



# Just Transition Platform Working Groups

Action 2: Guidelines for selecting just  
transition projects

November 2023

## Action 2: Guidelines for selecting just transition projects

**Action leader:** *Bankwatch*

**Category:** *Horizontal*

The **Just Transition Platform (JTP) Working Groups (WGs)**, established in November 2021, bring together all stakeholders from across Europe with a common concern for the people and places affected by the transition to a climate-neutral economy. The WG for **Steel, Cement and Chemicals** each have a focus on a specific carbon-intensive sector that is heavily impacted by the transition, while a fourth WG focuses on **Horizontal Stakeholder Strategy**.

After finalising their [Scoping Papers](#), outlining the focus areas and objectives of their WG, the WG members developed a [common Implementation Plan](#), which sets out their 17 actions. This plan was finalised and published in April 2023. Throughout the rest of the year, the Action leaders, together other WG members contributing to the Action, have been implementing their respective Action.

This document presents the final output of Action 2.

### **Disclaimer:**

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# Introduction

## Challenges addressed by Action 2

The establishment of the Just Transition Mechanism (JTM) reflects the European Commission's commitment to achieve carbon neutrality by 2050, promoting social and economic justice, and supporting the transition to a decarbonised economy. It will have a significant social and economic impact on regions and industries that are currently heavily reliant on fossil fuels, such as coal mining, oil refining and other high-emitting industries. The Commission has recognised the need to support these regions and sectors to ensure that the transition is fair and just.

The JTM consists of three pillars: the Just Transition Fund (JTF); a dedicated just transition scheme under the InvestEU package; and a new Public Sector Loan Facility (PSLF).<sup>1</sup> In total, the different funding sources are expected to mobilise around EUR 55 billion over the budget period covering 2021 to 2027. This amount will be divided amongst all the regions that fulfil the requirements and are approved for funding.

Under the JTM, EU Member States are required to develop Territorial Just Transition Plans (TJTPs) as a precondition to access the different funding schemes. Ideally, the TJTPs should outline the expected transition process for participating countries, focusing specifically on the regions that will be most affected; delineate the expected impacts on these regions, and provide a framework for ensuring that public participation, monitoring, evaluation and planned operations are effectively implemented.

However, the TJTPs, in outlining their visions for the future of the just transition regions, are all quite general documents. Typically 20 to 25 pages long, they only provide broad indications of the directions in which the regions intend to follow.

The JTM is part of a larger package of funding provided to achieve the goals of the European Green Deal, of which environmental solutions are a major part. It aims to mitigate the social, economic and environmental impacts of decarbonising emission-heavy industries. However, the JTF itself is not sufficient to meet the actual transition needs of the regions. In some regions, especially the larger politically important regions with substantial coal-related industries like Upper Silesia (Poland) and Heves (Hungary), funding will be supplemented by national funds from other sources. These include EU funds like the Modernisation Fund, the Innovation Fund, the Cohesion Fund, the European Regional Development Fund and the European Social Fund. However, it is important that the application of these funds aligns with the objectives set out in the TJTPs.

The selection of projects under the JTF is guided by the principle of ensuring a fair and just transition to a decarbonised economy. The projects must be included in the TJTP and meet the criteria of reducing greenhouse gas emissions, creating new jobs and retaining jobs, promoting social inclusion, protecting the environment, and contributing to the

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<sup>1</sup> Jens Hunsbeth Schreuder, [The second and third pillars of the Just Transition Mechanism](#), *CEE Bankwatch Network*, 13 March 2023.

overall goals of the JTM. The JTF Regulation<sup>2</sup> sets overarching guidelines and principles that just transition projects are expected to meet and identifies potential areas for project funding. However, it does not provide nearly enough detail.

## Objectives of Action 2

To fill this gap, we have compiled a list of selection criteria and project types that public authorities can use as guidelines when selecting just transition and green economy projects. As these projects can involve a variety of stakeholders, we also provide guidelines for stakeholder engagement at the planning level and when monitoring the progress of these projects.

The criteria are categorised according to (a) types of environmentally and socially sustainable projects that can be supported under the JTF Regulation, (b) project feasibility and maturity, and (c) stakeholder engagement criteria.

This guide is intended to help local decision-makers select projects aimed at achieving a sustainable energy transition in a diverse, objective and fair manner. It is hoped that it will raise the level of ambition for sustainable solutions in the regions and enable funds to be spent in a way that is consistent with the just transition goals.

## Stakeholders targeted by Action 2

The stakeholders of this guide are public authorities at the local and regional level who are responsible for selecting the criteria, which would then be applied to determine which projects related to just transition would be funded. These guidelines could also be applied by other stakeholders who are refining selection criteria for funding just transition projects.

## How this Action was implemented

This Action was initially prepared and an original version was disseminated by Bankwatch.<sup>3</sup> The guidelines were then disseminated to WG members for feedback and suggestions, which were then taken into account when revising and preparing the final version of these guidelines.

