JUST TRANSITION NOTHING ABOUT US WITHOUT US!
Achieving Just Transition requires industrial workers' voice.

Financing the Just Transition:
An EU overview

industriAll EUROPEAN TRADE UNION
syndex KNOWLEDGE FOR ACTION

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Table of contents

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Introduction

Accelerating climate change is highlighting more than ever the need for our productive sectors to transition towards a carbon-neutral economy. Nevertheless, such a transition, needed within a span of just a few decades, is not without socio-economic risks. Indeed, moving toward a greener economy requires major investments, but also tremendous sectoral changes. This is particularly true in the energy sector and in transport and energy-intensive industries. Such upheavals could lead workers in those sectors experiencing rapid changes to see their jobs threatened if nothing is done.

The International and European trade union movement have thus on several occasions stressed the need for a “Just Transition”. The socio-economic risk inherent to the transition toward a carbon-neutral economy must be tackled, preventing it from happening at the expense of workers. Therefore, the trade union organisations initiated the development of the framework of action at the International Labour Organization and in the United Nations Framework Convention on Climate Change. In 2015, the Paris Agreement recognized that policy implementation should take into account *“the imperatives of a Just Transition of the workforce and the creation of decent work and quality jobs”*. Indeed, the International Trade Union Confederation defines the Just transition as a transition that *“secures the future and livelihoods of workers and their communities in the transition to a low-carbon economy. It is based on social dialogue between workers and their unions, employers, and government, and consultation with communities and civil society”*. Building on these demands, the ILO adopted Guidelines for a Just Transition in order to offer a framework that countries can make use of, adopted through tripartite consensus, to guide the transition to low carbon economies.

At EU level, the last few years have seen the emergence of new legislatives packages presented as an answer to the challenges raised by the workers’ movement. The Just Transition Mechanism seems to be the most obvious tool established by the EU to control and regulate the social risks associated with the transition. The mechanism is made up of three pillars to finance the transition: the Just Transition Fund; a dedicated scheme under the InvestEU programme; and a Public Sector Loan Facility provided by the European Investment Bank.

But those three pillars are not the only ones available to finance the transition. Structural funds and other programmes (the European Regional Development Fund (ERDF), the European Social Fund+ (ESF+), the European Globalisation Adjustment Fund for Displaced Workers (EGF), the European Modernisation Fund, etc.) can target workers, especially with regard to their up-skilling. Member States have also dedicated specific funding through the EU recovery plan, insofar as they are not designing their own initiatives. Moreover, some extra-EU players, like the European Bank for Reconstruction and Development (EBRD), have specific programmes aiming to support a Just Transition. We thus find a “patchwork” of initiatives in Europe, making it difficult to assess the consistency and relevance of their added value at first glance.

This report aims to provide a comprehensive overview and a “state of play” of the various sources of funding being set up at EU level to finance the Just Transition.

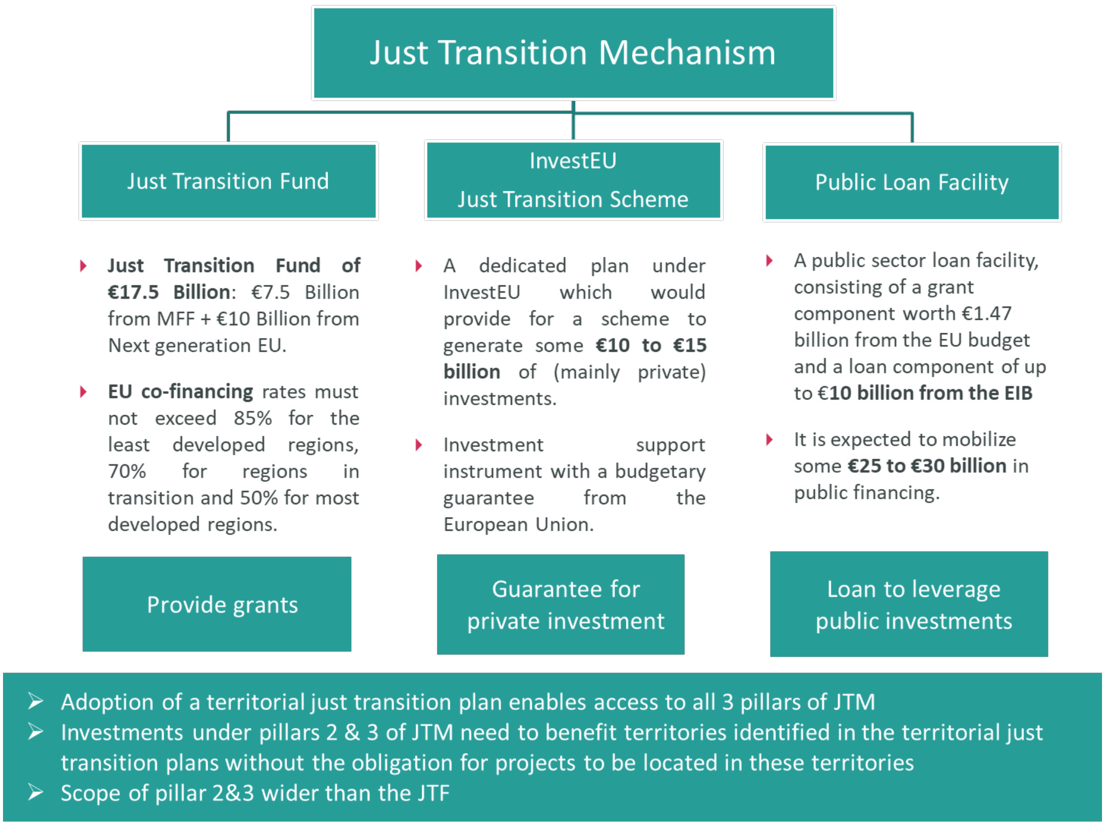
1. The Just Transition mechanism

The “**Just Transition Mechanism”** (JTM) is part of the “Sustainable European Investment Plan” which, prior to the proposal for a European recovery plan, aimed to mobilise 1,000 billion euros of financing for the green economy by 2029, essentially through the multiannual budget and the “InvestEU” programme. Thus, it is one of the tools implemented within the framework of the European Green Deal.

It **aims to** support those regions most affected by the energy and ecological transition through financing and technical assistance: on the one hand, it seeks to ensure the retraining of workers directly affected by the foreseeable cessation of high-carbon-emitting activities, and on the other hand, to enable the economic revitalisation and land restoration of territories located throughout the continent, with a focus on Central and Eastern Europe.

Many of the **sectors concerned** relate to fossil fuels, i.e. coal, oil, natural gas, peat, oil shale and brown coal.

The main thrust of the JTM consists of having the Commission approve “Territorial Just Transition Plans” drawn up by Member States in accordance with “National Energy and Climate Plans” (NECPs) setting goals in this area for 2030. Once approved, funding is released from three main sources for the duration of the next multiannual financial framework (MFF). Indeed, this vast mechanism is based on three pillars combining European, national, local and private and public funding, as detailed below.



1.1 Just Transition Fund (JTF)

The idea of creating a “Just Transition Fund” was floated by the European Parliament in 2016 and again in 2018, before being endorsed by the European Council in December 2019 on adopting the “European Green Deal”

Objective of the Just Transition fund

The JTF aims to mitigate the negative effects of the climate transition by supporting the territories most affected and the workers concerned. The measures supported thus aim to contribute directly to cushioning the effects of the transition by financing the diversification and modernisation of local economies and mitigating the negative impact on employment.

The JTF was endorsed on 7 June 2021 when the European Council adopted the Regulation[1].

Programming and territorial Just Transitions plans

On the basis of an analysis conducted by the European Commission, Member States are to draw up one or more “Territorial Just Transition Plans” (TJTPs) mapping the transition process until 2030, in line with the National Energy and Climate Plans (NECPs) and the transition to a climate-neutral economy. They will thus designate the territories most affected and in need of support.

In February 2020, the Commission published a document on “the adoption of the investment guidelines for the Just Transition Fund for the period 2021-2027” (also called “Annex D”). This first analysis, based on the study of the TJTPs submitted by the Member States to the Commission, establishes the list of territories eligible for JTF funding. 100 regions at “NUTS 3” level have been pre-selected *(see map of regions on next page and the list of regions in Annex 1).*

NUTS: Nomenclature of Territorial Units for Statistics

The NUTS classification (Nomenclature of Territorial Units for Statistics) is a hierarchical system for dividing up the territory of the EU and the United Kingdom from an economic perspective. It is used as a reference for the collection, development and harmonisation of regional statistics, for socio-economic analyses of the regions and for the definition of EU regional policies

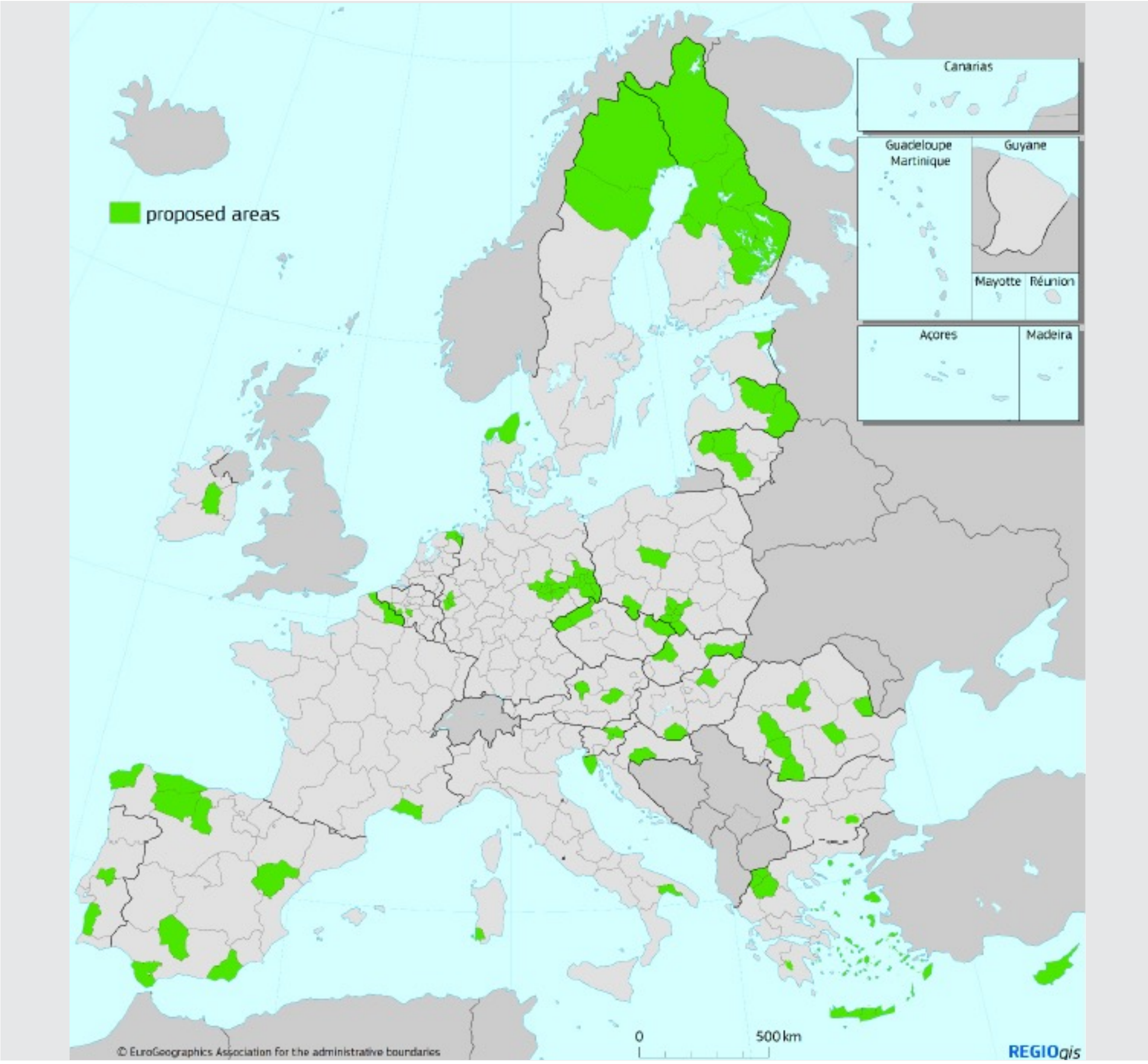
- **NUTS 1**: major socio-economic regions
- **NUTS 2**: basic regions for the implementation of regional policies
- **NUTS 3**: small regions for specific diagnoses

The current NUTS 2021 nomenclature lists:

- **92 regions at NUTS 1 level,**
- **242 at NUTS 2 level,**
- **1166 at NUTS 3 level.**

1 Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund

Just Transition Fund territorial eligibility - Preliminary Commission analysis



Source: Annex D - European Commission

The European Commission services published a working document on Territorial Just Transition Plans (TJTP) on 23 September 2021.

This document recalls the context of the European Green Deal and the Just Transition Mechanism and specifies the method (with examples of criteria) of acceptance or refusal of Territorial Just Transition Plans (TJTP) by the Commission.

In a first part, the document details the conditions of eligibility of the territories of the Member States. It specifies that "*when a Member State requests (in a draft Just Transition Territorial Plan, a draft program or a proposal to modify an existing program) the inclusion of additional territories (compared to the geographical scope previously proposed or to a Just Transition Territorial Plan previously adopted by the Commission), its application will be assessed on the basis of the elements described above, taking into account the definition of the region and population covered, the declining or transforming sectors affected by the transition, the negative socio-economic impact and the consistency with the geographical priorities identified by the Commission (including the implicit aid intensity). The Commission will formally take a position on these applications by adopting or amending the respective programs*".

Secondly, the document specifies how member states should detail the transition process that will be implemented, including a timetable for the main steps in the transition to the 2030 climate and energy targets and the 2050 climate neutrality objective. It states that: *"The latest update of the NECPs and the Commission's assessment of the final NECPs, including higher targets where appropriate, should be taken into account"*. The transition process should refer to the timing of cessation or significant reduction of fossil fuel extraction, production or use, or the timing of transformation of activities, processes, and outcomes in GHG-intensive sectors.

It is stated that *"In territories where there are doubts about the implementation of a transition process due to the continuation or opening of fossil fuel activities, a case-by-case assessment of the justification presented in the draft territorial transition plans should be carried out, taking into account two conditions"* (non-significance of GHG emission reduction targets; a plan to open a new fossil fuel-based extraction or production facility).

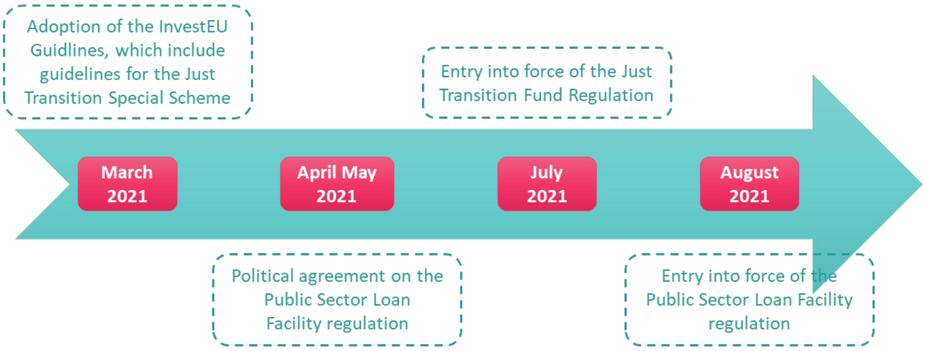
The document then presents the main themes on which the JTF investments should focus, namely economic diversification and worker/job seeker skills. Other eligible activities (listed in the JTF regulation), to be considered as priorities, must be justified by their contribution to mitigating the consequences of the transition and by their link with the transition challenges set out in the territorial Just Transition Plan.

Three final sections seek to clarify the issues of programming, partnership, and complementarity.

As a reminder, the JTF is a shared management fund, i.e., the Commission and each Member State must adopt a partnership agreement and programme(s), within which the territorial Just Transition Plan(s) will be submitted. The Territorial Just Transition Plan will then be evaluated under the standard program evaluation procedure.

On the issue of partnerships, the Commission services recall that "*the participation and engagement of the public and all stakeholders is essential to the success of the JTF"*. They add that "*Local stakeholders, in particular economic and social partners (such as trade unions, including those representing miners), and bodies representing civil society (including youth organizations, environmental NGOs, etc.) should be systematically mobilized in the debate on the future of their territories."* These different actors should be involved in the different phases: the preparation, the implementation as well as the evaluation of the JTF and the TJTP. In this respect, the working document mentions the role of the Just Transition Platform.

Finally, the document takes up some elements on the two other pillars of the JMT: the InvestEU program and the Public Sector Loan Facility.



Financial resources

Initially endowed with 7.5 billion euros, then upscaled to 40 billion euros when the European recovery plan "NextGenerationEU" was drawn up at the end of May 2020, the JTF was finally set at 17.5 billion euros following negotiations between the European institutions: 7.5 billion come from Multiannual Financial Framework (MFF) resources for the period 2021-2027, plus 10 billion from the European Union's recovery instrument (2 billion euros in 2021, 4 billion euros in 2022 and 4 billion euros in 2023).

Scope of application

Compared to the European Commission's initial proposal, the scope of the Fund was broadened during the debates in the European Parliament. The scope of the JTF includes sustainable investments in:

• SMEs, including microenterprises and start-ups. • Research and innovation activities, including those carried out by universities and public research bodies. • Renewable energy and energy efficiency. • Smart and sustainable local mobility, including the decarbonisation of the local transport sector and its infrastructure. • Modernisation of district heating networks. • Digital innovation.	• Regeneration and decontamination of brownfield sites, including green infrastructure, taking into account the "polluter pays" principle. • Strengthening the circular economy (waste prevention and reduction, resource efficiency, reuse, repair, recycling). • Upskilling and reskilling of workers and jobseekers, as well as job search assistance for jobseekers and their active inclusion. • Education and social inclusion, including investment in infrastructure for training centres and care facilities for children and the elderly.

Eligibility/exclusion criteria for investments

Investments will be eligible only if they fulfil the following criteria:

- They are necessary for the implementation of the Territorial Just Transition Plan.
- They contribute to the transition to a climate-neutral EU economy by 2050 and to the achievement of the related environmental targets.
- Their support is necessary for the creation of jobs in the identified territory.
- They do not lead to industries being relocated.

Exclusion criteria were also added during the legislative process for the regulation:

In the European Parliament's first proposal, the activities excluded from the JTF were "investments in companies other than SMEs", i.e. the fund was not aimed at medium-sized or large companies. This reference has been removed, meaning that, from now on, the JTF is open to all companies except those in difficulty (except those with "authorisation under temporary state aid rules established to deal with exceptional circumstances").

While the European Parliament's proposal excluded from the JTF "operations in a NUTS 2 region where the opening or reopening of a new coal, lignite or oil shale mine or a new peat extraction field is scheduled during the duration of the programme", this wording has been replaced by what we could consider to be a broader, but also less precise, exclusion criterion, namely: "investments related to the production, processing, transport, distribution, storage or combustion of fossil fuels".

In addition, MEPs initially proposed a "derogation for natural gas activities" (under certain conditions). In the end, the possibility of financing gas-related investments was excluded but preserved in the regulation establishing the ERDF and the Cohesion Fund.

Finally, two further exclusion criteria have been added to the list:

- Decommissioning or construction of nuclear power plants
- Tobacco products activities

During the inter-institutional negotiations, it was also decided to make access to the fund conditional on the adoption of a national target for achieving climate neutrality by 2050. Thus, only 50% of the national allocation will be available to Member States that have not yet committed to a national climate neutrality target by 2050, until such a target is adopted.

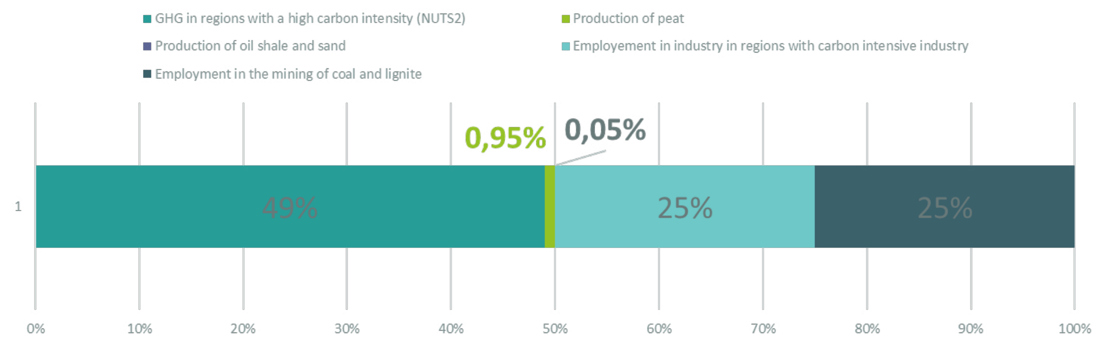
Resource allocation arrangements

▶ Allocation method

The method of pre-allocation of envelopes is defined as follows:

- Greenhouse gas emissions in NUTS 2 regions considered to be carbon-intensive (49% weighting),
- Employment in the coal and lignite mining sector (25% weighting),
- Employment in an industry in NUTS 2 regions considered to be carbon-intensive (25% weighting),
- Peat production (0.95% weighting),
- Oil shale production (0.05% weighting).

JTF allocation method



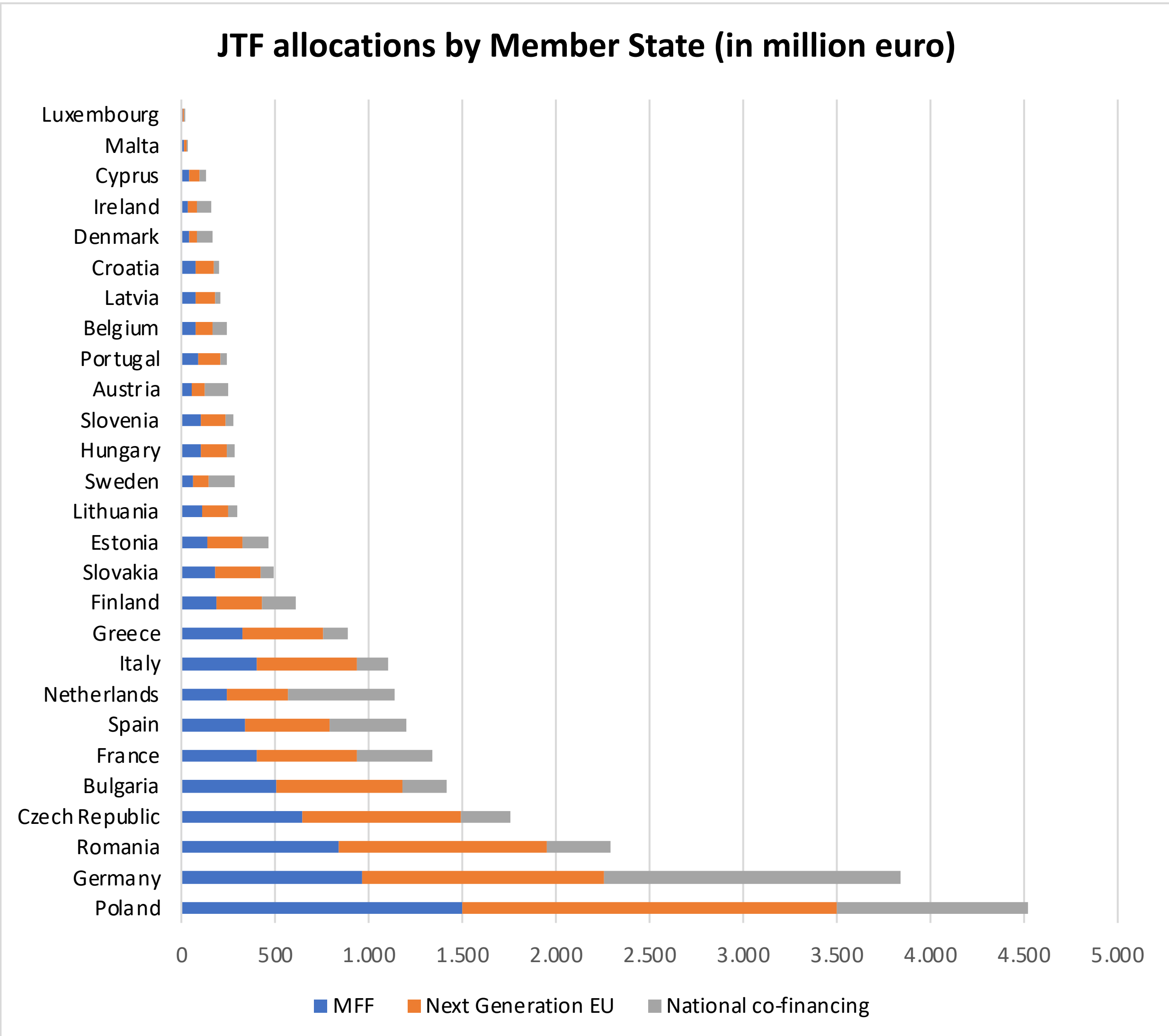
The economic criteria (GHG emissions, production of peat, production of oil shale) and the social ones (employment in coal and carbon intensive regions) have a respective weight of 50% in the calculations.

