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on the territorial just transition plans

1. INTRODUCTION

As part of the European Green Deal, the Just Transition Mechanism (JTM) was set up to leave no person and no region behind in the transition towards a climate-neutral economy. It includes the Just Transition Fund (JTF), which will invest €17.5 billion in the 2021-2027 period in the territories most affected by the transition to a climate-neutral economy.

The JTF Regulation entered into force on 1 July 2021[1]. Member States are already preparing their territorial just transition plans (TJTP) and related cohesion policy programmes, based on Annex D of their European Semester country report of February 2020[2].

This document expresses the view of the Commission services and does not commit the European Commission. Only the Court of Justice of the European Union is competent to authoritatively interpret Union law.

2. STRATEGIC CONTEXT AT EU LEVEL

The European Green Deal is Europe's new growth strategy. It sets an ambitious long-term objective of transforming the Union into a modern, resource-efficient and competitive economy, where there are no net emissions of greenhouse gases (GHG) by 2050, where economic growth is decoupled from resource use and where no person or no region is left behind. It highlights the need for a transformative change across all sectors, such as transport, energy, agriculture, buildings and industry, while avoiding lock-in into unsustainable practices[3].

Managing sustainability transitions requires formulating a strategic vision, investing in innovative solutions and their deployment, phasing out unsustainable practices and ensuring that the transformation happens in a fair way[4]. However, not all Member States, regions and cities start the transition from the same point or have the same capacity to respond, and people and workers will be affected in different ways. The European Green Deal therefore turns climate and environmental challenges into opportunities, and aims to make the transition just and inclusive for all.

The JTM was set up as part of the European Green Deal Investment Plan to deliver on the ambition of leaving no region behind[5]. It includes the JTF, which is established in the framework of cohesion policy, the main EU policy to reduce disparities and address structural change in Europe's regions. Cohesion policy's shared management ensures that national, regional and local authorities and stakeholders have ownership of the transition strategy. In

1 Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund.

2 The Commission's Directorate-General for Structural Reform Support provides 17 Member States with technical support for the preparation of TJTPs. In addition, under the Technical Support Instrument, Member States can receive dedicated support for the implementation of the just transition.

3 COM(2019) 640 final.

4 Toolkit on sustainability transitions, https://ec.europa.eu/regional_policy/en/information/publications/guidelines/2020/supporting-sustainability-transitions-under-the-european-green-deal-with-cohesion-policy-toolkit-for-national-and-regional-decision-makers

5 COM(2020) 21 final.

addition to the JTF, a dedicated just transition scheme under InvestEU will focus on attracting private investments in those territories, while a public sector loan facility, backed by the EU budget, will offer preferential lending conditions to support public investments.

The JTM draws lessons from previous processes of structural transformation and aims to avoid past experiences of territories being left behind as a consequence of deindustrialisation. It builds on the expertise of previous and existing initiatives, such as the previous Community initiatives on the diversification of industrial areas dependent upon industries in crises (RESIDER, RENAVAL, RECHAR)[6], the Coal Regions in Transition Initiative, which takes an integrated approach to the transition in 34 regions with economies highly dependent on coal, peat and oil shale[7], or the pilot action on Regions in Industrial Transition[8]. The JTM is novel in its approach of combining a focus on both fossil fuel-dependent and GHG-intensive regions, and in linking the objective of climate neutrality with a place-based approach for alleviating the negative impacts of the transition. It also provides a useful mix of new instruments, which combine grants with loans to the public and private sectors.

3. ELIGIBILITY: THE TERRITORIES MOST NEGATIVELY AFFECTED BY THE TRANSITION

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 2 – Specific objective Article 6 – Specific allocations for outermost regions and islands Article 11 – Territorial just transition plans Annex II – Template for territorial just transition plans (section 1) Recitals 2, 5, 8 and 19
Related legislation	
Regulation on the Governance of the Energy Union[9]	

'Those territories shall be those most negatively affected based on the economic and social impacts resulting from the transition' (Article 11(1) JTF)

To overcome the major challenges of the transition to a climate-neutral economy, in particular as regards economic and employment issues, available financial resources will need to be focused on those territories for which this transition has the most negative economic and social impact. Unlike the European Regional Development Fund (ERDF) and the European

6 https://cordis.europa.eu/article/id/1663-assessment-of-community-initiatives-on-the-diversification-of-industrial-areas-dependent-upon-i/

7 https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/initiative-for-coal-regions-in-transition_pl

8 https://ec.europa.eu/regional_policy/en/policy/themes/industrial-transition

9 Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

Social Fund Plus (ESF+), the JTF will concentrate on a limited number of NUTS3[10] regions or parts of those regions. To be supported by the JTF, territories will therefore have to justify their dependence on fossil fuels (notably coal, lignite, peat, oil shale, heavy oil and diesel) and/or on GHG-intensive industrial activities. It also needs to be justified that those particular territories are most negatively affected based on the economic and social impacts resulting from the transition, in particular with regard to expected job losses and the transformation of the production processes of industrial facilities with the highest greenhouse gas intensity[11].

'[The transition] will be particularly demanding for those Member States that rely, or which until recently have relied, heavily on fossil fuels or greenhouse gas intensive industrial activities which need to be phased out or which need to adapt' (Recital 8 JTF)

All Member States are affected by the EU climate and energy targets for 2030 and the transition towards EU climate neutrality by 2050. Their national energy and climate plans (NECP)[12] and other relevant strategies such as the National Long Term Strategies[13], where available, outline national targets, policies and measures to reach them and give an assessment of the expected social and economic impacts. The regions targeted by the JTF need more help than others to adapt to and benefit from the transition to climate neutrality, because of the decline and/or transformation of the economic sectors on which they are dependent. Economic activities based on the production of fossil fuels are expected to face an irreversible decline in economic output and employment levels. Other sectors with high GHG emission intensity levels, for which technological alternatives to carbon-intensive processes can be found in order to maintain economic output and increase employment, will instead need to undergo transformation.

