

Eda Bülbül - 15<sup>th</sup> December 2021

## Two Years On: Just Transition Fund and Overview of Its Challenges During the Planning Phase

Two years ago, in December 2019, the European Commission announced Europe's 'man on the moon' moment with the European Green Deal. This also marked the birth of the Just Transition Mechanism for the EU. President von der Leyen declared that the transition would leave no one behind and added "this transition will either be working for all and be just, or it will not work at all"<sup>1</sup>.

Although it may seem like a new concept for many in Europe, the Just Transition concept itself is a few decades old. Originating in the United States, Just Transition initially aimed to find the sweet spot between protecting the environment and the rights of the coal miners during the closure of coal mines. Even though environmental protection is still a valid argument for closing down coal mines, the advent of the Paris Agreement meant climate change became a more prominent reason. When the IPCC report underlined that without a coal phase-out, limiting global warming by 1.5 degrees will simply not be possible, Just Transition emerged as a crucial part of this operation<sup>2</sup>. Especially in those areas most affected by coal phase-out, Just Transition can be considered as a prerequisite for socially accepted transition. Driven by climate action, the Just Transition concept was framed by ILO around a decent work agenda; rights at work, social dialogue, social protection and employment<sup>3</sup>. This encompasses several things for the workers; the right to collective bargaining, therefore active participation in the development of transition plans, access to health care and income during the period of transition, job creation and upgrading.

### EU's Take on Just Transition

Maybe Europe was not the first continent to put a person on the moon but with the Green Deal, it aims to become the first climate-neutral continent by 2050. This means Europe will move away from the title "European Coal and Steel Community", to become a coal-free continent in a century. Symbolic

though this may be moving to a carbon-neutral future also has enormous consequences particularly for a) fossil fuel and other carbon-intensive sectors including both coal and steel, b) regions and member states that are dependent on these sectors to survive and thrive, c) citizens; those who work in these sectors, who live in the regions and who can't afford to pay for the costs this transition will bring, in other words, traditionally side-lined vulnerable citizens.

More concretely, a low carbon future for Europe means the need for alternatives for over 200,000 coal miners and coal power plant workers, over 6000 peat workers, around 5000 shale oil workers and over 130,000 workers employed in indirect jobs as estimated by the Joint Research Centre<sup>4</sup>. Although the Commission has managed to mainstream the green agenda among all of its policies and funds, the Just Transition Mechanism has been at the core of the response for the protection of the most impacted workers, regions, and sectors. It has one specific objective; "enabling regions and people to address the social, economic and environmental impacts of the transition towards a climate-neutral economy"<sup>5</sup>.

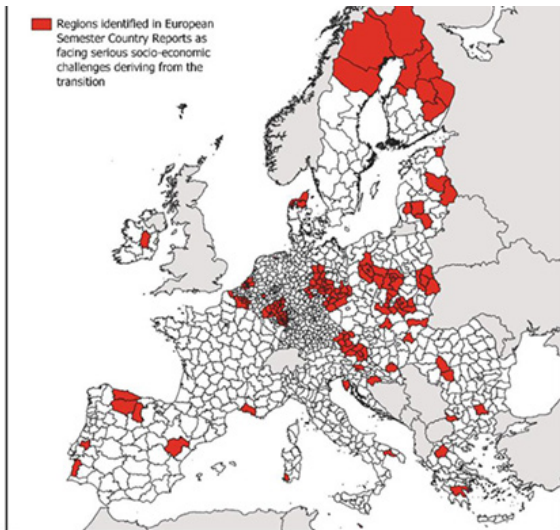
To achieve this, the Commission designed the Just Transition Mechanism under the Cohesion Policy. The Just Transition Fund (JTF), InvestEU "Just Transition" scheme, and Public Sector Loan Facility are the three pillars of this mechanism. The JTF budget which was initially planned to be EUR 7.5 billion (at 2018 prices) has increased to EUR 17.5 billion with EUR 10 billion coming from the NextGenerationEU fund and the two other pillars are expected to provide well over EUR 10 billion each<sup>6</sup>.

