Opinion of the European Economic and Social Committee on 'Proposal for a Regulation of the European Parliament and of the Council establishing the Just Transition Fund'

(COM(2020) 22 final — 2020/0006 (COD))

and on 'Amended 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'

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(2020/C 311/08)

Rapporteur: **Ester VITALE**

Co-rapporteur: **Petr ZAHRADNÍK**

Consultation	Council of the European Union, 23.1.2020
	European Parliament, 29.1.2020
Legal basis	Articles 175(3) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
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Outcome of the vote (for/against/abstentions)	210/1/5

1. **Conclusions and recommendations**

1.1. The EESC is deeply convinced that the Just Transition Fund (JTF) represents the first tangible instrument to contribute to the very ambitious target of carbon neutrality by 2050, and is compatible with the European Green Deal.

1.2. The EESC is concerned that the investment envisaged for the just transition does not live up to the European Commission's ambitious Green Deal, and believes that additional resources should be found by increasing the Multiannual Financial Framework, either by introducing new own resources or by increasing the contribution from the Member States. The EU must show a level of ambition that will match the challenge of the fight against climate change; an average 40 % of its global budget (MFF 2021-2027) must be allocated to this objective.

1.3. The EESC recommends more precisely specifying the JTF financial framework, as only EUR 30 billion is guaranteed, according to the proposal, and the rest is based on a voluntary decision made by the Member States. The EESC is not convinced that the financial framework is based on a conservative approach and preconditions.

1.4. The EESC is aware that the success of the JTF (and the whole Sustainable Europe Investment Plan) is dependent on a new partnership between the private and public sectors in terms of funding as well as shared responsibilities. A new pact is needed between the public and private sectors including all the actors in the economic, social and environmental fields, defining the funding and the shared responsibilities. As the financial need of the European Green Deal is enormous and the common EU budgetary sources quite limited, the role of the private sector will be substantial. NGOs should be instrumental in guiding the use of the JTF in a way that fully includes all groups in society, and that goes hand in hand with improving accessibility for persons with disabilities and older people.

1.5. The EESC shares the holistic approach that takes into account the economic, social, industrial and technological dimension of the transformation process towards a neutral economy, with the involvement of local actors, social partners and NGOs. The social partners should be involved in developing and implementing policies and strategies for a just transition. Trade unions should be present at all stages of the just transition process in order to protect the interests of workers at different levels.

1.6. The EESC hopes that the dialogue between the European Commission and the Member States related to the European semester will see the active and real involvement of the social partners and NGOs.

1.7. The EESC welcomes the fact that the territorial plans and any dedicated programmes are to be followed up by monitoring committees with the same rules as those set out in the Regulation laying down common provisions on the European Structural and Investment Funds.

1.8. The EESC recommends that the territorial plans and any dedicated JTF programmes see the full and real involvement of the social partners and NGOs.

1.9. The EESC warmly welcomes the flexibility in the State aid rules and expected implied consequences, which should also reflect the importance of the Green Deal particularly in the coal- and carbon-intensive Member States and regions. State aid, especially green State aids, should assist the transition towards a greener and more inclusive economy, with continued and more ambitious allowance made for the use of State aid to promote employment among those often cut off from the open labour market, such as persons with disabilities.

1.10. As sustainable development and climate action have a positive impact on public expenditure and eliminate a number of negative externalities (health, clean-up, reconstruction, etc.) public investment in environmental protection and climate change must be excluded from the constraints of the Stability Pact. It is now more important than ever in view of this unprecedented crisis. COVID-19 can have a major impact on EU citizens, their health and the economy in general.

1.11. At the present time, the COVID-19 pandemic represents the first priority; it is eroding our social and economic life, and also influencing current and future EU fiscal policy. In parallel, it is creating an unprecedented uncertainty that could consequently lead to a robust change in the orientation and allocation of the EU budget. The most recent Commission documents propose and recommend allocating the remaining part of the 2014-2020 available EU budgetary resources predominantly to mitigating the consequences of the pandemic. The EESC will respect any necessary reasonable change in the next MFF negotiations that could help to resolve the fatal situation.