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<sup>2</sup> European Parliament, Council of the European Union, [Regulation \(EU\) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund](#), *EUR-Lex*, 30 June 2021.

<sup>3</sup> Miłosława Stępień, Pippa Gallop, [Guidelines for selecting just transition projects](#), *CEE Bankwatch Network*, 10 October 2023

# Guidelines for selecting just transition projects

## 1. Transparent and participatory project selection

The primary target group of this guide comprises the authorities, institutions and bodies at the national and/or regional level that are responsible for establishing project selection criteria and evaluation procedures. However, it is crucial that all relevant national and regional stakeholders are given opportunities to become involved in a participatory and inclusive way during these processes.

For project selection to be effective, the process must be transparent and based on clear and well-informed criteria resulting from the various analyses and assessments carried out for the regions in question. Furthermore, it is crucial to ensure that a wide range of relevant stakeholders are represented in the decision-making and appraisal bodies.

The project selection criteria should be set out in the implementation documents and be consistent with the relevant plans and analyses prepared for the regions. The assessment process should be described in the implementation documents and designed to allow informed and objective decisions to be made on which projects meet the criteria and are eligible for funding.

The appraisal criteria should be made publicly available and easily accessible to all interested applicants. Additionally, support should be provided to applicants to enable them to submit innovative projects even if they have little experience of proposing projects in a similar form.

## 2. Stakeholder engagement as part of TJTP implementation

Stakeholder engagement is about identifying who may be affected by a certain plan or project that they are not directly involved in implementing, and how they may be affected. It is also about ensuring that they are not only informed but also consulted so that their concerns can be addressed. It is therefore a different issue to the inclusiveness of the project itself, which concerns factors such as the number of jobs created and the involvement of different social groups in its implementation.

Stakeholder engagement certainly involves providing information to potentially affected people, as this is a precondition for them to develop informed opinions. This needs to be factual and evidence-based, not unsubstantiated public relations (PR) material.

In addition, there is a clear difference between informing people and consulting people. The latter includes clearly and openly asking for their opinion and taking their input into

account when making decisions. This also means doing so in a timely manner when all options are still open, including the possibility that the planned activities may not proceed at all.

Stakeholder engagement takes place on many levels during the process of developing plans and projects. Many of these are part of legally defined processes such as strategic environmental assessments (SEAs), environmental impact assessments (EIAs) and spatial planning processes. However, these types of consultation are quite specific in their scope and are not aimed at making people feel comprehensively included in the development of their community. The just transition planning process must be different if it is to succeed.

While the JTF lays out requirements for consultation on TJTPs, in reality the process of stakeholder engagement needs to continue throughout the project selection, implementation, monitoring and evaluation phases of the plans. Ideally, this process would be set out in the TJTP itself. However, this is not explicitly required by the Regulation. If a stakeholder engagement strategy is not part of the TJTP, a separate comprehensive engagement strategy should be developed. This strategy should:

- outline clear goals and means of measuring success;
- set specific communication tools and timelines;
- combine deeper engagement and consultation methods with more superficial, informative methods;
- maintain transparency throughout the project selection, implementation, monitoring and evaluation phases;
- ensure consultation with different social groups, including those that are particularly vulnerable.

### **3. Project selection criteria**

#### **3.1 What types of projects should receive support?**

Article 8 of the JTF Regulation<sup>4</sup> stipulates the type of activities that can be supported under the JTF. First, it specifies that the *JTF shall only support activities that are directly linked to its specific objective as set out in Article 2<sup>5</sup> and which contribute to the implementation*

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<sup>4</sup> European Parliament, Council of the European Union, [Regulation \(EU\) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund](#), *EUR-Lex*, 1, 30 June 2021.

<sup>5</sup> Article 2 states that ‘the JTF shall contribute to the single specific objective of enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union’s 2030 targets for energy and climate and a climate-neutral economy of the Union by 2050, based on the Paris Agreement.’ Therefore, it only provides a general idea of which projects can be supported.

of the TJTPs established in accordance with Article 11'.<sup>6</sup> Second, it lists the potential activities eligible for exclusive support:

- (a) *productive investments in SMEs, including microenterprises and start-ups, leading to economic diversification, modernisation and reconversion;*
- (b) *investments in the creation of new firms, including through business incubators and consulting services, leading to job creation;*
- (c) *investments in research and innovation activities, including by universities and public research organisations, and fostering the transfer of advanced technologies;*
- (d) *investments in the deployment of technology as well as in systems and infrastructures for affordable clean energy, including energy storage technologies, and in greenhouse gas emission reduction;*
- (e) *investments in renewable energy in accordance with Directive (EU) 2018/2001 of the European Parliament and of the Council (17), including the sustainability criteria set out therein, and in energy efficiency, including for the purposes of reducing energy poverty;*
- (f) *investments in smart and sustainable local mobility, including decarbonisation of the local transport sector and its infrastructure;*
- (g) *rehabilitation and upgrade of district heating networks with a view to improving energy efficiency of district heating systems and investments in heat production provided that the heat production installations are supplied exclusively by renewable energy sources;*
- (h) *investments in digitalisation, digital innovation and digital connectivity;*
- (i) *investments in regeneration and decontamination of brownfield sites, land restoration and including, where necessary, green infrastructure and repurposing projects, taking into account the 'polluter pays' principle;*
- (j) *investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling;*
- (k) *upskilling and reskilling of workers and jobseekers;*
- (l) *job-search assistance to jobseekers;*
- (m) *active inclusion of jobseekers;*
- (n) *technical assistance;*
- (o) *other activities in the areas of education and social inclusion including, where duly justified, investments in infrastructure for the purposes of training centres, child- and elderly-care facilities as indicated in territorial just transition plans in accordance with Article 11.*

Article 8 also states that 'the JTF may support, in areas designated as assisted areas,<sup>7</sup> ... productive investments in enterprises other than SMEs, provided that such investments

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<sup>6</sup> Article 11 provides little further information, but does warn that any investments in companies other than small and medium-sized enterprises must be properly justified, presumably in order to avoid unlawful State aid: 'where support is to be provided to productive investments in enterprises other than SMEs, an indicative list of operations and enterprises to be supported and a justification of the necessity of such support through a gap analysis demonstrating that the expected job losses would exceed the expected number of jobs created in the absence of the investment;'

<sup>7</sup> '... for the purposes of points (a) and (c) of Article 107(3) TFEU'.

have been approved as part of the territorial just transition plan' and 'where they contribute to the transition to a climate-neutral economy of the Union by 2050 and to achieving related environmental targets, where their support is necessary for job creation in the identified territory, and where they do not lead to relocation'.<sup>8</sup>

Importantly, Article 9 of the JTF Regulation stipulates certain kinds of projects that the JTF will not support:

- (a) the decommissioning or the construction of nuclear power stations;*
- (b) the manufacturing, processing and marketing of tobacco and tobacco products;*
- (c) undertakings in difficulty;*<sup>9</sup>
- (d) investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels.*

### **3.1.1 Environmental sustainability of projects**

The above provisions mainly provide guidance on the types of investments that are considered to make a substantial contribution to carbon neutrality and job creation. However, they do not detail the conditions under which these projects may be deemed environmentally positive. In some cases, the environmental contribution of a project inherently depends on the type of project and the technology used. In other cases, it depends more on positive stakeholder engagement, environmental assessment and appropriate mitigation measures (factors that are mainly dealt with in the section below on project-level stakeholder engagement). But here we examine the different types of possible projects and which of these variants might be considered sustainable.

It is crucially important that in tackling one environmental problem, we do not create other major problems. For example, there are many ways to reduce carbon dioxide emissions, but some of them have impacts on biodiversity or require materials which may increase the EU's dependence on problematic regimes or be associated with environmental or human rights violations.

This is why some EU funds, such as the Recovery and Resilience Facility, include 'do no significant harm' (DNSH) criteria, which aim to ensure that making a substantial contribution to resolving one problem such as climate change does not unleash a host of other issues such as biodiversity destruction or an increase in waste.<sup>10</sup> Recital 6 of the JTF Regulation underlines the importance of compliance with EU environmental law and policies as well as the DNSH principle:

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<sup>8</sup> '... as defined in point (27) of Article 2 of Regulation (EU) 2021/1060'.

<sup>9</sup> '... as defined in point (18) of Article 2 of Commission Regulation (EU) No 651/2014, unless authorised under temporary State aid rules established to address exceptional circumstances or under de minimis aid to support investments reducing energy costs in the context of the energy transition process';

<sup>10</sup> European Commission, [Knowledge for Policy – Do No Significant Harm](#), *Knowledge4Policy*, last updated 30 August 2021.



*'In this context the JTF should support activities that respect the climate and environmental standards and priorities of the Union and do no significant harm to the environmental objectives within the meaning of Article 17 of Regulation (EU) 2020/852 of the European Parliament and of the Council, and that ensure the transition towards a low carbon economy in the pathway to achieving a climate-neutral Union by 2050.'*<sup>11</sup>

### **3.1.1.1 Renewable energy<sup>12</sup> and energy efficiency, including for the purposes of reducing energy poverty**

According to the EU's Renewable Energy Directive, renewable energy includes 'energy from renewable non-fossil sources, namely wind, solar (solar thermal and solar photovoltaic) and geothermal energy, ambient energy, tide, wave and other ocean energy, hydropower, biomass, landfill gas, sewage treatment plant gas, and biogas'.<sup>13</sup> However, the fact that a certain energy source is renewable does not mean its use is necessarily harmless for people and the environment.