To allocate this funding, the Commission published the pre-allocations plan and proposed eligible territories for this fund in February 2020 (Figure 1). The calculation weighs up several factors such as greenhouse-gas emissions and how high they are compared to the EU average, employment in coal and lignite mining, industrial employment, peat and oil

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shale employment; all in the NUTS-2 level<sup>7</sup>. It initially proposed a ceiling of EUR 2 billion per Member State, then with the additional 10 billion coming into the fund, this ceiling was also withdrawn. Currently, Poland is expected to receive EUR 3.5 billion which is equivalent to 20% of the available funding with JTF<sup>8</sup>.

Figure 1: Proposed Territories for JTF



Source: <https://www.robert-schuman.eu/><sup>9</sup>

To unlock this funding, Member States have to develop their Territorial Just Transition Plans (TJTP) either as national or regional (NUTS-2 or NUTS-3 level) plans. Through these plans they can tackle the emissions a) from declining sectors; coal, lignite, peat, shale oil, petroleum refineries, and fossil fuel-based energy production, and/or b) from transforming sectors; metals, chemicals, cement, fertilizers, and others, such as plastic and paper. The activities that are supported under JTF should be aimed at “a) economic diversification and reconversion, b) re-skilling and job-seeking assistance for workers, c) giving support to climate and environmental sustainability”<sup>10</sup>.

With JTF, it is clear that there is no one-size-fits-all solution. Even within the same Member State, the needs of the regions can differ from one another drastically. As the Member States work on developing the plans, new challenges are emerging across the states and territories.

### Identified Challenges during the Preparation Phase of the Just Transition Fund

Just Transition Platform Meetings organized by the Commission in November 2021<sup>11</sup> showed that there are shared challenges across the Member States, Re-

gional and Local Authorities. This paper presents four main challenges identified during the preparation period for JTF; 1) funding fatigue or synergies with other commitments and fundings, 2) targeting in terms of intensity and location, 3) timing as currently there is a delay in the timeline, and finally, 4) a partnership principle that does not guarantee meaningful participation and social dialogue.

#### 1) Funding fatigue

Similar to any other EU funding, JTF has to work in synergy with the current policies and funding. This includes the Commission’s upgraded plans for emission reduction, National Energy and Climate Plans and Recovery and Resilience Facility. Furthermore, as part of the Cohesion Policy, the JTF is designed to be supplemented by the European Regional Development Fund (ERDF) and European Social Fund+ (ESF+). Member States can access JTF if they re-allocate between 1.5 to 3 euros from ERDF and ESF+ for each euro requested. Bruegel’s analysis shows that this creates an additional layer of complexity and also blurs the distinction between the aim of JTF and other bodies<sup>12</sup>. For instance, the Commission Staff Working Document suggests that JTF should be focused on reskilling, upskilling and mitigating the negative socio-economic impact of the transition, while ERDF can be utilized for the deployment of technology and infrastructure<sup>13</sup>. However, the vast majority of the activities are eligible for both funding opportunities. It may be clear and seem complementary from the EU point of view, but when it comes to designing TJTPs, this creates confusion for the authorities outside of Brussels.

Additionally, the ministries can be overburdened while juggling these different types of funding. As openly discussed by the Adviser to Finland’s Ministry of Economy and Employment during the ‘Just Transition Platform Meeting in November 2021, coordinating 14 TJTPs on top of ERDF and ESF+ is not easy especially considering that each TJTP should plan for all three pillars of the Just Transition Mechanism.

#### 2) Targeting

Another challenge with the development of TJTP is the right targeting. After the process of identifying the most impacted, therefore eligible regions, was completed, negotiations began between the Member States and the Commission and are still ongoing as of November 2021. As stated in the Staff Working Docu-

ment, the extension requests can only be accepted if there is a clear transition process by 2030. This is problematic considering some Member States plan to delay the transition as long as possible. For instance, for Poland, this is a tough commitment to make with JTF in the absence of a clear transition policy at the national level. This became more apparent when the lignite Mine in Turów was excluded from JTF<sup>14</sup> due to the planned operations until 2044 and the lack of a clear transition process before 2030. On the other hand, at the ESPON meeting in June 2021, Polish authorities declared that they had successfully negotiated several more regions for the JTF<sup>15</sup>. In total eligible regions on NUTS-3 level increased from 9 to 16. This was not a special case for Poland, for instance, Finland managed to successfully negotiate doubling the number of eligible regions from 7 to 14.