The Commission has already identified the following potential declining or transforming sectors affected by the transition towards climate neutrality:

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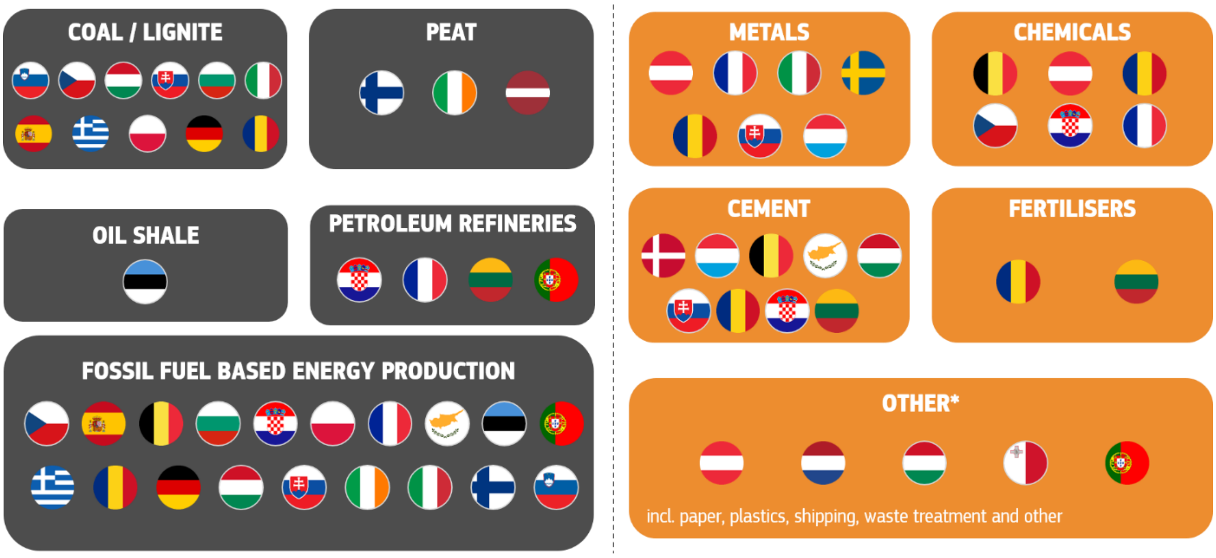
10 Nomenclature of Territorial Units for Statistics.

11 The Commission presented its preliminary views on priority investment areas for the JTF in each Member State as part of the European Semester process (as set out in Annex D of the European Semester country reports of February 2020, see https://ec.europa.eu/info/publications/2020-european-semester-overview-investment-guidance-just-transition-fund-2021-2027-member-state-annex-d_en).
The Commission's final decision on geographical scope is taken by adopting the programmes to which territorial just transition plans are annexed.

12 https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

13 https://ec.europa.eu/info/energy-climate-change-environment/implementation-eu-countries/energy-and-climate-governance-and-reporting/national-long-term-strategies_en



Declining (in grey) and transforming sectors (in orange) identified in the Annexes D of the European Semester country reports of February 2020

The **social impact** of the transition to climate neutrality is primarily linked to employment, with direct consequences for the livelihoods of households and families, social exclusion and important gender implications. With regard to the declining sectors in the EU, close to 237 000 people are employed in coal-related activities, whereas almost 10 000 people are employed in peat extraction activities and around 6 000 are employed in the oil shale industry. Numerous additional indirect jobs also depend on the fossil fuel value chain. The GHG-intensive industries also employ a significant number of people. In some cases, the social impact will not be associated with job losses but with a significant need for reskilling or upskilling workers in industrial sectors as well as workers' mobility to accompany the needed technological transformations. Besides repercussions on jobs, the transition may have an impact on incomes and their distribution, social inclusion, community cohesiveness, living conditions, energy poverty, access to public services or other social aspects.

The **economic impact** of the transition will differ between declining and transforming sectors. The decline of fossil fuel extraction, production and use is associated with closure of mines and extraction sites, loss of assets and decommissioning of fossil fuel-fired power plants. For instance, estimates show that between half and two thirds of the current coal-fired power capacity will be retired by 2030[14]. Furthermore, national plans to phase out coal are accelerating in some Member States[15]. This decline will in particular have an economic impact on the development of coal regions, the majority of which already have a lower regional GDP per capita than the national average[16]. The closure of mines and the decommissioning of fossil fuel-fired power plants will entail associated structural changes in

14 Kapetaki, Z., Alves Dias, P., Conte, A., Kanellopoulos, K., Mandras, G., Medarac. H., Nijs, W., Ruiz, P., Somers, J., Tarvydas, D., Recent trends in EU coal, peat and oil shale regions, EUR 30618 EN, Publications Office of the European Union, Luxembourg, 2021, ISBN 978-92-76-30987-1, doi:10.2760/510714, JRC123508.

15 https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/coal-regions-transition_en

16 Alves Dias, P. et al., EU coal regions: opportunities and challenges ahead, EUR 29292 EN, Publications Office of the European Union, Luxembourg, 2018, ISBN 978-92-79-89884-6, doi:10.2760/064809, JRC112593.

related industries (e.g. mining equipment manufacturing, processing industries, or transport and logistics). It will also have an impact on energy-intensive industries, such as steel production, which adds to the transformation needs of these industries and regions.

The economic impact on transforming sectors is mostly related to aligning economic development and competitiveness with the need for deep emission reductions to contribute to the Union's 2030 energy and climate targets and 2050 climate-neutrality target. Industry, excluding power generation, accounted for about 20% of EU emissions in 2018[17]. These are linked to energy use as well as industrial processes. The significant decrease of industrial GHG emissions that is needed to reach the 2030 targets and 2050 targets[18] will rely in part on efficiency gains, fuel switching and electrification[19]. However, it will also require changes in production patterns and the deployment of technologies that are not deployed at scale in many cases, for example in cement, steel production or chemicals. Such technological transformations will require significant investment starting now, to avoid lock-ins and stranded assets.

'addressing the social, demographic, economic, health and environmental impacts of the transition' (Article 11(2)(d) JTF)

In some cases, the transition may have wider **demographic impacts** when, as a result of the decline of certain sectors, a region becomes a less attractive place to live and work. Young people can be especially affected, not only because they face above average levels of unemployment but also because they are more inclined to migrate out of the region[20]. But elderly people, minorities and workers with disabilities, occupational diseases or other (mental) health issues can also be disproportionally hit by the transition.

Finally, **environmental impacts** associated with the transition away from carbon-intensive activities or fossil fuel production have to be addressed. In particular, the cessation of extraction activities, the closure of mines or the decommissioning of certain production plants can be associated with derelict land, contamination of soil and water, geophysical instability or other environmental hazards, including **health risks**[21]. For peatlands there may be an impact, even after peat extraction activities have ceased, on the degradation of ecosystems and their ability to perform ecosystem services (including absorbing and storing carbon).

In conclusion, the JTF focuses on those territories facing the biggest challenges in the transition to climate neutrality. This needs to be justified in view of the territories' current dependence on declining or transforming sectors and plans to engage in the transition to a climate-neutral economy in the EU. In particular, Member States need to demonstrate the

17 https://ec.europa.eu/clima/sites/default/files/strategies/progress/docs/com_2020_777_en.pdf

18 https://ec.europa.eu/clima/policies/ets_en

19 See 'A Clean Planet for all' - COM(2018) 773 final (Section 4.5 and Annex 7.6), and the impact assessment accompanying the 2030 Climate Target Plan - SWD(2020) 176 final (in particular Annex 9.4.2.7).