Forest biomass and biofuels have proven particularly controversial. EU policy treats wood as renewable and carbon-neutral because, although it emits greenhouse gases when burned, new replacement trees should in principle absorb and store the equivalent amount of carbon dioxide. However, it is not always the case that these trees are replaced, and the climate emergency is now so urgent that we do not have time to wait for new replacement trees to grow.<sup>14</sup> Burning wood also worsens air pollution and can affect biodiversity when carried out on a large scale.

The EU has added sustainability criteria to its Renewable Energy Directive, but these criteria are inadequate in relation to the scale of the problem and are more the result of political compromise than scientific evidence. Bankwatch therefore advises against the burning of primary forest biomass, that is, wood directly sourced from the forest, in all cases. Secondary forest biomass, comprising wood left over from sawmills or other industries, may be utilised on a small scale for combined heat and power. However, such facilities must be scaled to the actual availability of waste wood to avoid creating a demand for primary forest biomass.

Biofuels require a massive amount of land to produce fuel crops, resulting in competition with food crops and deforestation. The EU has had to backtrack on its initial promotion of

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<sup>11</sup> European Parliament, Council of the European Union, [Regulation \(EU\) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund](#), *EUR-Lex*, 2, 30 June 2021.

<sup>12</sup> In accordance with [Directive \(EU\) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources](#), including its sustainability criteria.

<sup>13</sup> Bioenergy is subject to sustainability criteria and can only be counted as renewable if it meets these criteria. Renewable energy development is governed mainly by the 2018 Renewable Energy Directive. A new version of the Directive was agreed in March 2023, but has yet to be formally adopted as of 1 September.

<sup>14</sup> WWF European Policy Office, [500+ scientists tell EU to end tree burning for energy](#), *WWF European Policy Office*, 11 February 2021.

food-based biofuels, capping their use at a maximum of seven per cent of energy use in transport per Member State by 2030.<sup>15</sup> Renewable gas in the form of biogas can serve as a local alternative in agricultural areas. However, scaling up biogas raises most of the same issues as biofuels. For instance, using monocultural food crops to produce energy instead of food can have significant implications for food security and biodiversity, as already experienced in Germany, for example.<sup>16</sup> Therefore, just transition regions may consider small-scale biogas, provided they have significant agricultural residues or wastewater treatment residues available. However, they should not grow crops specifically for this purpose.

Another source of confusion regarding renewable energy is the term 'waste-to-energy'. The term covers a range of technologies, from landfill gas to incineration with energy recovery. Some of these are considered renewable under the Renewable Energy Directive, but only those which generate energy based on renewable materials, such as crop/garden waste, kitchen waste or paper. In reality, most waste-to-energy incineration uses mixed municipal waste, including plastic (mainly oil-based), and only the biodegradable fraction can be considered renewable according to the Renewable Energy Directive. Still, even if part of the waste stream is considered renewable, burning waste cannot be considered sustainable and should not be supported with EU funds (see the circular economy section below for better alternatives).

Here are some recommended potential project types that could be financed:

- energy efficiency projects such as deep retrofitting of households in line with EU standards;
- rooftop solar projects, particularly those concentrating on prosumers and energy communities;
- utility-scale wind and solar projects, especially if owned by energy communities (even better if they make use of brownfield industrial sites such as abandoned mines, ash dumps or factories).

The criteria from the Regulation include projects for the purposes of reducing energy poverty, which deserve special attention. It cannot be assumed that renewable energy and energy efficiency projects will automatically reduce energy poverty. This issue is explored in more detail in the 'social sustainability criteria' below.

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<sup>15</sup> European Parliament, Council of the European Union, [Directive \(EU\) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources](#), *EUR-Lex*, 21 December 2018.

<sup>16</sup> Kenneth Richter, '[Is the EU about to re-run the biofuels disaster with biogas?](#)', *EU Bioenergy*, 12 October 2018.

### **3.1.1.2 Affordable clean energy, including energy storage technologies, and greenhouse gas emission reduction**

In the Regulation, this category is separate from renewable energy (above) and district heating (below). However, given that the JTF rightly does not fund fossil fuels, all types of energy under this heading must in fact be based on renewables or saving energy. Examples of project types that might be appropriate under this category are:

- installation of efficient heat pumps for households;
- heat or electricity storage, with appropriate emphasis on circular economy aspects such as the need for critical raw materials;<sup>17</sup>
- improvements to the electricity distribution or transmission grid to enable better incorporation of variable renewables;
- potentially, energy storage in water in old open-cast mines.

