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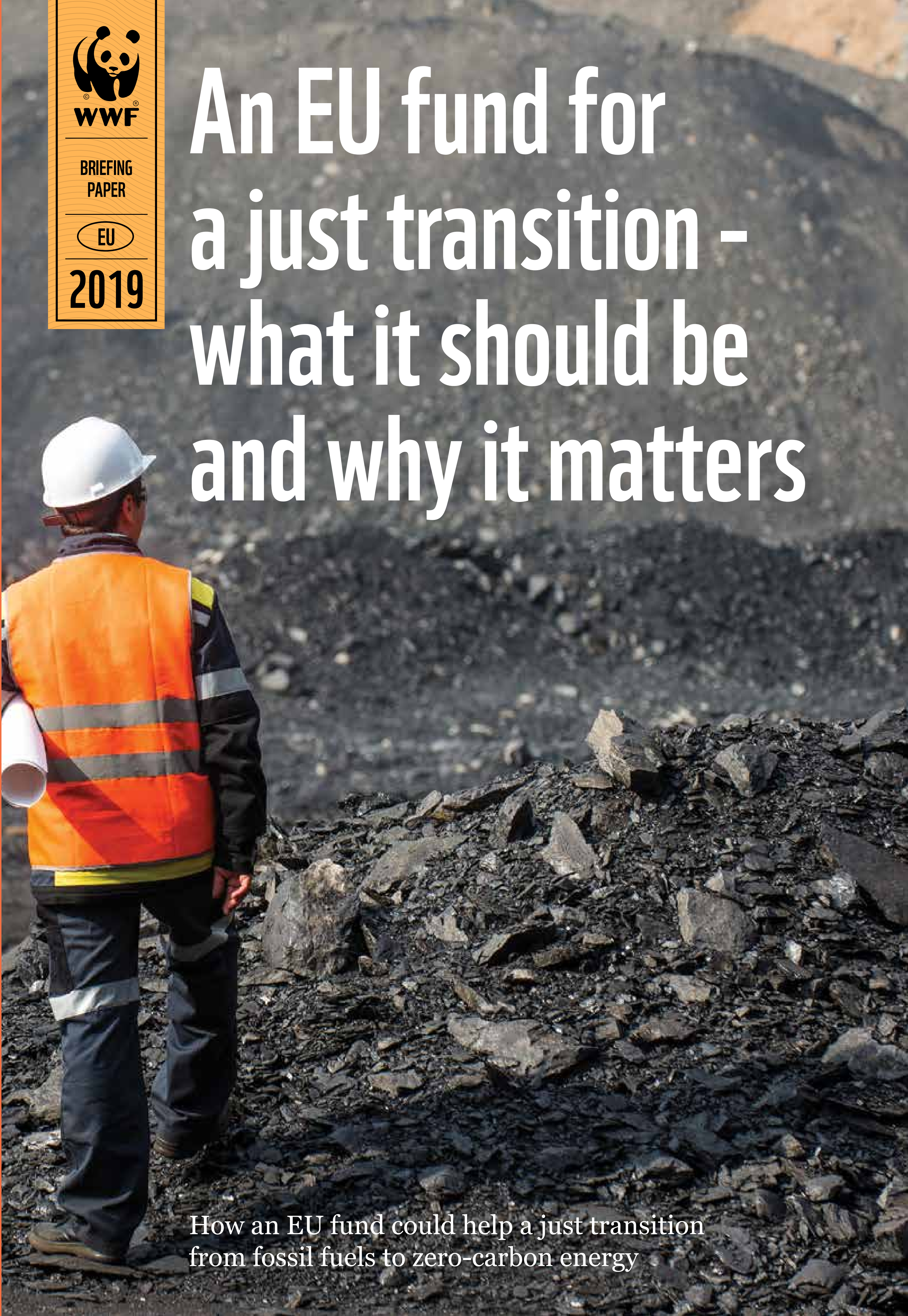
An EU fund for a just transition – what it should be and why it matters



How an EU fund could help a just transition from fossil fuels to zero-carbon energy

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WWF is one of the world's largest and most experienced independent conservation organisations, with over 30 million supporters and a global network active in more than 100 countries.

WWF's mission is to stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature, by conserving the world's biological diversity, ensuring that the use of renewable natural resources is sustainable and promoting the reduction of pollution and wasteful consumption.

The European Policy Office contributes to the achievement of WWF's global mission by leading the WWF network to shape EU policies impacting on the European and global environment.

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SUMMARY

WWF Asks:

An EU just energy transition fund should complement existing EU sources of funding and seek to enhance synergies between them. It should not seek to replace nor supplement other funding sources, including those from private, regional and national investors. Rather, the EU Just Energy Transition Fund should address gaps in the current disparate funding landscape.

A gap analysis of existing EU funds points to two key areas where an EU-level just energy transition fund could be useful:

1. Seed money for the development of comprehensive and locally-developed, strategic long-term transition plans based on early economic needs assessment

2. Communication about the just energy transition to the public and media at both regional and EU level

Diego López / WWF

INTRODUCTION

The energy transition is happening

The Paris Agreement commits countries to keep global warming to below 2ºC, and to make efforts to limit the temperature increase to 1.5ºC. This has driven the adoption of targets and policies to curb greenhouse gas emissions and is generating significant system change, from agriculture, to transport and even culture. A particularly prominent change is the transformation of the energy system into one less-dependent on fossil fuels and more based on renewable energy. Indeed, the EU is presently debating how it could reach net-zero emissions by 2050, a target which will inevitably necessitate more ambition for the much closer 2030 targets.

