Just Transition Fund Trilogue negotiations

Eurelectric recommendations

August 2020

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

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WG Social Sustainability
WG Thermal & Nuclear

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KEY MESSAGES

Following the adoption of their respective opinions, the Commission, Council and Parliament are heading towards crucial trilogues on the Just Transition Fund (JTF) that must achieve a sufficient support to the countries, regions, industrial sectors, technologies, workers and consumers that need it the most. Hereafter Eurelectric would like to underline its key messages in view of the European Parliament plenary vote and the beginning of the inter-institutional debates.

A substantial and financially independent fund

The JTF should be fit for the challenges ahead, especially considering the economic aftermath of the COVID-19 crisis. The amount of support should be substantial and the proposed transferring mechanism should not undermine other EU funding mechanisms that are already dedicated to climate issues. It should instead become optional and allow Member States to assess the best way to voluntarily allocate resources.

A fund to accompany the most vulnerable regions, while taking into account their different starting point in the decarbonisation journey

The funds should prioritise the areas that need support the most, including highly carbon-intensive regions and with GDP per capita below the EU average, as well as islands and outermost regions. The allocation-performance linkage should ensure that the different starting points are taken into account and should avoid disadvantaging countries and projects. The JTF should be purpose driven towards accompanying the areas that need assistance the most.

Enterprises bigger than SMEs, which are the biggest employers in transforming sectors of the economy can significantly contribute to the just transition in several regions. Clear signals for the right investments are essential and large companies should be able to participate with projects under the JTF.

Channelling the resources towards activities that really deliver a green recovery and a fair transition

There should be a bigger focus on the energy aspects of the transition, by easing the transition away from coal in the power sector. The JTF should support the deployment of renewable, smart and electric-based solutions rather than new projects based on the use of fossil fuels, including natural gas.

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Geographical coverage **Article 3, paragraph 1**	The JTF shall support the Investment for jobs and growth goal in all Member States	The JTF shall support the Investment for jobs and growth goal in all Member States		**Eurelectric's proposal** The JTF shall support the Investment for jobs and growth goal in all Member States. **Funds should prioritise highly carbon-intensive regions, notably those heavily reliant on coal-mining (and coal power plants) and with GDP per capita below the EU average but also those isolated from Continental Europe like islands and outermost regions.** Eurelectric would like to underline that it is in all the aforementioned regions where citizens are faced with the biggest challenges. Therefore, the JTF should prioritise areas that need external financing the most.
Resources for the JTF under the EU budget for	The resources for the JTF under the Investment for jobs and growth goal available for budgetary commitment for the	The resources for the JTF under the Investment for jobs and growth goal available for budgetary commitment for the	European Council conclusions, 17-21 July 2020	**European Parliament**

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2021-2027 (MFF) **Article 3, paragraph 2**	period 2021-2027 shall be EUR 11 270 459 000 in current prices, which may be increased, as the case may be, by additional resources allocated in the Union budget, and by other resources in accordance with the applicable basic act. […]	period 2021-2027 shall be **EUR 25 358 532 750 in 2018 prices ('principal amount'), and shall not be transferred from the allocations of the Funds covered by Regulation (EU) .../... [new CPR]. The principal amount** may be increased, as the case may be, by additional resources allocated in the Union budget, and by other resources in accordance with the applicable basic act. […]	100. The allocation for the Just Transition Fund for the period 2021-2027 is EUR 7 500 million	Eurelectric would support a principal amount of at least EUR 20 billion and therefore agrees with the proposition of the European Parliament on Article 3. The JTF must be fuelled with "fresh money" and must not undermine other EU funding mechanism that are already dedicated to climate issues. Moreover, it is essential that the additional resources from Next Generation EU are sufficient to face the challenges of the post-COVID recovery. In this context, Eurelectric supports the proposition of both the Commission and Parliament on Next Generation EU.
Resources for the JTF under Next Generation EU (NGEU)	**Measures referred to in Article 2 of the Regulation [ERI] shall be implemented under the Just Transition Fund with an amount of EUR 32 803 000 000 in current prices of the amount referred to in point (vi) of**	**Measures referred to in Article 2 of the Regulation [ERI] shall be implemented under the Just Transition Fund with an amount of EUR 32 803 000 000 in current prices of the amount referred to in point (vi) of**	European Council Conclusion, 17-21 July 2020 A14. The amounts under Next Generation EU (NGEU) for individual programmes shall be as follows:	**Commission + European Parliament** The JTF should be a substantial and financially independent fund.