Green hydrogen has often been proposed as a solution for heavy industry, and in Bankwatch's opinion it is likely to play some role. However, this will be limited to industries where direct electrification is not an option. Given the energy intensity of the electrolysis process, paired with the need for renewables in power generation, renewables used to produce hydrogen will likely compete with other more sustainable and efficient applications. In this context, public funding or other public support schemes should only be used to support:

- € Hydrogen production based on sustainable renewable energy sources. There should be zero support for hydrogen based on fossil fuels (even if carbon capture and storage technology is used), as this will still not address methane leakages during extraction and transport, and in the long-term the commercial viability of carbon storage is still uncertain. In addition, hydrogen produced using nuclear energy production or unsustainable renewables like hydropower and biomass must not be supported by public money.
- € Hydrogen use in sectors where reducing emissions and direct electrification is very difficult, such as steel, chemicals, aviation, long-distance shipping and heavy-duty road transport (using hydrogen or derived energy carriers). The blending of hydrogen with natural gas must not be allowed.
- € Hydrogen production should be based on additional renewable energy and should not compete where renewables-based electricity could be used directly, e.g. in the heating or land transport sectors.

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<sup>17</sup> For more details, see Onne Hoogland et al., [ENTEC Energy Transition Expertise Centre – Study on Energy Storage](#), TNO, Trinomics, Fraunhofer, completed November 2022, published March 2023.

### **3.1.1.3 Rehabilitation and upgrading of district heating networks to improve energy efficiency and investments in heat production – renewable energy only**

District heating systems have traditionally operated at high temperatures, using centralised heat sources. But now that this practice is gradually starting to change, new investments in district heating should target the development of what are known as 'fourth-generation networks'. These systems provide heat for low-energy buildings with minimal grid losses by integrating low-temperature heat sources with the operation of smart energy systems. In this context, energy-efficient retrofits of buildings play a crucial role in enhancing the performance of these systems. Suitable investments under the JTF might include:

- projects that increase the efficiency of existing heat networks;
- large-scale heat pumps;
- use of leftover heat from local industries;<sup>18</sup>
- geothermal heating (provided water is reinjected and harmful gases such as methane are captured).

### **3.1.1.4 Smart and sustainable local mobility, including decarbonisation of the local transport sector and its infrastructure**

The overall goal of sustainable local mobility should be to increase the share of walking and cycling over short distances, while electrifying other forms of transport. This requires more space for non-motorised transport and public transport and less for individual road transport. Newer forms of transport such as electric scooters also need to be considered and how they can be safely integrated into the mobility mix. Possible measures include the following:

- infrastructure for non-motorised transport such as walking and cycling;
- bike hire, repair and donation schemes;
- electrification of public transport and related infrastructure;
- improved customer information systems such as real-time updates on public transport;
- improved ticketing systems, making it easier and quicker to buy tickets.

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<sup>18</sup> The feasibility of this approach needs to be carefully assessed, given that the industries concerned would need to have a long-term future of at least 15 years. There is no point in basing a heating system on a facility that then closes.

### **3.1.1.5 Regeneration and decontamination of brownfield sites, land restoration, green infrastructure and repurposing projects, taking into account the 'polluter pays' principle**

The 'polluter pays' principle means – among others – that companies whose activities have damaged the environment or landscape should pay to restore it either to its original state or to a state where it can be used productively for another purpose. Therefore, if JTF support is to be used for such projects, it is imperative that they comply with EU State aid rules for climate, environmental protection and<sup>19</sup> and/or rescuing.<sup>20</sup>

Bankwatch, the European Environmental Bureau, and Climate Action Network Europe have produced a briefing on the application of the polluter pays principle in just transition funds, including a checklist on whether projects align with this principle or not.<sup>21</sup>

Project types might include the use of land for renewable energy facilities mentioned above, or the following:

- decontamination and repurposing of brownfield sites that are, for instance, being prepared for renewable energy installations;
- land restoration, such as turning former coal mines into lakes with small-scale recreational infrastructure and/or even nature reserves;<sup>22</sup>
- greening of former industrial urban areas to improve air quality and increase shade during hot periods;
- setting up urban gardens;
- green infrastructure, such as restoration of floodplains and wetlands to improve resilience against extreme weather events caused by the climate crisis; smaller-scale urban water retention gardens, infiltration basins or green roofs; reed-bed water purification systems; large-scale rainwater harvesting systems.

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<sup>19</sup> European Commission, [Guidelines on State aid for climate, environmental protection and energy \('CEEAG'\)](#), 18 February 2022.

<sup>20</sup> European Commission, [Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty](#), 31 July 2014.

<sup>21</sup> CEE Bankwatch Network, European Environmental Network, Climate Action Network Europe, [Briefing for the European Commission: the Polluter Pays Principle in the just transition process – diagnosis and recommendations](#), 7 October 2021.

<sup>22</sup> See, for example: The Wildlife Trust for Lancashire, Manchester and North Merseyside, ['Vast new National Nature Reserve created in Wigan and Leigh'](#), *The Wildlife Trust for Lancashire, Manchester and North Merseyside*, 3 October 2022.