Beyond international commitments, the energy transition is now driven as much by markets as by policy. However, government inaction to ensure no one is left behind creates resistance, threatening its advance.

The energy transition will be economically positive overall

The European Commission's own 2050 strategy for a climate-neutral economy recognises that reaching zero net emissions would raise GDP by 2% and increase overall employment[1]. The Trade Union movement also support the Paris Agreement's ambition to maintain global temperatures below 2°C through a managed just transition, recognising that "our jobs depend on our planet"[2].

Challenges and industrial declines will occur in some regions

These impacts could negatively affect local economies without proactive management. In spite of recognising that the transition could create jobs, the European Trade Union Confederation has said that, "to fully tap this economic potential, investment and policy stability is needed."[3] Workers and their communities will resist a transition perceived as threating their livelihoods, especially in regions with sectors expected to decline[4] and the rise of populist parties in Europe alongside movements such as the "gilet jaunes" already point to such mounting tensions. Failing to proactively manage the transition will risk it faltering, or could obstruct it all together.

A just transition is not a slow transition

An energy transition is already well under way. Nevertheless, action is essential to ensure that it is swift enough to meet international obligations and to address the urgency of climate change mitigation. Embracing the transition early and implementing it swiftly is the most compatible with a socially fair transition.

1 This is without taking into account the benefits of avoiding climate change, or the costs of failing to do so. "A Clean Planet For All, A European long-term strategic vision for a prosperous, modern, competitive and climate neutral economy" European Commission, November 2018

2 Citation from Montserrat Mir, Confederal Secretary of the ETUC in advance of the UNFCCC COP24, available here (accessed 23/04/2019)

3 ETUC, "Involving Trade Unions in Climate Action to Build a Just Transition", May 2018

4 Ibid. 3 EU regions (NE Scotland, Silesia and Sud Vest Oltenia) have greater than 1% employment in mining and extraction, sectors expected to decline, whilst regions in 24 Member States have greater than 1% employment in energy-intensive industries which will need to transform

Costs will be reduced as investments can be taken with a long-term strategic view and the creation of stranded assets will be avoided[5]. At the same time, the risks to the workers and communities affected by the resulting industrial transformation will be minimised, and decent, sustainable livelihoods will be created.

A just transition must be proactively managed, and must be financed

Previous transitions, such as the ending of coal mining in the UK during the 1980s, illustrate the fundamental need to proactively manage the transition. The European Commission itself notes that the transition "cannot be managed *ex ante*"[6].

The actions and investments needed for the just transition will not be cost-free: it will need financing and investment, as well as strategic planning. Whilst the current EU budget includes funds which can be used to implement a just transition to a zero-carbon energy system, these alone will be insufficient. Furthermore, existing EU funds are widely dispersed and somewhat discordant.

In its interim report of the Multiannual Financial Framework, the European Parliament introduced the idea of a just energy transition fund. At €4.8bn euros, this fund cannot replace or substitute other EU and national funding, but it could provide seed money for stimulating action, or provide transition support in other ways.

Structure and purpose of this paper

This paper will provide an overview of the key elements of the policies and support which are needed for a just transition; using this in a needs-gap analysis of existing funds to evaluate and highlight what role a flagship EU just energy transition fund at EU level could play.

At €4.8 billion, the size of the proposed fund is likely far too small to address the scale of the just transition comprehensively. It is vital that complementary sources of funding are activated, including both private and national funding to meet the scale of the challenge. The nature of the challenge to support a just transition requires that funding is coherent, but also flexible and diverse. Funding should not come from a single fund.

The paper is organised first into a review of existing research and literature, identifying key elements needed for a just transition. This is followed by an evaluation of existing funds, highlighting the principle areas where the funds can be used and indicating where elements identified in the first section lack support. Afterwards, the paper concludes with recommendations outlining what an EU-level just energy transition fund could cover.

5 For example, the "Roadmap for the Transition of the Western Macedonia Region to a post-lignite era" developed by WWF Greece and Panteion University shows a €2.3bn investment now would avoid severe blows to regional employment and GDP. This is contrasted with the higher cost of building two further lignite plants, which would lock in fossil fuels, both impeding the transition and becoming stranded assets.

6 European Commission n.1

SECTION 1: WHAT DOES A JUST TRANSITION NEED?

A review of existing policies, literature, and research, suggests several themes common to a successful just transition. The transition process is multifaceted and complex, meaning that governments must provide clear supporting frameworks to guide and drive it, in a way that ensures it is fair. These frameworks must first and foremost set the direction, outlining the ambition and setting out clear timelines. They must also lay the groundwork for, and facilitate the democratic development of transition strategies and their implementation.

WWF asks for the successful management of a transition process*

1. **Long-term strategic transition plans:** developed early and locally, involving all stakeholders through social dialogue, and including local communities and trade unions. These must be based on early economic analysis and local scoping of transition impacts and the opportunities it presents
2. **Support for regional development, retraining and education:** innovation and investment is needed to generate new industries consistent with green smart specialisation strategies. In turn this will generate new skills demand profiles necessitating education, upskilling and reskilling efforts. Some communities may also need social support to adapt to the cultural changes.