20 Toolkit on youth for a just transition, https://ec.europa.eu/regional_policy/en/information/publications/guides/2021/youth-for-a-just-transition-a-toolkit-for-youth-participation-in-the-just-transition-fund

21 Taking into account the polluter pays principle, in accordance with Article 191 TFEU.

expected changes in the skills profiles demanded on the local labour market, the downsizing of employment in fossil fuel production and use, or the transformation of the production processes of industrial facilities with the highest GHG intensity. When the identified territories include islands or outermost regions, particular attention should be paid to whether their specific situation requires a different approach to address the social and economic impacts of the transition. In particular, elements related to the energy transition challenges in these territories cannot be considered separately.

Finally, where a Member State (in a draft TJTP, a draft programme or a proposed modification of an existing programme) requests that additional territories be included (compared to the geographical scope previously proposed or to a TJTP previously adopted by the Commission), their request will be assessed on the basis of the elements described above, taking into account the definition of the area and population covered, the declining or transforming sectors impacted by the transition, the negative socio-economic impacts to be addressed and the coherence with the Commission's identified geographical priorities (including implicit aid intensity). The Commission will take a formal position on such requests by adopting or amending the relevant programmes.

4. TRANSITION PROCESS AND CHALLENGES

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 2 – Specific objective Article 7 – Conditional access to resources Article 11 – Territorial just transition plans Annex II – Template for territorial just transition plans Recitals 18 and 19
Related legislation	
Regulation on the Governance of the Energy Union	
European Climate Law[22]	

As a first step in determining the intervention logic of the JTF in an affected territory, a TJTP should detail the transition process that will be implemented in the territory in order to achieve a climate-neutral economy.

'a description of the transition process at national level towards a climate-neutral economy, including a timeline for key transition steps' (Article 11(2)(a) JTF)

Each TJTP should contain a description of the **transition process at national level**, including a timeline for key transition steps towards the 2030 climate and energy targets[23] and towards

22 Regulation of the European Parliament and of the Council establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), not yet published at the time of writing.

23 Article 2(11) of the Regulation on the Governance of the Energy Union sets the Union 2030 targets for energy and climate. These include at least 40% cuts in greenhouse gas emissions (from 1990 levels), at least a 32% share for renewable energy and at least a 32.5% improvement in energy efficiency. As part of the European Green Deal, the European Climate Law Regulation confirms the higher climate target

the 2050 climate neutrality target. These steps should be consistent with the NECPs and National Long-Term Strategies, notably the planned investments, the timeframe of the key transition steps, contribution to national targets, the objectives to be achieved and the actions to be taken for the just transition[24]. The latest updated version of the NECP and the Commission's assessment of the final NECPs should be taken into account, including higher ambitions where relevant.

'The JTF support should be conditional on the effective implementation of a transition process in a specific territory' (Recital 18 JTF)

The TJTP will also need to demonstrate clear evidence of a transition process and its impact **at the level of the concerned territory** in the near future (by 2030 or before). If the (planned) implementation of a transition process by 2030 cannot be demonstrated in a given territory, the corresponding TJTP will not be complete.

Each TJTP should include a detailed plan of the transition process at national level towards a climate-neutral economy. Furthermore, any uncertainty about the national transition process does not remove the responsibility of the Member State in the context of the obligations of the JTF to set a transition process at the level of the territory in line with the national commitment to the 2030 and 2050 targets (done in the context of the EU Climate Law), with an impact by 2030 or before at the level of the territory concerned. The transition process should refer to the timeline for ceasing or significantly scaling down fossil fuel extraction, production or use, or to the timeline for transforming activities, processes and outputs in GHG-intensive sectors.

Proposals to extend the geographical scope to territories where there is no clear transition process with an associated negative socio-economic impact by 2030 or before, should not be accepted.

In territories where there is uncertainty about the implementation of a transition process due to the continuation or opening of fossil fuel activities, there should be a case-by-case assessment of the justification presented in the draft TJTPs, having regard to two conditions:

- As regards the implementation of phasing out of fossil fuel activities, the Commission should not accept TJTPs that are based on a process of minor or partial reduction of fossil fuel activities and corresponding GHG emissions, which are clearly not in line with a pathway to reaching the 2030 and 2050 targets. A significant reduction in emissions means that the territory demonstrates as a minimum a proportionate contribution to the national climate and energy targets for 2030. This also needs to be associated with substantial employment impacts;

of at least 55% for 2030. The Commission adopted the legislative 'Fit for 55 Package' on 14 July 2021 that will align the relevant climate and energy legislation with the new target (https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/delivering-european-green-deal_en#documents). In this context, the Commission has emphasised that the role of carbon sinks would have to be increased by 2030, and that the Commission's upcoming proposal to revise of the existing EU Land Use and Forestry Regulation should be in line with that ambition.

[24] Where the update of an NECP pursuant to Article 14 of the Regulation on the Governance of the Energy Union necessitates a revision of a TJTP, this revision will be carried out as part of the mid-term review exercise in accordance with Article 18 CPR.

– Where in a territory identified in the TJTP opening of a new extraction or production capacity based on traditional fossil fuels is envisaged (e.g. granting of licenses or opening of new coal mines, shale oil plants or refineries)[25] after the entry into force of the JTF, the concerned NUTS3 region should in principle not have access to the JTF. In duly justified circumstances, where the Member State can demonstrate that such activities will not negatively impact the pathway towards achieving, across all sectors of the economy, the 2030 and 2050 targets set by the European Climate Law, the Commission may on the basis of a case-by-case assessment, approve the relevant programme. Such a decision would nevertheless require that a transition process for that territory has been defined and that a significant socio-economic impact caused by the climate transition has been identified.

The specific territories covered by the TJTPs should be coherent geographical areas and to the extent possible reflect functional territorial economic areas, which correspond to the communities, labour markets and economic activities affected by the installations and related firms involved in fossil fuel activities or GHG-intensive industrial processes. The Commission should not accept the definition of territories below NUTS3 level that artificially exclude areas to allow the maintenance or increase of fossil fuel activities. By contrast, it may consider the inclusion of territories below NUTS3 level where the communities, workforce and economic activities affected form a coherent geographical entity as described above.

JTF support for regions that rely heavily on peat extraction should be based on the implementation of a transition process with an impact by 2030 or before at the level of the territory for which a TJTP is submitted, based on (1) a phase-out of peat for energy use and (2) a significant reduction of GHG emissions from the extraction of peat (e.g. by excluding the most harmful practices, by supporting technology development, improving management practices, peatland restoration)[26]. Investments with support from the JTF should respect the fossil fuel exclusion[27] and environmental sustainability requirements, in line with the biodiversity objectives of the European Green Deal.

'an assessment of the transition challenges faced by the identified most negatively affected territories, including the social, economic, and environmental impact of the transition to a climate-neutral economy' (Article 11(2)(c) JTF)

The JTF's single specific objective is 'enabling regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union's 2030 target for climate and a climate-neutral economy by 2050, based on the Paris Agreement'[28]. Based on the planned transition process, the **challenges resulting from the transition in the**

[25] These three sectors (coal, peat and oil shale) are explicitly referred to in Recital 2 of the JTF Regulation and are the basis for three of the five criteria on which the JTF allocations are based.