1.12. 'The EESC supports the EC proposal 'Next Generation EU' to strengthen the transition mechanism in response to the crisis and its new proposal for the next long-term EU budget.

1.13. The EESC welcomes the possibility for Member States to put in place a dedicated JTF programme. The EESC respects and supports the important role of the regions in the process of programming, governance and implementation of the JTF according to the subsidiarity principle. Additionally, the EESC recommends taking into account the different levels of preparedness in Member States and regions for the transition to carbon neutrality, and also the different potential for the production of clean energy within the EU. The different attitudes of citizens in Member States and regions towards actively contributing to climate protection also have to be taken into account.

1.14. The EESC would very much appreciate publication of a list of sustainable projects, with a view to sharing best practices. The support provided by particular managing authorities should also be made public, so as to contribute to investment-friendly conditions. This will increase transparency and avoid the risk of uneven information.

1.15. The EESC points to the need to ensure complementarity between the measures financed by the JTF and those co-financed by InvestEU under Pillar 2 and by the public sector loan facility under Pillar 3 of the Just Transition Mechanism.

1.16. The EESC warns that the right balance needs to be struck between economic restructuring measures and measures ensuring the protection and retraining of workers affected by the transition processes.

1.17. The education and training system is the key to supporting transition processes. The EESC recommends increasing resources for cohesion policy to strengthen and relaunch the secondary and university education system through targeted and current-needs-oriented technological and scientific guidelines.

1.18. The EESC would like to see a substantial portion of the JTF resources devoted to generating the investments needed to support the workers' transition from one occupation to another. A balance should however be ensured between investing in retraining workers moving to new forms of greener employment, and preparing those in the affected communities who are newly entering the labour market with the skills required for the emerging forms of work. Particular emphasis should be placed on supporting the employment of those furthest away from the labour market such as young people and persons with disabilities.

2. **Background**

2.1. The European Commission has presented its long-term strategic vision for delivering a prosperous, modern, competitive and climate-neutral economy by 2050. As indicated in the communication on the European Green Deal, the Commission proposes a mechanism for a fair transition in order to integrate the legislative and budgetary proposals already submitted for 2021-2027. A EUR 100 billion package for the whole Just Transition Mechanism is to be distributed between 2021 and 2027 to support and facilitate the conversion of activities that cause harmful emissions, the reduction in consumption of fossil coal, the promotion of energy efficiency and the transition to least polluting technologies in all production sectors. The Fund will initially be provided with EUR 7,5 billion, which, thanks to national co-financing, the financial arm InvestEU and the European Investment Bank, will bring the expected total to EUR 100 billion.

2.2. The mechanism for a just transition includes three pillars:

— a Just Transition Fund (JTF) implemented under cohesion policy. The Fund is established by a specific regulation, which defines its specific objective, its geographical coverage, the methodology for allocating financial resources and the content of the territorial plans for a just transition required to support programming. The Fund will mainly grant subsidies to regions to support workers — helping them, for example, to acquire skills and competences that can be used in the labour market of the future — SMEs, start-ups and incubators working to create new economic opportunities in these regions. It will also support investment in the transition to clean energy, including in energy efficiency,

— a specific scheme under InvestEU covering energy and transport infrastructure projects including gas infrastructure and district heating and decarbonisation projects,

— a public sector lending tool, implemented by the EIB to provide financial resources to local authorities for the regions concerned. The EU budget could be supplemented by an interest allowance or an investment subsidy combined with loans granted by the EIB.

2.3. Additional public and private resources will be released and sectoral State aid rules are envisaged to facilitate the use of national funds for projects consistent with the objectives of the fair transition.

2.4. Advice and technical assistance to the regions will be an integral part of the mechanism for the just transition.

2.5. The JTF will be subject to a shared management regime and will be available to all Member States. The allocations will take into account the challenges of the transition faced by the regions with the highest carbon emissions and the social challenges caused by potential job losses.