### **3.1.1.6 Investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling**

The goal of a circular economy is that, rather than extracting and disposing of more and more materials, we make the best use of those already in circulation. This can be achieved by minimising the resources used and ensuring that unnecessary products or materials are not created in the first place; that objects are reused as much as possible and are easily repaired rather than thrown away; that 'waste' can be easily recycled into new resources, and that organic waste is composted. This requires a major transformation of our economy. However, much of this change can only be brought about by regulation, which is beyond the scope of local authorities in carbon-intensive regions. Still, the following types of projects can make a valuable contribution and create employment locally:

- separating waste collection from households;
- home composting or high-quality composting from separately collected organic waste;
- reuse and repair centres;
- equipment hire centres, where local people can borrow equipment such as power tools or lawnmowers when they need them, rather than having to buy their own;
- recycling materials.<sup>23</sup>

### **3.1.1.7 Projects under Annex I of the Emissions Trading System Directive**

The JTF Regulation states that the JTF may support investments aimed at reducing greenhouse gas emissions from the activities listed in Annex I to Directive 2003/87/EC on the Emissions Trading System. However, these investments must have been approved as part of the Territorial Just Transition Plan. In theory, these may include the following categories of activities:

#### ***Energy activities***

*Combustion installations with a rated thermal input exceeding 20 MW (except hazardous or municipal waste installations).*

*Mineral oil refineries.*

*Coke ovens.*

#### ***Production and processing of ferrous metals***

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<sup>23</sup> This should not include 'downcycling', where essentially unsustainable materials are made into new objects simply to avoid landfill. In such cases, the objects should be redesigned to exclude such waste.

*Metal ore (including sulphide ore) roasting or sintering installations.*

*Installations for the production of pig iron or steel (primary or secondary fusion) including continuous casting, with a capacity exceeding 2.5 tonnes per hour.*

### **Mineral industry**

*Installations for the production of cement clinker in rotary kilns with a production capacity exceeding 500 tonnes per day or lime in rotary kilns with a production capacity exceeding 50 tonnes per day or in other furnaces with a production capacity exceeding 50 tonnes per day.*

*Installations for the manufacture of glass including glass fibre with a melting capacity exceeding 20 tonnes per day.*

*Installations for the manufacture of ceramic products by firing, in particular roofing tiles, bricks, refractory bricks, tiles, stoneware or porcelain, with a production capacity exceeding 75 tonnes per day, and/or with a kiln capacity exceeding 4 m<sup>3</sup> and with a setting density per kiln exceeding 300 kg/m<sup>3</sup>.*

### **Other activities**

*Industrial plants for the production of:*

*(a) pulp from timber of fibrous materials;*

*(b) paper and board with a production capacity exceeding 20 tonnes per day.<sup>24</sup>*

However, the above activities must align with the aim of achieving carbon neutrality and cannot involve the use of fossil fuels. Since most of these sectors usually rely on fossil fuels, any investments in them would need to be based on innovative technologies. However, this raises serious concerns about sustainability, since many of the alternative technologies deployed thus far either harm biodiversity, such as forest biomass and most biofuels, or else conflict with the goals of a circular economy, such as using waste as a fuel in cement kilns. Both forest biomass and waste burning also contribute to air pollution and damage the climate.<sup>25</sup> As mentioned above, green hydrogen is likely to play some role, but its significance should not be overstated.

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<sup>24</sup> European Parliament, Council of the European Union, [Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC](#), *EUR-Lex*, 11, 25 October 2003.

<sup>25</sup> On the climate impacts of forest biomass, see, for example, Partnership for Policy Integrity, [Carbon Emissions from Burning Biomass for Energy](#), *Partnership for Policy Integrity*, 17 March 2011; on the climate impacts of waste incineration, see Geert Warringa, [Waste Incineration under the EU ETS – An assessment of climate benefits](#), *CE Delft*, October 2021. In fact, under the new [Directive \(EU\) 2023/959 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC establishing a system for greenhouse gas emission allowance trading within the Union and Decision \(EU\) 2015/1814 concerning the](#)

### 3.1.1.8 Cross-cutting environmental criteria

As well as the need to invest in specific projects that benefit the environment and community, cross-cutting criteria need to be applied during project selection. In particular, the principles of green public procurement should be applied to public tenders and contracts.<sup>26</sup>

In addition, when supporting small and medium-sized enterprises (SMEs), local authorities need to ensure that their activities are sustainable – not only for the host community but also for the wider environment, now and in the future. For example, a company manufacturing plastic packaging may provide employment, but its entire purpose is at odds with the circular economy goal of the European Green Deal. It may also find that some of its products are subject to a legally binding phase-out in the coming years as well. Thus, it makes little sense to support non-future-proof companies with money from the JTF.