[26] Peat is a fossil fuel. Its combustion generates a significant amount of GHG emissions. In addition, there are significant GHG emissions associated with the extraction of peat and with the damage to peatlands. For those reasons, peat production was one of the criteria used for the allocation method of the JTF resources.

[27] The JTF cannot support investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels (see Section 5.4).

[28] Article 2 JTF.

TJTP territories should be assessed. This assessment should be in line with the European Pillar of Social Rights. The assessment should be sufficiently granular to respect the targeted geographical focus of the JTF. It should include only those challenges that are directly related to the transformation or closure of GHG-intensive activities, and could be guided notably by the following questions:

- What is the relative importance of the transforming and/or declining sectors within the regional economy? Is there a further impact on other sectors or on the broader economic fabric of the territory? Does the transition affect small and medium-sized enterprises (SMEs) and/or large enterprises? What is the economic diversification potential of the region? Is there an adequate business support system in the territory?
- How many jobs are potentially lost or affected because of the transformation or closure, including through early retirement? How does this number compare to overall employment in the territory, and, where relevant, in relation to specific communities or companies?
- Is there any distributional impact assessment of the expected transformations on the affected different income groups? Is there an adequate tax and benefit system in place to compensate any negative distributional impacts on the lowest incomes?
- Which reskilling or upskilling needs can be identified, taking into account both the forecasted developments in transforming sectors as well as the skills needs stemming from economic diversification?
- What are the development needs and objectives of the regional economic sectors, workers and local communities, stemming from the transition process?
- Is the education and training sector adapted to the transition challenges? Does it have systems in place to exchange information with companies in the territory about their current and future skills needs? Does the education and training system have the autonomy and capacity to respond timely to the needs of the companies in the territory and to the needs of companies that may be ready to invest in the territory (i.e. to adapt or develop learning curricula, training programmes and work-based learning)? Do the systems for guidance, counselling and validation of prior learning work in practice? Are they easily accessible for jobseekers? Do companies themselves invest in the skills of their employees and how does that happen in practise? Is good use made of available skills intelligence?[29]
- Does the transition to climate neutrality have broader social impacts, such as impacts on community cohesiveness, living conditions, energy poverty or access to public services, which are affecting the territory?

[29] Such as gathered by blueprint alliances for sectoral cooperation on skills, https://ec.europa.eu/social/main.jsp?catId=1415&langId=en, Cedefop's Online Vacancy Analysis Tool for Europe (OVATE), https://www.cedefop.europa.eu/en/data-visualisations/skills-online-vacancies, Skills Panorama, https://skillspanorama.cedefop.europa.eu/en/, and the national skills strategies developed with EU-supported technical assistance from the OECD, https://www.oecd.org/skills/nationalskillsstrategies/

- Is there a depopulation risk specifically related to the transition to a climate-neutral economy, and in which parts of the population? Are young people specifically affected by the transition?
- Is the social services sector adapted to transition challenges? Does it have the capacity to cope with the potential influx of 'new clients'? Does it have the means to provide new services and interventions complementing labour market transition and attachment of the beneficiaries? Does it have the necessary cooperation protocols with active labour market policies, training and education sectors to complement the system of support comprehensively? Are community social services available?
- Do negative environmental impacts have to be addressed following the transition, for instance impacts on soil or water quality, impacts on the condition of ecosystems or impacts related to land rehabilitation?

5. TYPES OF OPERATIONS TO BE SUPPORTED FOR A JUST TRANSITION

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 2 – Specific objective Article 8 – Scope of support Article 9 – Exclusion from the scope of support Article 11 – Territorial just transition plans Annex II – Template for territorial just transition plans (section 2) Recitals 5, 6, 12, 13, 14, 16
Common Provisions Regulation (2021/1060)[30]	Article 9 – Horizontal principles Article 36 – Technical assistance of Member States Article 63 – Eligibility
Related legislation	
EU Emissions Trading System Directive[31]	

'actions supported by the JTF should directly contribute to alleviating the impact of the transition by mitigating the negative repercussions on employment and by financing the diversification and modernisation of the local economy' (Recital 5 JTF)

All activities supported by the JTF must be linked to its specific objective and contribute to the implementation of the TJTPs. The JTF aims to alleviate the impacts of the transition by supporting the most affected territories. In doing so, it promotes a balanced socio-economic transition in these territories, seeking to make their economies future-proof and to offer their

[30] Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy.

[31] Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a system for greenhouse gas emission allowance trading within the Union and amending Council Directive 96/61/EC.

workers decent opportunities and to support jobseekers. JTF investments should therefore focus primarily on diversifying local economies and reskilling or upskilling workers and jobseekers. Other activities covered by the thematic scope of the JTF Regulation can also be supported, if their contribution to alleviate the impact of the transition is justified in the TJTP.

All operations supported by the JTF must benefit the TJTP territories, in accordance with Article 63(3) of the Common Provisions Regulation (CPR).

5.1. Economic diversification and skills

So that territories impacted by the transition can achieve greater **economic diversification**, the JTF can provide support to enterprises and economic stakeholders such as support for productive investment[32] in SMEs (including micro-enterprises and start-ups). It can also invest in the creation of new firms, including through business incubators and consulting services. Due importance should be given to sectors with a strong job creation potential, so to mitigate negative repercussions on employment[33], particularly in sectors with growth potential, such as the raw materials value chain[34].

To mitigate the negative repercussions on **employment**, the JTF can support the upskilling and reskilling (including training) of workers and jobseekers in sectors with a local employment potential (either existing or to be created). It can also support job-search assistance (guidance and counselling, assessment and validation of prior learning) for jobseekers and support their active inclusion in the labour market. The assistance to job-seekers can also benefit dismissed workers who have lost their job in sectors in the TJTP territories even if they are not residing in that territory. The JTF cannot finance early retirement schemes or compensation schemes for workers who have been laid off.

Economic diversification and upskilling or reskilling are related to the objectives and support provided through smart specialisation strategies (S3). Consistency with the relevant, updated S3 (as stipulated by Article 11(4) JTF) should be ensured in this regard, as the support for new economic activities should be focused, where relevant, on areas identified as promising in these strategies. In other words, the JTF should support a development path in line with the endogenous potential and capabilities of territories.

'All supported activities should be pursued in full respect of the climate, environmental and social commitments and priorities of the Union [...] Investments need to be sustainable in the long-term, taking into account all the objectives of the European Green Deal' (Recital 12 JTF)

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[32] Productive investment should be understood as investment in fixed capital or immaterial assets of enterprises in view of producing goods and services thereby contributing to gross-capital formation and employment.