The economic criteria (GHG emissions, production of peat, production of oil shale) and the social ones (employment in coal and carbon intensive regions) have a respective weight of 50% in the calculations. However, a weight of 25% in the calculus gives a clear "premium" to employment in the sector of mining of coal and lignite.

The allocation method also has a capping and adjustment system. Every country has an upper limit representing 20 % of the overall JTF budget (only Poland reaches this threshold). An adjustment according to Gross National Income (GNI) per capita was also factored in. Finally, each country can pretend to a minimum aid intensity of €14 per inhabitant. It gives the allocation below that was agreed among Member States.

The level of EU co-financing is fixed according to the category of the region in which the identified territories are located: co-financing rates must not exceed 85% for the least developed regions, 70% for regions in transition and 50% for most-developed regions.

Total Just Transition Fund allocations by Member State are shown in the diagram below:



In the European Commission's initial proposal, it was foreseen that Member States would complement their JTF allocation with their ERDF and ESF+ resources through the specific and definitive transfer mechanism as well as with national resources (see Chapter 2). The MEPs proposed decoupling the JTF from the structural funds, thus making the obligation voluntary: this solution was retained in the final text, which provides that "the resources of the JTF may be reinforced on a voluntary basis by additional funding from the ERDF and ESF+".

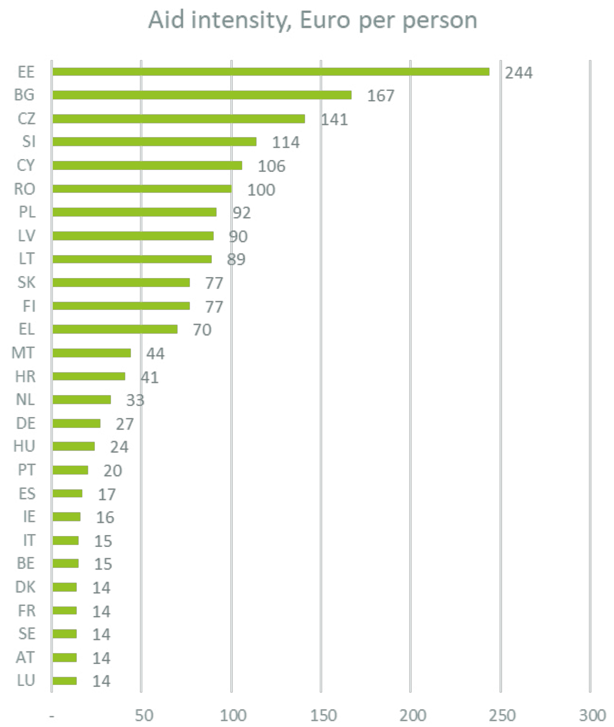
Green rewarding mechanism

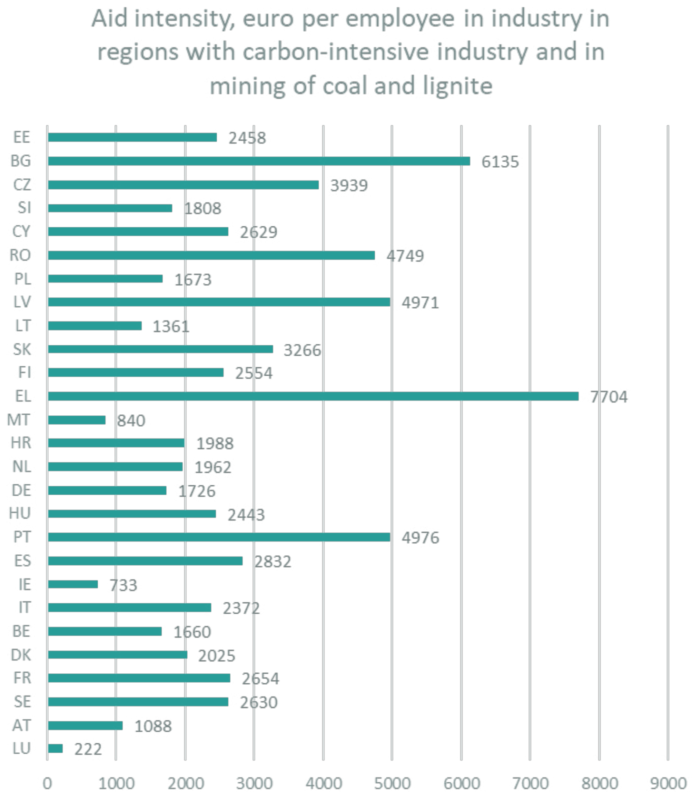
Finally, a "green rewarding mechanism" is foreseen in Article 5 of the Regulation. Promoted by the European Parliament, this will mean that, if the resources allocated to the JTF are increased after 31 December 2024, the additional resources are to be distributed on the basis of the change in greenhouse gas emissions produced by their industrial facilities (with 2018 as the base year). In other words, any Member State that manages to reduce its emissions relative to other Member States will have a larger share of any new resources allocated to the fund after 2024.

Some remarks on this first pillar

▶ Aid intensity varies depending if you look to total population or only the workers concerned by the fund.

The European Commission publishes the aid intensity (meaning the euro per capita for each country) every time a decision is reached on a source of financing in order to demonstrate it fairness. Nevertheless, using the same data used for the allocation method (employment in coal and lignite + employment in regions with high carbon intensity, but without any weight) gives a different picture.





▶ Modest financial means in relation to a broader scope of application

The first reservation concerns the "modest financial means" allocated to achieving the objectives of the Just Transition Fund. Indeed, as the ETUC stated in January 2020, **"**there is a *risk that most of the funds made available will be spent on research and innovation rather than directly benefiting the workers affected. Many could be disadvantaged because Member States would not be obliged to develop Just Transition Plans, which would of course be a mistake." This reservation was partly defused when the European Commission revised the proposal and added the 10 billion euros from the European recovery plan "NextGenerationEU" to the 7.5 billion euros. On one hand because the European Parliament's proposal aimed to assign almost 40 billion euros to the JTF, and on the other hand because the scope proposed in the regulation remains very broad, going beyond simple social support for workers who could lose their jobs as a result of the transition.*

The Bruegel report[2] *compiled for the European Parliament's budget committee proposed a reduction in the* scope of eligible activities to focus on social support and retraining:

- For "social support, further training and retraining", the study proposed that allocations should be made conditional on proof that the retraining provided is in line with the needs of the regional labour market.
- In addition, the JTF could support activities building a region's capacity to collect, harmonize and disseminate labour data, particularly data on skills needs and where workers might find employment. Such data would give workers a better idea of what training programmes might be useful to them, or where employers are looking for the skills they already possess.
- Finally, the JTF could also provide income support for workers in transition, i.e. support for early retirement or mobility support for workers who have to move because of a new job.

▶ The necessary involvement of local players and various stakeholders

The JTF Territorial Just Transition Plans are prepared jointly by the Member States and their territories to identify transition needs and strategies and then submitted to the Commission for approval. The commitment of local and regional authorities will depend on the willingness of Member States to involve them in the process, and on the strength of the Commission's assessment in this respect.

Indeed, not all territorial players (regions, communities, competence hubs, countries) have the same views of the transformation of the industries destined to evolve in the framework of the Just Transition.

Moreover, *it is obvious that the trade unions must play a fundamental role in the elaboration and implementation of a Just Transition in the sense that they have detailed knowledge of the economic sectors in the territories concerned and of workers' issues.*

2 A Just Transition Fund - How the EU budget can best assist in the necessary transition from fossil fuels to sustainable energy

1.2 InvestEU Programme

Objective of the "InvestEU" Programme

The InvestEU programme is a unique investment support instrument with a budgetary guarantee from the European Union. A major element of the European Union's recovery plan, its aim is to provide a single fund uniting fourteen financial instruments to support investment in Europe. In other words, it is limited to European budgetary resources that can be used to underwrite high-risk EIB financing in order to mobilise a large volume of public and private financing. In this programme, however, the EIB Group will compete with other public, multilateral and national financial institutions for the European guarantee, while retaining a lion's share (75%) of it.
Building on the success of the Juncker Plan, the "sustainable infrastructure" component of the "InvestEU" investment support programme will boost private and public investment in Europe in the next EU multiannual financial framework 2021-2027.

The Commission presented its original proposal in May 2018. Following the Covid-19 pandemic, it considered it necessary to propose a strengthened EU investment programme to provide greater support for businesses and ensure a strong focus of private investors on the Union's medium and long-term priorities, including the Green Deal for Europe and the digital transition, as well as increased resilience.

This new proposal:

- revises upwards the amount of the financial envelope initially proposed;
- amends the scope of the proposal to take account of the needs of the European economy after the COVID-19 pandemic.

It aims to build on lessons learned from assessments of the European Fund for Strategic Investments (EFSI) and previous financial instruments (European Interconnection Facility, Horizon 2020, COSME, Competitiveness and Innovation Framework Programme, etc.)

Just Transition Facility within the InvestEU Programme

A Just Transition Facility would be put in place horizontally across all policy strands. It would include investments addressing social, economic or environmental challenges arising from the transition process towards the Union's 2030 climate target and its 2050 climate neutrality objective.

Financial resources

The funding criteria for the JT scheme should not in principle differ from those of standard InvestEU funding, all other things being equal.

The EU has budgeted 26.2 billion euros as a financial guarantee for the InvestEU programme, which is expected to leverage 372 billion euros of Investments. There is no country-specific allocation under either the InvestEU or the JT programme. Projects will be treated on a first come, first served basis.

Types of funding supported

The EU guarantee may be used to cover risks for the following types of financing provided by the implementing partners: loans, guarantees, counter-guarantees, capital market instruments, any other form of financing or credit enhancement, including subordinated debt, or equity or quasi-equity investments, provided directly or indirectly by financial intermediaries, funds, investment platforms or other vehicles for channelling funds to final beneficiaries, financing or guarantees provided by an implementing partner to another financial institution enabling the latter to undertake the financing.

Pillar II of the JTM can be used in conjunction with other EU structural funds, whether grants or financial instruments, without any particular restriction. In other words, the InvestEU Programme can be used as simple commercial financing.

Beneficiaries of the scheme

Eligible beneficiaries are natural or legal persons, including:

- Private entities,
- Public sector entities,
- Mixed entities,
- Non-profit organizations.

Although the guarantee is available to all, this JTM pillar mainly addresses the financing needs of private stakeholders.

Eligibility requirements

In geographical terms, the JTF regions (i.e., selected under the Territorial Just Transition Plans) are eligible.

In addition, projects in other territories are eligible, where these projects would bring benefits to the eligible regions (e.g. infrastructure projects improving the connectivity of JTF regions may be covered).

Scope of application

Investments to address the social, economic and environmental challenges arising from the transition process in the four main themes of the programme are eligible:

a. Sustainable infrastructure:

- Energy sector,
- Sustainable transport infrastructure,
- Environment and resources,
- Digital connectivity infrastructure,
- Sustainable space infrastructure,
- Sustainable tourism infrastructure,
- Offshore development for decarbonization,
- Strategic investments in critical infrastructure.

b. R&D and digitalisation:

- Industrial deployment,
- Recycling and manufacturing facilities for ICT production,
- Health care,
- Defence.

c. SMEs:

- Investments to address market failures,
- Support for underserved economic sectors,
- Accelerated adjustment to structural changes,
- Financing solutions to achieve the objectives,
- Transfer of best practices.
- Social investments and skills:
- Education,
- Training.

Timetable for implementation

The InvestEU timetable has two different timeframes:

- For the resources from the European Recovery Plan, (about 57% of the resources available to InvestEU), the investment period ends on 31 December 2023. Counterparties have to approve 60% of the transactions by the end of 2022 and 100% by the end of 2023,
- For budgetary resources from the MFF, the investment period ends on 31 December 2027.

As regards the call for expressions of interest for implementing partners other than the EIB Group, the intention is to allocate 70% of the InvestEU global guarantee in the first call launched on 30 April 2021 (with two stop dates) and the remaining 30% in a second and possibly a third call, tentatively scheduled for 2023 and 2024 respectively.

1.3 Public Sector Lending Facility

Objective of the Public Sector Lending Facility

The third pillar of the Just Transition Mechanism, the loan facility aims to provide financial support to public sector entities to implement projects contributing to helping those EU territories most affected by the climate transition.
The facility's specific objective is to boost public sector investments responding to the development needs of the territories identified in the Territorial Just Transition Plans, facilitating the financing of projects that do not generate sufficient revenue streams to cover their investment costs. The aim here is to avoid any substitution effect for potential support and investments from other resources.

Financial resources

This facility combines grants financed by the EU budget (€1.525 billion, implemented under the direct management of the Commission) and loans granted on preferential terms by financial partners such as the European Investment Bank (€10 billion).

The budget initially proposed by the Commission – and maintained in the proposal for a regulation of the European Parliament and of the Council – amounted to EUR 1,525 million for the grant component, financed mainly by assigned revenue (EUR 1,275 million) and partly by appropriations to the tune of EUR 250 million from the MFF 2021-2027.

The grant component can be as high as 25% of the loan component for the least developed regions, compared to a ceiling of 15% for other regions.

If new resources are allocated in the future, the facility may also be opened to financial partners other than the EIB. These partners will have to have a lending policy that complies with EU environmental and social standards, EU requirements on good fiscal governance, anti-money laundering and transparency of the projects financed.

In total, the Commission hopes to mobilise between 25 and 30 billion euros of public investment over the next seven years.

Consulting platform

The agreement also foresees support for the preparation, development and implementation of eligible projects being provided to beneficiaries through the advisory platform set up under InvestEU. A maximum amount of 35 million euros (compared to 25 million euros in the initial proposal) is foreseen for these advisory services, of which at least 10 million euros will be allocated to support the administrative capacity of beneficiaries, in particular in less developed regions.

Beneficiaries of the scheme

Eligible beneficiaries are legal entities in the public sector, including bodies governed by public law or by private law with a public service mission.

Eligible entities may include, but are not limited to:

- Local authorities,
- Public institutions,
- Municipal corporations,
- Publicly owned, private law bodies such as water or energy utilities.

Scope of application

The facility is intended to cover a wide range of investments, such as:

- renewable energy and green and sustainable mobility, including the promotion of green hydrogen and efficient district heating networks,
- sustainable energy,
- energy efficiency measures and building renovation measures,
- urban regeneration,
- the transition to a circular economy,
- biodiversity,
- social infrastructure, including health facilities and social housing.

Eligibility / exclusion criteria

Some investments were removed from this list between the first Commission proposal and the proposal for a European Parliament and Council Regulation, including: energy and transport infrastructure, intelligent waste management, land decontamination and remediation, and infrastructure for upgrading, retraining and training.

To be eligible, projects must have a quantifiable impact and include, where appropriate, performance indicators addressing the social, economic and environmental challenges arising from the transition to the Union's 2030 climate and energy target and 2050 climate neutrality target.

The same exclusion criteria as for the Just Transition Fund apply to this third pillar of the Just Transition Mechanism, including investments related to the production, processing, transmission, distribution, storage or combustion of fossil fuels.

In addition, priority is to be given to projects located in less developed regions, projects contributing to climate objectives and public entities with a decarbonisation plan.

The facility will also have to "comply" with the "do no significant harm" principle (the Parliament wanted a stronger wording, making this principle one of the eligibility criteria for projects).

Allocation of funds

According to the provisional agreement, grants will be allocated to eligible Member States under the Just Transition Fund's allocation method until the end of 2025. From 2026 onwards, they will be allocated on a competitive basis until resources are exhausted, with priority given to the least developed regions (those with a per capita GDP less than 75% of the EU average).

The EIB will most likely make financing available in the form of investment loans (large individual operations) or framework loans (grouping of small projects).

- Under an investment loan, financing will be provided for a single predefined project or for a predefined investment programme consisting of a number of projects of sufficient size to justify an individual operation (typically the loan volume is around EUR 25 million).
- Under a framework loan, the EIB will finance a group of smaller investments promoted by a single local authority

The grant part of the facility will be approved by the European Commission, with the appraisal and approval of the grant being delegated to an independent third party. The grant will be conditional on an EIB loan being obtained for the project.

The agreement between the European Commission and the EIB on this scheme is still under negotiation, meaning that implementation arrangements may still change.

Timetable for implementation

In principle, the Public Sector Lending Facility is established for a period of seven years, aligned with the duration of the MFF (2021-2027). National allocations are only available until 2025.

Grants will be awarded through calls for proposals, with each call having its own deadline for submission. The deadline for the implementation of the project will be determined in the grant agreement signed between the beneficiary and the EC, with the grant agreement including certain conditions for disbursement, based on the implementation stages.

As a reminder, this mechanism is currently being validated within the European institutions: at the time of writing, the text is awaiting the Council's position at first reading. The Commission expects the first calls for proposals under the facility to be launched in the second half of 2021.

1.4 Other topical issues

In mid-December 2021, the European Commission presented **a recommendation to ensure a fair and equitable transition to climate neutrality in relation to the 'Green Deal' and the European Social Rights Framework.** According to the European Commission, the green transition could create around 1 million jobs in the EU by 2030 and 2 million by 2050, in particular medium-skilled, and medium-paid jobs, but with varying effects across countries and sectors.

This recommendation provides **guidance on the implementation of employment and social policies to meet the different challenges of the green transition**. This Commission proposal will be discussed by the Member States and once adopted, they will be invited to implement the recommended actions and policies. The follow-up to the recommendation will be carried out by the European Commission as part of the "European Semester" budgetary process.

The four main areas for action are:

1. **Active support for quality employment:** tailored job search assistance, training to develop "green and digital skills", employment programs for people in vulnerable situations. Member States are invited to also use employment and transition incentives to accompany labor market transitions, and to promote job creation and entrepreneurship. These should combine financial measures with advisory services and be designed to be equally accessible to disadvantaged groups.
2. **Equal access to quality and inclusive education, training, and lifelong learning:** develop up-to-date information on the skills needs of the labor market and strengthen support for learning in sectors facing skills shortages. The development of inclusive, quality education and training that enables learners to acquire skills and competences relevant to the green transition is also part of the proposed recommendations. Under the Pact for Skills[3], 450 organizations have so far committed to providing the right skills to 1.5 million people. Skills partnerships between industry, social, regional, and educational partners have been set up, for example in the field of offshore renewable energy. Member States should continue to develop such stakeholder partnerships.
3. **Fair taxation and social protection systems:** propose policies to ensure that tax, benefit, and social protection systems remain fair in the context of the green transition. These measures should support those individuals and households most affected by the Green Transition, including those in vulnerable situations. For example, Member States are encouraged to shift the tax burden from labor and reduce the tax burden on low- and middle-income groups to other sources contributing to climate and environmental objectives.
4. **Access to essential services and affordable housing:** mobilizing public and private financial support for renewable energy sources and energy efficiency. Member States are encouraged to ensure that these actions are accompanied by advice to consumers to better manage their energy consumption and make informed energy saving decisions, with particular attention to vulnerable households and communities. Investment in building renovation, including in social housing, should be prioritized. Measures to prevent and address mobility problems of vulnerable households, in remote, rural, and low-income regions and cities, are also encouraged, including the development of the necessary infrastructure.

This recommendation complements the European Commission's proposal of July 2021 to establish a Social Climate Fund. Furthermore, it builds on, integrates, and complements previous EU guidance to Member States, including the Commission's Recommendation on Effective Active Support for Employment (EASE) and the 2022 Employment Guidelines, as well as existing EU funding and investment instruments.

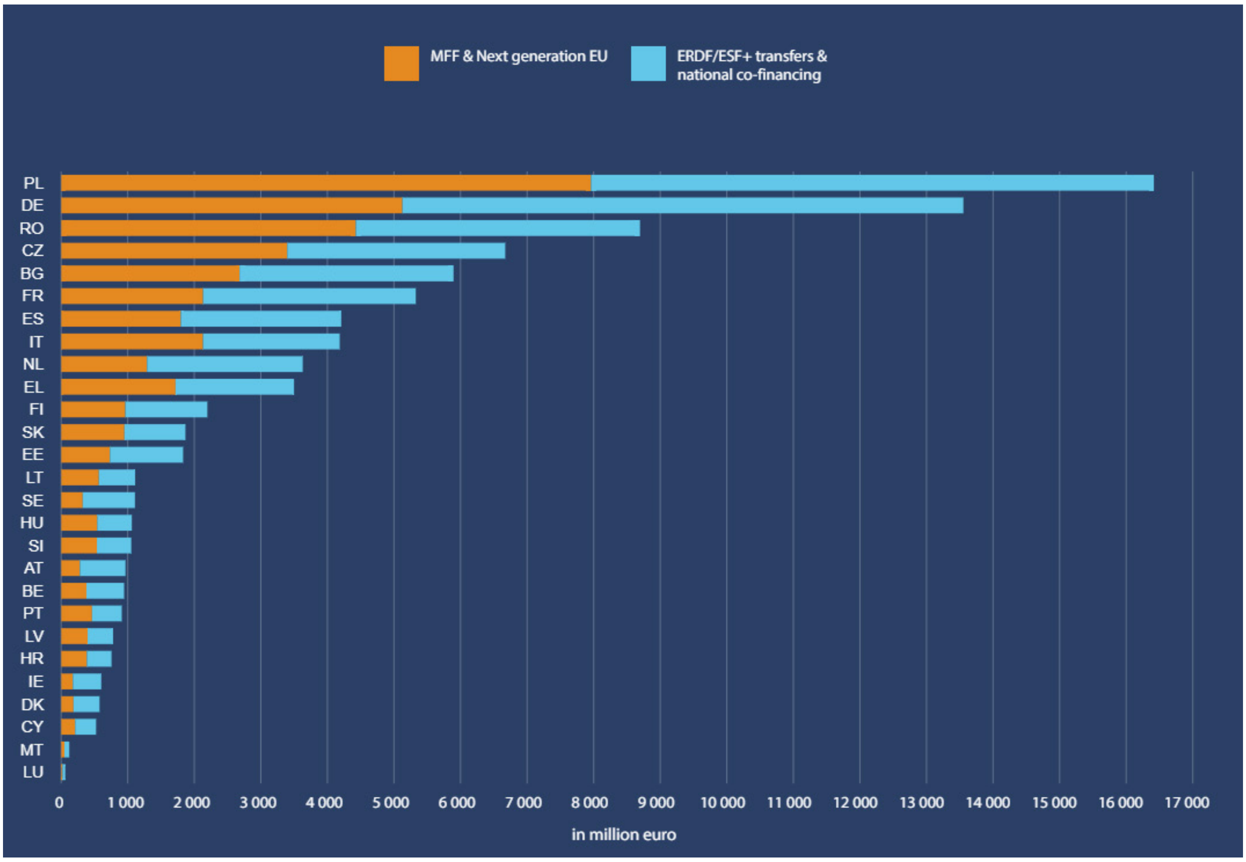
3 The Pact for Skills is for social partners industriAll Europe and Ceemet a tool to provide stakeholders examples of best practices and means to act and step up re- and upskilling making the green and digital transitions.

2. Outside the JTM: Complementary EU funding sources for a Just Transition

2.1 The role of the EU structural funds

In the initial proposal from the European Commission, Member States would have to finance the Just Transition through a mandatory re-allocation from the European Social Fund+ (ESF+) and the European Regional Development Fund (ERDF), complemented by national budget resources. In practical terms, to unlock €1 from the JTF, EU countries would have to re-allocate a minimum of €1.5 and a maximum of €3 from their ERDF or ESF+ envelopes to the JTF and to match it with corresponding national co-financing (according to each region's development category[4]), with a ceiling not exceeding 20% of the national allocation of the two funds. Given the amount initially proposed by the Commission (EUR 40 billion for the JTF), this resulted in a clear estimated total allocation per country as shown in the diagram below.

JTF allocations by Member States
in the Initial proposal of the Commission in May 2020



4 More developed regions, transition regions, and less developed regions.

Nevertheless, under the actually agreed framework, the mandatory re-allocation became voluntary. **Member States may, on a voluntary basis, transfer additional resources to the JTF from their national allocations under the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+)**[5]. However, the total amount transferred is capped: it should not exceed three times the national JTF allocation. Where this is the case, expenditure from the EU budget is to be complemented by national co-financing, in accordance with cohesion policy rules.