It may also be helpful to provide:

3. **Best practice sharing frameworks**
4. **Communication about the transition to the public and stakeholders**

*Social support, such as unemployment benefit is not included: the need is limited for well-managed transitions

The remainder of this section explains the rationale behind each of the four areas identified for a successful implementation of the just energy transition, and dives deeper into what each actually means in practice.

Long-term strategic transition plans underpin the transition

The development of long-term, strategic transition plans reflects the fact that the just transition is "an economy-wide process"[7]. The call for reaching carbon neutrality 'well-before 2050' is growing meaning that for many industries, carbon neutrality is just one 'investment cycle' away. Strategic plans are therefore vital, as they guide investor decisions, avoiding the creation of stranded assets in declining industries, lowering transition costs and optimising benefits.

7 International Trade Union Confederation just Transition Centre, Just Transition: a Business Guide, May 2018, p.2

To be most useful to policy makers, investors and communities, transition plans must be clear and ambitious. They must set in place a timeline for the transition, including an industry phase-out date (where relevant). When set very early on, the timelines will become a guiding principle for, rather than a product of, the strategy itself. For example in Alberta, Canada, a phase-out date of 2030 for coal-fired electricity has been set despite 3 plants having lifespans exceeding 2030[8]. Long term strategies also gain credibility with the design of the appropriate policy frameworks to enable a just transition.

It is widely accepted that transition plans should be developed as early as possible. However, even when transitions are already underway (as in Europe), a long-term transition plan is still valuable to ensure that the necessary frameworks and resources are put in place. Incumbent industries are also unlikely to spend time and resources on the transition if it is unclear when it would be most financially advantageous. Governments should therefore ensure that public support does not continue to prop-up declining industries artificially.

Long-term strategic transition plans need to define the stakeholders affected by the transition. They should outline the responsibilities and liabilities of the different entities and groups; setting out clear investment plans to redirect and grow the economy, and identifying who pays for the transition and when. In addition to innovation and investment support, there may be a need to plan for retraining and educational support to meet the demands of the new industries created. Crucially, the plan should set out how the new jobs and industries created by the transition in the local area will be decent and sustainable.

Wider community impacts of the transition should also be considered. Not only will community infrastructure need investment, but communities often also have strong cultural attachments to incumbent industries. This is particularly the case in coal mining regions, where the industry can invoke a strong sense of identity and value.

Finally, the development of long-term plans should be part of an iterative process, to bringing together the community with policy makers, experts and investors.[9] Both sides have legitimate views and much to learn from one another: local citizens have unrivalled insight into the situation and desires of their community, whilst experts play a role in translating those visions and desires into implementable policy. Formally involving the local community in strategic transition plan development recognises the importance of local knowledge and increases local ownership in the plans[10]. In reality, however, ordinary citizens are often excluded in favour of experts, and are typically consulted only once visions have already been greatly narrowed down.

In contrast to communities, incumbent industries are nearly always at the table when transition strategies are developed. Although all stakeholders should be involved, the roles of each stakeholder and their decision-making power must be clearly defined, recognising that some stakeholders may have conflicts of interest and that the inevitability and swiftness of the transition itself cannot be negotiated.

8 Alberta Federation of Labour, “Getting it right: a just transition strategy for Alberta’s coal workers”, 2017 p. 20

9 In its 2017 report “making the energy transition a European success”, The Jacques Delors Institute finds that “the energy transition is swifter, cheaper and more democratic when it is powered by people… we witness the shift from a situation where energy policy was driven by the “decisions by a few”, to one where it is driven by “actions by all.”

10 A Nebraska study demonstrated that allowing communities to lead on their own development strategies and increasing levels of participation positively affected the success of strategy implementation. See: Blair, Robert, Public participation and community development: the role of strategic planning. Public Administration Quarterly, vol.28, no. ½, 2004, pp.102-147 JSTOR, www.jstor.org/stable/41288215

Early, structured economic analysis is needed to inform the transition

There is a general consensus in the just transition community that in order to develop meaningful transition plans for economic restructuring, an assessment of the opportunities and challenges the transition presents is a vital and logical first step[11,12]. Systematic, early assessment and research lays the groundwork for future development strategies. Transition plans can also identify industries at the brink or already in decline and can therefore facilitate industries to plan and to finance their declines[13]. Such assessments should be carried out at the start of the process, as the earlier a strategic transition plan is developed, the lower the costs to implement it.

Furthermore, each local area is different; presenting different demographics, resources and cultures. Each area exhibits different potential for expanding or developing new industries. The early and meaningful consultation and participation of stakeholders through local network engagement in decision-making processes has been shown to reveal decentralised information about regional economic strengths and weaknesses and is also a common theme of a successful transition[14]. Existing resources, skills and community needs should therefore also be analysed locally, in order to develop bespoke long-term strategies and action plans.

Unfortunately, such preliminary studies are not undertaken for all regions in transition, presumably impeding or even preventing a socially fair and holistic transition. Moreover, even when they are undertaken, it is not always clear how they should be conducted in a systematic and complete manner.

Various initiatives are attempting to generate strategies on the basis of clear needs and opportunities assessments. For example, in the Western Macedonia Region[15], a study led by WWF Greece identified 12 economic activities which could be developed and expanded to replace the declining lignite-based energy industry. There are also projects in Central, Eastern and Southern Europe[16].