[33] This can include energy efficiency and renewable energy with proved job creation potential. According to a JRC report, the potential for deployment of clean energy technologies, energy efficiency and job creation in coal regions is considerable. The jobs plausibly derived by 2030 from the regional impact of decarbonisation in these regions could represent at least 90% of current coal-related jobs, rising to 100% by 2050 (Kapetaki, Z., Ruiz, P. et al. (2020). *Clean energy technologies in coal regions: Opportunities for jobs and growth. Deployment potential and impacts*. JRC).

[34] COM(2020) 474 final.

JTF support for economic diversification can only focus on activities that are in line with the objectives of the European Green Deal, in line with the requirements set out in the CPR[35]. In addition to the investments excluded by the Regulation (see Section 5.4), the European Green Deal also seeks to avoid giving support to economic activities that would do significant harm to environmental objectives (including climate change mitigation), such as unsustainable biomass. Therefore, when considering JTF support for other economic activities, such activities should be carefully assessed to determine whether they achieve the objectives set out in the JTF Regulation, respect the 'do no significant harm' principle and avoid lock-in into pathways that are not compatible with climate neutrality.

5.2. Other eligible activities

While the JTF should primarily support economic diversification and measures to address negative employment impacts, **other activities** are eligible as well. These include research and innovation, investments in energy efficiency and renewable energy, smart and sustainable local mobility, digitalisation, soil regeneration[36], circular economy and social infrastructure for the purposes of child- and elderly-care facilities and in training centres, including local social services, as specified by Article 8(2) JTF. These activities can qualify as priorities for JTF support in a given territory if (1) they are directly linked to the JTF specific objective (as established by Article 8(1) JTF, see above), and if (2) they clearly contribute to the implementation of the TJTP. This means that investments in these areas need to be justified by their contribution to mitigating the impacts of the transition and their link to the transition challenges identified in the TJTP.

When it cannot be justified that investments help to alleviate the impacts of the transition and are linked to the transition challenges identified in the TJTP (for instance when investments are not aimed at economic diversification or other challenges posed by the transition, but at directly contributing to innovation, energy, mobility, digitalisation, environment, education and training or social inclusion policy objectives), funding sources other than the JTF should be considered (see Section 8).

Finally, **technical assistance** can also be supported by the JTF. This includes actions necessary for the effective administration and use of the JTF, including for the capacity-building of partners, as well as to provide financing for functions such as preparation, training, management, monitoring, evaluation, visibility and communication.

5.3. Investments in large enterprises and ETS activities

To address duly justified transition challenges in a given territory, the JTF can under certain conditions give support to large enterprises and, in industrial facilities, to investments reducing GHG emissions from activities listed in Annex I to the EU Emissions Trading

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35 Article 9(1) CPR.

36 With regard to the activities listed in Article 8(2)(i), Member States should check that it is not possible to have the activities carried out in whole or in part at the expense of the polluter under existing legal obligations applicable to the polluter, for example under environmental permit conditions or under the obligations on operators set out in the Environmental Liability Directive (2004/35/EC).

System (ETS) Directive[37], which is not possible under the provisions of the ERDF and Cohesion Fund. When such support is planned, a list of operations needs to be included in the TJTPs, which in the case of large enterprises is indicative only[38].

Large enterprises (enterprises other than SMEs) can receive JTF support for productive investments in very limited cases, in areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU. In accordance with the second subparagraph of Article 8(2) and Article 11(2)(h) JTF, the TJTP needs to demonstrate that such investments cumulatively fulfil the following four conditions:

1. they are necessary for the implementation of the TJTP;
2. they contribute to the transition to a climate-neutral economy by 2050 and to related environmental targets;
3. their support is necessary for job creation in the identified territory;
4. they do not lead to relocation as required under Article 66 CPR.

Public support to large enterprises for productive investments is allowed, provided that it complies with the conditions laid down in the Guidelines on Regional State aid valid as from 2022[39].

In ‘a’ areas, public support to large enterprises for initial investments is allowed.

In ‘c’ areas, support to large enterprises for productive investments is in principle limited only to initial investments that create a new economic activity. However, if the investment is aimed at diversification of the output of an establishment into products not previously produced in the establishment or is for a fundamental change in the overall production process of the product(s) concerned by the investment in the establishment, the support to large enterprises is permissible also in ‘c’ areas, provided that the following three conditions are cumulatively met:

1. the regional aid concerns an initial investment in a territory identified for co-financed support from the JTF in a ‘c’ area that has a GDP per capita below 100% of the EU-27 average;
2. the investment and the beneficiary are identified in the TJTP of a Member State that has been approved by the Commission; and
3. the State aid for the investment is covered by the JTF to the maximum allowed.

As part of the TJTP, a justification that such support is needed should be provided through a gap analysis demonstrating that without this investment the expected job losses would exceed the expected number of jobs created. The gap analysis should include the estimated difference between the expected job losses and the potential job creation through JTF support (e.g.

37 Directive 2003/87/EC.

38 In case of support to productive investments of large enterprises in assisted ‘c’ areas, operations have however to be expressly mentioned in the list of the TJTP, in compliance with Regional aid guidelines, to benefit from support.

39 Any JTF support granted before 31 December 2021 must comply with the applicable Guidelines on regional State aid.

economic diversification investments for SMEs). The latter can be based on historical evidence of job creation by SMEs in the territory, analysis of current employment by SMEs in the region, surveys on employment perspectives, or other methodologies.

In industrial facilities, the JTF can support **investment to achieve the reduction of GHG emissions from activities listed in the ETS Directive** subject to a number of conditions. In accordance with the third subparagraph of Article 8(2) and Article 11(2)(i) JTF, the TJTP needs to demonstrate that such investments cumulatively fulfil the following three conditions:

1. they contribute to the transition to a climate-neutral economy;
2. they lead to a substantial reduction in GHG emissions going substantially below the relevant benchmarks established for free allocation under the ETS Directive; and
3. they are required for the protection of a significant number of jobs in a given territory.

Investments to reduce GHG emissions from ETS activities are not restricted to the areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU.

Investments to that end in such activities would need to be compatible with the EU's long-term objective of becoming climate-neutral by 2050. Given the long investment cycles in industry, investments should be future-proof and should not result in 'carbon lock-in' or stranded assets. Concretely, this means that investments in ETS activities supported by the JTF should lead to deep changes towards climate-neutral operations. In contrast, JTF cannot support investments leading to only incremental improvements in GHG emissions reduction without making deep changes to climate-neutral operations, nor can JTF support investments that are already triggered by the ETS (e.g. process optimisation, improved energy efficiency or heat recovery).

If an investment leads to significant reductions in GHG emissions going substantially below the relevant ETS benchmark values established for free allocations under the ETS Directive[40], the GHG emissions should also be no higher than the average emissions of the 10% best installations in the ETS. In industrial processes, carbon capture and storage (CCS), electrification of processes and hydrogen use are examples of investments that could be considered. In the power sector, JTF support to ETS activities is limited by the exclusion of support for fossil fuel-related activities (see Article 9(d) and Section 5.4) and by the fact that no relevant benchmarks exist for that sector.