The European Regional Development Fund and the Cohesion Funds

The legislation establishes common provisions for the Regional Development Fund, the Cohesion Fund, the Just Transition Fund, the European Social Fund Plus and the European Maritime Affairs and Fisheries Fund. The instruments covered by this legislation together account for around one third of the total EU budget for 2021-2027, or €330 billion in total. With a total budget of €243 billion, or about a quarter of the 2021-2027 Multiannual Financial Framework (MFF), the Regional and Cohesion Funds together constitute the EU's most important investment tool.

- Interreg and the European Regional Development and Cohesion Fund will have to devote at least 30% of their resources to climate action, the circular economy and investments in sustainable growth and job creation, independent of each region's development category.

Countries/regions:	Minimum % of resources for "smarter Europe"	Minimum % of resources for "greener Europe"
Group 1 countries / more developed regions (GNI ratio equal to or above 100% of EU average)	-	**30%**
Group 2 countries / transition regions (GNI ratio between 75%-100% of EU average)	**40%**	**30%**
Group 3 countries / less developed regions (GNI ratio below 75% of EU average)	**25%**	**30%**

- The decommissioning or construction of nuclear power plants, activities related to tobacco products, airport infrastructure (except for the outermost regions), investments in fossil fuels, will be excluded from EU regional funding.
- An exception is made for natural gas projects that replace coal-fired heating systems, the retrofitting of gas infrastructure to allow the use of renewable and low-carbon gases, and public procurement of clean vehicles. A maximum of 0.2% to 1.55% of national ERDF and CF resources can be spent on such investments (these thresholds do not include investments in clean vehicles), depending on criteria related to GNI levels and fossil fuel dependency. Furthermore, projects that include investments in natural gas must be approved by 31 December 2025 at the latest to be eligible for funding.
- To benefit from this funding, Member States will have to comply with the EU Charter of Fundamental Rights, the UN Sustainable Development Goals and the Paris Climate Agreement.

5 See annexes for the Budget breakdown per countries

The European Social Fund+

The ESF+ is a new tool merging four different funds: the European Social Fund (ESF), the Fund for European Aid to the most Deprived (FEAD), the Youth Employment Initiative and the European Programme for Employment and Social Innovation (EaSI). The aim of ESF+ is to provide comprehensive support to youth employment, the up- and re-skilling of workers, social inclusion and poverty reduction, including child poverty. For the period 2021-2027, ESF+ has a budget **of €88 billion** (at 2018 prices)[6]. The aim of ESF+ is to finance actions in the areas of employment, education & skills and social inclusion, in line with the principles set forth in the European Pillar of Social Rights.

The Just Transition objectives are specifically listed as an aim for the period 2021-2027: "a greener, low carbon Europe through the improvement of education and training systems necessary for the adaptation of skills and qualifications, the upskilling of all, including the labour force, the creation of new jobs in sectors related to the environment, climate, energy, the circular economy and the bioeconomy." (Regulation 2021/1057, Art. 4).

2.2 Modernisation Fund and Innovation Fund and Just Transition issues

These European funds are not part of the EU multi-annual budget and are fed by revenues from the auctioning of CO_2 allowances within the EU ETS.

The new EU ETS Directive 2018/410 adopted on 14 March 2018 revised Directive 2003/87/EC to enhance the cost-effectiveness of emission reductions and promote low-carbon investments, and Decision (EU) 2015/1814.

Following the implementation of this new directive on the EU ETS, revenues from the auctioning of EU CO_2 allowances, estimated at €25 billion by the end of 2020, will be made available for the low-carbon transition through two funds outside the European Union's multi-annual budget:
- The European Innovation Fund
- The European Modernisation Fund

These funds can be used to complement funding for investment projects covered by the EU's multi-annual budget.

The level of these two funds will depend both on the volume of CO_2 allowances auctioned and on the price of CO2, which has risen sharply over the past year, almost doubling to reach 60 euros/T CO_2 by the beginning of September 2021.

As foreseen by the new 2018 directive, revenues from 450 million CO_2 allowances auctioned in the EU ETS will feed **the Innovation Fund** during the period 2020-2030. The Innovation Fund aims to create financial incentives for companies and public authorities to invest in the next generation of low-carbon technologies. It builds on the experience of the NER300 programme, the EU's current programme to support the demonstration of carbon capture, utilisation and storage (CCUS) and renewable energy technologies, energy storage and energy-intensive industries.

6 European Commission. (2021, January). ESF+ factsheets.

While the **European Modernisation Fund** has a formal link to Just Transition, with Just Transition projects eligible for its funding, **the Innovation Fund** has a non-formalised link but can have a potential or indirect impact on Just Transition insofar as technological investment projects in an employment area (R&D, pilot and demonstration projects, then industrial and commercial deployment) would promote the retraining of workers who have lost their jobs in declining high-carbon activities and need to look at new low-carbon activities emerging in an employment area. However, the trade union organisations and social partners can only influence the European Modernisation Fund, with the ETF directive establishing the Fund only providing for dialogue with the social partners on investment projects dedicated to Just Transition and financed by this fund at Member State level.

The new EU ETS Directive therefore provides that, with regard to the potential social impacts of the required measures and investments, EU Member States should also use the revenues from the auctioning of allowances to "contribute to a Just Transition to a low-carbon economy by promoting skills development and labour reallocation in social dialogue with communities and regions affected by the transition of jobs".

Article 10 of the new directive thus states that the revenues from the auctioning of allowances must be used to "support a Just Transition in carbon-dependent regions in the beneficiary Member States, so as to support the redeployment, re-skilling and up-skilling of workers, education, job-seeking initiatives and start-ups, in dialogue with the social partners".

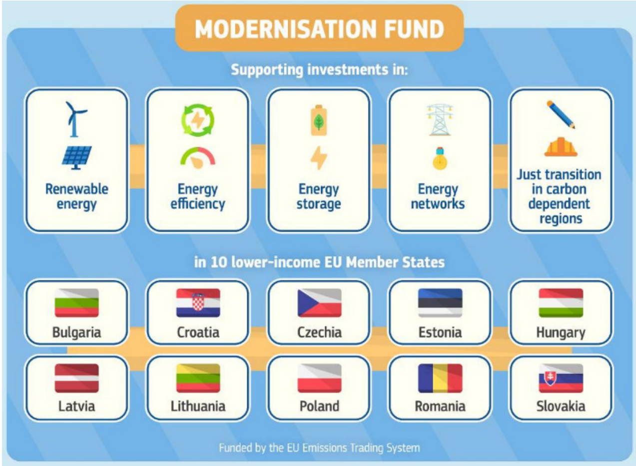
The Modernisation Fund and its challenges for Just Transition

Established by implementing regulation (EU) 2020/1001 of 9 July 2020 for the period 2021-2030, this fund is intended to support investments, in particular for the purpose of financing investment projects for the modernisation of energy systems and the improvement of energy efficiency, in Member States whose GDP per capita in 2013 was below 60% of the EU average, i.e. the 10 new Member States (Eastern Europe).

The Implementing Regulation states that "the implementation of the Modernisation Fund should contribute to the attainment of the objectives of the European Green Deal, by supporting green and socially Just Transition". ... "'The European Green Deal' envisages territorial Just Transition plans as a cornerstone of the Just Transition Mechanism. When an investment under the Modernisation Fund aims at implementation of a territorial Just Transition plan of the beneficiary Member State, that Member State should provide information about the expected contribution of the investment to that plan, with a view of supporting coherence and complementarity with the objectives of the plan."

At least 70% of the financial resources from the Modernisation Fund must be used to support investments in:

- The production and use of electricity from renewable energy sources, as well as the development of other technologies that contribute to the transition to a safe and sustainable low-carbon economy;
- Energy efficiency improvements, except for energy efficiency related to solid fossil fuel energy generation, district heating systems and insulation or financial support for low- and middle-income households in fuel poverty;
- Energy storage;
- The modernisation of energy networks, electricity distribution networks and the strengthening of interconnections between Member States;
- Support for a Just Transition to a low-carbon economy in the carbon-dependent regions of the beneficiary Member States, to support redeployment, retraining and upgrading of workers, education, job-seeking initiatives, in dialogue with the social partners.



Issues of the new legislative and policy package "Fit for 55"

The European Commission's ambition with its new "Fit for 55" package is to significantly increase the revenues from the EU ETS for the two beneficiary funds, the Modernisation Fund and the Innovation Fund, as a result of the extension and strengthening of the EU ETS under the draft revision of the EU ETS Directive 2018, which aims to more than double the revenues allocated to these two funds.

Already endowed with revenues from 2% of the total number of EU ETS allowances for the period 2021-2030 under the current EU ETS – insofar as the European Commission's draft of 14 July 2021 is adopted by the Parliament and the EU Council –, the Modernisation Fund would be increased by auctioning an additional 2.5% of allowances, i.e. 4.5% of the total volume of EU ETS allowances.

The Commission has estimated the height of the fund over the period 2021-2030 to be 14 billion euro based on the average CO_2 allowance price in 2021 (*see Annex 4 for the governance of the funds*).

This additional revenue would benefit those Member States whose per capita GDP is less than 65% of the EU average, i.e. the 10 new Member States (Bulgaria, Romania, Hungary, Slovakia, Czech Republic, Poland, Croatia, Estonia, Lithuania, Latvia). All other things being equal, this draft revision of the EU ETS directive should theoretically more than double the funding of projects dedicated to Just Transition.

The proposal to establish a Social Climate Fund under the EU ETS

The Commission is also putting forward the idea of setting up a new Social Climate Fund to address the social consequences of the EU ETS in the road transport and construction sectors on vulnerable households, micro-enterprises and transport users.

The resources of this new fund would correspond to 25% of the expected revenues from the auctioning of allowances under the new EU ETS over the period 2026-2032.

The facility would provide Member States with funding to support policies and measures to mitigate the social consequences of the extension of the EU ETS, including temporary income support and measures and investments to reduce dependence on fossil fuels through improving the energy efficiency of buildings, decarbonising their heating and cooling – including the integration of renewable energy – and improving access to low or zero emission mobility and transport for European citizens.

2.3 Other instruments of potential use in financing the Just Transition

European Globalisation Adjustment Fund for Displaced Workers (EGF)

The new regulation[7] extending the EGF for the period 2021-2027 broadens the scope of intervention through the lowering of the trigger threshold to 200 workers dismissed and the adoption of new eligibility rules to also cover job losses linked to the coronavirus crisis, and to **restructuring linked to the transition to a low-carbon economy and the digital/automation transition**.

Created in 2007 by the EU, the rationale of this fund was to provide assistance to workers who lost their jobs as a result of changes in world trade patterns resulting from globalisation and subsequently as a result of the 2008 financial and economic crisis. As a general rule, the EGF can be activated when a single company (including its suppliers and downstream producers) lays off over 200 workers, by SMEs in various sectors in the same region or in a particular sector in one or more neighbouring regions. Whereas the European Social Fund+ aims at taking a long-term perspective in anticipating and managing the social impact of industrial change through activities such as life-long learning, the EGF focuses on providing workers with one-off individual support limited in time.

Applicable circumstances:

1. The cessation of activity of at least 200 displaced workers or self-employed persons, over a reference period of four months, in an enterprise in a Member State, including where that cessation of activity applies to its suppliers or downstream producers.
2. The cessation of activity of at least 200 displaced workers or self-employed persons, over a reference period of six months, particularly in SMEs, where all operate in the same economic sector defined at NACE Revision 2 division level and are located in one region or two contiguous regions defined at NUTS 2 level or in more than two contiguous regions defined at NUTS 2 level provided that there are at least 200 workers or self-employed persons affected in two of the regions combined.
3. The cessation of activity of at least 200 displaced workers or self-employed persons, over a reference period of four months, particularly in SMEs, where all operate in the same or different economic sectors defined at NACE Revision 2 division level and located in the same region defined at NUTS 2 level.

▶ **The EGF has an annual budget of €210 million for 2021-2027.** It can fund from 60% to 85% of the cost of projects designed to help workers made redundant find another job or set up their own businesses.

The EGF can co-finance measures such as:

- help with looking for a job
- career advice
- training and re-training
- mentoring and coaching
- entrepreneurship and business creation

7 Regulation (EU) 2021/691 establishing the *European Globalisation Adjustment Fund for Displaced Workers (EGF)* for the period 2021-2027.

The Life and Horizon Europe Programmes

Those two programmes are promoted by the European Commission as potential complementary source of funding for Just Transition projects. Though there is no organic link between the Just Transition Mechanism and those two funds, they might be instrumental on a case-to-case basis.

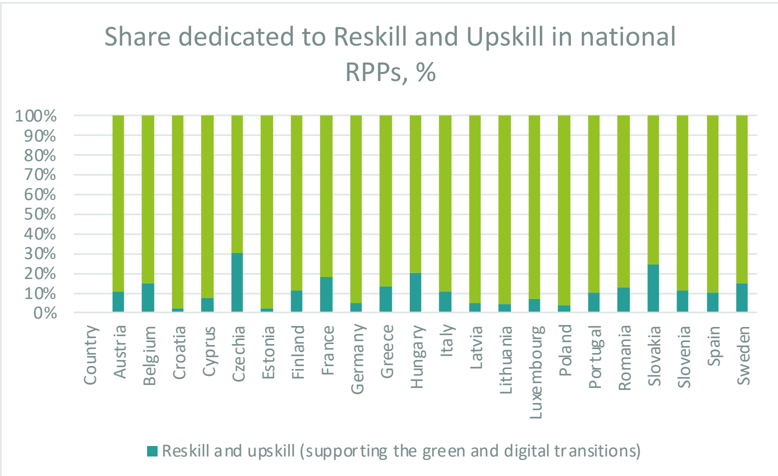
The **LIFE programme** is the European Commission's financial instrument for supporting projects in the fields of the environment and climate. Targeting public and private project stakeholders, it aims to promote and finance innovative projects concerning the conservation of species and habitats, soil protection, the improvement of air or water quality, waste management or the mitigation or adaptation to climate change and the energy transition. For the period 2021-2027 the LIFE programme will have a budget of 5.4 billion euros at European level, spread out over 4 sub-programmes: Nature and Biodiversity, the Circular Economy and Quality of Life, Climate Change Mitigation and Adaptation, and Clean Energy Transition.

Horizon 2020 is the funding programme dedicated to research and innovation. Its budget for the period 201-2027 is set at 95.5 billion euros (5.4 billion from NextGenerationEU). Under its second pillar – "global challenges and European Industrial competitiveness" (53.3 billion euros) –, the programme specifically targets tackling climate change, achieving the UN Sustainable Development Goals and supporting the ecological and digital transition.

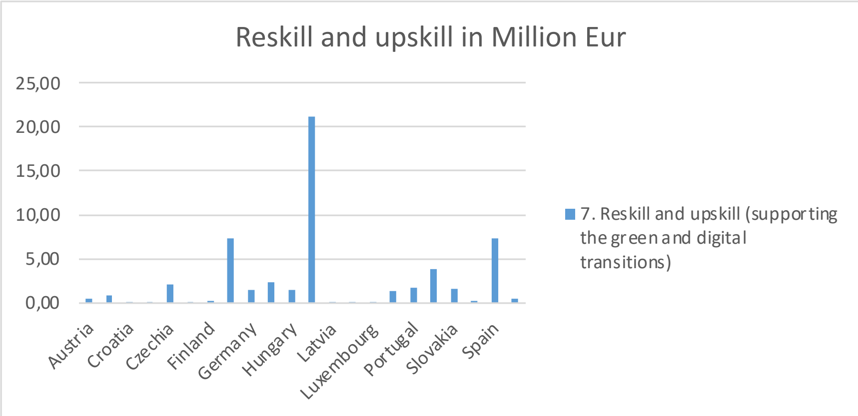
Recovery and Resilience plans

The largest component of NextGenerationEU, the Recovery and Resilience Facility (RRF) will provide grants amounting to at most €312.5 billion (2018 prices). In this context, EU countries will have to submit national recovery and resilience plans (RRPs) describing the public investment projects they plan to implement. By 20 September, 25 RRPs had been submitted. Of these, 19 have already been assessed by the European Commission.

It is currently difficult to assess which share of the RRPs will be specifically earmarked to finance projects or policies coming under the exact framework of the Just Transition. Nevertheless, the first consolidated data available reveals proposed initiatives concerning reskilling and upskilling. The diagrams below highlight the spending dedicated to upskilling and reskilling (both in percentages of countries' respective RRPs and in volumes), in relation to the other six flagship[8] areas for investment and reforms proposed by the European Commission (for a detailed breakdown, see Annex 3).



8 The seven flagship areas of investments: Power up (clean technologies and renewables); Renovate (energy efficiency of buildings); Recharge and refuel (sustainable transport and charging stations); Connect (roll-out of rapid broadband services); Modernise (digitalisation of public administration); Scale-Up (data cloud capacities and sustainable processors); Reskill and upskill (education and training to support the green and digital transition).



Source: Bruegel dataset

The diagrams show the significant differences between countries in their upskill and reskill ambitions. They are viewed here in the context of the digital and green transition, though many of the proposed policies or programmes are transversal and extend further than just these areas.

The interlinkage between the national RRPs and the Just Transition Territorial Plans will be looked at more thoroughly in the case study.

European Bank of Reconstruction and development

Owned by 70 countries, the European union and the EIB, **the EBRD** is closely link to the EU, but is not per se a community instrument, in contrast to the EIB. It operates in about 40 countries, from the Southern and Eastern Mediterranean to Central and Eastern Europe and Central Asia. Of these 40 countries, 10 are EU Member States (Croatia, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovak Republic, Slovenia and Greece[9]).

Mirroring EU policy, the EBRD has launched its own Just Transition "initiatives". Rather than proposing specific Just Transition funds, the bank aims to develop a cross-cutting approach to support the green economy transition:

- **Just transition diagnostic**: To guide specific interventions, the ERBD will run an assessment of transition challenges and opportunities, prepared in collaboration with key players. The aim is to pilot more targeted support in a small number of countries, providing the equivalent of territorial Just Transition plans in countries which have not compiled any (i.e. outside the EU). Existing Territorial Just Transition Plans will be used for guidance by the bank.

EBRD interventions in support of Just Transition will be built around **three priority themes** guiding the Bank's investments, policy support or technical cooperation:

- **the green economy transition:** the Bank's approach will focus on supporting players with high-carbon assets across a variety of sectors in their transition to a low-carbon economy (including targeting the conversion of fossil fuel assets, the remediation and restoration of land, and other green investments that create local employment such as in the circular economy).
- **Support for workers** whose livelihoods are affected by the transition process will promote access to alternative jobs through reskilling and by enhancing entrepreneurship, with specific attention paid to underlying drivers of unequal opportunities.
- **Regional economic development** support targeting activities that provide employment, support competitive SMEs and larger firms, as well as financing sustainable infrastructure projects.

9 Cyprus was part of those countries until 2020

According to its communication, **the EBRD will internalise the Just Transition initiative into its operational processes**. This will include, for instance, adding Just Transition to the Bank's transition impact methodology – and analysing it as part of the relevant sector and country strategies. More concretely, the EBRD's Just Transition initiative will be embedded in the EBRD's strategic directions for the future.

Conclusion

Between the commission proposal and the final political agreements, the Just Transition Mechanism allocation was cut by more than half (from EUR 40 to 17.5 billion). While we are seeing other funds being mobilised in this field, they are far from compensating for the opportunity loss. It is still unclear whether the national recovery plans will fill the gap, though the incorporation of the Just Transition imperative will not occur uniformly across all Member States. However, unequal access to the Just Transition Fund (JTF) remains a real issue. The methodology presented by the European Commission concerning the Territorial Just Transition Plans is already subject to criticism. Moreover, the countries are not equal when it comes to the financial resources on the table. While the JTF allocation rules tend to direct funds to the regions most in need, the richest EU countries are developing their own support programmes.

Moreover, beyond the amounts available, the political and institutional context will play a large role in the effective use of the funds. For example, not all countries are equal in their absorption capacity, possibly slowing down the effectiveness of efforts to facilitate the conversion of a territory. By way of comparison, over the period 2014-2020, countries' ESF absorption capacities varied greatly.

The complexity and the differing sources of funding could threaten the social and territorial cohesion of the European Union if available funds are missing in less-endowed regions but available to other already well-funded transition regions. The concrete application of the Territorial Just Transition Plans will be paramount.

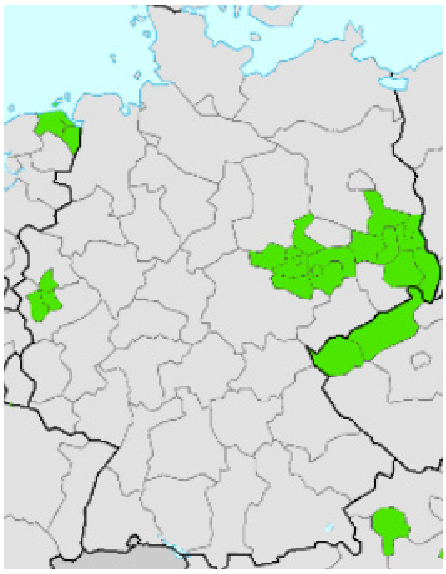
3. Case studies of five European countries and their territorial Just Transition plans

3.1 Germany

European Commission's proposal for the application of the JTF in Germany

The SWD European semester Annex D propose three main areas (Reviere in German).

According to the document, the territory most affected by the phasing out of coal in Germany will be the Lauzitser Rivier in East Germany. The area is made of seven regions (Elbe-Elster, Oberspreewald-Lausitz, Dahme-Spreewald, Spree-Neiße, and Cottbus situated in the Land Brandenburg, as well as Bautzen and Görlitz situated in the Land Saxony). 8,300 people are directly employed in lignite mining. 1,24 % of the region's employed population (4,900 people in 2016) could be indirectly affected by the structural change according to the Commission assessment.



The second mainly affected area, also in Eastern Germany, will be the Mitteldeutsches Revier, which is comprised of eight regions (Leipzig, the City of Leipzig, and Nordsachsen situated in the Land Saxony, and Burgenlandkreis, Saalekreis, the City of Halle, Mansfeld-Südharz, and Anhalt-Bitterfeld situated in the Land Saxony-Anhalt). Even though the share of directly employed (0.32 % or 2,400 workers in 2016) and indirectly employed (0.2 % or 1,400 workers) in the lignite sector is smaller, the Mitteldeutsches Revier will face challenges due to very low innovation and research potential and a rapidly aging population.

Finally, another affected area will be the Rheinisches Revier in the Land North-Rhine-Westphalia. There, 8,960 people are directly employed in lignite mining (1.13 % of the working population in 2016) and 5,380 people could be at risk indirectly. The three most impacted regions in the Revier are Düren, Rhein-Erft-Kreis, and Rhein-Kreis Neuss. Here the Commission acknowledge that this Revier has more capability to adapt to change than the two other ones.

Link between the Territorial Just Transition Plan and other European schemes

- National Energy and Climate Plan of Germany

The European Commission has produced a recommendation document on the draft National Energy and Climate Plan (NECP) of Germany, covering the period 2021-2030. As a reminder, the "Territorial Just Transition Plans" elaborated by the Member States must be in line with the "National Energy and Climate Plans", which set the ambitions in this field for 2030.

Overview of the key objectives, targets and contributions

	National targets and contributions	Latest available data	2020	2030	Assessment of 2030 ambition level
GHG	Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (%)	-8	-14	-38	As in ESR
	National target/contribution for renewable energy: share of energy from renewable sources in gross final consumption of energy (%)	17.4 (2019)	18%	30	Adequate (30% is the result of RES formula)
	National contribution for energy efficiency:				
	Primary energy consumption (Mtoe)	292.1 (2019)	276.6	216	Sufficient
	Final energy consumption (Mtoe)	215.5 (2019)	194.3	185	Modest
	Level of electricity interconnectivity (%)	11.4%	11.4%	Not provided	N/A

Note: Reflecting Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action.
Source: Assessment of the final national energy and climate plan of Germany, SWD (2020) 904; Eurostat where latest available data is indicated for specific years.

▶ The German recovery and resilience plan

According to the European Commission, Germany can expect up to 25,6 billion euro in non-repayable support from the Recovery and Resilience Facility. The proposed plan corresponds to a net amount of 26,5 Billion euro (excluding VAT). It does not include request for loans and is slightly above the maximum financial contribution. It is composed of 10 components grouped in six thematic focus areas[10]: Climate action and energy transition, Digitalisation of the economy and infrastructure, Digitalisation of education, strengthening social inclusion, strengthening a pandemic-resilient health system, Modern public administration and reducing barriers to investment.