2.6. The Member States will integrate the allocation of the JTF allocated to them with the resources that come from the ERDF and the ESF+. These transfers will be at least one and a half times and a maximum of three times the JTF allocation. However, each Member State should use no more than 20 % of the initial allocations under ERDF and ESF and is required to give justification for these additional resources. Member States will also contribute their own resources.

2.7. The planning process and the identification of territories will be agreed between the Commission and each Member State and will be guided by the European semester process. Member States are invited to submit their territorial plans by defining the transition process until 2030. In this, they will take care to define, for each territory, the social and environmental economic challenges, the needs in terms of professional retraining and environmental rehabilitation. The Fund will tend to focus support on territories corresponding to NUTS 3 level regions.

2.8. The approval of the territorial plans will enable support under JTF and will set in motion the mechanisms for the use of InvestEU and the EIB. The programmes thus supported will be subject to an interim review in the same way as for all cohesion policy programmes.

2.9. The JTF will complement the cohesion policy funds. So the proposal for a regulation containing the common provisions applicable to the ERDF, to the ESF+, to the Cohesion Fund, to the European Maritime and Fisheries Fund, to the Asylum and Migration Fund, to the Internal Security Fund and to the Border Management and Visa Instrument needs to be changed in order to integrate the JTF as a new cohesion policy fund.

3. **General comments**

3.1. The EESC endorses the EU's long-term greenhouse gas emission reduction strategy and its aim of making the European Union a climate-neutral economy by 2050. The EESC agrees that the green target represents one of the key priorities of the future cohesion policy, with an allocation for this purpose of at least 30 % of the European Regional Development Fund and 37 % of the Cohesion Fund. However, the EESC expresses concern that the investment planned for the just transition does not correspond to the European Commission's ambitious Green Deal. The funding proposed for 10 years is what would be needed each year to achieve climate neutrality by 2050 fairly. The EESC believes that the MFF's estimated expenditure should be increased. If the ambitious goals set out in the Green Deal are indeed to be met, the EU's budget needs to be increased, either by introducing new own resources or by increasing the contribution from the Member States.

3.2. The EESC appreciates the effort to adjust the EU's MFF 2021-2027 to climate needs and challenges by means of the JTF and, more broadly, through the whole Sustainable Europe Investment Plan, of which the JTF is the most substantial part. While the JTF is the first tangible step to tackle the issue from the financial and investment points of view, the EESC is aware of and underlines the need to also implement in practice the other tasks in the European Green Deal agreement. Without that, the efficiency of the JTF would be limited.

3.3. As already highlighted in previous opinions ([1]), the EESC agrees that targeted funding, through the Just Transition Mechanism (JTM), should be provided in the context of cohesion policy. However, funding should come from suitable ad hoc appropriations, avoiding further reductions in the availability of cohesion policy funds.

3.4. Also, in the case of ESF+, an obligatory transfer could cause unintended conflicts of interest. For example, questions such as supporting persons at risk of poverty or industrial workers, who are threatened with losing their jobs, could arise. Such conflicts of interest could have a negative impact on the acceptance of climate policy as a whole. In any case, the widening of the scope of the ESF+ has to go hand in hand with an increase in resources.

3.5. As sustainable development and climate action have a positive impact on public expenditure and eliminate a number of negative externalities (health, clean-up, reconstruction, etc.) public investment in environmental protection and climate change must be excluded from the constraints of the Stability Pact. It is now more important than ever in view of this unprecedented crisis. COVID-19 may have a major impact on EU citizens, their health and the economy in general.

([1]) See EESC opinion on the *Common Provisions Regulation 2021-2027* (OJ C 62, 15.2.2019, p. 83).

3.6. The EESC is convinced that there are many common interests and targets between the set of solutions to the pandemic crisis and the Green Deal challenges. However, it seems appropriate to redefine the delivery of some Green Deal targets especially regarding their timing. Some kind of flexibility (comparable with that for the fiscal and State aid rules) is highly recommended.