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Article 3a, paragraph 1	**Article 3(2)(a) of that Regulation, subject to its Article 4(3), (4) and (8).** **The amount shall be considered other resources as referred to in article 3(2) and shall constitute external assigned revenues in accordance with Article 21(5) of Regulation (EU, Euratom) 2018/1046.** **They shall be made available for budgetary commitment under the Investment for jobs and growth goal for the years 2021 to 2024 in addition to the global resources set out in Article 3 as follows:** - **2021: EUR 7 954 600 000** - **2022: EUR 8 114 600 000** - **2023: EUR 8 276 600 000** - **2024: EUR 8 441 600 000** **In addition, EUR 15 600 000 in current prices shall be made available for administrative**	**Article 3(2)(a) of that Regulation, subject to its Article 4(3), (4) and (8).** **The amount shall be considered other resources as referred to in article 3(2) and shall constitute external assigned revenues in accordance with Article 21(5) of Regulation (EU, Euratom) 2018/1046.** **They shall be made available for budgetary commitment under the Investment for jobs and growth goal for the years 2021 to 2024 in addition to the global resources set out in Article 3 as follows:** - **2021: EUR 7 954 600 000** - **2022: EUR 8 114 600 000** - **2023: EUR 8 276 600 000** - **2024: EUR 8 441 600 000** **In addition, EUR 15 600 000 in current prices shall be made available for administrative**	Just Transition Fund (JTF): EUR 10 billion	In addition to the proposed EUR 25 358 532 750 in the REGI Committee, Eurelectric supports the proposition of the Commission and the Parliament to revamp the JTF with additional resources from Next Generation EU in order to face the additional social and economic effect of the COVID-19 crisis. The JTF offers a lifeline to Europe's most vulnerable regions and is essential to support their journey towards the energy transition as well as their green economic recovery.

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	expenditure from the resources referred to in the first subparagraph.	**expenditure from the resources referred to in the first subparagraph.**		
The "Green Rewarding Mechanism" **Article 3b (new)**		~~**18 % of the total of the amounts referred to in the first subparagraph of Article 3(2) and the first subparagraph of Article 3a(1) shall be allocated in accordance with the speed with which the Member States reduce their greenhouse gas emissions, divided by their latest average GNI.**~~		**Commission + Eurelectric's proposal** Such a performance approach could create preliminary disqualification of countries and projects and runs counter to the "no one left behind" principle. It is essential to take into account the different starting points in the decarbonisation journey.Eurelectric would rather support a progress evaluation. The definition of common output and result indicators in the territorial just transition plans, coupled with financial corrections for failing to achieve at least 65% of the targets established for those indicators – as initially proposed by the

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				European Commission in Articles 8 and 9 – is a better approach.
Specific allocations for Outermost regions and Islands **Article 3c (new)**		Article 3c 1% of the total of the amounts referred to in the first subparagraph of Article 3(2) and the first subparagraph of Article 3a(1) shall be a specific allocation for the islands, and 1% - a specific allocation for the outermost regions as defined in art 349 TFEU, given to the Member States concerned.		**Eurelectric's proposal** Eurelectric agrees in principle with the ambition of the REGI Committee to take into account the situation in outermost regions as well as Atlantic, Mediterranean and Baltic Islands. These areas are all part of the EU and many of them depend on imported oil for their electricity generation; technical solutions exist for indigenous decarbonised solutions largely based on renewables or by developing interconnections to EU mainland. These remote territories, where developing new economic activities is very difficult, must not be left behind. These regions should be supported if they qualify under the criteria defined for the allocation of the JTF funds.