The TJTP should show how the investments would lead to substantial reductions in GHG emissions going substantially below the relevant benchmarks, by comparing the current emission intensity (the emissions per unit of product produced) to the expected improvement and the final emission intensity to the applicable benchmarks. The TJTP should also show how it would bring the concerned plant towards climate-neutral operations. The resulting operations need to comply with EU State aid rules.

[40] https://ec.europa.eu/clima/policies/ets/allowances/industrial_en

Finally, the TJTP should demonstrate that the investment in the ETS activity is needed to protect of a significant number of jobs. The number of protected jobs should be estimated on a case-by-case basis, with regard to the labour intensity of production in the concerned economic operators, the specific technological characteristics of the sector and the labour market conditions in the concerned territories.

5.4. Excluded investments

Since the JTF Regulation includes an exhaustive list of eligible investments in activities fulfilling the specific objective of the JTF, investments in activities that fall outside of this scope cannot be supported.

In addition, Article 9 JTF explicitly excludes the following investments from the scope of support:

- the decommissioning or the construction of nuclear power stations;
- the manufacturing, processing and marketing of tobacco and tobacco products;
- undertakings in difficulty, as defined in point (18) of Article 2 of Commission Regulation (EU) No 651/2014[41], 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;
- investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels.

The **fossil fuel exclusion** limits potential investments in fossil fuel-based hydrogen. Renewable hydrogen production falls within the scope of the JTF and can be supported[42]. Production of any other type of hydrogen falls under the fossil fuel exclusion and cannot be supported. Furthermore, any investments in 'clean' coal technologies, coke production or other processes that involve coal are excluded. Investments in the capture and use of methane released from active coalmines are not eligible given that it is of fossil origin[43]. Similarly, investments in fossil fuel by-products or in the non-energy uses of fossil fuels (e.g. by-products of shale oil or oil shale ashes) are ineligible when they are technically inseparable from the ongoing production of the fossil fuel itself.

The fossil fuel exclusion also limits the potential support for ETS activities. For instance, the replacement of boilers in industrial installations to more efficient ones, the optimisation of a

[41] Commission Regulation (EU) No 651/2014 of 17 June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty (OJ L 187, 26.6.2014, p. 1).

[42] Renewable hydrogen (also referred to as green hydrogen or clean hydrogen) is hydrogen produced through the electrolysis of water (in an electrolyser, powered by electricity), and with the electricity stemming from renewable sources. Renewable hydrogen may also be produced through the reforming of biogas (instead of natural gas) or biochemical conversion of biomass, if in compliance with sustainability requirements ('A hydrogen strategy for a climate-neutral Europe' - COM(2020) 301 final).

[43] This should not be the case, however, of investments aimed to avoid or reduce methane emissions from closed coalmine, oil and gas sites (or those in the process of closing) in the context of rehabilitation measures, when there is a clear risk or no alternative to avoid methane leakage.

blast furnace, and the installation of heat recovery systems when such heat comes from the combustion of fossil fuels may not receive JTF support. Furthermore, support for power or heat production is excluded if it entails any continued use of fossil fuels. In addition, investments to reduce GHG emissions in fossil fuel refineries are not eligible, due to the exclusion of the processing of fossil fuels[44]. The only exception to this would be the full transformation of a refinery into a bio-refinery (i.e. an installation processing residual oils, sustainable vegetable oils/energy crops, etc.). While the processing of fossil fuels is excluded, applying abatement technologies such as CCS in industrial installations falling under the ETS directive (including for the production of low-carbon hydrogen for industrial use) could be eligible provided that emissions are significantly below the relevant benchmarks.

‘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 these investments are supplied exclusively by renewable energy sources’ (Article 8(2)(g) JTF)

JTF support for investments in **district heating** systems is also limited. Notably, in accordance with Article 8(2)(g) JTF, investments in heat production are possible only if based exclusively on renewable energy sources and in line with the requirements of the Renewable Energy Directive. In this regard, investments in fossil fuel-based heat production or waste-to-energy in relation to district heating cannot receive JTF support. The rehabilitation and upgrade of district heating networks (for instance, that entail works on the pipes without changing the heat source) are possible if such investments lead to improvements in the energy efficiency of the district heating systems. Priority should be given to those investments that take a holistic approach and transform the district heating systems into efficient district heating in line with the Energy Efficiency Directive[45]. As is the case with all JTF support for undertakings, investments in district heating and cooling systems shall comply with EU State aid rules.

[44] This includes thus also any application of CCS or pyrolysis when producing hydrogen for use in fossil fuel based refineries.

[45] *‘efficient district heating and cooling’ means a district heating or cooling system using at least 50% renewable energy, 50% waste heat, 75% cogenerated heat or 50% of a combination of such energy and heat*, Article 2(41) of the Energy Efficiency Directive.

6. PROGRAMMING

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 10 – Programming of the JTF resources Article 11 – Territorial just transition plans Recital 17
Common Provisions Regulation (2021/1060)	Article 8 – Partnership and multi-level governance Article 22 – Content of programmes Article 27 – Transfer of resources from the ERDF and the ESF+ to the JTF

Like with other cohesion policy funds, the JTF is under shared management. The Commission and each Member State must adopt a Partnership Agreement and one or several programmes. Member States can prepare a self-standing JTF programme, or they can programme JTF resources in one or more dedicated priorities in programmes supported by the ERDF, the Cohesion Fund or the ESF+. One priority should correspond to a single JTF specific objective.

The TJTP(s) will be submitted as part of the programme or as a request for its amendment. The TJTP will subsequently be assessed as part of the standard assessment procedure for the programme. Member States will submit the TJTP together with the programmes for adoption, provided their TJTPs are mature and complete. This means that JTF resources may be included through a programme amendment to allow more time for developing the TJTP and to avoid delaying the regular adoption process.

One TJTP can cover one or more eligible territories. Member States need to determine the structure of their TJTP, including its relationship with the programme(s) supported by the JTF. Ideally, a single TJTP should correspond to a single programme. If the JTF support is delivered within a Member State through several programmes, each of the programmes should then include a TJTP corresponding to the JTF territory or territories that belong to the given programme area. If a Member State wants to set up a self-standing programme for all eligible JTF territories, it can bundle these territories into one TJTP to display their distinctive features towards the same national context. Member States can also submit one programme with several TJTPs or one TJTP can correspond to more programmes[46].

