the EU Taxonomy, which classifies sustainable economic activities in order to steer investment in sustainable projects. The Commission services also work on a

climate tracking methodology for measuring the contribution of specific financing and investment operations to climate and environmental objectives.

INTERVIEW

Peter Berkowitz
Head of Unit, Smart and sustainable growth, Directorate General Regional and Urban Policy - DG REGIO, European Commission

4. Could you explain the role of regional strategies in the use of JTF and how do these address the creation of opportunities for private investors?

Existing regional strategies will be fully taken into consideration in the programming of JTF resources. The territorial just transitions plan (TJTP) that each Member State will prepare and submit to the Commission will need to be aligned with other national, regional or territorial strategies and plans. In particular, Article 7 of the proposed JTF regulation requires the TJTPs to be consistent with **territorial strategies**, relevant **smart specialisation strategies**, the **National Energy and Climate Plan** and the **European Pillar of Social Rights**.

Existing regional strategies will be fully taken into consideration in the programming of JTF resources.

sectors where investments are most needed and will enable private investors to identify investment opportunities. While the TJTPs will primarily guide the programming of JTF allocations, they will also enable access to financial support under pillar 2 and 3 of the Just Transition Mechanism.

This will guarantee that the TJTP is grounded in pre-existing strategies and that investments planned under the JTF contribute to regional and national targets and objectives. TJTPs will provide a comprehensive and coherent overview of territories and



Rue Royale 94
1000 Brussels, Belgium
policy@evpa.eu.com

This publication has received financial support from the European Union Programme for Employment and Social Innovation "EaSI" (2014-2020)

