

European Commission proposal on the Just Transition Fund

Eurelectric amendments

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal: D/2020/12.105/26

WG Social Sustainability

WG Thermal and Nuclear

Contact:

Gilda AMOROSI, Senior Advisor Sustainability

gamorosi@eurelectric.org

Natalia PLASKIEWICZ, Advisor Energy Efficiency,

Generation & Innovation

nplaskiewicz@eurelectric.org

There is no Green Recovery without a just transition

When policymakers implemented the EU internal market 30 years ago, they foresaw that the consequent supply shock in the economy needed to be counterbalanced by more societally acceptable measures such as structural funds and the establishment of the Social Dialogue. As underlined by Pascal Lamy (Jacques Delors Institute, February 2020), the Green Deal is a comparable historical moment that gives a strong direction to the EU until 2050, it has the potential to create a similar shock as the EU internal market, but of a much wider magnitude, tenfold according to Lamy.

Matching policies able to limit the distributional effects that a fast energy transition will trigger in concentrated geographical areas of the EU are essential to bring citizens on board. These policies need to effectively support the countries, regions, industrial sectors, technologies, workers and consumers that will be the most affected, in line with the “no one left behind” principle as described by President Von Der Leyen. Now more than ever, in the midst of the COVID-19 crisis and its aftermath, it is essential to design policy solutions that support the economic recovery, while enabling EU decarbonisation ambition and limiting their negative effects on the most affected households and regions.

The proposal for a regulation establishing the Just Transition Fund (JTF) is one of the necessary measures to mitigate the negative effects of the Green Deal in some regions. The European power sector welcomes the initiative of the European Commission and highlights the importance of shaping an instrument that is fit for purpose. In particular, the current structure of the proposal does not seem to focus enough on the energy aspects the transition. Hereafter Eurelectric would like to present the modifications the power sector suggests for the JTF proposal.

Amendment Proposals

Text proposed by Commission

Amendment proposal by Eurelectric

Amendment 1

Article 3.1

Geographical coverage

The JTF shall support the Investment for jobs and growth goal in all Member States.

The JTF shall support the Investment for jobs and growth goal in all Member States. **Funds should prioritise highly carbon-intensive regions, notably those heavily reliant on coal-mining (and coal power plants) and with GDP per capita below the EU average but also those isolated from Continental Europe like islands or outermost regions.**

Justification

Funds should prioritise highly carbon-intensive regions, notably those heavily reliant on coal-mining (and coal power plants) and with GDP per capita below the EU average but also those isolated from Continental Europe like islands or outermost regions (as of Art. 349 of TFEU) which are often highly dependent on imported oil for electricity generation. It is in all the aforementioned regions where citizens are faced with the biggest challenges. The number of jobs in coal mining, energy use and in carbon intensive industries should be key eligibility criteria. The table with the national allocations circulated by the European Commission shows that the suggested methodology could end up prioritising areas that may need less external financing compared to those who need it the most.

Amendment 2

Article 3.2

Resources for the JTF under the Investments for jobs and growth goal

The resources for the JTF under the Investment for jobs and growth goal available for budgetary commitment for the period 2021-2027 shall be EUR 7.5 billion in 2018 prices, which may be increased, as the case may be, by additional resources allocated in the Union budget, and by other resources in accordance with the applicable basic act.

The resources for the JTF under the Investment for jobs and growth goal available for budgetary commitment for the period 2021-2027 shall be **at least EUR 20** billion in 2018 prices **and shall not be transferred from allocations of other existing funds**. This amount may be increased, as the case may be, by additional resources allocated in the Union budget, and by other resources in accordance with the applicable basic act.

Justification

The Just Transition Fund should be fuelled with EU “fresh money” and provide a more substantial financial support, substantially higher than EUR 7,5 billion. Proposed transferring mechanism based on matching the funds obtained from the JTF with Members State’s resources (own resources or cohesion envelope) shall become optional (instead of mandatory) to allow Member States to assess the best way to allocate resources. This, to avoid that resources that are already committed for other essential projects are reallocated to JTF activities, creating unintended consequences.