When assessing the TJTP(s), the Commission will pay particular attention to the following situations:

- TJTPs covering JTF investments in several programmes: these TJTPs will be assessed only once, within the first programme sent to the Commission, unless the Member

[46] When one TJTP corresponds to more programmes, two consequences need to be taken into account. First, associating a TJTP to several programmes might cause difficulties with successive amendments of different programmes if the TJTP is subject to changes. Second, such a situation might trigger ownership problems if the authority managing the programme is different from the bodies responsible for developing, monitoring and evaluating the TJTPs.

State makes further changes to their TJTP. The Commission will still check that the JTF-specific elements of any other programme are consistent with the TJTP.

- Consistent assessment of Section 1.1 of the TJTP on the transition towards a climate-neutral economy: where relevant, this part on the national transition process should be the same in each of the TJTPs submitted by the same Member State.

Member States can address simultaneously and in an integrated manner the different development challenges and needs linked to the economic, social and environmental dimensions of the transformation process in the territory, as explained in the associated TJTP. To preserve this territorial and integrated approach, Member States should avoid splitting the JTF priority between ERDF-type and ESF+-type investments or dividing the JTF resources between ERDF and ESF+ programmes.

The JTF priority will comprise the JTF resources as well as those resources from the ERDF and ESF+ that are transferred on a voluntary basis in accordance with Article 27 CPR and Article 10(2) JTF. The following three transfer limits should be respected:

- At the level of the Member State (Article 27 CPR):
  - The total of the ERDF and ESF+ resources transferred to the JTF should not exceed three times the amount of the JTF support from the multiannual financial framework.
  - The resources transferred either from the ERDF and ESF+ should not exceed 15% of the respective ERDF and ESF+ allocation to the Member States concerned.
- At the level of the programme (Article 10(2) JTF): at the level of the JTF priority, the total of the ERDF and ESF+ resources transferred to the JTF should not exceed three times the amount of support from the JTF to that priority (multiannual financial framework resources only).

7. Partnership

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 11 – Territorial just transition plans Annex II – Template for territorial just transition plans Recitals 15, 18
Common Provisions Regulation (2021/1060)	Article 8 – Partnership and multi-level governance
Related legislation	
Strategic Environmental Assessment Directive[47]	

The **involvement and commitment of the public** and of all stakeholders is crucial to the JTF's success and to the success of all European Green Deal initiatives. The Commission launched the European Climate Pact in December 2020, to bring people, communities and organisations together to accelerate climate action and build a greener Europe.[48] The Climate Pact provides a space for different stakeholders and civil society to connect and collectively develop and implement climate solutions and turn them into climate action pledges. Likewise, the Conference on the Future of Europe[49], launched in April 2021, will produce concrete recommendations on Europe's challenges and priorities, notably via the newly-created citizens' panels where citizens from all across the continent will deliberate face-to-face. One of the priorities is ensuring a fair and inclusive transition.

The **partnership principle**, a key feature of cohesion policy, is of utmost importance for the JTF. The Common Provisions Regulation (CPR) stipulates that Member States organise a comprehensive partnership, including at least regional and local authorities, economic and social partners, civil society (such as environmental partners, non-governmental organisations) and research institutions and universities[50]. These partners should also be involved throughout the preparation, implementation and evaluation of JTF programmes and TJTPs. This partnership should be developed in accordance with the code of conduct established by the Commission[51]. In addition, a public consultation process will be part of a strategic environmental assessment for the programmes that include the JTF.

'Member States shall prepare, together with the relevant local and regional authorities of the territories concerned, one or more territorial just transition plans' (Article 11(1) JTF)

The TJTPs can only reflect and address the real situation on the ground and have an impact on the just transition if all relevant national, regional and local stakeholders are involved and take ownership of the transition in their territory. Local stakeholders, including economic and social partners (such as trade unions, including those representing coalminers), and bodies

47 Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment.
48 https://europa.eu/climate-pact/index_en
49 https://futureu.europa.eu/
50 Article 8 CPR.
51 Delegated Regulation (EU) No 240/2014.

representing civil society (including youth organisations, environmental NGOs, etc.) should be fully mobilised in the debate on the future of their territories. To properly and actively assist in the implementation, monitoring and evaluation phases, such stakeholders should be included as members of monitoring committees under the corresponding programmes. In addition, they should have their own local arrangements to monitor the implementation of the TJTPs.

To address the specific situation and role of women in the transition to the climate-neutral economy, **gender equality** should be promoted. Women's labour market participation and entrepreneurship, as well as equal pay, play an important role in ensuring equal opportunities. The JTF should also pay special attention to vulnerable groups that suffer disproportionately from the adverse effects of the transition, such as workers with disabilities.

It is essential for young people to be actively involved in the JTF's governance. A future-proof economy cannot be built without involving those who will live in and shape the future. The JTF is about inventing a new economic and social future for these areas, and young people must play an active role in this[52].

On the specific role of stakeholders in the JTF's programming and implementation, the following should be taken into account:

- the competences of the different levels of authorities for the implementation of specific types of activities as defined by Article 8(2) JTF;
- the possibility for local and regional stakeholders to be actively involved in JTF programming and implementation;
- the need for complementarities of measures in affected territories;
- the administrative capacity of the different authorities for JTF implementation and programming.

Moreover, the legal requirements related to macro-regional, interregional, cross-border and transnational cooperation under Article 22(3)(a)(i) and Article 22(3)(d)(vi) CPR should be given due attention, as different types of cooperation between affected territories will make it possible to jointly address some of the challenges linked to the transition and to jointly benefit from related opportunities.

'the Commission should set up a Just Transition Platform, which would build on the existing platform for coal regions in transition to enable bilateral and multilateral exchanges of experience on lessons learnt and best practices across all affected sectors' (Recital 18 JTF)

[52] The toolkit on Youth for a Just Transition offers support on how to involve youth in the implementation of the JTF, see https://ec.europa.eu/regional_policy/en/information/publications/guides/2021/youth-for-a-just-transition-a-toolkit-for-youth-participation-in-the-just-transition-fund. Moreover, such involvement could build on existing structures for youth engagement, e.g. the networks of young people in Interreg programmes and macro-regional strategies, the Interreg Volunteer Youth initiative, and youth committed to follow up on the Manifesto for Young People to shape European cooperation policy and its recommendations on youth involvement. For details, see https://ec.europa.eu/regional_policy/sources/docgener/brochure/youth_manifesto_interreg_en.pdf.

The **Just Transition Platform** (JTP) was set up to support all stakeholders in accessing the available support. Events are organised on a regular basis to share knowledge and good practices, to support capacity building and the bilateral and multilateral exchange of views across all affected sectors and to provide advice on just transition to authorities and stakeholders involved in JTM-related activities. It also includes a dedicated webpage and contact form[53].

The JTP builds on and expands the Coal Regions in Transitions initiative, which will maintain a dedicated work stream for coal, peat and oil shale regions across the EU[54]. The JTP will also provide advice through a number of working groups dedicated to stakeholder engagement and to specific carbon-intensive sectors, namely steel, cement, chemicals.