3.7. Major investments in the fight against climate change and the ecological transition cannot be envisaged if the deficit constraints remain. Obviously, this does not imply abandoning the usual requirement to stabilise public finances, but it does mean choosing between two alternatives: either we really want to reverse the process of global warming and then we have to find huge sums to invest, or we just want to introduce some corrective measures to keep consciences and public finances in good order.

3.8. The EESC believes that, in order to make the transition economically more robust and politically more credible, action should be taken as soon as possible to scrap the system of direct and indirect subsidies to the fossil fuel sector, which is responsible for enormous environmental, social and economic costs that could wipe out progress made in climate action.

3.9. By phasing out the subsidising of fossil energy and boosting an emerging sector like renewables and by creating a level playing field, renewables benefit consumers in terms of affordability, economic prosperity, and climate sustainability.

3.10. The JTM represents a balanced symbiosis between subsidies and financial instruments, a shared and centrally managed approach. A new pact is needed between the public and private sectors including all the actors in the economic, social and environmental fields, defining the funding and the shared responsibilities. It will however require new management and governance abilities for its successful utilisation. The EESC welcomes the fact that the European Commission will assist public authorities and promoters of sustainable projects during all stages of such projects, from planning to implementation.

3.11. For this concept to be successful, it is fundamentally important to motivate private capital to enter the system. It will be necessary to build a new partnership between the private and public sectors on a win-win principle.

3.12. The EESC shares the holistic approach that takes into account the economic, social, industrial and technological dimension of the transformation process towards a neutral economy, with the involvement of local actors, social partners and NGOs. Sustainable development should be addressed in all policy areas in a consistent way, aiming at a shared model across the Member States. The EESC recommends ensuring that all stakeholders do indeed participate at all levels, and that the repercussions on employment brought about by the change in the economic model are tackled and managed by means of social dialogue linking the national and European levels.

3.13. The EESC believes that the transformation process towards a carbon-neutral economy is also dependent on investment in accessible and sustainable public transport systems and built environments. Jointly with the ERDF, the JTF should be used to promote carbon neutrality through investment in these areas in a way that ensures they can be used by all members of society, and are accessible to persons with disabilities and older people.

3.14. The EESC believes that a socially just transition is essential to win the support and confidence of workers, businesses and civil society and to bring about the major economic changes needed to save the planet from climate change. The end of the fossil fuels era in Europe must be accompanied by the necessary investments to ensure the protection of its workers, the creation of new jobs and support for local development. Transition processes must be negotiated with the social partners and civil society organisations and related to transparency and effective communication policies.

3.15. The EESC warns that the right balance needs to be struck between economic restructuring measures and measures ensuring the protection and retraining of workers affected by the transition processes. A balance should also be ensured between investing in retraining workers moving to new forms of greener employment, and preparing those in the affected communities who are newly entering the labour market with the skills required for the emerging forms of work. Particular emphasis should be placed on supporting the employment of those furthest away from the labour market such as young people and persons with disabilities.

3.16. The EESC appreciates the fact that the JTF is targeting solutions to the consequences connected with the rundown of the coal-mining industry and to the need to support heavy manufacturing sectors to enable them to maintain their activities in a sustainable way, as well as to the need to deal with the relevant social impacts, but notes that it must not limit itself to financing the decarbonisation processes. The EESC would like to see a portion of the JTF resources devoted to generating the investments that the workers and communities affected by the value chain of decarbonisation processes need in order to support the transition from one occupation to another.

3.17. The education and training system is the key to supporting transition processes. The EESC recommends increasing resources to strengthen and relaunch the secondary and university education system through targeted and current-needs-oriented technological and scientific guidelines, deploying all available resources under the cohesion policy.

3.18. The EESC supports the decision to promote and support innovative and sustainable patents and start-ups. Support for companies that are engaged in responsible and sustainable business and that develop ecological solutions for the well-being of the community must be rewarded.