A systematic framework for early and locally-based assessments of needs and opportunities is lacking. Although there are some promising initiatives - for example, the JRC’s preliminary analysis of the Horna Nitra Region in Slovakia[17] – these are often not driven by climate concerns, lacking the necessary urgency and perspective.

11 For the UNFCCC, research and early assessment of the impacts of mitigation policy on the workforce are fundamental principles for implementing a just transition. See UNFCCC “Just transition of the workforce and the creation of decent work and quality jobs.” 2016

12 For Coal Action Network Aeotearoa, early assessment and local analysis are fundamental in 2 of the 6 principles for the just transition from coal

13 In the World Resources Institute’s, “Developing and Implementing Just Transition Policies”, Mark Conway notes that, “Governments… must also work with businesses to help ensure transitions are just… when the issue is addressed too late, companies in declining industries are financially unable to provide funding for transitions. Conversations should begin years, or even decades, in advance to ensure that funding is available when industries decline.”

14 IDDRI and Climate Strategies, “Implementing Coal Transition - Insights from case studies of major coal-consuming economies”, Sept. 2018

15 Roadmap for the transition of Western Macedonia Region to a post-lignite era, WWF Greece, 2016 https://www.wwf.gr/images/pdfs/Roadmap_PostLignite_EN.pdf

16 For example, the Euki projects: Accelerating the Energy Transformation of Central and Eastern Europe and Learning from the German Experience and Just Transition Eastern and Southern Europe

17 Elena Donnari et al. Socio-economic transformation in coal transition regions: analysis and proposed approach Pilot case in Upper Nitra, Slovakia, Publications Office of the European Union, Luxembourg, 2018 https://ec.europa.eu/jrc/sites/jrcsh/files/coal_regions_report_jrc_pilot-slovakia.pdf

WWF suggests:
Long-term strategies are:

1. Based on economic analysis: which should be locally-developed and scope the regional opportunities and impacts of the transition for the workers and the wider community
2. Developed locally: with local involvement, as early as possible
3. Comprehensive: defining investment plans, roles and responsibilities, as well as clearly defining workers and communities affected by the transition

Support for regional development, retraining and education

The transition provides an opportunity to diversify economies and provide many more jobs, in clean and sustainable industries. However, the capital costs to grow new industries, including for renewable energies which will play a central role in the clean energy transition, require targeted and planned investment. These investments will ensure that new industries are ready to contribute to the economy early in the transition and will be able to provide decent and sustainable livelihoods to support workers and their communities.

The transition will entail changes in skills demand, especially for certain sectors[18]. In the absence of proactive policies, it may also lead to supply and demand imbalances. Indeed, according to the Commission's 2050 strategy for the reduction of greenhouse gas emissions, investing in skills development is essential for the transition.

The transition will see shifts not only between sectors, but also within them. Demographic change, digitalisation and automation drive skills demand change even without the energy transition. However, under a clean energy transition, skills will need to be 'greener', with key competencies developed that are relevant to clean energies.

Businesses and civil society agree that investment in skills (reskilling and upskilling) is a fundamental pillar for a just transition. This position is reflected in business statements[19], ILO guidelines[20] and even in the UNFCCC's own just transition guidance[21]. They also agree that shifts in demand for skills will vary between sector and between regions. In order to effectively plan investment, skills assessments and forecasts are therefore pivotal[22].

Another factor to consider is the quality of jobs created by the transition. Transitions plans and the policies which support them must ensure that the jobs created by the clean energy transition accord as much protection (such as unionisation and security) as those they replace.

18 The Commission's modelling in its 2050 greenhouse gas emissions reduction strategy found that skills demand would increase considerably in the high and medium skills levels, whilst large declines would be witnessed in the low skills categories.

19 Joint Press Release "Electricity European Social Partners stand up for a Just Energy Transition" November 2017

20 International Labour Organisation, "Guidelines for a just transition towards environmentally sustainable economies and societies for all", 2015

21 UNFCCC Technical Paper n.7

22 Statement on a Just Energy Transition from the European Social Partners in the electricity sector https://www.epsu.org/sites/default/files/article/files/JustEnergyTransition%20-%20leaflet.pdf

WWF suggests:
Support is needed to:

1. Provide skills assessments
2. Support investment in reskilling, upskilling, training and education; coordinated with industry needs
3. Invest in new, green infrastructure in transition regions
4. Ensure jobs created by the transition are decent and secure

Best practice sharing frameworks

According to the ILO's guidelines, knowledge sharing is very beneficial to implementing the just transition[23]. Sharing knowledge between regions internationally can facilitate capacity building and generate partnerships, whilst at national and more local levels it is particularly helpful for monitoring and can assist implementation.

Transitions have already taken place around the world in the past and the volume of information on transitions has skyrocketed. Sharing that wealth of knowledge and experience would ensure the most efficient and fair routes are identified, avoiding the replication of mistakes made elsewhere in the past[24]. Frameworks to access and share that information can facilitate the transition, allowing it to take place faster.