The 40 measures included in the plan cover all the seven European flagship areas, with a particular focus on Recharge and Refuel, Modernise, and, for the hydrogen-related elements, Power Up. At least 42.4% (EUR 10.5 billon) of the financial contribution is expected to go to measures supporting climate change objectives and at least 52% of the plan will foster the digital transition.

Concerning the green transition: 3,3 billion euro will be dedicated to decarbonising the economy, especially the industry. 1,5 billion will be invested toward hydrogen alone. Transport is also a strong focus in the plan with 5.4 billion euros devoted to making the transport sector greener by supporting electric cars, clean buses and rail. Germany's recovery and resilience plan will help citizens shift to clean electric vehicles by giving financial support to buy more than 560,000 decarbonised vehicles.

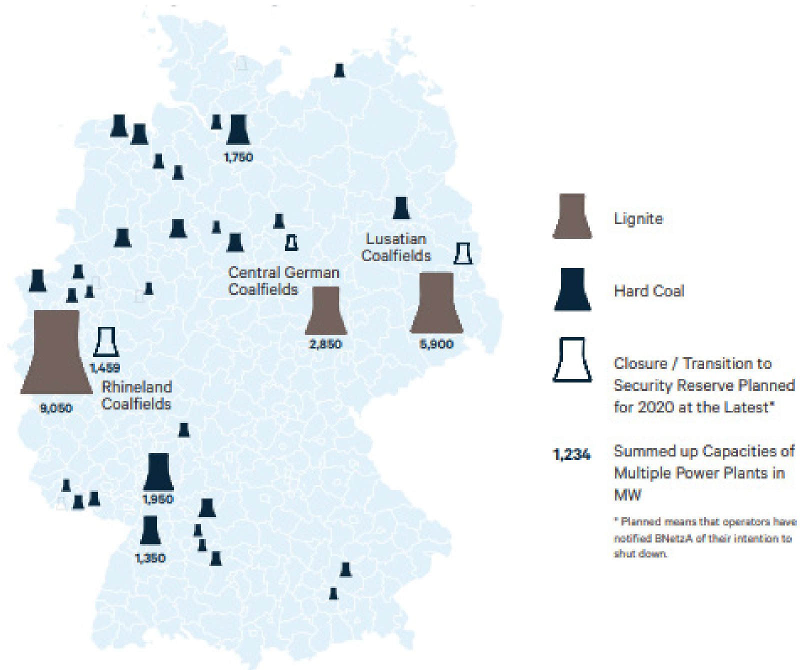
Coal in Germany

Coal consumption for electricity generation increased in Germany until the 1990s and then has declined gradually since the 2000s. At the end of October 2020, roughly 21 gigawatts of net nominal capacity from lignite and 23 gigawatts from hard-coal-fired power plants were in operation (BNetzA 2020).

10 These six thematic focus areas, around which the German Recovery and Resilience Plan is structured, are distinct from the six pillars of 'policy areas of European relevance' referred to in Article 3 of the Recovery and Resilience Facility Regulation.

With the large-scale development of increasingly price-competitive renewable energies, these plants have largely lost economic viability in Germany. In this context, several operators are shutting down power plants before the end of their operating lifetime (DIW Berlin et al. 2019). In June 2018, the national government appointed a multistakeholder commission, the Commission on Growth, Structural Change and Employment, also known as the Coal Commission (CC), which recommended several policy measures for the complete phaseout of coal power production, considering Germany's greenhouse gas emissions reduction targets and the need to reduce and mitigate the impacts for workers and regions. Partly based on these recommendations, the Coal Power Generation Termination Act (CPGTA) was passed in 2020, according to which all coal-fired stations and lignite mines will be phased out by 2038 at the latest.

Location of coal-fired Power Plants and Lignite



The Coal Commission

In June 2018, the national government convened the Coal Commission. This multistakeholder initiative included representatives from the government, workers, coal regions, trade associations, environmental groups, and research institutions. The goal was to cooperatively chart a roadmap for phasing out the remaining coal and lignite-fired power stations and lignite mines.

The national government requested that the CC provide policy recommendations for the phaseout to "ensure that Germany reduces emissions as far below its 40% target while meeting its stated objectives of supply security, affordability and the safeguarding of jobs and value-added and that the energy industry reliably meets its sector goals for 2030" (BMWi 2019). Other key benchmarks were environmental sustainability, market competitiveness, social acceptability, social cohesion, and planning and legal security. In January 2019, the Commission published its final recommendations, including a phaseout date of 2038. In an altered form, Commission recommendations were passed in two laws, termed the coal exit laws: the SSA and the CPGTA. The Coal Commission held its first of 10 plenary meetings on June 26, 2018, and the closing meeting on January 25, 2019.

CPGTA

The Coal Power Generation Termination Act (CPGTA; Kohleverstromungsbeendigungsgesetz) regulates the phaseout of hard coal and lignite consumption in the energy sector in Germany. The law also defines mechanisms to support employees of the coal industry.

The CPGTA, passed in 2020, stipulates the phaseout of lignite and hard coal in the power sector by 2038 and 2035, respectively. An earlier phaseout date of 2035 can be defined by a revision of the law in 2029. Under the CPGTA, a larger proportion of the power plants will be shut down later than recommended by the CC, limiting the possibility of meeting national climate targets.

Workers from hard-coal-fired and lignite-fired power plants and opencast lignite mines who will lose their jobs because of the CPGTA will receive adjustment money for a maximum period of five years until they reach the qualifying age for pension benefits. Previously, workers in these mines and power plants were excluded from the adjustment money (see Section 5.6.2.2). Only during the rapid reduction of lignite production in former East Germany after reunification (1990–1996) did workers receive similar benefits.

In addition to the adjustment money, workers receive contributions to their health insurance. Workers who are over 58 years at employment termination are eligible for both benefits. Moreover, eligibility only applies to job losses due to the CPGTA until 2043. Eligibility for adjustment money also applies to employees in subsidiaries or partner companies if they work almost exclusively for the main companies affected. To be eligible for the adjustment money, the employee must have worked continuously for one of the affected companies on September 30, 2019, and for the last two years prior to the employment termination. Pension reductions resulting from the early claiming of a pension after the adjustment allowance can be compensated by payments of corresponding contributions from the National Office for Economic Affairs and Export Control directly to the statutory pension insurance. This office also manages and grants the adjustment money. The employer is responsible for applying for the adjustment money for its employees during the process. The adjustment money is calculated based on the pension entitlements of the applicant in the statutory and/ or miners' pension insurance at the time of employment termination. Like statutory pensions, the adjustment money is adjusted annually. It is possible to earn additional income while receiving the adjustment money, but 30% of this income is offset against the adjustment money.

The SSA

The Structural Strengthening Act (SSA; Strukturstärkungsgesetz) was passed in 2020 to legally implement most of the recommendations of the Coal Commission in terms of structural policy. The act is intended to support lignite regions and locations economically dependent on coal-fired power plants. It establishes that €14 billion from the national government will be destined for investments in cities and municipalities of lignite regions. A further €26 billion will be made available from the national government through support programs (new and existing) or in the form of infrastructure projects. The funding period runs from 2020 to 2038, but projects can receive funding beyond that date if they are completed by 2041.

The National-Länder Coordination Committee (Bund-Länder-Koordinationsgremium) oversees the implementation of the programs financed by the SSA. It includes the national government and the lignite Länder (Brandenburg, Saxony, Saxony-Anhalt, and NRW).

The national government is represented by the National Ministry for Economic Affairs and Energy (chair) and other relevant ministries. The Länder are represented by the heads of the chancelleries from Brandenburg, NRW, and Saxony-Anhalt, as well as the minister for regional development of Saxony.

The main components of the structural policy for coal regions defined by the SSA are

- financial support for lignite regions,
- extension of existing and development of new support programs,
- financial support for regions with hard coal power plants, and
- noninvestment expenditure support

The SSA financially supports the three active lignite regions in 2020–2038. The €14 billion budget will be made available to municipalities and cities in the regions for investment projects of particular importance:

- 2020–2026: €5.5 billion
- 2027–2032: €4.5 billion
- 2033–2038: €4 billion

The grants will be awarded to the regions only after an assessment by the National Ministry for Economic Affairs and Energy, which will corroborate whether the level of closure of lignite plants achieved corresponds to the amount required by the CPGTA.

Coal regions will receive an additional €26 billion via support programs. This support comes from existing and new national programs. In addition, direct investments in infrastructure will be created in the regions, particularly to improve connectivity between rural and metropolitan areas.

Example of projects financed via the programs (BMWi, 2020)
Establishment of new branches of the German Aerospace Center (Deutsches Zentrum für Luft- und Raumfahrt) research institute in coal regions (National Ministry for Economic Affairs and Energy).
Financial support for strategic business and managerial consulting projects for companies affected by the structural change (National Ministry for Economic Affairs and Energy).
Transportation projects (e.g., the extension of highway and railway systems; public transport and ring roads) (National Ministry of Transport and Digital Infrastructure).
Establishment of research institutes and competence centers (Kompetenzzentrum), which are institutions that provide research and advice for companies, municipalities, and other organizations on specific topics, such as digitalization in SMEs (National Ministry of Education and Research).
Establishment of competence centers for climate protection, Power-to-X, electromagnetic fields, and other topics (National Ministry for the Environment, Nature Conservation and Nuclear Safety).
Project for artificial intelligence in medicine (National Ministry of Health)
Cultural funding programs (National Commissioner for Culture and the Media).
Competence center for regional development and sports promotion (National Ministry of the Interior, Building and Community).

Source : https://www.bmwi.de/Redaktion/DE/Pressemitteilungen/2020/20200827-projekte-fuer-die-kohleregionen-koennen-starten.html

Just Transition funds

The Länder governments fear that the JTF will not provide additional benefits to the mining regions but instead help the national government to finance the measures included in the Structural Strengthening Act. The National Ministry for Economic Affairs and Energy confirmed that the government **is not planning additional support via the JTF for the regions and that instead these funds will be used to finance measures of the SSA**, under the argument that the SSA's funding volume was consensually defined with the mining regions and Länder and therefore no reason exists to increase this volume with the JTF.

Car industry

In 2020 was announced of a one billion euros for a "future car industry fund" to support the long-term transition in the industry, which is central to the German economy. 340 million euros are to be made available for regional "transformation networks" to bring local actors together and develop strategies. Another 340 million euros are to advance digital solutions. Around 320 million euros are intended to support medium-sized companies, among other things, in converting production to electric drives and fuel cells. Further training concepts for employees are also to be funded. Regional networks must now be implemented quickly. The first regions such as Saarland, South Westphalia and Southeast Lower Saxony are ready.

An institute estimates that around 75,000 production workers in the German automotive industry will retire by 2025, around 39,000 of them currently working directly in vehicle manufacturing and the rest in parts manufacturing. But if by 2025 the production of cars powered by combustion engines declines to the extent foreseen under current emissions regulations, then the switch to electric motors will affect at least 178,000 employees, i.e., workers who manufacture product groups that depend directly or indirectly on the combustion engine, with 137,000 of them employed directly by the automotive industry. By 2030, 147,000 production employees will retire, about 73,000 of them from vehicle manufacturing; but there are currently at least 215,000 workers who manufacture products related to the combustion engine, 165,000 of them employed directly by the automotive industry.

Two thirds of the world's largest coal deposits are located in Saxony and Brandenburg (Germany). The Green Deal allowed five eastern Länder to offer significant subsidies to attract electric car producers to the region, to mitigate the economic impact of shutting down operation of these facilities. Such initiatives are welcome in order not to leave any region behind.

German Trade Unions

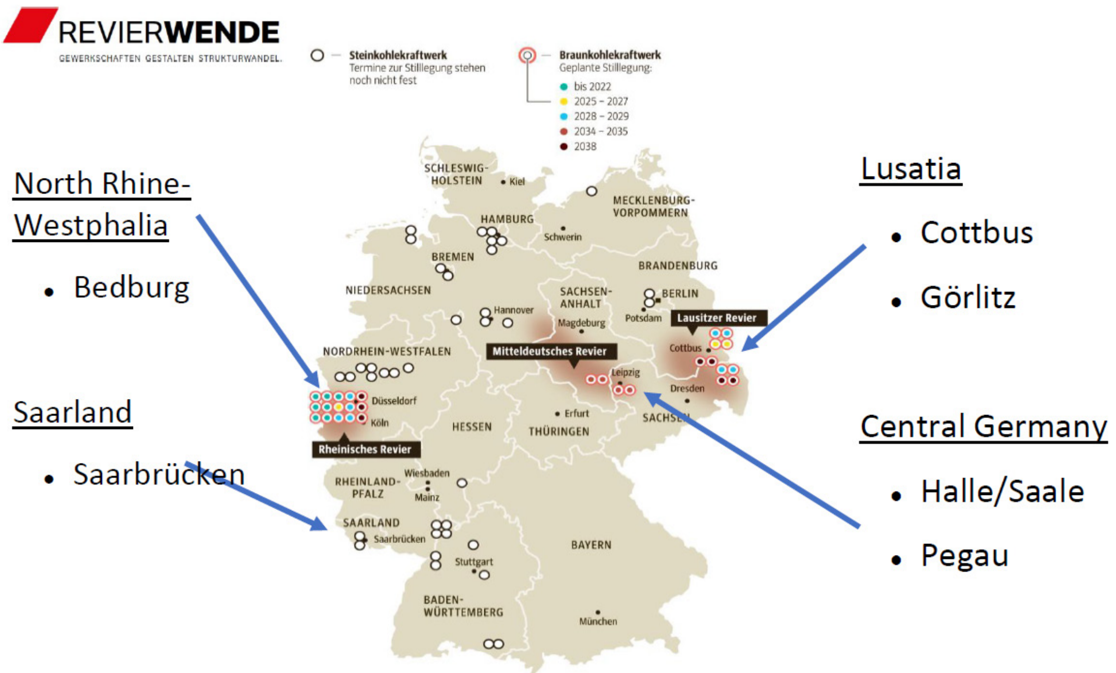
German Trade Unions have been raising awareness about the incoming transition for several years. The Co-determination system allows unions to assess the transition on the ground and contribute to the debate at all levels from the very beginning. However, it does not formally offer unions the possibility to veto strategic decisions by employers.

Historically, the German adopted and defensive position: protecting jobs threatened with delocalization. The span of the actual transition led to a shift in strategy with more offensive "future-oriented" collective bargaining agreements. Indeed, the risk compromises in terms of wages and working condition persisting, as delocalisation's plans are boosted by the green transition.

There is a risk for workers in smaller companies in the upstream supply chain to be left behind, despite strong sectoral organisation. Indeed, tackling complex issues requires powerful unions that are typically present only in large companies. In December 2021, the DGB launched the 'Revierwende' Project, that supports the trade union activities and its member unions in the course of structural change. The aim of the project is to involve them in the coordination of the structural change of the coal regions through six local offices in the following regions: one in the Rheinisches Revier, two in Lausitzer Revier, two in the Mitteldeutsches Revier and one in Saarland. Those offices are designed to be the first point of contact for questions regarding the structural changes impacting these regions.

According to the DGB, the project aims at:

- Knowledge transfer, networking, public relations work by
  - Events and publications on structural design, innovation topics and successful approaches (good practice)
  - Building local networks, innovation workshops with employees
  - Exchange of information across regions and countries
- Counselling, qualification and training
  - of employees, especially young skilled workers on site, trade unionists, as well as company representations of interests
  - on the basics of structural change, regional and structural policy and on content/technical know-how



Revierwende Bedburg Office Manfred Maresch

The goal of the project is to promote a common understanding among people about a sustainable future for the coal regions and to strengthen social cohesion. For instance, The DGB has defined to broad objectives that must guide structural change in NRW in 11 proposals to the government, with at the centre of the proposals the creation of:

- good, tariff-bound and sustainable jobs in industry and the Service for all qualification levels,
- securing value creation and functioning supply chains locally,
- an expansion of state investments, especially in the municipalities,
- Affordable energy for businesses and citizens
- and the strengthening of education and qualification.

Beyond the Rivierwend project, IG BCE and the DGB are shareholders of the Zukunftsagentur Rheinische Revier[11] (ZRR) that foresee the public funded projects in the region. they are also represented on the supervisory board, where they negotiate the projects criteria. The DGB NRW organises working groups between the unions concerned and the DGB regional directors to exchange information and agree on joint activities.

IG metal is also engaged around the issue of the Just Transition. Aware that industry outside the coal regions will be impacted as well, it is very active to represent the interest of workers in the automotive sectors that will be impacted by the electrification of the vehicles. For instance, to support equipment manufacturers, a fund of several hundred million euros, called the Best Owner Group, has been launched in 2020 by IG Metall and several players in the automotive world. It is financed by private capital and should make it possible to buy out SMEs specializing in parts for petrol or diesel vehicles. The aim is to help SMEs in the sector to cope with this major electric vehicle shift by providing them with capital. If the fund is not ready yet, it shows the will of the trade union to cope with the transition in other industrial sectors.

IG BCE and IG Metall have been involved in raising awareness of workers about the green and digital transformation for many years. According to the record from a seminar organized by IndustriAll European Union the 21rst of January, "*the unions have been able to mobilise, win agreements, and ensure that they are involved in managing the transitions. In the steel, metal and electro sectors, collective agreements combine working time reduction and early retirement to secure quality employment*".

11 Manages all the activities of structural change in the Rhenish mining area, under the direction of the state government.

3.2 Slovakia

To overcome the major challenges of the transition to a climate-neutral economy, particularly about economic and employment issues, the Just Transition Fund (JTF) set up in the framework of the European Green Deal must be invested as a priority in the territories that are hardest hit by this transition in economic and social terms.

European Commission's proposal for the application of the JTF in Slovakia

The European Commission presented in February 2020 the preliminary opinion for the effective implementation of the Just Transition Fund 2021-2027 investments in Slovakia (Annex D). This annex provides the basis for a dialogue between Slovakia and the Commission services as well as relevant guidance for Member States in the preparation of their territorial Just Transition Plans (TJTP), which serve as a basis for programming the Just Transition Fund. Negotiations are still ongoing.

Based on this analysis, two NUTS level 3 regions have been identified. These territories justify their dependence on fossil fuels (notably coal and lignite). Moreover, these territories are severely affected by the economic and social consequences of the transition, especially about the expected loss of jobs and the transformation of the production processes of the most greenhouse gas intensive industrial facilities (e.g., cement in the Trenčín region or steel in the Košice region).

These two territories are as follows:

- **The Trenčín region:** it faces several economic and social challenges in terms of transition to a climate-neutral economy. More than 4,000 people are directly employed in coal mining activities in the Horná Nitra region (Prievidza and Partizánske districts), which form a supply chain for the Nováky coal-fired power plant, which is scheduled to be closed by 2023 for environmental efficiency reasons. Indeed, Slovakia announced on 12 December 2018 that 2023 would be the last year of public support for coal-fired power generation, causing further uncertainty for the region while highlighting the need to plan its transformation. In addition, about 1,000 people are indirectly linked to coal mining activities. In Trenčín there is also a major producer of carbon-intensive cement (Považská cementáreň in Ladce).
- **The Košice region:** in this region, steel production is a major source of CO2 emissions, with the U.S. Steel Corporation being the largest CO2 emitter in Slovakia. The Vojany coal-fired power plant and cement production in Turňa and Bodvou are other important employers in an otherwise relatively economically weak region

In view of the high emitting economic activities, but also the concentration of jobs around a few actors, it seems justified to the Commission that the JTF should focus its intervention on these regions

Key Actions (as proposed by the European Commission)

Specific investment needs have been identified in these territories to meet the challenges of transition and to support the sustainable competitiveness of these regions:

- Investments in site regeneration and decontamination, land restoration and reallocation projects.
- Investments in research and innovation activities and the promotion of advanced technology transfer.
- Upgrading and re-skilling of workers.

- Investments in the deployment of affordable clean energy technologies and infrastructure, greenhouse gas emission reduction, energy efficiency and renewable energy.
- Digitalization and digital connectivity.
- Technic al assistance - implemented by the JTF.

In addition, to further support sustainable regional and local development, investment needs have been identified.

Key actions of the Just Transition Fund could target in particular:
- Investments in the creation of new businesses, including through business incubators and advisory services.
- Investments in strengthening the circular economy, including through waste prevention and reduction, resource efficiency, reuse, repair, and recycling.

The territories of Trenčín (Upper Nitra - coal region) and Košice regions are expected to suffer significant job losses, which may not be fully compensated by the creation and development of SMEs. Exceptionally, and when necessary for the implementation of the just territorial transition plan, support for productive investments in large companies could therefore be considered.

In addition, industrial sites in these regions, which carry out activities listed in Annex I of Directive 2003/87/EC, employ a significant number of workers and their activity is threatened due to their high greenhouse gas emissions. Support for investments to reduce emissions could be considered, if they lead to a substantial reduction in emissions (significantly below the benchmarks used for free allocation under Directive 2003/87/EC) and provided that the investments are consistent with the European Green Deal.

Focus on the Upper Nitra region (Trenčín administrative area)

The issue of supporting the transformation of the Upper Nitra coal region has already been addressed by Slovakia through an action plan, which will be developed in 2019. The government confirmed the gradual phase-out of coal for electricity generation.

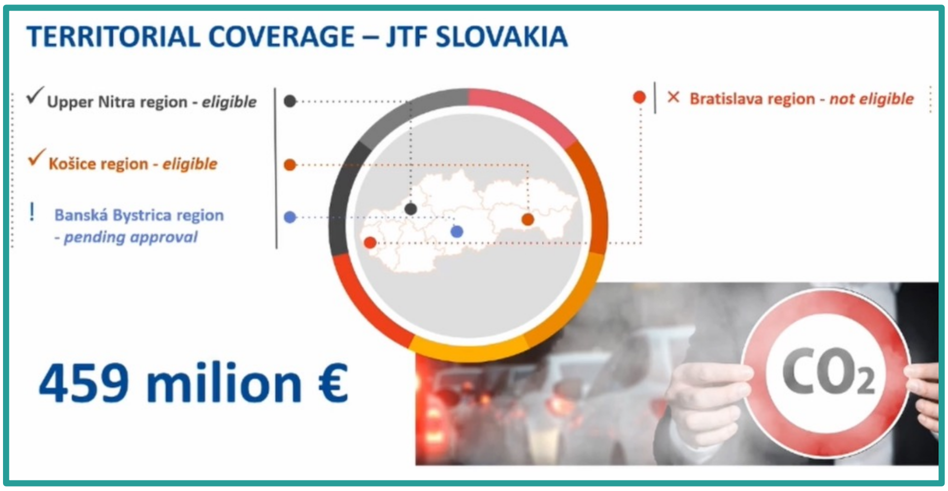
This plan, which will be reinforced by investment resources from the JTF and the Modernization Fund, aims to make Upper Nitra a model region for Just Transition through three main measures:
- The completion and evaluation of the project plan for sustainable district heating (DH) in Prievidza.
- Support for the establishment and operation of a regional center for sustainable energy in Upper Nitra.
- Renovation of buildings and distribution lines and connection of renewable energy sources to the district heating system

Development of the TJTP by Slovakia

▶ Territorial coverage and amount

Currently, two regions are eligible for the Just Transition Fund (see above and box below).

However, **the Slovak government is defending the inclusion of a third region - Banska Bystrica - because of its mining history.** Indeed, mining activities were stopped in 2015 in this region, which is located between the other two regions selected by the European Commission. Economic and social conversion is therefore already underway but should be supported. *Discussions are currently ongoing with the Commission services.*



Source: Just Transition Platform Meeting, Territorial Just Transition Plans: progress and programming outlook (15-17 November 2021)

The Bratislava region was submitted for eligibility for the JTF due to a high CO2 emission rate, mainly due to transport emissions. However, it was not selected by the European Commission.

The total amount of grants awarded to Slovakia and the regions is €459 million. These funds may be reinforced by other sources such as the recovery and resilience plan (€6.575 billion) or the modernisation fund.

- Pillar structure of JTF support in Slovakia

Each region has specific pillars which are then subdivided into priorities according to the characteristics of the territories and the investments needed for their Just Transition.

Economic diversification	Sustainable environment	Quality life and social infrastructure
•SMEs •Digitalization •RDI •Innovative jobs	•Renewable energy •Hydrogen •Energy efficiency •Circular economy	•Upskilling and reskilling •Social care •Young talents •Improving health

Source: Just Transition Platform Meeting, Territorial Just Transition Plans: progress and programming outlook (15-17 November 2021)

▶ Participatory process and actors

Source: Just Transition Platform Meeting, Territorial Just Transition Plans: progress and programming outlook (15-17 November 2021)

The Ministry of Investment, Regional Development and Informatization is the beneficiary and leads the process of developing the PTCEs. The consultants produced four deliverables. The last one, a “Report on challenges, needs and action plans in the most affected territories”, was sent by the Ministry to all working group members on 10 May 2021, with a deadline for comments and contributions by 23 May 2021.