3.19. The programming of the JTF resources will be closely linked to the framework of the European semester, as already laid down in the rules for the cohesion policy funds for 2021-2027. The EESC is confident that, in addition to the monitoring envisaged under the rules of cohesion policy, the EU's economic governance framework will be used to monitor the implementation of the JTF in the Member States through the annual structured dialogue between the Member States and the European Commission. To this end, the EESC hopes that this dialogue between the European Commission and the Member States will see the active and real involvement of the social partners and NGOs.

3.20. The EESC welcomes the fact that the JTF is to be programmed by means of one or more territorial just transition plans, providing an outline of the transition process until 2030, consistent with the National Energy and Climate Plans and the transition to a climate-neutral economy. The EESC supports the possibility for Member States to put in place a dedicated JTF programme.

3.21. The EESC recommends that the territorial plans and any dedicated JTF programmes see the full and real involvement of the social partners and NGOs.

3.22. The EESC welcomes the fact that the territorial plans and any dedicated programmes are to be followed up by monitoring committees with the same rules as those set out in the Regulation laying down common provisions on the European Structural and Investment Funds.

4. **Specific comments**

4.1. The EESC is convinced that it would be appropriate to more precisely elaborate the financial framework not only for the JTF itself, but for the whole Just Transition Mechanism and a Sustainable Europe Investment Plan. The EESC adds that the mobilisation of resources over and above EUR 30 billion is not guaranteed (i.e. transfers exceeding 1,5 times the JTF allocation are not mandatory). There are also a lot of outstanding questions regarding the special regime within the InvestEU programme and the EIB loan instrument for the public sector.

4.2. The EESC is concerned that deciding to allocate around EUR 1 000 billion over 10 years to the ecological transition, including by harnessing public and private investment through the use of InvestEU, could take resources away from other sectors that were benefiting from this fund. The EESC points to the need to ensure complementarity between the measures financed by the JTF and those financed by InvestEU under Pillar 2 and by the public sector loan facility under Pillar°3 of the Just Transition Mechanism.

4.3. The Green Deal objectives will also be backed up by resources from the Common Agricultural Policy, which will allocate 40 % of its total budget to climate objectives. It will be important here to shore up the commitment of the national governments and EU institutions to investing in cohesion as in the past.

4.4. The EESC very much appreciates the proposed procedures connected with the more flexible understanding of State aid rules and continuous simplification proposed by the Commission as part of the wider policy framework set out in the communication on the Sustainable Europe Investment Plan. Different rules are needed to accommodate investments that should lead to new growth.

4.5. The EESC understands the set of well-quantified criteria on eligibility for JTF financing and agrees with them.

4.6. Green State aid:

— apply green conditions to State aid for companies in sectors with high carbon and/or material footprints,

— apply similar green conditions to new and extended bank loans (with or without public guarantees) to these sectors,

— refuse State aid for companies and sectors that are not able or willing to adopt low-carbon and circular technologies, and retrain their workers for new employment,

— speed up planning procedures for renewable energy, public transit and circular building projects and infrastructures. Companies are struggling for survival and need to receive the State aid quickly.

To reduce the upfront administrative burden, governments can choose to apply a light green test when granting the State aid, combined with a tougher green test *ex post*. If a company breaches the agreed green conditions, the State aid would have to be partly or fully repaid, depending on the severity of the breach. What is also proposed is to target key sectors that are carbon- and material-intensive to keep bureaucracy to a minimum ([2]).

4.7. The EESC also supports the areas where the JTF can be allocated as well as the spheres where its funding is not possible. The allocation method will help to ensure that the funds are sufficiently concentrated on the Member States dealing with the most demanding challenges, while also providing significant support to all Member States. Specifically, Member States with per capita GNI lower than 90 % of the EU average would receive about two thirds of the JTF funding.