Amendment 3

Article 4

Scope

In accordance with paragraph 1, the JTF shall exclusively support the following activities:

- a) Productive investments in SMEs, including start-ups, leading to economic diversification and reconversion;
- b) Investments in the creation of new firms, including through business incubators and consulting services;
- c) Investments in research and innovation activities and fostering the transfer of advanced technologies;
- d) Investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy;
- e) (etc.)
- g) Investments in regeneration and decontamination of sites, land restoration and repurposing projects

In accordance with paragraph 1, the JTF shall ~~exclusively~~ support the following activities:

- a) Productive investments ~~in SMEs~~ including in start-ups **and SMEs**, leading to economic diversification and reconversion;
- b) Investments in the creation of new firms, including through business incubators ~~and consulting services~~;
- c) Investments in research and innovation activities and fostering the transfer of advanced technologies;
- d) Investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction (**incl. accelerating the transition towards zero-emission mobility**), **storage solutions**, energy efficiency and renewable energy;
- e) **Investments in renewables, smart electricity solutions and related infrastructure, circular economy, environmental remediation**;
- g) Investments in regeneration and decontamination of sites, land restoration and repurposing projects;

Supported activities should always be considered using the following criteria:

- **Contribution of activities to the creation of new jobs;**
- **Contribution to the CO2 emissions decrease;**
- **Contribution to the security of supply (e.g. if needed to substitute phased-out electricity generation capacities);**
- **Contribution to circular economy, air quality, site restoration, upskilling and reskilling of workers.**

(...)

Additionally, the JTF may support, in areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU, productive investments in enterprises other than SMEs, provided that such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 7(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan.

(...)

~~Additionally, the JTF shall support, in areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU, productive investments in enterprises other than SMEs, provided that such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 7(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan.~~

Justification

Supported activities under the Article 4 of the draft JTF regulation must bring added value in comparison to the business as usual scenario. Beyond addressing the social impact on transitioning communities, it must support projects that offer economic opportunities. Crucially it should finance re-skilling programmes for coal miners as well as investment in renewables, circular economy, environmental remediation, smart electricity solutions and enabling technologies and infrastructure. This would held address the economic and social impacts of the transition by creating job opportunities within the power sector. The current structure of the proposal does not seem to focus enough on the energy aspects of the transition. The mechanism should be as such that if, for instance, a coal power plant is closed down, the energy activity is still kept in the region. This applies above all in regions where a risk for the security of supply is identified, which could jeopardize their economic transformation.

Moreover, the wording about the possibility for projects put forward by enterprises bigger than SMEs to be considered under the JTF does not provide clear signals for the right investments to be made in the needed areas. Large enterprises are the biggest employers in transforming sectors of the economy and all companies should have the possibility to contribute to the just transition.

Amendment 4

Article 6.2

Programming of the JTF resources

The JTF priority or priorities shall comprise the JTF resources consisting of all or part of the JTF allocation for the Member States and the resources transferred in accordance with Article [21a] of Regulation (EU) [new CPR]. The total of the ERDF and ESF+ resources transferred to the JTF priority shall be at least equal to one and a half times the amount of support from the JTF to that priority but shall not exceed three times that amount.

The JTF priority or priorities shall comprise the JTF resources consisting of all or part of the JTF allocation for the Member States and the resources transferred in accordance with Article [21a] of Regulation (EU) [new CPR]. The total of the ERDF and ESF+ resources transferred to the JTF priority shall **be at least equal to one and a half times the amount of support from the JTF to that priority but shall not exceed three times the amount of support from the JTF. The transfer is voluntary and subject to Member States decision.**

Justification

Proposed transferring mechanism based on matching the funds obtained from the JTF with Members State's resources (own resources or cohesion envelope) shall become optional (instead of mandatory) to allow Member States to assess the best way to allocate resources. This, to avoid that resources that are already committed for other essential projects are reallocated to JTF activities, creating unintended consequences.

Amendment 5

Article 6.3 (new)

Aid intensity

/

The Just Transition Fund should operate under the same principle of aid intensity adopted by the European Investment Bank's Energy Transition Package. Eligible projects financed under the Just Transition Fund contributing to the specific objective as set out in Article 2 can benefit up to 75% of relevant cost.