The negotiations and the changes made as a result have made one thing clear; the interpretation of the JTF's actual target has varied from one actor to another significantly. While the Commission has repeatedly maintained that the JTF is a small fund and therefore should be targeted at those regions that create an obstacle for the Member States to reach their climate goals, for the Member States it was just another form of funding to provide them with the largest possible sum for as many places as possible. Therefore, during the development processes of TJTPs, no one was sure whether to target the low hanging fruits, high hanging fruits, or maybe even all the fruits.

### 3) Timing

Not only the complexities with targeting but also the pandemic created delays in the timeline of TJTP development. The Platform meeting in November 2021 revealed that only two Member States have submitted their TJTPs to the Commission for official approval and the rest are still developing their plans. In the case of Slovakia, the question of whether the Banská Bystrica region is eligible or not was still being discussed during the meeting<sup>16</sup>.

Considering the initial aim was to start the funding at the beginning of 2022, the fact that the Commission is expecting around 70 plans that are yet to be submitted, reviewed, given feedback, revised, reviewed again and approved, it can be argued that there will be further delays in finalizing the development process.

### 4) Partnership

TJTPs are expected to be developed in accordance with the partnership principle of the Commission. Concretely, this means on the template of the TJTPs, under the governance part, there is a box called 'partnership' and it asks the responsible party to draft; 1) how they involve the partners in the preparation, implementation, monitoring and evaluation of the plan, and 2) what is the outcome of public consultation<sup>17</sup>.

Recently, WWF developed a Just Transition Scoring Tool<sup>18</sup> to support the assessment of the TJTPs, and partnership is included as one of the principles that the plans are assessed against. Under this section, several indicators have been developed to measure the transparency, meaningful partnership, time and money put aside for the participation processes, and the inclusion of social dialogue and collective bargaining into the plans. The initial report based on 14 draft TJTPs, mainly from Central and Eastern Europe, shows that there is big room for improvement for the partnership section. The plans often lack a) sufficient identification of stakeholders, b) conducting consultations with the public and c) planning a clear social dialogue throughout the programme lifetime<sup>19</sup>. Similarly, another report claims that, in Bulgaria, the process was so far away from being transparent, trade unions had to consult environmental NGOs for more information about the Just Transition process in the country<sup>20</sup>.

The Platform meeting showed that the Commission is aware and vocal about the need for improvement in the partnership section. During the development of the plans, the Commission published the Youth for Just Transition Toolkit<sup>21</sup>. It also provided the Member States with an opportunity to receive technical support to develop their plans. However, without a clear assessment of the partnership principle, as well as the minimum threshold for partnerships, the toolkits or technical support cannot make a significant change. Currently, the partnership principle is at risk of being sacrificed first, due to convenience and time pressure. In particular, for the Member States with a weak democratic culture, the issues around participation, social dialogue and gender tend to emerge repeatedly with the JTF.

## Way Ahead for Just Transition

2022 will be a busy year for those who are in Brussels working for the JTF. The TJTPs coming from all around Europe, from different regional levels, will have to be finalized. In the EU's 2022 budget, 1.2 billion is already dedicated to the JTF<sup>22</sup>.

It is not surprising that the Commission, as well as the Member States, are aware of the challenges listed above. So far, some of the bureaucrats have come up with informal yet creative solutions to overcome these challenges. For instance, Slovakia has asked for 'an informal call for proposals', ie. to collect tangible project proposals from the JTF regions early on, so that as soon as the funding is approved, the contracting process can start. This was a solution

designed to beat the time pressure; not only for the development of the plans but also for the absorption of funds. As for Finland, the authorities convinced the Commission to receive feedback on three pilot TJTPs in order to clarify expectations and take some lessons learned for the 11 other TJTPs.

While the past two years were spent negotiating and drafting, it is important to highlight that if the challenges are not addressed at this preparation phase, it will be too late and too hard to address them during the implementation. Therefore, the Commission has to increase its effort to push for higher quality plans with clear goals and an inclusive agenda. Otherwise, JTF will leave some people and territories behind.

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