4.8. Due to the circumstances, the EESC recommends opening up more space to entities other than SMEs, as the main mining and heavy industry corporations affected by climate action tend to be large companies. Moreover, these companies, in particular, often provide a large number of decent jobs and are crucial for the economic well-being of the regions. Preventing unemployment should become a key objective of the territorial plans. This should include not only assisting current workers in the transition towards new forms of employment, but also supporting young people and people cut off from the open labour market, such as persons with disabilities, in finding work in these developing sectors.

4.9. The EESC appreciates the additional space for local and regional authorities to directly take over their responsibility for project management and practically implement a place-based approach, as the basic units for the territorial plans for the just transition are NUTS 3 regions.

4.10. The social partners and the NGOs working in this field should be involved in developing and implementing ambitious emission-reduction policies and strategies to ensure a just transition that secures decent jobs and strikes a balance between clean energy systems and the sustainable quality of jobs. Trade unions should be present at all stages of the just transition process in order to protect the interests of workers at different levels.

([2]) The following sectors have relatively high carbon and material footprints: (1) Transportation: road, air and water transport are predominantly fossil-fuel driven; (2) Manufacturing: many manufacturers still employ energy- and material-intensive technologies; (3) Construction: many builders still use non-recyclable and energy-intensive materials, such as cement; (4) Energy: the shift from fossil fuels to renewable energy is very gradual.

4.11. In order to achieve the envisaged results, the Commission’s approach to the eligibility of the territories is restrictive given that funding can only be allocated to countries that apply and present territorial just transition plans. Therefore, the EESC calls on all Member States to prepare their plans as soon as possible so that many workers across Europe in the regions identified in the plans can be supported.

4.12. The EESC welcomes the adjustment of the common regulation to create a clear and transparent legal basis for the future EU cohesion policy and its climate orientation.

4.13. Given the high level of uncertainty about the impact of the transition on employment and its possible geographical distribution, the EESC notes that it would have been preferable not to have any geographical pre-allocation of JTF funds. Another area of concern is the governance of the Fund. The task of designating the eligible areas and deciding how much of the funding to allocate to each area will be entrusted entirely to national governments. Given that there will be no regional allocations, there is a risk that this could lead to imbalances in the distribution of funding at sub-national level and that areas that are less vulnerable to the negative impacts of climate change objectives will not receive resources.

4.14. The EESC points out that the intention of relying on InvestEU and the EIB to mobilise EUR 45 billion and EUR 25-30 billion respectively will need to be closely monitored so as not to see a repeat of the problems with the EFSI investments ([3]). It is essential to ensure that these investments are fully aligned with the Paris Agreement and that the EU’s objectives make Europe the first zero-impact continent.

4.15. The EESC supports the EC proposal ‘Next Generation EU’ to strengthen the transition mechanism in response to the crisis and its new proposal for the next long-term EU budget. The EESC hopes that the total budget of the Just Transition Fund has increased to EUR 40 billion and that the right transition regime within InvestEU is strengthened. The EESC also approves the Commission proposal for a public sector loan, which will mobilise between EUR 25 and EUR 30 billion. In this way, the right transition mechanism will be able to mobilise at least EUR 150 billion of public and private investment.

4.16. Preserving an ambitious budget for cohesion policy post-2020 must remain the main priority in the fight against climate change at regional level. In other words, the establishment of an additional fund should not be used as a pretext to justify further cuts to the cohesion policy budget during the MFF negotiations.

4.17. The EESC has some concerns regarding the programming process, as the legal text still needs to be adopted and the Common Provisions Regulation amended. The Commission expects the territorial plans to be approved in the second half of 2020 and the JTF programmes to be adopted during 2021. This could lead to delays in the implementation of some cohesion policy programmes.

Brussels, 10 June 2020.

The President
of the European Economic and Social Committee
Luca JAHIER

([3]) Court of Auditors’ Special report No 03/2019. Some EFSI aid merely replaced other EIB and EU funding; some funding went to projects that could have used other sources of public or private funding. Ultimately, estimates of additional investment attracted by the EFSI were sometimes overstated and the bulk of the investments went to a few of the larger EU-15 Member States, with well-established national promotional banks.