In some cases, companies may claim that they have a strategy for switching to more sustainable production or consumption, but they should only receive support if they start producing such goods from day one of the new facility.

### 3.1.2 Social sustainability of projects

As discussed above, the JTF Regulation does not go into detail about the social goals that should be tackled by projects that receive funding. Indeed, Article 8 provides quite generic guidelines on the types of projects that might contribute to such goals:

- (a) productive investments in SMEs, including microenterprises and start-ups, leading to economic diversification, modernisation and reconversion;*
- (b) investments in the creation of new firms, including through business incubators and consulting services, leading to job creation;*
- (c) investments in research and innovation activities, including by universities and public research organisations, and fostering the transfer of advanced technologies.*

To make these goals and projects more specific, each region needs to conduct an analysis to identify the social issues that require attention and the types of projects that could help tackle them. Ideally, these projects should cover a range of criteria, including the following:

- provide reskilling and job replacement opportunities to sectors most vulnerable to the transition process to positively impact investments, jobs and tax revenues;

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[establishment and operation of a market stability reserve for the Union greenhouse gas emission trading system](#), the European Commission is tasked with examining the inclusion of incineration in the EU emissions trading system from 2028, with possible derogations permitted until no later than 2030.

<sup>26</sup> European Commission, [Green Public Procurement](#), *European Commission*, accessed 21 September 2023.



- address the needs and challenges of different vulnerable and marginalised social groups;<sup>27</sup>
- address the needs and challenges faced by women through reskilling programmes and promoting initiatives that support female entrepreneurs;
- address the needs and challenges faced by youth;
- address the needs and challenges faced by older people;
- ensure that projects contribute to the creation of value-added jobs in economic areas with high potential, both in existing and emerging economic sectors;
- implement measures that facilitate the transfer of knowledge and technology from universities and research institutes;
- encourage local formal or informal groups of citizens to develop community-led and/or small-scale public or private projects that promote innovation and environmental sustainability;<sup>28</sup>
- improve the quality of life of communities in just transition regions through community-led and other social projects;<sup>29</sup>
- promote equal opportunities and treatment with a commitment to actively hiring people at risk of exclusion from the labour market;
- reduce energy poverty by implementing projects that promote energy-efficient solutions, related advisory services and energy audits.

Projects aimed at reducing energy poverty will vary widely from one Member State to another. However, regardless of their design, these projects should not resort to 'band-aid' solutions that involve long-term subsidies for energy bills. Instead, the priority should be to identify why these bills are so high in the first place and remove the root causes.<sup>30</sup>

In most instances, retrofitting residential buildings will be the primary focus. However, some countries may face challenges with the age or poor quality of the original buildings or encounter compliance issues in cases where buildings have been constructed without authorisation or in an informal manner. In these cases, it is imperative to develop customised programmes that at least partially alleviate the situation while longer-term solutions are found.

It is crucial to closely consult with the affected communities while developing energy efficiency projects, to make sure they are effective. For example, technical assistance, support to help energy-poor households access bonus subsidies, or deploying trained

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<sup>27</sup> An excellent example is St Albert's homeless shelter in Słupsk, Poland. They reduced their costs thanks to the installation of photovoltaic roof panels. See: Supporting Consumer Ownership in Renewable Energies (SCORE), [H2020 Final Report: Consumer Stock Ownership Plans \(CSOPs\) – Financing Energy Communities](#), *Supporting Consumer Ownership in Renewable Energies (SCORE)*, April 2022.

<sup>28</sup> CEE Bankwatch Network, [Selection criteria for energy communities: a practical checklist](#), *CEE Bankwatch Network*, 31 May 2023.

<sup>29</sup> Midlands Regional Transition Team, [Midlands Engagement Process](#), *Midlands Regional Transition Team*, May 2020.

<sup>30</sup> For examples of both types of approaches, see CEE Bankwatch Network, [Tackling Energy Poverty in EU Member States](#), *CEE Bankwatch Network*, 2 June 2023.

advisers will often be needed, as will pre-financing, to ensure that people do not have to find money they do not have to make the initial investment.

### **3.2 Project feasibility and maturity criteria<sup>31</sup>**

- Feasibility of the project: project timetable, legal and administrative requirements, planning permission, financial requirements and viability;
- project maturity: assessment of the feasibility and clarity of the conceptualisation and preparation of the project, including inputs, activities, expected outputs and outcomes, feasibility and options assessments, planning, risk assessment;
- capacity to deliver the project: assessment of the availability of or access to technical, legal, financial, administrative and project management resources;
- technical feasibility: ensuring that the technical solutions chosen are adequate and appropriate to achieve the desired project objectives and outcomes;
- no major legal or public acceptance barriers that would prevent the project from proceeding;
- risk exposure and management: identifying the main exposure risks and proposing responses to manage these risks effectively, taking into consideration demand, design, financing, procurement, execution, operation, as well as legal and regulatory requirements.