Working groups have been established in each country to ensure a participatory process in the design of the PTCEs: In Slovakia, the work of the working group is ongoing. It is still organized as follows:

- one national working group consisting of eight ministries (Ministry of Investment, Regional Development and Informatization; Ministry of Finance; Ministry of Economy; Ministry of Labour, Social Affairs and Family; Ministry of Environment; Ministry of Agriculture and Rural Development; Ministry of Education, Science, Research and Sports; Ministry of Transport and Construction)
- and four regional groups in four different regions (Upper Nitra, Banska Bystrica, Bratislava and Kosice) The four regional working groups meet monthly.

The involvement of young people in the preparation of the TJTP was particularly highlighted by the Commission services as a good example of inclusion and local participation of people in shaping the transition of territories. The engagement of young people in the transition via online discussions started in May 2021.

The aim is to actively involve the young generation, which is the future of these regions, in the proposal of priorities and needs. In addition, it is the young people who will bear greatest impact of the consequences of the transformation and the negative effects of climate change.

Continuous process of work with youth in the preparation and later in the implementation of specific measures and projects (workshops, information seminars, etc.)

Support for specific projects for young people, for example by providing small grants for young people to support social projects in their local community to improve attractiveness of the region.

However, social partners (neither the trade unions nor the employers) have not been involved in the design and construction of the TJTP, nor any similar discussions (no proper involvement in the drafting of the national recovery plan for instance: only an online "information session" but no proper consultation in the tripartite dialogue).

Trade unions have got information only publicly issued and the information from the EU level. They have submitted comments on the draft of JT plan and demanded the involvement of trade unions but have not received any response.

Finally, they do not consider the social measures proposed in the plan to be sufficient to eliminate the negative effects of the transformation in the regions concerned.

Environmental NGOs and local authorities are considered more representative and relevant by authorities to co-construct these Territorial Just Transition Plans (TJTP).

▶ Status of project selection criteria

Slovakia has not made this information available in formal written form, but "informal" information indicates that the criteria are the main objectives for socio-economic and environmental impact. The draft TJTP also proposes a set of indicators for project evaluation. These are not finalized but could be a means of strengthening the focus on results during the implementation phase.

In Slovakia, the Ministry collects projects. The first batch, collected by 30 April 2021, includes about 350 projects with an investment value of the ministry plans to divide them into three groups:

- Strategic projects.
- Support for small and medium-sized enterprises
- Support for innovation, science, and renewable energy.

▶ Opportunities and threats

The biggest threat remains the lack of capacity to carry out innovative and ambitious projects.

Link between the Territorial Just Transition Plan and other European schemes

▶ National Energy and Climate Plan of Slovakia

The European Commission has produced a recommendation document on the draft National Energy and Climate Plan (NECP) of Slovakia, covering the period 2021-2030. As a reminder, the "Territorial Just Transition Plans" elaborated by the Member States must be in line with the "National Energy and Climate Plans", which set the ambitions in this field for 2030.

In its recommendations of 18 June 2019, the Commission (inter alia) tells Slovakia **to better integrate just and fair transition aspects, including by providing more details on the impacts of the planned targets, policies and measures on society, employment, and skills**. The final integrated national energy and climate plan should address the impacts of the transition on people living in the Horna Nitra coal region and link to the government's transition action plan for this region, as well as adjustments in other energy-intensive sectors.

It also recommends Slovakia to further develop the approach to address energy poverty issues, including by providing a specific assessment of energy poverty, as required by Regulation (EU) 2018/1999.

Overview of the key objectives, targets and contributions

The following table present an overview of Slovakia's objectives, targets and contributions under the Governance Regulation[4]:

National targets and contributions	Latest available data	2020	2030	Assessment of 2030 ambition level
Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (ESR) (%)	-14	+13	-12	As in ESR
National target/contribution for renewable energy: Share of energy from renewable sources in gross final consumption of energy (%)	11.5	14	18	Below 24 % (result of RES formula)
National contribution for energy efficiency: Primary energy consumption (Mtoe)	16.1	16.4	16.2	Low
Final energy consumption (Mtoe)	11.1	9.2	10.8	Low

[4] Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council.

Sources: EU Commission, ENERGY STATISTICS, Energy datasheets: EU28 countries; SWD (2018)453; European Semester by country6; COM/2017/718; Slovak draft NECP.

▶ The Slovak recovery and resilience plan

822.7 million to Slovakia as pre-financing under the Recovery and Resilience Facility (RRF), representing 13% of the country's total RRF allocation. This first instalment will allow the implementation of crucial investment and reform measures to begin.

In total, Slovakia is expected to receive €6.3 billion in RRF grants. The Commission will authorize further disbursements based on the implementation of the investments and reforms outlined in Slovakia's recovery and resilience plan.

The Slovak plan is part of an unprecedented coordinated EU response to the COVID-19 crisis, which aims to address common European challenges, including the green and digital transitions, and to strengthen the cohesion of the single market.

The RRF in Slovakia will finance the following measures:

- **Supporting the green transition:** The Slovak plan foresees €528 million to finance a large-scale renovation wave to improve the energy and ecological performance of at least 30,000 units. It also provides €368 million to promote energy efficiency and innovative decarbonization technologies in industry.
- **Supporting the digital transition:** The plan will invest €102 million in members of the European High Performance Computing project, and a network of digital centers to help businesses digitize their processes.
- **Strengthening economic and social resilience:** The plan will invest €1.2 billion to improve the quality and efficiency of healthcare services, including renovating existing hospitals and building new ones.

Summary of the assessment of the Slovak recovery and resilience plan

Grants: EUR 6.3 billion
116 measures: 58 reforms and 58 investments divided into 18 components
Number of milestones and targets: 97 milestones and 99 targets
Climate target: 43%
Digital target: 21%

Source: EU Commission, Analysis of the recovery and resilience plan of Slovakia (21.6.2021); COM (2021) 339 final

3.3 Bulgaria

The EC has proposed two territorial Just Transition projects: The "Maritsa" area in the Stara Zagora province and the Bobov Dol municipality in the Kyustendil province.

Building on the European Commission proposal, the preliminary Commission services' views on priority investment areas and framework conditions for effective delivery for the 2021-2027 Just Transition Fund investments in Bulgaria were in the Annex D of the European semester 2020.

These priority investment areas are derived from the broader analysis of territories facing serious socio-economic challenges deriving from the transition process towards a climate-neutral economy of the EU by 2050 in Bulgaria, assessed in the report.

This Annex provides the basis for a dialogue between Bulgaria public Authorities and the European Commission services as well as the relevant guidance for the Member States in preparing their territorial Just Transition plans, which will form the basis for programming the Just Transition Fund. The Just Transition Fund investments complement those under Cohesion Policy funding for which guidance in the form of Annex D was given in the 2019 Country Report for Bulgaria.

The EC has proposed two territorials Just Transition projects: The "Maritsa" area in the Stara Zagora province and the Bobov Dol municipality in the Kyustendil province.

The "Maritsa" area in the Stara Zagora province hosts the largest coal mining and coal-fired power plant area in Bulgaria. Around 85% of jobs (over 12 500 people) in Bulgaria's coal sector are concentrated there, with over 10 700 jobs in the mines and over 1 800 in the power plants. Moving away from fossil fuel production is likely not only to lead to the closure of extraction sites but will also affect the energy-generating plants. The process of effective and Just Transition requires anticipation of social challenges such as job losses and lowering of life quality standards. Based on this preliminary assessment, it appears warranted that the Just Transition Fund concentrates its intervention on that province.

To tackle these transition challenges, high priority investment needs have been identified for diversifying and making the regional economy more modern and competitive, as well as alleviating the socio-economic costs of transition. Key actions of the Just Transition Fund could target in particular:

- productive investments in SMEs, including start-ups, leading to economic diversification and reconversion.
- investment in research and innovation activities and fostering transfer of advanced technologies.
- investment in digitalization.
- upskilling- and reskilling of workers.
- job-search assistance to jobseekers.
- active inclusion of jobseekers.

To tackle the transition challenges related to environmental sustainability and resource efficiency, related investment needs have also been identified. Key actions of the Just Transition Fund could target investment in:

- the deployment of technology for affordable clean energy.
- regeneration and decontamination of sites, land restoration and repurposing projects.
- enhancing the circular economy.

The Stara Zagora province faces the challenge of substantial job losses, which realistically might not be entirely offset by the creation and development of SMEs, exceptionally, and where necessary for the implementation of the territorial Just Transition plan, support to productive investments in large enterprises could therefore be considered.

The Bobov Dol municipality in the Kyustendil province is the second most important area in Bulgaria when it comes to coal mining and coal-fired energy production.

All together the Southwest region is currently estimated to host some 1 500 jobs in coal related activities and most of those are in Bobov Dol. The latter already experienced in recent years the negative socio-economic effects of closure of extraction sites. As a result, there has been increased unemployment but also loss of working population because of lack of alternative employment. Based on this preliminary assessment, it appears warranted that the Just Transition Fund also intervenes in that province.

To tackle these transition challenges, high priority investment needs have been identified for diversifying and making the regional economy more modern and competitive, as well as alleviating the socio-economic costs of transition. Key actions of the Just Transition Fund could target in particular:

- productive investments in SMEs, including start-ups, leading to economic diversification and reconversion.
- investment in research and innovation activities and fostering transfer of advanced technologies.
- investment in digitalization.
- upskilling- and reskilling of workers.
- job-search assistance to jobseekers.
- active inclusion of jobseekers.

To tackle the transition challenges related to environmental sustainability and resource efficiency, related investment needs have also been identified. Key actions of the Just Transition Fund could target investment in:

- the deployment of technology for affordable clean energy.
- regeneration and decontamination of sites, land restoration and repurposing projects.
- enhancing the circular economy.

The European Commission has received on 15 october 2021 an official recovery and resilience plan from Bulgaria.

This plan sets out the reforms and public investment projects that Bulgaria plans to implement with the support of the Recovery and Resilience Facility (RRF).

Bulgaria has requested a total of €6.6 billion in grants under the RRF.

The Bulgarian plan is structured around four pillars:

1. Innovative Bulgaria,
2. Green Bulgaria,
3. Connected Bulgaria,
4. and Fair Bulgaria.

The plan includes measures in areas such as decarbonization of the economy, education and skills, research and innovation, smart industry, energy efficiency, sustainable agriculture, digital connectivity, social inclusion, and healthcare.

Projects in the plan cover the entire lifetime of the RRF until 2026. The plan proposes projects in all seven European flagship areas.

The Commission will assess whether the Bulgarian plan dedicates at least 37% of expenditure to investments and reforms that support climate objectives, and at least 20% to the digital transition.

The partnership principle in TJTPs' development: What is it in Bulgaria?

- Design of the process

Each country has designated a ministry which is the beneficiary of the technical assistance from the EU for drafting the TJTPs. These ministries are also in charge of overseeing the preparation of the plans, including the work of the consultants hired to support the TJTPs' drafting.

Bulgaria - The Ministry of Energy is beneficiary of the technical assistance, which is carried out by PricewaterhouseCoopers (PwC). The team that leads the development of the plan consists of 15 people and includes PwC international experts, representatives of ministries and energy experts. Among them are scientists, business representatives, and former leaders in the energy sector, including two former managers at coal-fired power plants who are in favor of preserving the coal industry.

- Status of the working groups

Our March briefing mentioned that working groups were established in each country to ensure a participatory process in the design of the TJTPs. This update focuses on the status of these working groups, which are key for the development of the draft TJTPs.

Our March briefing mentioned that working groups in Bulgaria would be set up; however, a few months later there are still no working groups. The consultant organized several meetings with selected stakeholders from municipalities and business and NGO representatives to collect their input.

Officially, the Bulgarian Trade unions (CITUB and Podkrepa) were not authorized to be informed and consulted by the consultant and the Bulgarian public authorities. The trade union Podkrepa has confirmed us this situation considered unacceptable.

- Status of local participation in and understanding of the process

In Bulgaria local participation is still poor; there is no meaningful engagement in the process from the local people and there is a poor flow of information.

Decarbonisation ambition of the TJTP

- Status of the allocation of Just Transition Fund per region

For Bulgaria the European Commission has finally approved funds for following coal regions: Pernik, Kyustendil and Stara Zagora.

- Coal phase-out timeline in regions

There is no deadline for coal phase-out; elections will be held on 11 July 2021 and the new Bulgarian government may decide in the next month.

- CO_2 reduction by 2030

In **Bulgaria**, the government has been pressuring Brussels to explain the CO_2 reduction requirements. The new government may take a stronger stance on CO_2 reduction.

- Status of the project selection criteria

The Bulgarian government has received questions from the consultant about which projects are appropriate and relevant, and the municipalities also received a questionnaire from the consultant to share their opinions about which project criteria are relevant for them.

- Specific topics for the regions

In Bulgaria, the focus will be the alternative employment of workers with their Just Transition plan.

- Opportunities and threats

The biggest threat in Bulgaria is the attempt made by oligarchs to obtain European funding through these plans. The lack of real discussion about the objectives of the Just Transition and lack of genuine involvement of the local authorities and communities in the process solidify the concern that the TJTPs will benefit just a few and maintain the status quo in the coal regions.

The draft Bulgarian integrated National Energy and Climate Plan (NECP): Preparation and submission

In a first step, Bulgaria notified its draft National Energy and Climate Plan (NECP) to the European Commission on 15 January 2019. The draft NECP was prepared jointly by the Ministry of Energy and the Ministry of Environment and Water via an inter-ministerial working group that involved experts from several ministries and state agencies. Several strategic documents in the climate and energy policy sectors were considered in the process.

Consultations of the national parliament, stakeholders and local and regional authorities are foreseen to take place after the submission, but no information about the role of the Bulgarian social partners? The same is foreseen for **regional cooperation**, while the draft plan does not yet provide information on the process leading to the results of these consultations being reflected in the final plan.

Bulgaria **notified** its **final** integrated national energy and climate plan (NECP) to the European Commission on 9 March 2020.

Public consultation: the Bulgarian authorities published the draft NECP on 15 January 2019 and made it available for public consultation until 30 April 2019. The final NECP was published on 21 February 2020 and the plan refers to a number of conferences, round tables and forums with the relevant stakeholders. A dedicated annex to the final NECP contains a detailed summary of the replies gathered during consultation. Bulgaria has submitted a summary of how the final plan reflects the public's views. Finally, a strategic environmental assessment (SEA) is under development under Directive 2001/42/EC.

Link between the Territorial Just Transition Plan and other European schemes

- National Energy and Climate Plan of Bulgaria

The European Commission has produced a recommendation document on the draft National Energy and Climate Plan (NECP) of Bulgaria, covering the period 2021-2030. As a reminder, the "Territorial Just Transition Plans" elaborated by the Member States must be in line with the "National Energy and Climate Plans", which set the ambitions in this field for 2030.

Overview of the key objectives, targets and contributions

The following table presents an overview of Bulgaria's objectives, targets, and contributions under the Governance Regulation (Regulation (EU) 2018/1999 on the Governance of the Energy Union and Climate Action).

	National targets and contributions	**Latest available data**	**2020**	**2030**	**Assessment of 2030 ambition level**
GHG	Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (ESR) (%)	21%	20%	0	As in ESR
	National target/contribution for renewable energy Share of energy from renewable sources in gross final consumption of energy (%)	20.5	21.4	27.09	Adequate (27% is the result of RES formula)
	National contribution for energy efficiency: Primary energy consumption (Mtoe) Final energy consumption (Mtoe)	18.34 9.9	16.9 8.67	17.5 10.3	Low Very low
	Level of electricity interconnectivity (%)	7.1	11.3	15	N.A

Sources: European Commission, Energy statistics, Energy datasheets: EU countries; European Semester by country; Bulgaria's final national energy and climate plan.

Potential Funding From EU sources to Bulgaria, 2021-2027

EU funds available, 2021-2027 : commitments, EUR billion

Programme	Amount	Comments
Cohesion policy funds (ERDF, ESF+, Cohesion Fund)	9.8	In current prices. Includes funding for European territorial cooperation (ETC). Does not include amounts transferred to the Connecting Europe Facility.
Common agricultural policy – European Agricultural Fund for Rural Development, and direct payments from the European Agricultural Guarantee Fund.	7.7	In current prices. Commitments under the multi-annual financial framework.
Recovery and Resilience Facility	6.0	In 2018 prices. Indicative grants envelope, sum of 2021-2022 and estimated 2023 commitments. Based on the Commission's summer 2020 GDP forecasts.
Just Transition Fund	1.2	In 2018 prices. Commitments both under the multi-annual financial framework (MFF) and Next Generation EU.
Modernisation Fund	0.3	Approximation: 7/10 of the allocations of ETS allowances to provide revenue to the Modernisation Fund tentatively allocated to Member States for 2021-2030 and assuming a carbon price of EUR 20 per tonne.
ETS auction revenue	2.8	Indicative: average of actual 2018 and 2019 auction revenue, multiplied by seven. The amounts in 2021 to 2027 will depend on the quantity and price of auctioned allowances.

European Commission recommendation of 18 June 2019 on the draft integrated National Energy and Climate Plan (NECP) of Bulgaria covering the period 2021–2030

Hereby recommends Bulgaria acts to:
Raise the level of ambition for 2030 to a renewable share of at least 27 % as Bulgaria's contribution to the Union's 2030 target for renewable energy, as indicated by the formula in Annex II of Regulation (EU) 2018/1999.

Increase its ambition towards reducing both primary and final energy consumption in view of the need to increase the level of efforts to reach the Union's 2030 energy efficiency target and support it with adequate policies and measures that would deliver additional energy savings by 2030.

Specify a robust gas diversification strategy including relevant underlying infrastructure projects and their respective contributions. Detail the strategy for the long-term supply of nuclear materials and fuel, in the perspective of the foreseen enlargement of its nuclear generation capacity.

Integrate just and fair transition aspects better, notably by providing more details on social, employment and skills impacts of planned objectives, policies and measures and particularly considering the impacts of the transition for coal and carbon-intensive industries.

The final plan would benefit from further analysis of the possible social impact of the transition to a low-carbon economy, including on sectoral/industrial shifts, employment, skills, and training. In general terms, the issue of a **Just Transition** to a climate neutral economy could be better integrated throughout the document, particularly considering the impacts of the transition for coal and carbon-intensive industries.

Further develop the approach to addressing energy poverty issues, including by specifying the assessment as required by the Regulation (EU) 2018/1999.

Assessment by the European Commission of the final NECP of Bulgaria, covering the period 2021–2030, in the aspects social impact and Just Transition, on 14 October 2020.

The report of the European commission **"Assessment of the final national energy and climate plan of Bulgaria"** (document SWD(2020) 901 final of 14.10.2020), carried out the following assessment of the social impact and the just and fair transition issues :

Based on Bulgaria's final NECP (national energy and climate plan), and on the investment and reform priorities identified for Bulgaria in the European Semester, the Commission services invite Bulgaria to consider, while developing its national recovery and resilience plan, the following climate and energy-related investment and reform measures :

- Measures supporting a coal phase-out strategy with a clear timeframe commitment and ensuring a Just Transition of coal and lignite-reliant areas, accompanied by a clear strategy for promoting renewable energy; measures to reform the energy market;
- Measures promoting investments in buildings renovation, focusing as a matter of priority on worst-performing residential buildings;
- Measures improving sustainable transport infrastructure and boosting sustainable mobility.

"Bulgaria has partially addressed the recommendation to integrate just and fair transition aspects better. The NECP identifies some of the main potential impacts of the transition to a carbon-neutral economy, however these are not complemented with details or quantitative analysis. The lack of information on how and when the coal phase-out required to achieve the proposed reductions set out in the NECP will take place makes it difficult to assess whether the impact presented is due to decarbonisation or to existing structural issues. The document also mentions the need to improve skills in the population including vulnerable groups. However, the analysis of the skills aspect is not comprehensive enough. As regards energy poverty, the NECP remains vague about setting an indicative target and defining robust policies and measures to reduce the number of energy-poor households."

"The final plan takes account of the just and fair transition aspects and provides high level information on the social, employment and skills impacts of a transition to a carbon-neutral economy. It identifies the regions where the impact of decarbonisation on employment will be most significant. Employment challenges will affect not only coal regions, but also Bulgaria's industrial centres for all economic sectors with high levels of greenhouse gas emissions. Bulgaria does not plan to phase out coal yet. The final plan still lacks an assessment of energy poverty (there is no estimate of the number of energy-poor households, nor is there an indicative target to reduce this number). Moreover, there is still no definition of energy-poor households. This prevents the country from shifting to a fully liberalised market while protecting those in need. Nevertheless, the plan describes an existing measure according to which about 250 000 individuals and families receive support for heating costs."

"As regards the just and fair transition aspects, the plan does partially address the European Green Deal and Bulgaria's commitment to decarbonising its economy by 2050. It does not deal with the future of lignite mining and power generation. In the final NECP, there seems to be tension between the objective of promoting low-carbon economic development on the one hand, and the objective of exploiting domestic coal resources to the full, along with the use of gas as a transitional fuel, on the other.

A more substantive analysis of the further use of coal-based electricity production (including the expected impact of rising carbon prices on the competitiveness of coal power generation assets and on the financial stability of state-owned enterprises relying on coal power generation) is missing from the NECP. More generally, while the Just Transition is partially integrated throughout the plan, no section of the document pays sufficient attention to the issue of how to achieve a fair transition to a climate-neutral economy and the socio-economic impact cannot be clearly defined."

"Bulgaria faces the challenge of taking account of just and fair transition aspects in its efforts to shift the energy system towards low-carbon sources. In particular, the country needs to develop a more comprehensive assessment of the social, employment and skills impact of planned objectives, policies and measures. This applies particularly to coalmining regions, carbon-intensive and linked industries. The measures proposed to mitigate the impact of the transition will also require further detail and analysis. In this context, the Just Transition Mechanism, as part of the European Green Deal, provides an opportunity to intensify efforts by making financial and technical assistance available."

Detailed assessment of how Commission recommendations have been addressed:

Just transition and energy poverty	Integrate just and fair transition aspects better, notably by providing more details on social, employment and skills impacts of planned objectives, policies and measures…	Partially addressed.	The final NECP provides limited analysis of the social, employment and skills impact or of the measures proposed to mitigate the transition's impact. A thorough, detailed socio-economic analysis is expected to be developed of the consequences of the transition and the specific policies required for its implementation. It would be relevant for this analysis to also include a distributional impact assessment on households' income (including impact on housing costs) of the transition measures.
	...and particularly taking into account the impacts of the transition for coal and carbon intensive industries	Partially addressed.	The NECP touches on the impact the transition will have on coaland carbon-intensive industries. Potential job losses resulting from the decarbonisation of the coal sector are also briefly discussed. Some measures currently in progress are also mentioned, such as the decision taken by Bulgaria's National Assembly in January 2020 on accession to the EU 'Coal Regions in Transition' platform.
	Further develop the approach to addressing energy poverty issues, including by specifying the assessment as required by the Regulation (EU) 2018/1999.	Partially addressed.	Further detailed information on energy poverty is needed. This includes an estimate of the number of energy-poor households (together with a forthcoming definition), an indicative target to reduce this number, and robust policies and measures; all the more needed since Bulgaria's performance - as regards the level of certain energy poverty primary indicators used by the EU Energy Poverty Observatory – is still significantly worse than EU average (despite strong positive evolution in recent years).

Details of 2 regions selectioned by European Commission to sustain the TJTPs in Bulgaria

The Southwest region of Bulgaria is covered by the Southwest planning region. This case study focuses on the district of Pernik, where the main town is Pernik, and the district of Kyustendil, where the Bobovdol municipality is located. Both municipalities are characterized by lignite and brown coal40 mining, which began to develop at the end of the 19th century in Pernik. For many decades the area became the driver of the industrialization and coal expansion in Bulgaria. Before the Second World War and during the communist period in Bulgaria, Pernik became the most industrialized city in Bulgaria, specializing in steel, glass, and machine-building production. Bobov dol provided most of the electricity needed for the industry in Pernik and its industrial growth started after World War II.

Coal production in the Southwest region of Bulgaria began to decline in the 1980s because of the depletion of resources. By the 1990s, it went into serious decline. As early as the 1970s, Bulgaria started to strongly develop its other lignite region, Stara Zagora in the Southeastern part of the country, which has much bigger reserves.