In addition, the Commission plans to create, within the platform, a database of projects and experts in order to set up a network for Member States, regions and stakeholders where they can share views and good practices and help to create a sustainable pipeline of projects.

In principle, the JTP will provide assistance to the regions identified in the TJTPs. Other regions may be invited to participate in the platform's work in order to facilitate the exchange of views and policy learning, including those regions that participate in the Coal Regions in Transition initiative but that do not receive JTF support.

8. COMPLEMENTARITIES

Relevant provisions in the legislation	
Regulation	*Articles, recitals or annexes*
Just Transition Fund Regulation (2021/1056)	Article 11 – Territorial just transition plans Annex II – Template for territorial just transition plans Recitals 4, 7
Common Provisions Regulation (2021/1060)	Article 11 – Content of the Partnership Agreement Article 22 – Content of programmes
Related legislation	
InvestEU Regulation[55]	
Public Sector Loan Facility Regulation[56]	

'Where Member States intend to make use of the possibility to receive support under the other pillars of the Just Transition Mechanism, their territorial just transition plans shall set out the sectors and thematic areas envisaged to be supported under those pillars' (Article 11(5) JTF)

53 https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal/actions-being-taken-eu/just-transition-mechanism/just-transition-platform_en

54 https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/initiative-for-coal-regions-in-transition_en

55 Regulation (EU) 2021/523 of the European Parliament and of the Council of 24 March 2021 establishing the InvestEU Programme and amending Regulation (EU) 2015/1017.

56 Regulation (EU) 2021/1229 of the European Parliament and of the Council on the public sector loan facility under the Just Transition Mechanism.

The JTM consists – besides the JTF (pillar 1) – of a dedicated scheme under the InvestEU Programme (pillar 2) and a public sector loan facility (pillar 3). These other two pillars will mobilise additional investments to the benefit of just transition territories by crowding in private investments and leveraging public investment. Access to pillars 2 and 3 is triggered by the TJTPs, which need to indicate the complementarities between the pillars, as well as the sectors and activities to be supported by pillars 2 and 3. Projects supported by pillars 2 and 3 can be located outside the TJTP territories, provided that they benefit the eligible territories by helping to meet the development needs stemming from transition, as specified in the territorial just transition plan[57,58]. Both pillars 2 and 3 have their own legal basis defining the eligibility of investments.

Under Pillar 2 of the JTM, the Commission will set up a **dedicated Just Transition Scheme** under the InvestEU programme. The InvestEU programme is a budgetary guarantee provided to Implementing Partners. The EIB Group will benefit from the major part of the EU guarantee but other IFIs and national promotional banks can also benefit from the available resources. The Just Transition Scheme should support economically viable investments by private and public-sectors aligned with just transition objectives and can be implemented under any financial product under the four policy windows of InvestEU[59], to foster economic growth and ultimately increase the economic attractiveness of the territories with an approved TJTP. For instance, transport and energy infrastructure projects that improve the connectivity of just transition regions could be funded by pillar 2 even if implemented in other regions, provided such projects benefit the regions concerned and are justified in the TJTPs.

The **Public Sector Loan Facility (PSLF)** will only support public investments, combining grant support provided by the Commission (€1.5 billion) and EIB loans (€10 billion). Overall, the PSLF expects to mobilise between €25 and 30 billion in public investment. Would the resources for the EU grant support be increased, or should it be required for the correct implementation of the Facility, the Facility could be extended to other finance partners than the EIB. It will finance projects for which the stream of revenues generated is insufficient to cover investment costs. These projects are expected to include all types of public infrastructure, such as energy and transport, social infrastructure and social housing, or urban infrastructure projects. Pillar 3 will also include advisory support in order to help generate a project pipeline. Projects receiving support from the PSLF cannot receive support under any other Union programmes, including pillar 1 and 2, for the same activities. The PSLF will be implemented through direct management and call for projects, with the competition limited within the Member States at the first stage, and later opened at EU level.

‘synergies and complementarities with other relevant Union programmes to address identified development needs’ (Article 11(2)(j) JTF)

57 ‘Projects in territories identified in territorial just transition plans, or projects that benefit the transition of those territories, even if they are not located in the territories themselves, may benefit from the Scheme, but only when funding outside the just transition territories is key to the transition in those territories.’ (Recital 30 InvestEU Regulation).

58 ‘the projects [...] benefit territories identified in a territorial just transition plan, even if the projects are not located in those territories’ (Public Sector Loan Facility Regulation Article 9(1), point (a)).

59 https://europa.eu/investeu/investeu-fund/about-investeu-fund_en

Complementary sources of **other EU funding** will be necessary to achieve the needed impact on the selected territories. Such complementarities should be detailed in the TJTPs. The information provided must be consistent with the description of synergies and complementarities included in the Partnership Agreement and the related programmes. It is also important to stress the demarcation line with the ERDF and the ESF+, considering the intervention logic of the JTF. For instance, while the JTF will mainly support economic diversification and reskilling or upskilling to alleviate the socio-economic impacts of the transition, investments in the deployment of technology and infrastructure for affordable clean energy and the reduction of GHG emissions can in particular be supported by the ERDF and Cohesion Fund (Policy Objectives 2 and 3). For economic modernisation, synergies with the ERDF should be sought through smart specialisation (Policy Objective 1). Likewise, synergies with the ERDF (Policy Objective 4) and the ESF+ should be ensured for the development of green skills and green jobs. The development of new systems and services in the areas of employment, education and training and social inclusion addressed to the population as a whole or broader target groups than those impacted by the transition can in particular be supported by the ESF+. Other funding sources can include the Connecting Europe Facility[60], the LIFE programme[61], InvestEU[62], Horizon Europe[63], the Digital Europe Programme[64], the Research Fund for Coal and Steel[65] or the EU ETS Innovation Fund[66] and Modernisation Fund[67].

The **Recovery and Resilience Facility** (RRF) will make non repayable and loan support available for reforms and investments by Member States, to promote cohesion, accelerate the recovery from the COVID-19 crisis and make the Union economies and societies more sustainable, resilient and better prepared for the challenges and opportunities of the green and digital transitions. Support will be provided based on national recovery and resilience plans. It is important to ensure on a case-by-case basis synergies, complementarities, coherence, consistency and demarcation lines between the RRF and cohesion policy support (including the JTF), taking into account the procedures in the RRF Regulation[68].

60 https://cinea.ec.europa.eu/index_en
61 https://ec.europa.eu/easme/en/life
62 https://europa.eu/investeu/home_en
63 https://ec.europa.eu/info/horizon-europe_en
64 https://digital-strategy.ec.europa.eu/en/activities/digital-programme
65 https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls/research-fund-coal-and-steel-rfcs_en
66 https://ec.europa.eu/clima/policies/innovation-fund_en
67 https://ec.europa.eu/clima/policies/budget/modernisation-fund_en
68 https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en