### **3.3 Project-level stakeholder engagement**

Stakeholder engagement in specific projects varies considerably depending on the type and size of the project as well as its potential social and environmental impacts, both positive and negative.

For projects aimed at benefiting people, such as skills training or capacity-building initiatives, stakeholder engagement is mainly a question of attracting people to the project. In such cases, project promoters are clearly motivated to engage with people, even if their skills in this field may vary.

But for projects involving physical construction works, the need for stakeholder engagement is often underestimated by the project promoters, even though it can mean the difference between a project going ahead or not.

Although the goal should be to avoid projects with significant negative impacts on people and the environment, in certain cases the potential impacts are not always clear at the outset. What might seem harmless to one person could be a grave nuisance to another. For example, even a seemingly innocuous investment like a small bakery in an apartment block can cause community dissatisfaction if noise, smells and potential pests are not adequately controlled.

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<sup>31</sup> These criteria, which can be applied to all types of projects, are based on the assessment criteria for community-led projects outlined in: Midlands Regional Transition Team, [Midlands Engagement Process](#), Midlands Regional Transition Team, 24 May 2020.

So, at the very least, the potential impacts and flashpoints need to be assessed to determine whether the project should proceed and, if so, under what conditions. Although the sheer variety of projects makes it difficult to provide uniform criteria when selecting projects, the following actions should serve as the basis for assessing projects involving physical infrastructure. As part of the project application, the project promoter should:

- Correctly and realistically identify which people or groups of people may be affected by the project – negatively or positively – and how they may be affected. This may include people from the local community but also those further afield. Specific attention should be paid to vulnerable groups.
- Submit a realistic plan detailing how potentially affected people will be informed and consulted about the project along with a timeline and commit to take comments into account as far as reasonably possible.
- Provide clear information about how grievances can be submitted and how they will be dealt with, including timelines for responses.
- Where the project is listed in Annex I or II of the EIA Directive or the equivalent national legislation, undertake an environmental impact assessment.
- Where the project is likely to have a significant effect on Natura 2000 sites, either individually or in combination with other plans or projects, carry out an appropriate assessment of its implications for the site’s conservation objectives.
- Where the project may have an impact on the status of water bodies, carry out an assessment under Article 4(7) of the Water Framework Directive.<sup>32</sup>

## 4. Project monitoring phase

Bankwatch’s checklist for project implementation<sup>33</sup> provides, among other things, supporting information to help stakeholders navigate the complexity of the monitoring and project implementation processes. To ensure good governance during the implementation phase, projects need to be planned and structured in a clear, transparent and logical way.

Following the initial stages of project appraisal and selection, it is important that the project is monitored on an ongoing basis. In addition, *ex post* evaluations should be conducted to evaluate the progress of specific projects and, indeed, the entire process.

Monitoring bodies also play a vital role. For projects to be monitored effectively, it is crucial that the monitoring body involved is represented by a diverse range of stakeholders. The inclusion of unique perspectives increases the chances that all angles of the process will be considered, contributing to a more comprehensive assessment.

In addition, stakeholders who are not represented on the monitoring body should also be provided with opportunities to provide their feedback on the project implementation

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<sup>32</sup> European Parliament, Council of the European Union, [Directive 2000/60/EC of the European Parliament and of the Council of 23 October 2000 establishing a framework for Community action in the field of water policy](#), *EUR-Lex*, 22 December 2000.

<sup>33</sup> Miłosława Stępień, [Just transition project implementation checklist – Are transitioning regions heading towards climate neutrality in a socially just way?](#) *CEE Bankwatch Network*, 29 April 2022.

process. To foster accountability, all interested parties should have full access to all relevant information on project updates on a regular basis.

The monitoring body should have clarity on the scope of its activities and responsibilities so that it can operate in a transparent and structured manner. Additionally, transparent decision-making procedures should be in place to ensure accountability.

Another important aspect of implementation governance is continuous evaluation, not only of the entire process but also of each individual stage. This is especially important considering that the just transition in certain regions is likely to last years, if not decades, during which time new funding options may also become available. To avoid confusion, clear indicators must be established to determine whether progress is being made in reaching the goals set out in the respective TJTPs.

Projects should be adjusted to reflect ongoing analyses and developments in the regions. This means paying attention to areas which can be improved to better respond to the needs of the region over time.

Most importantly, all relevant national and regional stakeholders should be meaningfully involved in the process of defining project selection criteria and project evaluation procedures in a participatory way. This is especially true for the monitoring committees that will be set up with the purpose of making decisions on the spending of EU funds.

Monitoring committees are typically established to deal with all the funds within the regional operational programmes. That is why we recommended that separate WG be set up to deal specifically with just transition regional funding. To align with the programming process, these monitoring committees should comprise local and regional stakeholders, including representatives of civil society, trade unions, SMEs, affected communities and vulnerable groups.