This further complicated the situation in the Pernik and Kyustendil districts. Gradually from the end of the 1990s, with the restructuring from centralized planning to a market economy, most of the industrial enterprises in Pernik and Bobov dol were privatized and practically shut down their activities.

Currently, the thermal power plant in Bobov dol is operating with a low-capacity factor – around 20% of the installed potential. The underground brown coal mines were closed at the end of 2018, and the number of employees in the sector is steadily decreasing as the three open pit lignite mines still operating do so at a very low capacity.

There are no alternative investments to diversify the local economy and the industry sector has not been modernized for decades.

The region is becoming an example of a violent transition, showcasing the dire consequences of the lack of planning, and ignoring the importance of new energy and climate policy developments.

From an energy perspective, coal reserves in the territory of Southwest Bulgaria make up around 85% of the brown coal and 15% of the lignite deposits in the country, including the reserves of two other districts area (Sofia region and Blagoevgrad districts), in which coal mining stopped at the end of the 1990s. In the broader region of Southwest Bulgaria, there are two thermal power plants (TPPs) – Bobov dol in the Bobov dol municipality and Republika in the Pernik municipality which provides more heat than electricity. Both TPPs produce around 900 GWh annually, equal to 2,5% of the annual total electricity production of the country.

The coal used for this energy output constitutes only 5% of the total amount of coal extracted in Bulgaria.

From an economic perspective, the Southwest planning region has the highest GDP in Bulgaria compared to the other five in the country, since the capital Sofia is located here. According to Eurostat, the GDP of the Southwest planning region of Bulgaria was €24.741 billion in 2017, contributing around 49% of the national GDP of €51,663 billion.

However, the figure is much lower for the regional GDP of the Pernik and Kyustendil Districts. The National Statistical Institute numbers for the same year show that Kyustendil generates a GDP of €500 million, from which €136 million are directly related to the coal mining and industrial sectors. For Pernik, the corresponding amounts are €482 million and €140 million.

The mining, industry and power production sectors do not play a dominant role in the regional economy of both districts. Pernik's industry accounts for 1/3 of the local economy, whereas the service sector is twice as big. 1/4 of the economy in Kyustendil is based on the mining and industrial sector, yet again the service sector is double. The official statistics further show that the primary sector is decreasing and the secondary and tertiary sector in both districts are increasing. Summarising the numbers reveals that the coal industry constitutes only a bit more than 1% of the economy in the Southwest planning region.

At municipality level, the situation is different. 73% of the Bobovdol municipality economy is based on coal mining, electricity production and its related industry subsectors. In the Pernik municipality, 28% of the local economy is based on coal, electricity, and the industry subsectors; but all together accumulates around 48% of local labour in the Pernik municipality.

The region has the potential to develop alternative economic activities – notably through its preserved cultural and historical heritage and its natural environment, which is the third richest in biodiversity in the EU and has a high share of protected areas and NATURA 2000 sites. There is a high share of forest land and a subsequent availability of significant forestry resources, whilst rich water resources, including hydrothermal, are available for use in agriculture and balneology. But the maintenance of these resources is lacking as well as the development of the local economy in this direction and the tertiary sector in general.

The demographic situation in the Southwest planning region of Bulgaria is slightly better than in the other five regions of the country, but again this does not apply to the major coal areas. For example, in Kyustendil district, where the Bobov dol coalfield is located, the population has decreased by nearly 30% in less than two decades. For the population of Pernik district, the decline is equal to 8% during the same period.
Secondary vocational education is the most common level of education achieved in the districts of Pernik and Kyustendil, where most employment is also in the industrial sector. There has also been an increase in the number of employed persons with higher education compared to 2013 – a signal for the direction of the educational structure needed to underpin future development.

National context

To counter the changes that are already happening, Bulgaria stated in its first draft of the National Energy and Climate Plan (NECP) that the country's coal reserves will be enough for the next 60 years of electricity production. In a damaging attempt to maintain the status quo, Bulgaria wants to extract all this coal as a local energy source, arguing it is extremely important for Bulgarian energy security and independence. At the same time, it seems evident that Bulgaria must change its coal-dependent energy system, especially in the Southwest planning region where coal is almost phased out and must ensure that the local economy shifts in a sustainable direction.

Even though the term 'Just Transition' is becoming more recognizable and the discussion ministerial level has already started, the lack of long-term vision and political will is evident. Explaining the problem to all relevant stakeholders and affected communities is still a challenging task for public officials in Bulgaria, who would rather not discuss this publicly.

Another major problem is that decision-makers are now focused on preserving the coal and energy structure of the Stara Zagora region, shifting them away from the negative scenarios happening in the Southwest planning region. Therefore, it is crucial to activate and engage with relevant stakeholders to establish a constructive dialogue and build trust around the Just Transition concept. Such a partnership will enable the commitment of major decision-makers to the Just Transition concept in Bulgaria, such as the ministries of environment, energy, labour and social policy, economy, regional development, and finance, but also to the Council of Ministers and the Parliament.
At this stage, the topic of Just Transition will be included in the development of the strategic planning documents at municipal and regional level in the Southwest planning region. These are the Bobovdol and Pernik 2020–2027 municipal development plans as well as the development strategy plans for 2030 for the Pernik and Kyustendil regions if they continue to be prepared.

Local elections held in October 2019 showed that most of the decision-makers and the candidates avoided the discussion on coal phaseout and Just Transition. However, by doing so, Bulgaria could miss opportunities to exploit the potentials of the new Just Transition Fund.

It is no longer a question of if, but of when Bulgaria will phase out coal. However, the key issue remains: Will this transition be smooth and socially just for the Stara Zagora region? Will steps be taken to do justice to Bobov dol and Pernik where the transition has so far been violent? Both regions have been relying on coal for decades, fueling the country's economic growth at the expense of public health, the quality of life of their communities and the environment.

- EU Levels

In April 2019, Bulgaria pulled out from joining the CRiT platform at the last minute, officially because of the European and local elections. The real reason was that it posed a major risk for political parties to lose voters from the two coal regions in the country, because of the sensitivity of restructuring the coal-power production, shifting the local economies towards other economic activities, and switching to other energy sources such as renewables.
The fact that the Just Transition concept is still unknown in the biggest lignite region of Stara Zagora also contributed to the decision not to participate in the platform.

In EU Council meetings, Bulgaria usually opposes new ambitious climate, energy or environmental regulations related to decarbonization or phasing out coal or renewable expansion. Bulgarian decision-makers still resist to the process of energy transition in EU and the idea that Bulgaria could have a sustainable development future in the framework of the EU Green Deal, while joining political coalitions against progression climate policies.

Thanks to a process initiated by NGOs in Bulgaria within the 'Regions Beyond Coal' project, the Just Transition concept has been introduced in the public debate and all the stakeholders involved agree on the need for a common approach to work with the government. This was confirmed during the first national round table on Just Transition organized in 2018 with all relevant stakeholders such as ministries, trade unions, environmental NGOs, companies, and businesses organizations.

Further public debates will be held in the future to influence decision makers and relevant stakeholders.

- Challenges

Population declines and deterioration of the level of education: For both the Pernik and Kyustendil districts, the population in the period 2001–2017 has significantly declined and the average age of the population has increased at a faster pace than the rest of the country. In addition, the educational structure is deteriorating. If the present age and educational structures are maintained, future investors will have to rely mainly on people with primary and secondary education, which will be a serious challenge for them. Another challenge which depopulates the region is the poor air quality. A major source of particulate emissions in Kyustendil District is the TPP 'Bobov dol' ash pond, but also the TPP itself emits particulate emissions. Another mass source of registered excessive pollution is the burning of solid fuels in households.

Lack of recognition of the need for a Just Transition: Administrative involvement and decision-making on Just Transition is missing. Currently, the Mayor of Bobov dol is the only one committed to find a solution. The main state actors at the Ministry of Environment and Water, Ministry of Labour and Social Affairs, and the Ministry of Energy are not dealing with the topic at national level.

Energy prices in Bulgaria: An electricity price increase is bound to happen as the price has been almost frozen since 2010, while electricity production costs have increased.

An additional factor contributing to the increase in electricity prices is that emerging businesses in the energy sector will aim at a higher rate of return of capital and higher incomes for employees. If this artificial freeze is lifted and the electricity prices become aligned with real electricity production costs, the public debate on Just Transition is bound to become central.

Low qualifications of the workforce: In the absence of effective measures to increase the qualification level of the workforce, the Southwest planning region will not be able to rely on specialization in high-tech industries and the introduction of innovations. This will limit its development potential and the negative demographic trends would remain or even become more pronounced in the future. This type of workforce is highly specialized and the need to adapt to the market is needed.

Increased rate of layoffs from the mining sector: The number of employees dismissed from the mining sector in recent years ranges from 100 to 500 people per year.

The potential role of the EU Just Transition mechanism and the CRIT to implement the reconversion of these two coal mines and coal-fired power plants regions.

More specific recommendations to ensure a Just Transition at national and regional level are provided in each of the relevant regional chapters. The implications for EU policy are discussed in more detail below. While the focus is placed on specific policies and initiatives, the five recommendations above can and should apply to all relevant EU policy.

The Coal Regions in Transition EU platform (CRiT) was established in December 2017. It seeks to bring together all relevant stakeholders to promote knowledge sharing and exchanges of experience of transition in EU coal regions, aiming to provide a bottom-up approach and technical support to coal regions developing transition projects.

The CRiT platform has been a step forward for the EU supporting coal regions in transition. However, it has suffered from several problems:

A lack of transparency in the run-up to CRiT's launch and a lack of clarity in its mandate. A lack of inclusivity and the absence of consultation with stakeholders in the pilot regions. In some regions there was no transparent call for projects, and projects were selected without reference to any overarching objectives. CRiT was at risk of being side-tracked by polluting and uneconomic 'advanced coal' technologies such as CCS or CCUS that have already failed market uptake.

A target date for the EU to move beyond coal was not discussed at any of the meetings. Following intensive engagement by NGOs and Trade Unions, several improvements can be recognized with regards to CRiT. This has been particularly visible since the establishment of a dedicated secretariat, which has provided support to regions and added formality to the platform processes. While country teams have remained relatively opaque – characterized by poor communication, lack of formal structures and in some cases, stakeholder exclusion, the Platform is publicly much more transparent and accessible, and it has been stated more clearly that the transition should lead to reductions in emissions in line with EU objectives.

Position and strategy of the trade unions in Bulgaria, with a focus on the experience of Podkrepa on the financing of the territorial Just Transition plans.

On August 3, 2021, Podkrepa sent a position letter to the European commission (DG Regio, DG Energy, DG Reforms, DG Employment) and IndustriAll Europe on the mode of governance of the territorial Just Transition Plans in Bulgaria indicating why the rules of social dialogue and partnership with the relevant stakeholders including trade unions provided by the regulation (EU) 2021/1056 on establishing the Just Transition Fund (Art. 11, item 3 and Art. 18 of this Regulation) were not respected in Bulgaria.

“The Green Deal as well as the EC guidelines in the recently adopted Pack “Fit for 55”, require mutual respect and shared responsibility among the participants in the Just Transition. This is the only way to guarantee the justice in the transition process and its success. All the stakeholders in that process must be equal, including in their access to information. Just Transition is a shared responsibility.

In countries with coal having a high share in the energy mix, such as Bulgaria, the transition to climate neutrality will require significantly higher investments and active measures in the social sector, therefore high level of trade unions involvement in the Just Transition process.” This Bulgarian case raises the question of the role played by the consulting firms mandated by the European Commission and the Member States and of the specifications submitted to them, including the procedures for informing and consulting stakeholders including the trade unions.

In particular, Podkrepa trade union has expressed its dissatisfaction with the non-respect of these rules by The Consultant - Price waterhouse Coopers Bulgaria, PwC, whose role jointly mandated by the European Commission (DG Regio) and the Bulgarian government is to carry out a Technical Assistance for Preparation of Just Transition Territorial Plans in Bulgaria and to ensure visibility of the work we just territorial transition plans.

However, the Bulgarian social partners have launched joint initiatives on the way of territorial Just Transition plans, even if these initiatives are not taken account by the DG region of EC et the consultant PwC. There is a constant collaboration between the trade unions, employers’ organisations and academic and research institutions, in the Stara Zagora Regional Economic Development Agency and the Bulgarian Chamber of Mining and Geology.

in June 2021, in the Institute for Sustainable Transition and Development at the University of Stara Zagora were organised consultations, round tables, discussions are being held on the future of the Stara Zagora region that will be most severely affected by the coal phase out and the needs of development of training and re-skilling programmes for the miners in Bulgaria.

And also, in particularly about the stakes and the impact on the regional activities and jobs of the R&D programme of Fuel Cells and Hydrogen 2 Joint Undertaking (FCH 2 JU). Expert groups included reps of the employers and trade unions.

Podkrepa carried out projects to support for increasing the workers and companies’ adaptability towards changing economic conditions in 10 economic sectors (incl. coal mining). Roadmaps of the sectors highly affected by the Just Transition and the EU Green Deal.

Before the new Bulgarian government takes office in mid-December 2021, trade unions Podkrepa & Citub has expressed its demands on the issues of financing TJTP at several events:

13 October 2021 – National protest organized by Podkrepa and CITUB on providing Just Transition in the Bulgarian Energy and Coalmining, against of the high energy and gas prices (More than 40% of the national electricity is produced by coal, coal phase out will have huge negative social impact, mass job losses, lack of clear employment perspective).

15 October 2021 - Upon arrival of the Executive Vice President of the European Commission in charge of the European Green Deal, Frans Timmermans, organising a ‚welcome' protest at Sofia airport to insist on ensuring Just Transition in coal regions and saving the Bulgarian energy sector.

The trade unions Podkrepa & Citub, on 13 october 2021, had a meeting with the representatives of the European commission (DG REGIO & DG REFORM) in Bulgaria, to present their position on the territorial Just Transition funds and the project of social funds for climate; and questions raised: Social impact of energy transition on the local communities / How to avoid the negative outcomes for the national economies? Social price of Just Transition and how it could be guaranteed that the transition process will be just?

3.4 Spain

The Just Transition Fund concentrates its intervention on the following areas in Spain: Asturias, León, Palencia, Cádiz, A Coruña, Córdoba, Almería, and Teruel

In the Annex D of the European Semester which is to be considered in conjunction with the EC proposal for a Regulation of the European Parliament and of the Council on the Just Transition Fund 2021-2027, on priority investment areas and framework conditions for effective delivery for the 2021-2027 Just Transition Fund investments in Spain.
These priority investment areas are derived from the broader analysis of territories facing serious socio-economic challenges deriving from the transition process towards a climate-neutral economy of the Union by 2050 in Spain, in preparing the Spanish territorial Just Transition plans, which will form the basis for programming the Just Transition Fund dedicated to Spain.

With the closure of the coalmines and the ongoing decommissioning of the coal-fired power plants, Spain has engaged in an ambitious decarbonization strategy of its energy production. This transition comes with significant social and economic consequences in the concerned areas, and a temporary increase of the energy dependency of the country. The coal-mining sector has lost more than 8 000 jobs since 2008, mostly in Asturias, Teruel (Aragon), and León and Palencia (Castilla y León). At the end of 2018, 14 coal-fired power plants were operating in Spain, four in Asturias, four in León and Palencia (Castilla y León), three in Cádiz, Almería and Córdoba (Andalucía), two in A Coruña (Galicia), and one in Teruel (Aragon), with an installed capacity of around 10 000 MW.

Around 3 300 people were working in the operation and maintenance of these power plants, while 10 000 indirect jobs would be concerned by the closure of the coalmines and of the coal-fired power plants.

The Spanish Government has prepared a Just Transition Strategy and adopted urgent mitigation measures, but further action is necessary to face the social consequences in the areas concerned. Most of these areas are confronted with depopulation and limited economic activities, which amplify the negative consequences of the decarbonization process.

To tackle these challenges, high priority investment needs have been identified for diversifying and making the regional economy more modern and competitive in Asturias, León, Palencia, Cádiz, A Coruña, Córdoba, Almería, and Teruel.

The smart specialization strategies of these regions provide an important framework to set priorities for innovation in support of economic transformation.

Based on this preliminary assessment, it appears warranted that the Just Transition Fund concentrates its intervention on these areas, complementing the efforts of the national Just Transition strategy. Key actions of the Just Transition Fund could target in particular:

- investment in the creation of new firms, including through business incubators and consulting services.
- investment in deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy.
- investment in the circular economy.
- investment in research and innovation activities and fostering the transfer of advanced technologies.
- productive investments in SMEs, including start-ups.
- investment in the regeneration and decontamination of sites, land restoration and repurposing projects.

Moreover, priority investment needs have been identified for alleviating the social costs of the transition in the above-mentioned areas. Key actions of the Just Transition Fund could target in particular:

- upskilling- and reskilling of workers.
- job-search assistance to jobseekers; and,
- active inclusion of jobseekers.

Almost all of Spain's remaining coal mines, concentrated in the four provinces of Asturias, Palencia, Teruel and León, closed in December 2018. They were followed in July 2020 by the thermal power stations that until then had been burning coal. Both closures, the result of a historic agreement between the government, employers and trade unions, will mean the disappearance of about 6,700 direct jobs between miners and employees of thermal power stations. This represents a true disaster for towns like Fabero, where coal has been the sole way of life for 175 years and people have no other way to make a living. To address this situation, Spain became the first country in the world to develop a Just Transition Strategy, designed to do the just thing of preventing these territories from emptying out, ageing and dying off like the coal industry.

Link between the Territorial Just Transition Plan and other European schemes

▶ National Energy and Climate Plan of Spain

The European Commission has produced a recommendation document on the draft National Energy and Climate Plan (NECP) of Spain, covering the period 2021-2030. As a reminder, the "Territorial Just Transition Plans" elaborated by the Member States must be in line with the "National Energy and Climate Plans", which set the ambitions in this field for 2030.

Overview of the key objectives, targets and contributions

National targets and contributions	Latest available data	2020	2030	Assessment of 2030 ambition level
Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (%)	-14%	- 10%	-26%	As in ESR. Total GHG target implies -39%
National target/contribution for renewable energy: Share of energy from renewable sources in gross final consumption of energy (%)	18,4% (2019)	20%	42%	Sufficiently ambitious (the result of the RES formula is 32%)
National contribution for energy efficiency:				
Primary energy consumption (Mtoe)	120,8 (2019)	123,4	98,5	Sufficient
Final energy consumption (Mtoe)	86,3 (2019)	87,23	73,6	Sufficient
Level of electricity interconnectivity (%)	6,5%	10%	15%	N/A

Sources: Assessment of the final national energy and climate plan of Spain, SWD (2020) 908 final; Eurostat where data is indicated for specific years.

A pact between the social partners and the Spanish government provides for €250 million to be invested in mining communities, as the country's coalmines shut down in the near future.

The transition deal between ETUC affiliates CC. OO, UGT and USO, and the National Federation of Coal Mining Businesses (Carbunion), covers Spain's privately-owned pits, until 2027. The funding will support business and clean energy initiatives in mining regions over the next five years (2019-2023). The agreement offers early retirement for miners over 48, retraining for green jobs, and environmental restoration. The closure of 10 Spanish pits by the end of the year will affect 1,000 jobs. Negotiations are now expected to seek a similar deal in the public mining sector.
As the December 2018 EU deadline to close uncompetitive mines approached, in October 2018, the Spanish government and unions struck a deal, commonly referred to as the Plan Del Carbón, for 250 million euros ($283.65 million) to be invested in mining regions over the next decade, encompassing early retirement schemes, local re-employment in environmental restoration work and reskilling programs for green industries.

The plan was signed by the Government of Spain, the unions Comisiones Obreras (CCOO), Unión General de los Trabajadores (UGT) and Unión Sindical Obrera (USO) and the Federación Nacional de Empresarios de Minas de Carbón (Carbounión) coal-mining employers association.

The closure of 26 uncompetitive coal mines affected 1,677 workers plus an uncounted number of indirect jobs.

The European Commission provided a 2.13 billion euro ($2.36 billion) aid package in 2016 to help alleviate the social and economic impact. Early retirement was available to miners over 48 years of age, those who contributed to the coal mining social security fund for 25 years and those who worked for 20 years for an affected company. This applied to about 60% of the miners, while the others received severance pay of 10,000 euros (approximately $11,070) plus 35 days' pay for every year of employment.

Then, in February 2019, Spain adopted the Strategic Framework for Energy and Climate, looking to take a more proactive, comprehensive approach to the energy transition. It included three components: the (then-draft) Integrated National Energy and Climate Plan 2021-2030 (INECP), the Draft Bill on Climate Change and the Just Transition Strategy.

Spain's Integrated National Energy and Climate Plan 2021–2030 (INECP) raised the country's climate ambitions, committing to 2030 targets of a 23% reduction in greenhouse gas emissions from 1990 levels, a 42% share of renewables in energy end-use and a 74% share of renewable energy in electricity generation. The INECP projects that meeting these targets will increase employment by 1.7% in 2030, adding 253,000 to 348,000 jobs per year.

However, the plan acknowledges that while the country will benefit, some regions will face challenges. A draft law on climate change which would help to achieve the INECP targets, would bar new fossil fuel projects and require plans to repurpose existing mines as they near the end of their licenses.

The Just Transition Strategy, which will be updated every five years, aims to "ensure that people and regions make the most of the opportunities offered by this transition." A key implementation mechanism for the Just Transition Strategy is Just Transition Agreements. They serve as integrated regional action plans to support economic activity, diversification, and employment in areas at risk from the phase-out of coal, including timelines for implementation.

Their five-step development process is outlined in detail, including identifying the territorial boundaries covered by the agreement, assessing the job losses, characteristics, challenges and opportunities in the region, and a participatory negotiation process involving a wide range of actors, especially local authorities. These agreements will be especially important in communities that still depend heavily on coal mining, especially Aragon, Castilla y Leon and Asturias.

As of November 2020, most Just Transition Agreements were in the negotiation phase, which had been planned for May to October 2020. The Ministry for the Ecological Transition and the Demographic Challenge (MITECO) has maintained a good transparency and accountability.

European and national funds: Support to Just Transition

- Recovery, transformation and Resilience Plan

The lines of work and the objectives of Just Transition have been included in the Spanish Government's Recovery, Transformation and Resilience Plan (PRTR) and this is reflected in Component 10, called "Just Transition Strategy". This Component, endowed with 300 million euros, includes 4 specific investment plans: the Mine Restoration Plan, which will generate employment for surplus coal workers in environmental recovery activities, will be endowed with 150 million euros. The Plan for digital, social, and environmental

- Just Transition Institute

To support the projects identified in the framework of the Just Transition Agreements, the Just Transition Institute will deploy several of its own aid instruments, such as calls for business projects and small investment projects, aid frameworks for projects in the territory, municipal and infrastructure improvement projects, or aid to affected local entities, among other instruments under development.

- Aid for business projects and Small Investment Project

Endowed with 27 million euros, it is intended to finance business projects and small investment projects that generate employment and promote alternative development in the mining areas of Asturias, Castilla y León, Aragón, and Puertollano.

Last June 22nd was the deadline for submitting applications for the 2021 call. This aid is included in the 2019-2027 action framework and their objective is to generate alternative economic activities that encourage the creation of jobs and maintain existing ones in order to promote new economic development in these territories.

- Aid to local authorities affected by a process of closure of coal-fired power stations

Last May, the Energy City Foundation (CIUDEN) published the awarding resolution of the 7 million euro grants aimed at local entities affected by the closure of thermal power plants. 15 projects proposed by 11 municipalities were awarded. The implementation of the subsidized actions will generate about 160 full-time jobs and must be carried out over a 24-month period.

▶ Aid of 110 million euros for municipal infrastructures

The JTI awarded at the end of last year direct aid worth 110 million euros for the reactivation of mining areas in the autonomous communities of Aragón, Principado de Asturias, Castilla-La Mancha and Castilla y León.

The actions financed are focused on the restoration of areas degraded by mining activity, energy optimisation, the improvement of municipal infrastructures, the modernisation of industrial estates and the creation of new social services centers.

The implementation of the 99 projects, many of which will start in 2021, will have a positive effect on local employment generation in the short term.

▶ National State Support to Just Transition

In addition to the aid described above, there are support tools of other government agencies with which the JTI works to prioritize Just Transition areas in their own calls for proposals.

▶ Secretary of State for Energy Maintaining access to the electricity grid and water resources after power plant closures

As established in Royal Decree-Law 17/2019, of 22 November, to support new projects in areas with power plant closures, access to water resources and to the grid will be maintained. The best projects in environmental, economic, and social terms will be able to access them through a tendering process. Likewise, the water used by the thermal power plants may be used for new projects in the same municipalities.