Justification

Aid intensity rules adopted by the European Investment Bank's Energy Transition Package shall be used for JTF, for the sake of consistency and to make the fund more effective. Therefore allow for the maximum aid level to correspond to the maximum financing level of 75%. The aid intensity rules featuring in the cohesion policy vary widely across regions within the same Member State and can make the methodology more prone to unintended negative consequences.

Amendment 6

Article 7.2(h)

Support to investments to enterprises other than SMEs

(h) where support is provided to productive investments to enterprises other than SMEs, an exhaustive list of such operations and enterprises and a justification of the necessity of such support through a gap analysis demonstrating that the expected job losses would exceed

~~(h) where support is provided to productive investments to enterprises other than SMEs, an exhaustive list of such operations and enterprises and a justification of the necessity of such support through a gap analysis demonstrating that the expected job losses would exceed~~

Justification

The wording about the possibility for projects put forward by enterprises bigger than SMEs to be considered under the JTF does not provide clear signals for the right investments to be made in the needed areas. Large enterprises are the biggest employers in transforming sectors of the economy. There should be no obligation to state an exhaustive list of operation and enterprises other than SMEs in the territorial just transition plans. The needs of affected regions change continuously, it is impossible to set them ex ante. Any change of the territorial just transition plans brings additional administrative burden, which should be eliminated by allowing for more flexibility.

Amendment 7

Annex I (a)

(ii) employment in mining of coal and lignite (weighting 25%)

(ii) employment in mining of coal and lignite (weighting **more than 25%**).

Justification

The number of jobs in coal mining, energy use and in carbon intensive industries should be key eligibility criteria. The table with the national allocations circulated by the European Commission shows that the suggested methodology could end up prioritising areas that may need less external financing compared to those who need it the most. A way to compensate for this is to modify the weight for employment in mining and energy use of coal and lignite used for the calculation of the financial envelope and increase it from the current value of 25%. Such a change would account for the fact that main aim of the JTF should be easing of the transition away from coal in the power sector. The weight of other criteria should be recalculated accordingly.

Amendment 8

Annex I (a)

A threshold per Member State depending on Art. 3.2

(b) the allocations resulting from the application of point (a) are adjusted to ensure that no Member State receives an amount exceeding EUR 2 billion. The amounts exceeding EUR 2 billion per Member State are redistributed proportionally to the allocations of all other Member States. The Member States shares are recalculated accordingly;

(b) the allocations resulting from the application of point (a) are adjusted to ensure that no Member State receives an amount exceeding **27% of the principal amount**. The amounts exceeding **the 27%** per Member State are redistributed proportionally to the allocations of all other Member States. The Member States shares are recalculated accordingly.

Justification

A more substantial financial envelope for the JTF should also go hand in hand with a higher cap. The cap adopted for the maximum allocation of fund for a Member State cannot be limited to EUR 2 billion if the overall envelope is higher than 7,5 bn. The EUR 2 billion cap proposed by EC is equal to 27% of the resources of the JTF proposed by EC. If the resources of the JTF are increased to EUR 20 billion then 27% out of EUR 20 billion is EUR 5,4 billion (so an amount much higher than EUR 2 billion).

Amendment 9

Annex I (a) New

A criteria for islands and outermost regions

/

(vi) use of imported oil for electricity generation in outermost regions and islands

Justification

Outermost regions (Art.349 of the Treaty), atlantic, Mediterranean and Baltic islands are all part of the EU and many of them depend on imported oil for their electricity generation; technical solutions exist for indigeneous decarbonized solutions largely based on renewables or by developing interconnections to EU mainland. These remote territories, where developing new economic activities is very difficult, must not be left behind.

Eurelectric pursues in all its activities the application of the following sustainable development values:

■ Economic Development

Growth, added-value, efficiency

■ Environmental Leadership

■ Commitment, innovation, pro-activeness

■ Social Responsibility

■ Transparency, ethics, accountability



Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: [4271427696-87](https://ec.europa.eu/transparency/regexpert/?s=participations&id=4271427696-87)