



## Financing the green transition: The European Green Deal Investment Plan and Just Transition Mechanism

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The European Union is committed to becoming the first climate-neutral bloc in the world by 2050. This requires significant investment from both the EU and the national public sector, as well as the private sector. The European Green Deal's Investment Plan - the Sustainable Europe Investment Plan - presented today will mobilise public investment and help to unlock private funds through EU financial instruments, notably InvestEU, which would lead to at least €1 trillion of investments.

While all Member States, regions and sectors will need to contribute to the transition, the scale of the challenge is not the same. Some regions will be particularly affected and will undergo a profound economic and social transformation. The Just Transition Mechanism will provide tailored financial and practical support to help workers and generate the necessary investments in those areas.

The President of the European Commission, Ursula **von der Leyen**, said: *"People are at the core of the European Green Deal, our vision to make Europe climate-neutral by 2050. The transformation ahead of us is unprecedented. And it will only work if it is just - and if it works for all. We will support our people and our regions that need to make bigger efforts in this transformation, to make sure that we leave no one behind. The Green Deal comes with important investment needs, which we will turn into investment opportunities. The plan that we present today, to mobilise at least €1 trillion, will show the direction and unleash a green investment wave."*

Executive Vice-President for the European Green Deal, Frans **Timmermans**, said: *"The necessary transition towards climate-neutrality is going to improve people's well-being and make Europe more competitive. But it will require more efforts from citizens, sectors and regions that rely more on fossil fuels than others. The Just Transition Mechanism will help support those most affected by making investments more attractive and proposing a package of financial and practical support worth at least €100 billion. This is our pledge of solidarity and fairness."*

Valdis **Dombrovskis**, Executive Vice-President for an Economy that Works for People, added: *"For Europe to transition to a climate-neutral economy, we need both political commitment and massive investments. The Green Deal shows our determination to tackle climate change, which we are now backing up with a funding plan. First, we will use the EU budget to leverage private funds for green projects across Europe and support the regions and people most affected by transition. Second, we will create the right regulatory incentives for green investments to thrive. Last but not least, we will help public authorities and market players to identify and develop such projects. The European Union was not built in a day. A Green Europe will not happen overnight. Putting sustainability at the heart of how we invest requires a change of mindset. We have taken an important step towards achieving this today."*

### The European Green Deal Investment Plan

The European Green Deal Investment Plan will mobilise EU funding and create an enabling framework to facilitate and stimulate the public and private investments needed for the transition to a climate-neutral, green, competitive and inclusive economy. Complementing other initiatives announced under the Green Deal, the Plan is based on three dimensions:

- Financing: mobilising at least €1 trillion of sustainable investments over the next decade. A greater share of spending on climate and environmental action from the EU budget than ever before will crowd in private funding, with a key role to be played by the European Investment Bank.
- Enabling: providing incentives to unlock and redirect public and private investment. The EU will provide tools for investors by putting sustainable finance at the heart of the financial system, and will facilitate sustainable investment by public authorities by encouraging green budgeting and procurement, and by designing ways to facilitate procedures to approve State Aid for just transition regions.
- Practical support: the Commission will provide support to public authorities and project

promoters in planning, designing and executing sustainable projects.

## The Just Transition Mechanism

The Just Transition Mechanism (JTM) is a key tool to ensure that the transition towards a climate-neutral economy happens in a fair way, leaving no one behind. While all regions will require funding and the European Green Deal Investment Plan caters for that, the Mechanism provides targeted support to help mobilise at least €100 billion over the period 2021-2027 in the most affected regions, to alleviate the socio-economic impact of the transition. The Mechanism will create the necessary investment to help workers and communities which rely on the fossil fuel value chain. It will come in addition to the substantial contribution of the EU's budget through all instruments directly relevant to the transition.

The Just Transition Mechanism will consist of three main sources of financing:

**1) A Just Transition Fund**, which will receive €7.5 billion of fresh EU funds, coming on top of the Commission's proposal for the next long-term EU budget. In order to tap into their share of the Fund, Member States will, in dialogue with the Commission, have to identify the eligible territories through dedicated territorial just transition plans. They will also have to commit to match each euro from the Just Transition Fund with money from the European Regional Development Fund and the European Social Fund Plus and provide additional national resources. Taken together, this will provide between €30 and €50 billion of funding, which will mobilise even more investments. The Fund will primarily provide grants to regions. It will, for example, support workers to develop skills and competences for the job market of the future and help SMEs, start-ups and incubators to create new economic opportunities in these regions. It will also support investments in the clean energy transition, for example in energy efficiency.

**2) A dedicated just transition scheme under InvestEU** to mobilise up to €45 billion of investments. It will seek to attract private investments, including in sustainable energy and transport that benefit those regions and help their economies find new sources of growth.

**3) A public sector loan facility with the European Investment Bank backed by the EU budget** to mobilise between €25 and €30 billion of investments. It will be used for loans to the public sector, for instance for investments in district heating networks and renovation of buildings. The Commission will come with a legislative proposal to set this up in March 2020.

The Just Transition Mechanism is about more than funding: relying on a Just Transition Platform, the Commission will be providing technical assistance to Member States and investors and make sure the affected communities, local authorities, social partners and non-governmental organisations are involved. The Just Transition Mechanism will include a strong governance framework centred on territorial just transition plans.

## Background

On 11 December 2019, the Commission presented the [European Green Deal](#), with the ambition of becoming the first climate-neutral bloc in the world by 2050. Europe's transition to a sustainable economy means significant investment efforts across all sectors: reaching the current 2030 climate and energy targets will require additional investments of €260 billion a year by 2030.

The success of the European Green Deal Investment Plan will depend on the engagement of all actors involved. It is vital that Member States and the European Parliament maintain the high ambition of the Commission proposal during the negotiations on the upcoming financial framework. A swift adoption of the proposal for a Just Transition Fund Regulation will be crucial.

The Commission will closely monitor and evaluate the progress on this transition path. As part of these efforts, every year the Commission will hold a Sustainable Investment Summit, involving all relevant stakeholders, and it will continue to work for promoting and financing the transition. The Commission invites the investment community to make full use of the enabling regulatory conditions and ever-growing needs for sustainable investments, and authorities to take an active role in identifying and promoting such investments.

## For More Information

[MEMO: The European Green Deal Investment Plan and the Just Transition Mechanism explained](#)

[Allocation method for the Just Transition Fund](#)

Factsheets

- [Investing in a Climate-Neutral and Circular Economy](#)
- [The Just Transition Mechanism: Making sure no one is left behind](#)

- [EU-funded projects to green the economy](#)

[Commission Communication on the Sustainable Europe Investment Plan](#)

[Proposal for a regulation establishing the Just Transition Fund](#)

[Amendments to the Common Provisions Regulation](#)

[The European Green Deal](#)

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