WWF suggests:

The provision of frameworks for open dialogue and knowledge sharing on the just energy transition can be complementary actions to facilitate the just transition

Communication about the transition

Communication about the transition; including on why it is needed and how it will be planned and developed is an important complement to implementing a just transition. By informing stakeholders about the real economic and environmental situation, as well as openly exploring the opportunities available, communities and other stakeholders will be in a stronger position to engage with and support the transition. They will be more-informed and will be more likely to 'buy-in' to the development of a transition plan[25].

Moreover, when communication is also targeted at investors, they will be more aware of the challenges, risks and opportunities of different investment decisions in the region. This will in turn reduce the risk of stranded assets, increase investment in the activities that underpin the clean and fair transition and will optimise the benefits.

23 International Labour Organisation n.24

24 World Resources Institute n.9 quote, "Developing best practices can help build communities that learn from one another while also identifying where further support is needed."

25 Blair, Robert n.19

David Lawson / WWF

WWF suggests:

Resources should be put aside to communicate about the transition to all stakeholders, including communities and investors

Social support and protection

In specific cases, social protection and support may be needed to help people to adapt to the transition. This does not always have to come from public funds, and in many cases (particularly when a transition is planned and developed with stakeholders in advance), it may be a liability of the industries undergoing the transition[26].

Public support may be needed in limited cases where the transition is very rapid or if a utility closes suddenly and unexpectedly; for example, early pensions for older workers, or in the instance of immediate unemployment benefit. Support for retraining and upskilling may in many cases require public financing and support which could also be considered under the umbrella of social protection.

Longer-term social support might also be required in situations where a particular industry has acted as a pillar of cultural identity, as is typical in extractive regions, which are often characterised by a mono-industrial economy. This could be in the form of counselling services and cultural projects, but financial support should always be targeted at communities and not be used to compensate large industry.

26 In the Summary Report of the Coal Transitions Project, company binding contracts developed based on long-term management plans are an option to support the just transition

SECTION 2: EVALUATION OF EXISTING EU SUPPORT

Overview

This section examines the various just energy transition-relevant funds available at EU level, as foreseen for the 2021-2027 period. No programme has yet been adopted in its final form by the colegislators.

The objective of this analysis is to identify gaps in existing EU funds for supporting the just transition. The purpose is not to evaluate how well the funds contribute to the different elements of a successful just transition. In many instances, stronger language and a more direct focus on the need to address the just transition, alongside greater climate mainstreaming, would further strengthen the support provided by the programmes for the just transition[27]. However, it is apparent that EU funds alone will not be sufficient to support the just transition.

Fund	Long-term strategic transition plan development and support	Support for retraining, education and regional redevelopment and investment	Frameworks for sharing best practice	Communication about the transition to the public and stakeholders
Cohesion Policy Funds	😐	🙂	😐	☹️
Invest EU	😐	🙂	😐	☹️
European Social Fund +	😐	🙂	☹️	☹️
Horizon Europe	☹️	😐	☹️	☹️
Modernisation Fund	☹️	🙂	☹️	☹️

27 E3G produced a useful analysis of the contribution of the different funds to the just transition, and make recommendations to improve them in their publication, "Funding the just transition to a net zero economy in Europe: opportunities in the next EU budget", November 2018

Fund	Long-term strategic transition plan development and support	Support for retraining, education and regional redevelopment and investment	Frameworks for sharing best practice	Communication about the transition to the public and stakeholders
European Globalisation Adjustment Fund				
Coal Regions in Transition Platform (coal regions only)				

European Regional Development Fund and the Cohesion Fund

The cohesion policy funds are together the most relevant programmes for supporting the just energy transition. This is largely thanks to the comprehensive nature of the funds, and their overarching goal to promote regional development and solidarity. Furthermore, the fund objectives include specific reference to the "clean and fair energy transition". The ERDF and Cohesion Fund have a combined proposed budget of €374bn, around one third of the total EU budget.

The greatest strength of the cohesion policy funds for the just transition lies in their capacity to finance just transition-relevant investments. €190 billion is reserved for investments for jobs and growth. Moreover, at least 30% (depending on regional GDP) of the ERDF funds are to support Policy Objective 2, "a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management.

A just transition is a clean transition. By explicitly excluding investment in fossil fuels the Commission's Proposal ensures that the funds will promote the development of new, sustainable industries and will not finance those in decline.

Investments under Policy Objective 1 (35 to 60% of the funds) must also be underpinned by smart specialisation strategies. This strategic programming requirement is an 'enabling condition' for use of the funds, and has therefore led to the development of strategic investment frameworks in many regions which would otherwise lack them[28]. On the other hand, although smart specialisation strategies should be based on an 'objective analysis of the region or country's current situation' and be developed collaboratively, they are not specific to the clean energy transition and are often still quite geographically-broad.

28 Explanatory Memorandum of the Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Regional Development Fund and on the Cohesion Fund COM/2018/372 final - 2018/0197 (COD) notes that "In most regions, including more developed ones, smart specialisation strategies (RIS3) represent a consistent strategic framework for investments and bring about high added value. These were triggered by the strategic programming requirement for ERDF support and the corresponding pre-condition"

The programme Proposal emphasises the need for a "more tailored approach to regional development"[29]. A vehicle heralded in official communications for delivering this focus is 'Community Led Local Development'. CLLD is a process carried out at sub-regional level, led by 'local action groups' composed of public and private local actors. The local action groups develop strategies based on an analysis of the development needs and potential of an area. However, CLLD is most prominently employed in relation to sustainable urban development and there is no explicit requirement to employ it in when planning for the clean energy transition.