The JTI is already working on the regulation - which passed the previous public consultation phase last January - that will define a legal framework to promote the evacuation access capacity of these Just Transition nodes, favour the generation of alternative economic activities in the affected territories and promote the authorization of new facilities based on renewable energy sources that provide environmental and social benefits.

▶ First tender for the authorization of the capacity to access the Andorra Node (Teruel)

The Just Transition Agreement of Andorra-Comarcas Mineras (Teruel) will be the first to have this legal instrument, which will allow the authorization of the capacity to access the electricity grid up to 1.3GW. The aim is to facilitate and promote the installation of new renewable generation facilities that will boost economic and social recovery in this territory.

Last June, the tender for the authorization of the capacity to access this node passed the public hearing phase.

▶ Energy Storage Strategy and the Renewable Hydrogen Roadmap

Both the Energy Storage Strategy and the Renewable Hydrogen Roadmap include the role that CIUDEN may play to promote research, development, and innovation initiatives in these fields in Just Transition areas. The aim is to promote innovative energy solutions while assigning the Energy City Foundation to play a key role as a technological and socio-economic lever in the areas affected by the cessation of activity.

- Institute for Energy Diversification and Saving (IDAE)

To support energy transition in Agreement territories, the IDAE in its 2020 lines of assistance for thermal and electrical renewable energy facilities, endowed with 316 million Euros, has included the prioritization of aid for the Just Transition areas, through an additional score to the proposals located in these territories.

The score varies depending on the Autonomous Community and is the result of the elaboration process with the respective autonomous governments.

- Fundación Biodiversidad

Similarly, Fundación Biodiversidad includes criteria for prioritizing aid to projects in Just Transition areas in the calls for proposals of its Empleaverde ("green employment") program. The aim of Empleaverde, co-financed by the European Social Fund (ESF), is to promote the sustainability of economic activities in all sectors.

It contributes to fostering the creation of companies and quality employment in economic activities linked to the green and blue economy, promoting social innovation with a positive environmental impact, promoting the creation and growth of green and blue companies, and connecting European ecosystems to support entrepreneurship and employment in this field of activity.

Since the 2020 edition, projects in Just Transition areas will be prioritized by obtaining 30 additional points out of a total of 100 in three of its calls: MEJORA ("improve": for the improvement of competences and qualifications of workers), IMPULSA ("promote": aid to entrepreneurship for the creation of green and blue companies) and CONECTA ("connect": to promote the interconnection with European entrepreneurship networks).

In this way, the JTI is working to include Just Transition needs in a cross-cutting manner in Government actions. In addition, it should be noted that the energy transition in the territories is only one aspect of the work to be developed in the agreements that must generate diversified economies, based on innovative projects through one or more tractor projects that allow a certain smart specialization and with social, environmental, and digital infrastructures so that people can stay in territories that often show high depopulation trends.

With the closure of coal mines and the ongoing dismantling of coal-fired power plants, Spain has embarked on an ambitious strategy to decarbonise its energy production in a Just Transition process.

This transition is accompanied by significant social and economic consequences in the regions concerned and a temporary increase in the country's energy dependence.

The coal mining sector has lost over 8,000 jobs since 2008, mainly in Asturias, Teruel (Aragon), and León and Palencia (Castilla y León). At the end of 2018, 14 coal-fired power plants were operating in Spain, four in Asturias, four in León and Palencia (Castilla y León), three in Cádiz, Almería and Córdoba (Andalusia), two in A Coruña (Galicia) and one in Teruel (Aragon), with an installed capacity of around 10 000 MW. About 3,300 people were employed in the operation and maintenance of these plants, while 10,000 indirect jobs would be affected by the closure of coal mines and coal-fired power plants.

The Spanish government has prepared a Just Transition Strategy and adopted urgent mitigation measures, but further action is needed to address the social consequences in the affected areas. Most of these areas are facing depopulation and limited economic activities, which amplify the negative consequences of the decarbonization process.

To address these challenges, high priority investment needs have been identified to diversify and make the regional economy more modern and competitive in Asturias, León, Palencia, Cadiz, A Coruña, Córdoba, Almería and Teruel.

The Smart Specialization Strategies of these regions provide an important framework for setting innovation priorities to support economic transformation. Based on this preliminary assessment, it seems justified that the Just Transition Fund focuses its intervention on these regions, complementing the efforts of the national Just Transition strategy. Key actions of the Just Transition Fund could target in particular

- investment in the creation of new businesses, including through business incubators and advisory services.
- investment in the deployment of affordable clean energy technologies and infrastructure, greenhouse gas emission reduction, energy efficiency and renewable energy.
- investment in the circular economy.
- investment in research and innovation activities and the promotion of advanced technology transfer.
- productive investments in SMEs, including start-ups.
- investments in site remediation and decontamination, land restoration and redevelopment projects.

In addition, priority investment needs have been identified to mitigate the social costs of transition in the above areas. Key actions of the Just Transition Fund could focus on:

- improving the qualification and re-skilling of workers
- job search assistance for job seekers.
- active inclusion of jobseekers.

Like the parties, Spanish trade unionism, although very much a part of the national political landscape, has done little to explore the issues of ecology. A structural unemployment rate higher than the European average and massive deindustrialization have undoubtedly focused attention on economic challenges.

However, in the context of the energy transition, trade unions have for some years now taken up the defense of a "Just Transition", as defined by the guidelines set out in 2015 by the International Labour Organisation (ILO). Indeed, jobs in the regions affected by the closure of coal-fired power stations and mining basins, but also nuclear power stations, are particularly vulnerable. Although the PNIEC forecasts an increase in employment of 1.6% in 2030, the issue of the professional conversion of workers in the plants affected by the closure plans and the economic conversion of the regions affected is no less glaring, at a time when many thermal power plants are being closed.

In 2020, the trade unions and the government reached a fair transition agreement which, with EDP joining the agreement in March 2021, now covers all Spanish thermal power plants. In particular, the government undertakes to present a plan to support the training and professional integration of workers in power plants and auxiliary jobs, to align training plans with the needs of new applicants from the sector.

Because of the degree of consensus between the stakeholders, the government boasts of a "unique pact in the world" (Miteco, 24/03/2021). The agreement includes the design of "Just Transition agreements" which, at the cantonal level (comarcas), should propose plans for employment transition and maintenance of economic activity.

Twelve Just Transition conventions exist today and, according to the latest update in November 2020, 1,534 proposals and ideas have been submitted in the most affected regions: Aragón, Asturias, Castilla-León, Andalucía, and Castilla la Mancha (Miteco, 2020).

The Coal Regions in Transition Initiative, launched by the European Commission in 2017, selected Asturias as one of the regions to receive technical assistance. Unlike the other regions, none of the companies operating the Asturian coal-fired power plants had proposed an employment transition plan by the time they closed in June 2020.

3.5 Italy

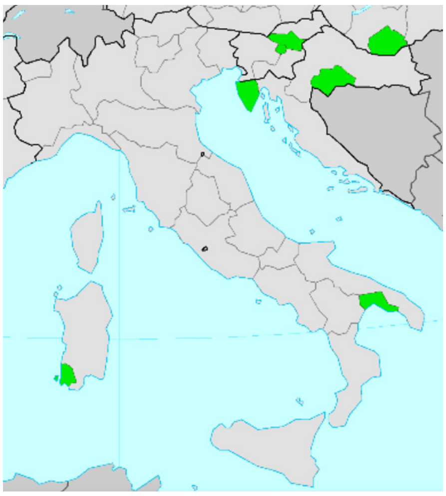
The Just Transition Fund territorial eligibility in Italy

Building on the European Commission proposal, the SWD European semester Annex D presents the preliminary Commission's views on priority investment areas and framework conditions for effective delivery for the 2021-2027 Just Transition Fund investments in Italy.

These priority investment areas are derived from the broader analysis of territories facing serious socio-economic challenges stemming from the transition process towards a climate-neutral economy of the Union by 2050 in Italy, assessed in the report.

This Annex provides the basis for a dialogue between Italy and the Commission services as well as the relevant guidance for the Member States in preparing their territorial Just Transition plans, which will form the basis for programming the Just Transition Fund. The Just Transition Fund investments complement those under Cohesion Policy funding for which guidance in the form of Annex D was given in the 2019 Country Report for Italy.
Italy is the EU's fourth largest producer of greenhouse gas (GHG) emissions, and its energy sector is the largest contributor to the total GHG emissions with a share of 56% in 2017. Italy's main sources of GHG emissions are coal power plants and iron/steel production.

Two areas deserve specific attention, Taranto and Sulcis Iglesiente (Carbonia-Iglesias, in the South-West of Sardinia)



In the functional urban area of Taranto (province of Taranto), which hosts one of Europe's largest steel mills and one of the three biggest coal-fired power plants in Italy, large industrial pollution stems from GHG, but also from other pollutants and particle matters. This area is economically heavily dependent on the steel mill, which employs ca. 10 000 employees, with a further ca. 10 000 estimated to work in ancillary companies. These jobs are at risk. The area's heavy dependence on fossil fuels poses a massive decarbonization challenge and calls for major efforts in supporting an integrated transition strategy to accompany Taranto's long-term shift towards economic alternatives and further development of the steel cluster.

Based on this preliminary assessment, it appears warranted that the Just Transition Fund concentrates its intervention on that area.

To tackle these challenges, priority investment needs have been identified to make the economies of this area more modern and competitive. Key actions of the Just Transition Fund could target in particular:

- investment in the deployment of technology and infrastructures for affordable clean energy, energy efficiency and renewable energy, including in industrial sites that emit high GHG with the aim to reduce emissions.
- investment in regeneration and decontamination of sites, land restauration and repurposing projects.

- investment in the creation of new firms, including through business incubators and consulting services, considering Smart Specialization Strategies.
- productive investments in SMEs.
- upskilling and reskilling of workers.
- job-search assistance to jobseekers,
- active inclusions of jobseekers.

In Sulcis Iglesiente (province of Carbonia-Iglesias), Italy's last coal mine of Monte Sinni should gradually phase out coal production by 2025. It employs 350 staff, and its production has been steadily declining. The area is already characterized by a high percentage of older inhabitants, few young graduates, high youth unemployment rate (35.7%), low per capita income and an overall low quality of life.

This poses transition challenges and triggers related investment needs. Based on this preliminary assessment, it appears warranted that the Just Transition Fund also intervenes in this area.

Link between the Territorial Just Transition Plan and other European schemes

▶ National Energy and Climate Plan of Italy

The European Commission has produced a recommendation document on the draft National Energy and Climate Plan (NECP) of Italy, covering the period 2021-2030. As a reminder, the "Territorial Just Transition Plans" elaborated by the Member States must be in line with the "National Energy and Climate Plans", which set the ambitions in this field for 2030.

The main findings of the assessment of the RRP (recovery and resilience plan) for Italy by the European commission (SWD, 22.06.2021) and the taking of account of the Just Transition plans

Overview of the key objectives, targets and contributions

	National targets and contributions[22]	Latest available data	2020	2030	Assessment of 2030 ambition level
	Binding target for greenhouse gas emissions compared to 2005 under the Effort Sharing Regulation (%)	-19 (2019)	-13	-33	As in ESR
	National target/contribution for renewable energy: Share of energy from renewable sources in gross final consumption of energy (%)	18,1 (2019)	17	30	Sufficiently ambitious (29% is the result of RES formula)
	National contribution for energy efficiency:				
	Primary energy consumption (Mtoe)	145 (2019)	158	125,1	sufficient
	Final energy consumption (Mtoe)	115 (2019)	124	130,8	sufficient
	Level of electricity interconnectivity (%)	8,8	8	10	n.a.

Document Proposal for a COUNCIL IMPLEMENTING DECISION on the approval of the assessment of the recovery and resilience plan for Italy {COM(2021) 344 final}

The additional GDP growth induced by the Plan is estimated to be substantial and further spurred by spillover effects. The projections assume that all grants and half of loans requested under the recovery and resilience facility as well as resources available under REACT EU, Horizon, InvestEU, Just Transition Fund, Rural Development and RescuEU will be used to finance additional government expenditure and in particular public investment (for a total of around EUR 144 billion).

While in the short-term the demand effects via increased public investment dominate, higher investment is expected to boost the public capital stock with positive effects on GDP in the medium term. A sizeable part of the estimated growth impact is due to spillover effects that materialize due to the synchronized and EU-wide reform and investment program. The macroeconomic impact presented in the plan considers additional measures expected to be financed with national resources, resulting in an overall expenditure aggregate of around EUR 183 billion.

Around 62% of these resources are expected to be used for public investment. Although the projection results are not directly comparable due to the different assumptions on the relevant expenditure, the central projections included in the Plan assume a higher efficiency of public capital than the Commission analysis. While this higher efficiency appears in principle achievable, it requires an effective and sound implementation and a high productivity of the investment stimulus. Therefore, these estimates are subject to downside risks.

The Plan has the potential to trigger sizeable employment effects and increase labour force participation, especially of women. The significant demand effects triggered by the Plan are likely to benefit the labour market. Sustained measures included in the Plan to facilitate women's entry into the labour market, such as a better provisions of care facilities, are set to have a long-term impact on labour supply and potential growth.

Moreover, programmes to up- and reskill both employed and unemployed workers as well as initiatives to enhance the employability of young people is set to raise aggregate labour productivity in the medium and long term.

The issues of Just Transition in the Italian NECP

Italy intends to use the Facility to boost the production of clean hydrogen in line with the flagship projects ***Power Up*** and ***Refuel and Recharge***. Italy intends by 2030 to meet 2% energy demand thanks to hydrogen and to install 5 GW of electrolysis capacity.

Out of the EUR 10 billion investments needed till 2030 to reach these targets, the Plan provides for EUR 3 billion investments in electrolysers, hydrogen production in brownfield sites (so-called "hydrogen valleys"), the experimental use of hydrogen in hard-to-abate industries as well hydrogen-powered trains and trucks. These investments are completed with tax incentives to support hydrogen and measures to simplify and reduce regulatory barriers to hydrogen deployment, envisaging notably systems of guarantees of origin of hydrogen and the setting up of refueling stations along motorways. Italy also intends to ensure that its 10-year deployment plan is coordinated with other Member States´ Transmission System Operators (TSOs).

In areas like Taranto, the Just Transition Fund can later complement RRF investments in hydrogen-based "clean steel" production with up- and reskilling of steel workers.

The green transition helps achieving a growth path that is resilient, inclusive, and sustainable.

Investments in renewable energies, energy efficiency, water management and environmental protection are designed to contribute to sustainability and to the fight against climate change. A total of EUR 70.9 billion of the Plan is allocated to green investment and set to scale up the pace of the green transition. These investments will pay off in the long term through fuel savings and low levels of pollution resulting from low-emission technologies and modern, smart, and clean infrastructure. Moreover, the Plan offers new opportunities to exposed businesses and households, especially in vulnerable regions and communities, to ensure a Just Transition.

The Plan is broadly aligned with the objectives and priorities presented in the draft National and Territorial Just Transition Plan.

The "Green Transition" pillar includes investments to improve waste management and reforming the circular economy model. Reforms on waste management and circular economy, if well implemented and accompanied by the strengthening of local capacities for investment, could have a substantial contribution to cohesion and convergence as they aim at establishing national planning tools that would bridge the gap between different regions and improve the national average in achieving national and EU goals for the sector.

The reforms and investments in the Plan address the green transition needs, also providing a much-needed boost to innovative elements of the transition, such as hydrogen, offshore renewables, and storage.

Synergies with the Just Transition Plan are only broadly explored in the Plan for the case of hydrogen production. Other significant measures well aligned with EU transition's priorities include improvement of the agri-food chain sustainability, the creation of green communities, the increase in the share of energy produced by Renewable Energy Sources (RES), the improved performance of the electricity grid, the promotion of alternative fuels and smart mobility, and encouragement of reduction of polluting modes of transport. These actions are expected to create new jobs for the local workforce, as well as a range of novel growth opportunities.

The draft NECP includes the objective of gradually **phasing out of coal for electricity generation by 2025** in favor of an electricity mix based on a growing renewable energy share and, for the remainder, gas. However, this objective is not backed with a detailed and concrete action plan to implement it. The draft NECP refers to "full decarbonization by 2050" as an objective for Italy, but it is not clear whether this is in the context of the energy sector or the whole economy.

Just Transition in Italy's National Recovery and Resilience Plan and the Just Transition Fund

The PNIEC (Integrated National Energy and Climate Plan)[12] is one of the two main instruments developed by Italy to plan and guide its decarbonization efforts, and it falls within the framework of EU Regulation 2018/1999,26 which established a system of Governance of the Energy Union requiring Member States to submit National Plans detailing their strategy and policies to achieve established 2030 targets on areas including energy efficiency, renewable sources and the reduction of CO_2 emissions, as well as energy security.

Italy launched a public consultation to define a second important strategy document, namely its Long-Term Strategy on the Reduction of Greenhouse Gas Emissions, which details the country's plans for decarbonization with a 2050 horizon and that was finally adopted and transmitted to the EU in early 2021.

12 MiSE, 2020. Integrated National Energy and Climate Plan. https://www.gazzettaufficiale.it/eli/id/2019/10/14/19G00125/sg

Both the PNIEC and the Long Term Decarbonization Strategy are to be updated following the EU's approval and launch of the 'Fit for 55' legislative package, which was proposed by the European Commission in July 2021, as well as following Italy's submission of its National Recovery and Resilience Plan (NRRP)[13] – necessary to access the Next Generation EU recovery instrument – in May of the same year.

in 2021, the Italian government renamed, through Law Decree 22/2021[14] the Ministry of the Environment and Protection of Land and Sea as the Ministry of the Ecological Transition, and it created an interministerial committee for the Ecological Transition (CITE) with the objective to approve the Plan for the Ecological Transition. The proposal for the Plan, whose guiding principle is the achievement of climate neutrality by 2050 and the 55% reduction in greenhouse gas emissions by 2030, was presented to and approved by the Parliament.

The first major policy document in which Just Transition is touched upon is the 2019 PNIEC[15], where the focus is mainly put on the consequences of the phaseout of coal foreseen by the Plan and its possible impacts on occupation and skills.

It is estimated that some jobs, such as the 3,800+ direct and indirect working units (full-time equivalent) employed as of 2017 for electricity generation from coal-fired power plants, may be at risk. In this regard, and "with a view to ensuring a fair energy transition" the PNIEC promises to accompany the coal phase-out with employee-protection measures ensuring their employment development and retraining, as well as measures to combat poverty and inequality and to safeguard their local areas.

Several actions are foreseen on different fronts, including the regulatory (through laws to protect workers affected by the coal phase-out), the institutional (by strengthening dialogue between national and local institutions and between institutions and workers' representatives) and the business-related (through the involvement of employers and workers in retraining projects including those supported by public policies).

Moreover, the PNIEC also identifies – based on a study carried out with the help of a specially formed expert group including the Ministry of Economic Development (MiSE), companies and trade associations in the sector, as well as trade unions – a series of work skills and 'jobs of the future' that will be in high demand during the energy and green transition, promising the establishment of a Fund for vocational retraining in areas in which coal-fired power plants are located.

However, As pointed out by the European Commission in its "Assessment of the final NECP of Italy'', overall, the European Commission thus judged the Just Transition and Energy Poverty aspects of the plan to be only partially addressed by the PNIEC.

The NRRP, with a cumulative budget of €235,12 billion, that is divided in six main 'Missions', presents three transversal priority areas of intervention highlighting the social aspect of the recovery and new transitions, namely Gender Equality, Youth and Territorial Rebalancing. Also, of the six Missions, the fifth one –with a budget of €27,6 billion, equal to 12% of the total budget of the plan – is entirely dedicated to 'Inclusion and Cohesion'.

13 MEF, 2021. National Recovery and Resilience Plan. https://www.mef.gov.it/en/focus/The-National-Recovery-and-Resilience-Plan-NRRP/
14 Decreto Legge 1 marzo 2021, n. 22. https://www.normattiva.it/uri-res/N2Ls?urn:nir:stato:decreto.legge:2021;22
15 MiSE, 2020. Integrated National Energy and Climate Plan. https://www.gazzettaufficiale.it/eli/id/2019/10/14/19G00125/sg

The 5th NRRP Mission details a series of actions that will be pursued by the government in the realm of Labour policies, in order to facilitate workers' participation in the job market, including the creation of a national program to ensure the employability of workers – 'Programma Nazionale per la Garanzia Occupabilite dei Lavoratori (GOL)' – which will allow to establish personalized reskilling and requalification pathways for workers as well as better assist job seekers in their search.

A more important role for the concept and praxis of Just Transition is beginning to be integrated in the recently approved Italian National Recovery and Resilience Plan (NRRP).

Italy has been assigned 1.030 billion out of the total 17.5 billion of the JT Fund – to which a national co-financing sum of about 1.2 billion is to be added[16] which the country could gain following the approval of its Territorial Just Transition Plans by the EU. In line with the advice provided by the European Commission[17], Italy has indicated the Sulcis Iglesiente area and the Taranto area as recipients of its share of the Fund, considering the two areas "high dependence on mining and carbon-intensive industries", and their important special needs for support through integrated financial resources to reduce the significant socio-economic impacts caused by the transition path towards a climate neutral economy[18].

The Minister for the South and Territorial Cohesion, also through its technical structures (Department for Territorial Cohesion and Agency for Territorial Cohesion) and with the support of the European Commission, is going to elaborate the Territorial Plans for a Just Transition, and a public consultation was opened to gather proposals from actors of civil society (including the ONG and Trade-unions) to be integrated in the plans of their presentation to the EC[19].

In the second semester 2021, there were 3 options being discussed for the allocation of the funds, especially regarding the Taranto area (Puglia Region):

- Intervening on the productive process to reduce dependency on coal.
- Develop in the target area the production of clean energy, with a focus on hydrogen, which should also allow for the reabsorption of workers who lost their previous occupation because of the transition.
- Develop compensatory interventions for the environmental and social requalification of the territory.

The position and strategy of the Italian Trade-unions concerning the territorial Just Transition plans

As reported by the CGIL, the Italian Government seems not to have activated any participatory process with organized civil society on these issues, nor bargaining with the social partners to assess and counter the social and employment impacts of the ecological transition, or to determine the actions and interventions necessary to seize the positive development opportunities of new sustainable supply chains and the creation of new quality and sustainable jobs. CGIL reported only having been sporadically involved on these issues, and only by some ministries and without an overall and systematic consultation plan, despite having filed repeated requests, jointly with CISL and UIL, in this sense.

16 Chiellino, G. and Fotina,C., 2021. In Autunno i Piani per Taranto e il Sulcis. https://www.ilsole24ore.com/art/in-autunno-piani-taranto-e-sulcis-AEfE9zT
17 EC, 2020. Commission Staff Working Document Country Report Italy 2020, Annex D. https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1584543810241&uri=CELEX%3A52020SC0511
18 Chiellino G. and Fotina C., 2021. In Autunno i Piani per Taranto e il Sulcis. https://www.ilsole24ore.com/art/in-autunno-piani-taranto-e-sulcis-AEfE9zT
19 Ministro per il Sud e la Coesione Territoriale. Just Transition Fund. Il Piano Italiano. http://www.ministroperilsud.gov.it/it/approfondimenti/just-transition-fund/il-piano-italiano/

Despite the existent difficulties, CGIL highlighted that they were nonetheless successful in having an amendment introduced in the legislation on the Governance of the NRRP to ensure that more systematic consultation processes will take place in the future.

The new norm in fact states that trade unions must be involved in the permanent table for economic, social, and territorial partnership with consultative functions on matters and issues related to the implementation of the NRRP.

Moreover, through a national memorandum of understanding between the Government and the most representative social partners, each administration in charge of interventions envisaged in the NRRP will have to carry out periodic sectoral and territorial talks on investment projects and on their economic and social effects on the production and industrial chains, as well as on their direct and indirect impact also in the individual territorial areas and on sectoral reforms.

CGIL's call and efforts to improve Italian civil society participation in the NRRP and in the formulation of policies and plans for a Just and fair Transition and will continue to monitor and report on advancements and gaps in this regard through the support of its Italian members and partners[20].

Based on this background, CGIL, CISL and UIL jointly argued that not only more resources should be allocated for the realization of the 6th PNRR Mission (Health) and the 5th (Inclusion and Cohesion)[21] but also that all interventions foreseen by the Plan, including the ones in support of enterprises, should come with a series of crucial conditionalities, such as:

- the realization of employment increases, for young people and women.
- the rebalancing of social and territorial inequalities starting from the South.
- the application of collective agreements signed by the most representative trade unions at the national level.
- the guarantees of transparency and legality and of contrasting undeclared work and the logic of the maximum discount in tenders.
- making investments in health and safety issues.

Similar points about the PNRR were also echoed in the eco-social forum held in Milan from 28 to 30 September 2021 - at the same time as the pre-COP preparation works were being carried out – that was organized by the Climate Open Platform Coalition, promoted by the Fridays for Future movement, and joined by the CGIL and various other NGOs and environmental associations. In its final "Declaration for the Future"[22], the eco-forum in fact highlighted that "the resources of the post-pandemic recovery and resilience plans, including the PNRR, deployed globally are a unique opportunity to accelerate the Just Transition by eliminating the employment and social impacts (higher bill prices, fight energy poverty, right to mobility, etc.) and ensuring the well-being of people.

However, their main aim must be concrete, effective and targeted investments, they must foresee social and environmental conditionalities, they must not be dispersed for the financing of false "green" solutions, for the greenwashing of companies or even as an alibi for corporate restructuring that guarantee profits to companies and dividends to shareholders by sacrificing labor rights and must be accompanied by adequate ordinary resources and a tax reform in an environmental and social sense, which is redistributive and progressive and aimed at equity and social justice."

20 Chiellino G. and Fotina C., 2021. In Autunno i Piani per Taranto e il Sulcis. https://www.ilsole24ore.com/art/in-autunno-piani-taranto-e-sulcis-AEfE9zT

21 CISL, 2021. Piano Nazionale Ripresa e Resilienza. Cgil Cisl e Uil incontrano Speranza. "Importanti le proposte e gli obiettivi illustrati dal Ministro. Chiediamo pi risorse a sanit e sociale" https://www.cisl.it/notizie/in-evidenza/piano-nazionale-ripresa-e-resilienza-cgil-cisl-e-uil-incontrano-speranza-importanti-le-proposte-e-gli-obiettivi-illustrati-dal-ministro-chiediamo-piu-risorse-a-sanita-e-sociale/

22 Climate Open Platform Coalition. Dichiarazione per il Futuro. http://climateopenplatform.org/dichiarazione_futuro/#services-section

The Italian trade union groups have also called on the Italian government to respect the pledges made under the Solidarity and Just Transition Silesia Declaration (Agreement of the COP24 Climate change in Katowice)[23], and guarantee a participative process, with a large involvement of all social partners, both in the phase of the definition of the priorities and projects linked to the Just Transition, and in their monitoring and evaluation phase. Also, they also called for multilevel dialogue to take place with the aim of adopting a national Just Transition plan.[24]

23 2019, Solidarity and Just Transition Silesia Declaration. https://cop24.gov.pl/presidency/initiatives/just-transition-declaration/
24 CGIL, CISL and UIL, 2020. Una Giusta Transizione. Il Benessere della Persona, la Giustizia Sociale, la Salvaguardia del Pianeta per una Transizione Verde dell'Economia.

4. What can we learn from those study cases?

Through the 5 case studies (Germany, Bulgaria, Spain, Italy, Slovakia), we have been able to appreciate both the points of convergence and common issues as well as those specific to each country.

4.1 The limit of the territorial approach of the funding

The European Commission's choice to focus on the territorial scope of the Just Transition projects financed by EU funds raises the question of the effectiveness of the method in view of the sectoral issues at stake (sectors at risk and with opportunities, winners and losers of climate policies for the decarbonisation of sectors of activity in the EU Member States). The Just Transition mechanism is territorially oriented, focusing on regions with high carbon intensity and mining industry. Even the broader scope of second and third pillars of the mechanisms need to benefit territories identified in the territorial Just Transitions plans.

The first adverse effect of such approach has been pinpointed out extensively already by IndustriAll European Union: the choice to focus on a specific sector (mining) and on small regions chosen on the basis of their GHG emissions lead to a rather narrow scope of the Just Transition. It fails to include other sectors at risks. The car industry is a prime example: the transition toward electric vehicles will have a tremendous job impact on each step of thermal engine production value chain. Nevertheless, the sector is not in the direct scope of the Just Transition mechanism.

One can argue that the limited budget should be targeted to have significant impact and thus avoiding excessive dispersal of aids. However, flat criteria such as GHG emissions and number of workers in the sectors concerned fail to capture the complexity and extent of the stakes the targeted regions are confronted with. As shown in the study case, Bulgaria is confronted with significant challenges in some municipalities extremely dependant on the mining sectors, weak diversification of the economy and a heavy need of training couples with weak training framework and local authority involvement. The Trenčín and Košice regions in Slovakia risk to suffer significant net job losses without the creation of other type of activities. If the challenges are high in the Rheinisches Revier in Germany, the diversity of the industrial tissue in the regions and the training framework are not comparable. On another note, the Slovakian case illustrates the difference in appreciations of the needs as the government fight to see the Banska Bystrica regions included in the TJTPs, a former mining region still confronted with large issue of reconversion, which for now is denied by the European Commission.

Which lead to another point highlighted by the case studies: the different capacities (or willingness) of Member states to mobilize additional resources. It is especially true comparing the initiative in Germany and Spain for instance and the Slovakian and Bulgarian cases. The design of the Just Transition mechanisms and the allocation method includes an adjustment to Gross National Income and differentiate rules of co-financing in order to channel additional European funds toward least developed Member states. However, it far from necessarily compensate the difference of national budget capacity to finance the Just Transition. Germany, one of the main beneficiaries of the JTF due to the size of its coal sector, committed 14 billion euro through the Strukturstärkungsgesetz (SSA), and an additional €26 billion via support programs until 2038 (however some EU funds are embedded in those financing).

Spain mobilises also different source of funding through different schemes. On the other hand, Bulgaria didn't developed similar schemes, as pointed in the Assessment of the final national energy and climate plan of Bulgaria" (document SWD(2020) 901 final of 14.10.2020) where the Commission asks for "*Measures supporting a coal phase-out strategy with a clear timeframe commitment and ensuring a Just Transition of coal and lignite-reliant areas*". The difference in "firepower" from the national budgets, and the willingness of governments, could "in fine" create significant difference of impact on resources on financing the Just Transition.

The Next generation EU and the Recovery and Resilience plans shows also very different ambitions when we look at Reskilling and Upskilling financing commitment (both linked to the green and digital transition). On this matter, Slovakia seems more ambitious with close to 25% of its plan dedicated to it (5% for Germany, 10% for Italy). But it doesn't say much on the efficiency and the strength of the national reskilling and upskilling frame already in places.

Indeed, it shows another limit of the territorial approach as it raise the issue of the operational effectiveness of the social action plans and support measures to ensure the retraining of the workers concerned. For instance, the social support and vocational training schemes are regionalised in countries such as Germany, Spain and Italy, but not in Slovakia and Bulgaria.

4.2 The involvement of trade unions

We have observed obstacles to the role to be played by trade union organisations in the information and consultation procedures of the TJTPs. Indeed, the involvement of trade union varies significantly from a country to another.

In Germany and in Spain, trade unions have been associated and involved to some extent in the governance of the TJTPs. Moreover, they are integrated in important structure that will foresee the projects funded in the frame of the EU Just Transition (for instance the involvement of the DGB and IG BCE in the Zukunftsagentur Rheinische Revier) or in the case of the Just Transition agreements in Spain.

We find Bulgaria and Slovakia at the other end of the spectrum. Indeed, in both countries, trade Unions has been side-lined from any consultation, besides their protest. In the case of Bulgaria, Podkrepa took serious initiatives to be heard by the European Commission and by the regional public institutions, but it remained mainly ignored.

Italy shows a middle ground, which however could be seen unsatisfactory. The role of trade unions has been limited to being informed about the TJTP projects, but not really and formally consulted. Their joint effort to be included in a formal and periodical consultation about the Italian National Recovery and Resilience Plan show that the involvement of the social movement in the design and application of the Just Transition initiatives, both territorial and sectoral, is not taken for granted.

Drawing from those cases of could show a more systemic issue in the process set in place by the European Commission in the development, monitoring, implementation and evaluation of the TJTP projects. Most of the consultation rounds organised on the TJTPs, mostly organised by outside consultant firm (PWC in the case of Bulgaria), denied the participation of Trade unions, leaving almost exclusively the representation of organised civil society to environmental NGO.

In the case of Germany or Spain, the better involvement of trade Union is due to their initial and pre-existing integration in the national and/or regional political framework dealing with Just Transition issue rather than directly linked to the implementation of the Territorials Just Transition plans.

At the European institution level, the implementation of the TJTPs has been devolved to the DG Regio without any involvement of the DG Employment, Social Affairs and Inclusion. If the former has indeed the experience in managing regional EU funds, it might not have the culture, habits and skills to involve the trade unions in the selection, implementation and evaluation of projects.

4.3 A multiplication of means that lead to complexity and raise questions on governance

The TJTPs raise the question of the limits of the financing of the Just Transition in particular by their capacity to mobilize the whole of the European funds concerned, involving multiple players in charge of them, like those of the EIB, EBRD, and the EU ETS funds (modernization fund, innovation fund).

Indeed, according to the European Commission, a majority of the EU funds can be mobilised to finance the Just Transition. The list is long: The Recovery and Resilience Facility (RRF), The Social Climate Fund, The Just Transition Mechanism, including the Just Transition Fund, The European Social Fund Plus (ESF+), the European Regional Development Fund, the Cohesion Fund, the European Recovery Assistance for Cohesion and Territories (REACT-EU), InvestEU, ERASMUS+, the European Globalization Adjustment Fund for displaced workers, the LIFE program, the Horizon Europe program, the Modernization Fund, and the Common Agricultural Policy funds.

The amount that will be channeled to finance a Just Transition is therefore extremely difficult to assess as, beside for the JTF, nothing is really directly committed to finance the Just Transition, without even incorporating national initiatives. Furthermore, beside the Territorial Just Transition Plans, no other comprehensive approach on the stakes of the Just Transition, has been developed in the EU institutions. Besides what will be included in the TJTPs, no other area, being sectoral or regional, is firmly targeted.

At this stage, the governance system put in place to ensure a coherent and coordinated approach to all those fundings towards a Just Transition is unclear if not plainly lacking. The European Commission in its recommendation to ensure a fair and equitable transition to climate neutrality in relation to the 'Green Deal' and the European Social Rights Framework set up guidelines, but as most soft law approach will be difficult to implement. The next European Semester might provide some monitoring on those guidelines once discussed and adopted by the Council.

Another issue that might complicate the impact of the financing is the rate of absorption of EU funds by Member States if proper governance is not put in place. Indeed, the capacity of absorption of EU funds of a country is linked to its capacity to be able to set in a timely manner the initiative which are committed. It's partly determined by the time to design, approve, and implement the initiatives and the various check to ensure the proper use of EU funds. Slow implementation and low absorption of EU funds are significant problem, but they are not new.

However, in addition to recurring issues observed during the previous MFFs, the size of NGEU and the Recovery and Resilience Facility add more challenges and it puts a question mark over whether money from various funds can really be paid out as planned. For instance, Italy and Spain, the two largest expected beneficiaries of the NGEU in terms of euro amounts, are among the worst performers in terms of absorption of EU funds. For the 2014-2020 period, Spain had absorbed only 39% of the money it was due from European Structural Investment Funds while Italy at 40% is also among the slowest[25]. It could add another constraint on financing the Just Transition in an effective way.

25 Darvas, Z. (2020) 'Will European Union countries be able to absorb and spend well the bloc's recovery funding?'

Annex

Annex 1 – List of regions – Just Transition territorial plans

		Name of regions/areas covered
	AT	Östliche Obersteiermark, Traunviertel
	BE	Tournai, Mons, Charleroi
	BG	Maritsa, Bobov Dol
	CY	Vassilikos, Dhekelia
	CZ	Moravskolezsky, Ustecky, Karlovarsky
	DE	Elbe-Elster, Oberspreewald-Lausitz, Dahme-Spreewald, Spree-Neiße, Cottbus, Bautzen, Görlitz, Leipzig, the City of Leipzig, Nordsachsen, Burgenlandkreis, Saalekreis, the City of Halle, Mansfeld-Südharz, Anhalt-Bitterfeld, Düren, Rhein-Kreis Neuss, Rhein-Erft-Kreis
	DK	Northern Jutland
	EE	Northeastern
	ES	Asturias, León, Palencia, Cádiz, A Coruña, Córdoba, Almería, and Teruel
	EL	Kozani, Kastoria, Florina (Western Macedonia), Megalopolis, Heraklion, Lasithi, Rethimno, Chania (Crete) and Aegean Islands (Lesvos, Samos, Chios, Rhodes, Mykonos)
	FI	Etelä-Savo, Pohjois-Savo, Pohjois-Karjala, Kainuu, Keski-Pohjanmaa, Pohjois-Pohjanmaa, Lappi
	FR	Nord, Bouches-du-Rhône
	HR	Sisak-Moslavina, Istria
	HU	Heves, Baranya
	IE	Midland
	IT	Taranto, Sulcis-Iglesiente
	LT	Kaunas, Telsai, Siauliai
	LU	Esch sur Azette, Rumelange

	LV	Vidzeme, Latgale
	MT	Grand Harbour Port, FreePort
	NL	East Groningen, Delfzijl, surrondings and rest of Groningen
	PL	Katowice, Bielsko–Biała, Tychy, Rybnik, Gliwice, Bytom, Sosnowiec, Konin, Wałbrzych
	PT	Alentejo Litoral, Medio Tejo, "Concelho" of Matosinhos
	RO	Hunedoara, Gorj, Dolj, Galaţi, Prahova and Mureş
	SE	Norrbotten, Västerbotten
	SI	Zavaska, Savinjska
	SK	Trencin, Kosice

Overview of Investments: Guidance on the Just Transition Funds 2021-2027 per Member State (Annex D):

https://ec.europa.eu/info/files/2020-european-semester-overview-investment-guidance-just-transition-fund-2021-2027-member-state-annex-d_fr

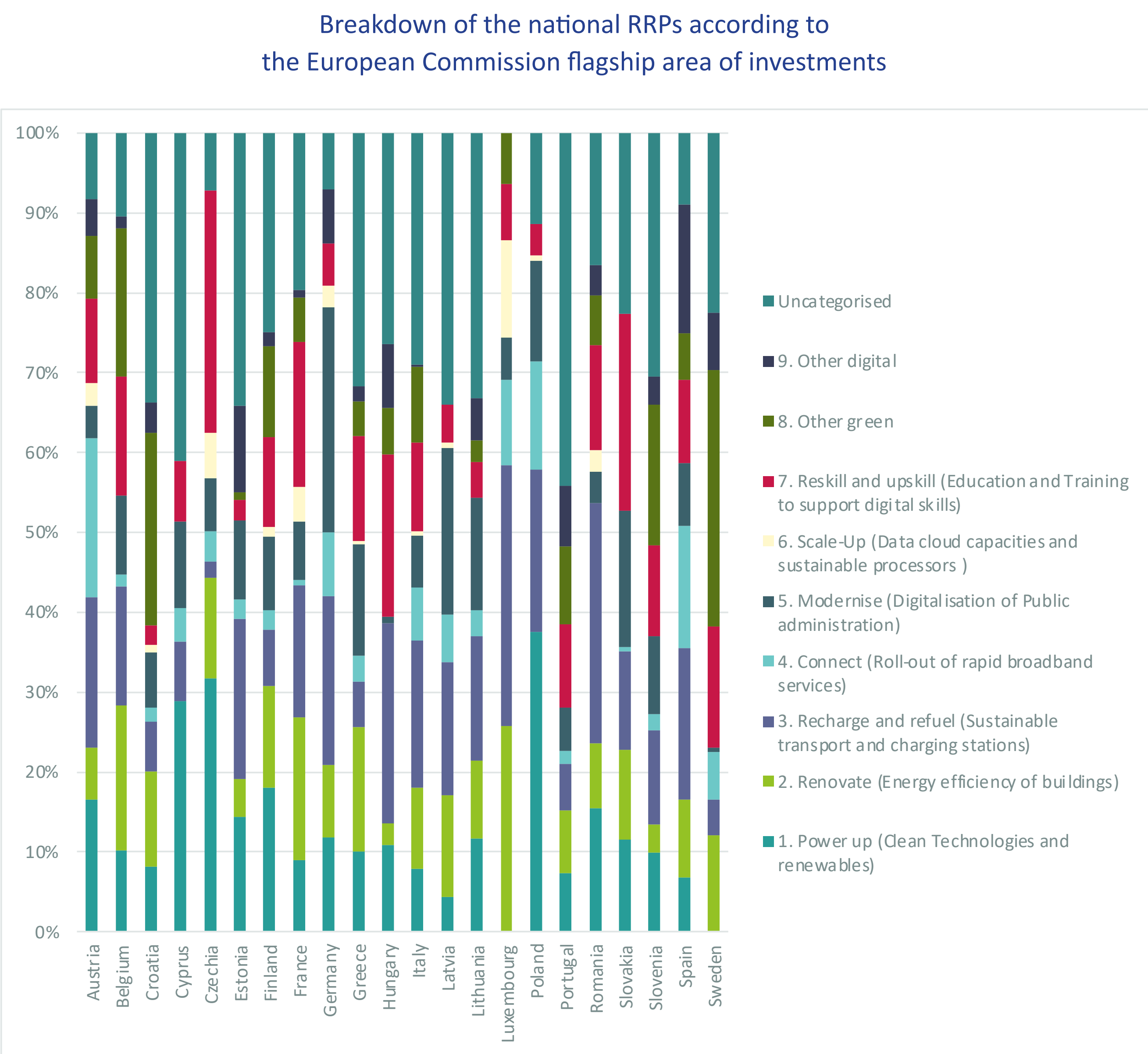
Annex 2

Breakdown of Cohesion Policy allocations per Member State *(current prices)*

	ESF+	ERDF	CF	of which transferred to the CEF	ETC	Total allocation
Belgium	1 168	1 152	-	-	369	**2 689**
Bulgaria	2 625	5 741	1 656	390	134	**10 157**
Czechia	2 701	10 426	8 327	1 962	306	**21 761**
Denmark	120	141	-	-	254	**515**
Germany	6 527	10 913	-	-	1 005	**18 445**
Estonia	503	1 693	1 073	253	57	**3 325**
Ireland	508	396	-	-	291	**1 195**
Greece	5 845	11 452	3 955	932	127	**21 379**
Spain	11 153	23 540	-	-	683	**35 376**
France	6 675	9 070	-	-	1 090	**16 835**
Croatia	1 983	5 356	1 547	364	184	**9 069**
Italy	14 535	26 615	-	-	935	**42 085**
Cyprus	222	467	233	55	37	**959**
Latvia	711	2 493	1 359	320	49	**4 612**
Lithuania	1 136	3 464	1 856	437	82	**6 539**
Luxemburg	15	15	-	-	29	**58**
Hungary	5 507	13 360	3 404	802	255	**22 526**
Malta	124	474	216	51	23	**838**
Netherlands	414	506	-	-	373	**1 293**
Austria	394	537	-	-	216	**1 147**
Poland	14 913	47 417	12 145	2 861	560	**75 034**
Portugal	7 497	11 497	4 447	1 048	136	**23 577**
Romania	8 239	17 070	4 628	1 090	367	**30 305**
Slovenia	727	1 538	940	221	74	**3 279**
Slovakia	2 404	8 117	2 110	497	220	**12 852**
Finland	605	888	-	-	160	**1 653**
Sweden	707	863	-	-	351	**1 920**
Technical assistance	*345*	*760*	*129*	-	*31*	***1 265***
Transnational cooperation	*197*	-	-	-	-	***197***
Interregional innovation investments	-	*564*	-	-	-	***564***
European Urban Initiative	-	*564*	-	-	-	***564***
Interregional cooperation	-	-	-	-	*564*	***564***
Total	**98 500**	**217 087**	**48 026**	**11 286**	**8 960**	**372 573**
	26,4%	**58,3%**	**12,9%**		**2,4%**	**100,0%**

(In million EUR, current prices)

Annex 3

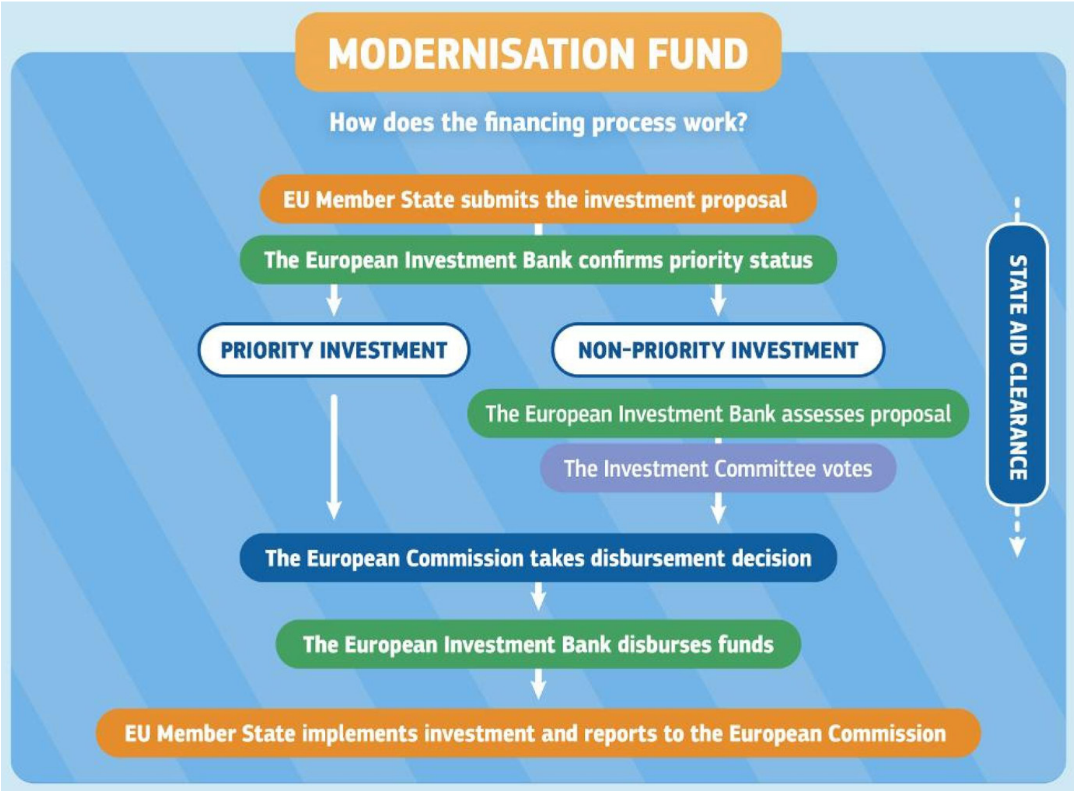


Source: Bruegel dataset

Other green, other digital and uncategorized referred to all projects not falling under the definition of the flagship areas (for instance social inclusion or research).

Annex 4

Governance of the Modernisation Fund: Distribution of roles between the European Commission, the EIB and the Investment Committee.



The operation of the Modernisation Fund is the responsibility of the beneficiary Member States. The EIB plays an important role, ensuring that allowances are auctioned in accordance with the principles and modalities set out in the new Directive. It is also responsible for managing the revenues. The EIB allocates the revenues to the Member States following a timely payment decision by the European Commission, which must be in line with the recommendations of an investment committee.

An Investment Committee has been established for the Modernisation Fund. It is composed of one representative of each beneficiary Member State, the European Commission, the EIB and three representatives elected by the other non-beneficiary Member States for a period of five years. It is chaired by a representative of the European Commission. A representative of the EU Member States, who is not a member of the Committee, may attend the Committee's meetings as an observer.

Up to 70% of the costs of an investment submitted by a Member State which does not fall within the areas listed in paragraph 2 may be covered by resources from the Modernisation Fund, provided that the remaining costs are financed by private legal entities.

The Investment Committee assesses the technical and financial viability of an investment project, including the resulting CO_2 emission reductions, and issues a recommendation.

The Committee shall endeavour to adopt its recommendations by consensus. If the Investment Committee is unable to reach a consensus within a time limit set by its Chairman, it shall decide by a simple majority.

If the EIB does not approve the financing of an investment, a recommendation may be adopted only by a two-thirds majority of all Committee members. These acts and recommendations shall be made public.

The trade union organisations and the social partners can intervene in the framework of national bodies for dialogue with the Member States that are going to submit an application for support from the Modernisation Fund with a Just Transition dimension.

The beneficiary Member States shall report annually to the European Commission on the investments financed by the Modernisation Fund. This report shall be made public.

The Investment Committee shall report annually to the Commission on its experience in evaluating investments. By 31 December 2024, taking into account the findings of the Investment Committee, the European Commission will need to review the areas of projects covered by the new Directive 2018 and the basis on which the Investment Committee makes its recommendations.

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