Whilst an explicit requirement to develop sub-regional, strategic transition plans in consultation with the community is lacking, the programmes do mandate the creation of partnerships. According to Article 6 of the ERDF Proposal, Partnerships should include regional and local authorities, as well as social partners and civil society. They should be involved in the preparation of Partnership Agreements, and in the development and monitoring of operational programmes. As described in the Common Provisions Regulation, the Partnership Agreements and operational programmes should together direct how the funds are used, ideally in a strategic way. There is no requirement to state how partners have been involved in the preparation of Partnership Agreements, however, and the precise involvement of the partners is not described.

In addition, the proposed Common Provisions Regulation[30] outlines that operational programmes must contain some strategic elements. For instance, each programme should set out the market failures, investment needs and complementarity of the funds with other support, as well as challenges as identified in Union recommendations or country-specific recommendations. However, the programmes continue to lack a long-term and specific transition-focused approach developed at the sub-regional level.

The ERDF does include support for "...studies, networking, cooperation, [and] exchange of experience..." within its scope. It also sets aside €8.4bn for 'interregional cooperation', although this mainly refers to cross-border cooperation. Crucially it is not specific to the energy transition and there is no clear repository for best practices.

Like all EU funding programmes, beneficiaries have a duty to communicate about the funds and their use. However, this is focused mainly on recognising the origin of the funds, including displaying the emblems of the European Union prominently. There is no requirement to explain the objectives relating to the facilitation of the clean and fair energy transition.

In summary, whilst they do provide some scope for developing strategic transition plans, the programme provisions lack specific focus on the clean energy transition.

29 See https://ec.europa.eu/regional_policy/en/newsroom/news/2018/05/29-05-2018-regional-development-and-cohesion-policy-2021-2027 (accessed 24/04/2019)

30 Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, and the European Maritime and Fisheries Fund and financial rules for those and for the Asylum and Migration Fund, the Internal Security Fund and the Border Management and Visa Instrument COM/2018/375 final - 2018/0196 (COD)

Invest EU

Invest EU is a new programme introduced for the 2021-2027 period, building on the European Fund for Strategic Investments. With a budget of €15.2billion, the fund hopes to leverage a further €650bn in additional investments. It is therefore a key instrument of appropriate size for the infrastructure investments, innovation and job creation necessitated by a clean and just energy transition at EU-level.

The priorities for the fund are very relevant to the investment needs for the just transition. The four 'policy windows' for investment under the programme include sustainable infrastructure; research, innovation and digitalisation; SMEs; and importantly, social investment and skills. It can therefore be a key vehicle for addressing market failures and investment gaps for the clean economy.

On the other hand, the fund lacks a clear focus on clean energy investments relevant to the just energy transition. It has an extremely broad scope and lengthy list of eligible areas for financing and investment. Although the fund is subject to a 30% climate mainstreaming requirement (30% of projects financed must contribute to the Union's climate objectives), investment funds can be used for diverse investments, including defence and carbon capture and sequestration. Moreover, only 50% of projects under the sustainable infrastructure window need to contribute to EU climate and environment objectives and there is no exclusion of carbon-intensive investments.

Regarding best practice sharing, the InvestEU fund includes provision for an 'advisory board' consisting in one configuration of representatives of the implementing partners, and in the another configuration of representatives of the Member States. The board will not only advise on market failures that should be addressed, but will also allow for a regular exchange on market developments and best practices.

As for the ERDF, there is no requirement for communicating about the just energy transition, rather beneficiaries must simply acknowledge EU funding appropriately in their communications.

European Social Fund+

The European Social Fund+ provides particular support to communities and workers to adapt their ability to respond to the demands of the transition, especially in terms of employability and skills. The ESF+ merges several programmes from the previous financial period and is therefore more flexible and comprehensive than before, offering €101bn over the 2021-2027 period. It aims to complement the European Globalisation Adjustment Fund by financing anticipatory and preventive measures to change, whilst the EGF is more reactive.

Like the cohesion policy funds, the ESF+ is governed through Partnership Agreements and operational programme in each Member State. Under the Common Provisions Regulation, these must again involve 'partners' in their preparation and monitoring, including urban and public authorities, economic and social partners, as well as relevant bodies representing civil society. It goes further than the ERDF, noting that, "Each Member State shall ensure adequate participation of social partners and civil society organisations in the delivery of employment, education and social inclusion policies supported by the ESF+ strand under shared management" and even requires that an "appropriate amount of ESF+ resources" are used for capacity building of social and civil society partners.

Also like the cohesion policy funds, as it is governed by the Common Provisions Regulation, the ESF+ can make use of CLLD. It is, however, also subject to the same pitfalls, including the lack of a mandatory requirement for this and a lack of specific focus on the clean energy transition.

The ESF+ does not provide for the development of comprehensive, strategic transition plans across the economy. However, it does include provision for skills assessments and the anticipation of future skills needs.

The specific objectives of the ESF+ are of particular relevance to the reskilling of workers and adaptation of educational systems necessitated by the shifting skills demand that results from the energy transition. These include modernising institutions to better assess and anticipate skills needs, and to support transitions; improving the quality, effectiveness and labour market relevance of education and training systems; and promoting lifelong learning, reskilling and upskilling.

The ESF+ can also play a central role in driving innovation, which can play an important role in the diversification of the economy during and after the clean energy transition. A proportion of ESF+ in each Member State must be used either to support social innovations or experimentation, or to strengthen bottom up approaches (such as the implementation of CLLD strategies). A further incentive for Member States to undertake this is the high potential cofinancing (95%) for these actions.

Best practice sharing is also a potential area of action which can be funded by the ESF+, which allows for "mutual learning through exchange of good practices, innovative approaches, results of analytical activities, peer reviews, and benchmarking" between regions. This will only apply in the areas relevant to the ESF+, but can be valuable as many regions will face similar challenges, for instance to reskill, when undergoing a clean energy transition

Horizon Europe

The Horizon Europe programme offers €97.6 billion for research and innovation. The 'flagship programme' will allocate €15 billion to the 'climate, energy and mobility' cluster of research projects, a €2.8 billion cluster on "an inclusive and secure society" and also includes a Pillar on Open Innovation worth €13.5 billion.

The Horizon Europe Programme can therefore play an important role in supporting the very foundations of the redevelopment needed for the clean energy transition. However, it does not provide targeted support to regions undergoing the just energy transition due to the 'Excellence Principle[31] for selecting projects, rather than socioeconomic benefit.

There is also no clear link to strategic planning for the just energy transition. Whilst 'missions' may be set up to promote the achievement of a measureable goal, providing some form of strategic planning, these are unlikely to be bespoke enough and in any case, do not produce locally-adapted strategic just energy transition plans.

31 Projects are selected by through an evaluation including the criterion of 'scientific excellence' i.e. the best project in terms of scientific quality

European Globalisation Adjustment Fund

At just €1.6billion for the 2021-2027 period, the European Globalisation Adjustment Fund[32] is a relatively small. The EGF aims to provide immediate and reactive support in the event of unforeseen major structural change due to globalisation and for the coming financial period, for the 'low-carbon' transition.

The fund seeks to express immediate help and solidarity in cases of sudden structural change. Actions are co-financed at 60% and can include measures such as training, guidance and job seeking allowances. The EGF therefore complements national efforts to address social support which is needed when the effects of the transition are unforeseen.

Because the fund is reactive, it provides no provision for long-term strategic planning. Nor does the fund offer the opportunity to share best practices, although the Regulation commits the European Commission to maintaining an online presence with details about the current use of the fund and guidance on the submission of applications.

The EGF is intended to be complemented by the ESF+, as the latter provides 'anticipatory measures' to cushion and adapt to major structural changes. However, an active link with the more strategic programmes at EU and national level is lacking.

Innovation and Modernisation Funds

The revised European Emissions Trading Scheme Directive[33] introduced two new funds, which are to be financed by auctionable allowances: the modernisation fund, consisting of 2% of the auctionable revenues, and the innovation fund, which totals 400 million allowances. Assuming a price of €25 per tonne of carbon, this means around €10billion and € 7.75billion can be invested in projects in the 10 Member States which are eligible to benefit for the 2021-2027 period[34].

The Modernisation Fund is the most relevant to the just transition, explicitly stating that the fund can be used for projects that 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"[35]. Moreover, the fund explicitly excludes the financing of solid fuel installations. Meanwhile, although it can in theory support renewable projects, the innovation fund does not exclude investment into technologies of uncertain benefit for the climate and which seek to prolong the life of fossil fuels, such as carbon capture and storage.

On the other hand, Article 10 also allows for revenues from auctions to be used more generally to support the just transition by any Member State, further increasing the funds available for this purpose. Indeed, in Greece, a newly established just transition fund allocates 6% of revenues from auctions (around € 20million per year) to finance the just energy transition.

32 Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on the European Globalisation Adjustment Fund (EGF) COM(2018) 380 final, 2018/0202 (COD)

33 DIRECTIVE (EU) 2018/410 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814

34 The 10 Member states with a GDP per capita less than 60%of the EU average

35 Op. cit. DIRECTIVE (EU) 2018/410, Article 10d

Neither the Modernisation nor the Innovation fund offer an explicit framework for supporting the development of strategic transition plans. The use of revenues from auctions allocated for just transition purposes also do not need to be consistent with such a plan. There is also no scope for communication about the transition or the sharing of good practices.

The Coal Regions in Transition Initiative

The European Coal Regions in Transition Initiative was set up in December 2017. It aims to provide a space for discussion on how coal regions can modernise their economies in line with the clean energy transition in a socially fair and inclusive way.

Although it currently only applies to coal regions, the initiative represents a valuable framework which has the potential to coordinate many of the elements that underpin a successful just energy transition. It can help regions take a more strategic look at their economies and, although it has no dedicated financing (beyond €3 million over three years to facilitate the secretariat), it can assist regions to identify appropriate EU funding sources to implement their projects.

Perhaps the greatest strength of the initiative lies in its facilitation of networking between coal regions. An annual dialogue complemented by quarterly Platform meetings bringing together many different partners to discuss common challenges and innovations. This sharing of knowledge is helpful and relevant to all active stakeholders, allowing frank exchange of views in breakout sessions covering topics from energy storage and sustainable heating, to reskilling and so-called 'advanced fuel technologies'.

The secretariat has also promised to provide guidance on the development of transition strategies for use in the regions, as well as a physical collection of good practices to be used as a reference to regions undergoing transition. Assistance in the processes at regional level (the 'country team meetings') will be valuable to ensure that projects are selected which complement the objectives of strategic, locally-developed plans.

On the other hand, the initiative continues to lack transparency in practice. Although clear improvement can be seen since 2017 at the European Platform level, the processes within regions under the Platform is opaque. It remains unclear how projects are selected and the development of transition strategies specific to regions appears unguided. There is also no clear requirement for ensuring participation of all local stakeholders, including the community. As such, country team processes are typically dominated by incumbent industries and the national government, sometimes only weakly involving regional authorities.

Moreover, there is no requirement or provision for active communication about the transition to general public, nor to active stakeholders not invited to country team meetings. An online presence for the Platform is in development, but it remains uncertain if this will render the process more transparent at the regional level.

Furthermore, no efforts are planned to ensure local communities are made aware of the just energy transition and how to engage with it.

SECTION 3: RECOMMENDATIONS

EU funds offer disparate but far-reaching potential to support the just energy transition. With perhaps the exception of communication to the general public, all elements needed for a successful just energy transition are covered in at least some way by existing EU funds. The Modernisation Fund, which supports 10 Member States, provides some of the most targeted financial support for the just energy transition. This of course does not mean they are employed in the most effective way.

At EU-level, potential funding is available for the investment in people and infrastructure needed to implement the transition. The ESF+, the cohesion funds and InvestEU can all be deployed to support reskilling and upskilling of workers, as well as investment in regional redevelopment. Horizon Europe can also provide such support, but does so earlier in the chain, providing the basis in research and innovation which informs and generates the seeds for redevelopment.

The scale of the investments in infrastructure and clean jobs, as well as the reskilling required for a successful implementation of the just energy transition will necessitate financial support beyond that which the EU alone can provide. National financing will be essential to augment that from the EU budget. The Greek Just Transition Fund illustrates the potential to use revenues from European Emissions Trading system allowances to support the just energy transition. Not only does this provide a significant source of funding, it provides a powerful and logical return on investment from a revenue which derives from a scheme to reduce emissions over time.

However, there is an overall a lack of coherence of funding for energy transition and the transition more broadly to a net zero emissions future. Whilst funds, such as the ERDF, require the development of smart specialisation strategies as an enabling condition; no fund provides, nor necessitates, comprehensive and locally-developed strategic transition plans based on a specific and early needs assessment. Moreover, such smart specialisation strategies are not necessarily targeted at the clean and fair energy transition.

The current EU legislative framework falls short on ensuring public awareness about the just energy transition and its implementation. The value of good practice sharing is also little recognised by the framework. Perhaps of even greater concern, there is no explicit exclusion of public support to compensate for stranded assets or lost earnings. Recent developments in the conversation about compensation in the case of the German coal phase out point to this as a particular risk.

Some gaps at EU-level are gaining recognition. For instance, the newly appointed secretariat of the evolving coal regions in transition initiative promises to go beyond simply providing advice about which EU funds may best be used for projects and hopes soon to provide advisory support for developing regional transition strategies. The Platform also performs an ever more effective role of convening stakeholders to share best practice and to discuss advances in the implementation of a just clean energy transition. On the other hand, the initiative only applies to coal regions in transition and the support provided is advisory.

Initiatives by stakeholders themselves can fill some of the gaps for implementing the just energy transition, but should be complemented by public support. In the absence of public financing, their role has been most effective in the case of knowledge sharing and in some cases, in communication about the transition. The Forum of Mayors for the Just Transition is a superb example. First convened in September 2018, the Forum is entering its second year and brings together progressive Mayors from regions experiencing the transition from coal to share experiences and best practice.

The EU Just Energy Transition Fund presents an opportunity to create a Flagship fund that highlights the EU's solidarity with those impacted by the clean energy transition. It presents an opportunity to draw public attention to the issue. At just €4.8 billion however, the fund is small. Used for investments and major projects, it will have little impact in comparison to other EU funds and could never match up to the potential of national funding.

An EU Just Energy Transition fund must therefore fulfil a different role to national funds and existing EU programmes. The analysis above suggests two key areas where this limited funding could be useful:

1. **As seed money for the development of strategic transition plans.**
   a) The fund could be used in a way similar to the BuildUp Skills initiative, which led to development of national road maps for skills development during the greening of the construction sector. By providing a dedicated fund and framework to develop such plans, based on early needs assessments, it could provide a key to unlocking further national action and funding to implement the transition at regional level. The resulting transition plans would also serve as an effective means to guide, monitor and evaluate the use of EU funds aiming to implement the just energy transition.

   b) some of the fund could also be used to generate an EU-wide map of the regions and sectors at risk of significant job losses because of the decarbonisation process. This would necessarily require a decarbonisation timeline, in order to identify sectors that will be strongly impacted by the clean energy transition in the coming decade (notably coal).

   As previously mentioned, such a timeline must be ambitious, in order to reflect the urgency of addressing climate change for a socially just transition.

2. **To communicate about the just energy transition.**
   Used to educate the public about the transition, both at EU level and in the regions, the fund would serve to increase the understanding about how and why the transition is happening, increasing awareness about how to adapt and engage with it.

It is furthermore essential that national and private financing is also secured in order to respond to the scale of investment needed to implement a just energy transition that protects workers and their communities, maximising the many benefits of the transition and minimising the costs.


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