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The scope of support: **The eligible activities** **Article 4, paragraph 2**	In accordance with paragraph 1, the JTF shall exclusively support the following activities (a) productive investments in SMEs, including start-ups, leading to economic diversification and reconversion; (b) investments in the creation of new firms, including through business incubators and consulting services;	In accordance with paragraph 1, the JTF shall exclusively support the following activities: (a) productive and sustainable investments in microenterprises and SMEs, including start-ups and sustainable tourism, leading to job creation, modernisation, economic diversification and reconversion; (b) investments in the creation of new firms and the development of those existing, including through business incubators and consulting services, leading to job creation;	In accordance with paragraph 1, the JTF shall exclusively support the following activities: (a) productive investments in SMEs, including start-ups, leading to economic diversification and reconversion (b) investments in the creation of new firms, including through business incubators and consulting services;	**Partially European Parliament/Council + Eurelectric's proposal** In accordance with paragraph 1, the JTF shall ~~**exclusively**~~ support the following activities: (a) productive investments ~~**in SMES**~~ including in start-ups **and SMEs**, leading to economic diversification and reconversion; (b) investments in the creation of new firms, including through business incubators ~~**and consulting services**~~;

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		(ba) investments in social infrastructures, leading to job creation and economic diversification;		
	(c) investments in research and innovation activities and fostering the transfer of advanced technologies;	(c) investments in research and innovation activities, including in universities and public research institutions, and fostering the transfer of advanced and market-ready technologies;	**(c) investments in research and innovation activities and fostering the transfer of advanced technologies;**	(c) investments in research and innovation activities and fostering the transfer of advanced technologies;
	(**d) investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas; emission reduction, energy efficiency and renewable energy;**	(d) investments in the deployment of technology and infrastructures for affordable clean energy and its systems, in greenhouse gas emission reduction, energy efficiency, **energy storage technologies** and sustainable renewable energy, where it leads to job creation and maintenance of	**(d) investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction, energy efficiency and renewable energy;** **(d bis) investments in sustainable local mobility, including decarbonisation of the local transport sector;**	(d) investments in the deployment of technology and infrastructures for affordable clean energy, in greenhouse gas emission reduction **(incl. accelerating the transition towards zero-emission mobility), storage solutions,** energy efficiency and renewable energy energy;

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		sustainable employment at a considerable scale; (da) investments in **smart and sustainable mobility and environmentally-friendly transport infrastructure**; (db) investments in projects fighting energy poverty, particularly in social housing, and promoting energy efficiency, a climate neutral approach and low-emission district heating in most affected regions;		
	(e) investments in digitalisation and digital connectivity;	(e) investments in digitalisation, digital innovation and digital connectivity, including digital and precision farming;	(e) investment in digitalisation and digital connectivity;	**<u>(e) investments in renewables, smart electricity solutions and related infrastructure, circular economy, environmental remediation;</u>**
	(f) investments in regeneration and decontamination of sites, land restoration and repurposing projects;	(f) investments in green infrastructure as well as regeneration and decontamination of sites, brown fields and repurposing projects, when the 'polluter	**(f) investments in regeneration and decontamination of sites, land restoration and repurposing projects;**	**(f) investment in regeneration and decontamination of sites, land restoration and repurposing projects;**

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	[…]	pays' principle cannot be applied; […]	[…]	**[…]** **New paragraph: Supported activities should always be considered using the following criteria:** - **Contribution of activities to the creation of new jobs;** - **Contribution to the CO_2 emissions decrease;** - **Contribution to the security of supply (e.g. if needed to substitute phased-out electricity generation capacities);** - **Contribution to circular economy, air quality, site restauration, upskilling and reskilling of workers.**
	~~**Additionally, the JTF may support, in areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU, productive investments in enterprises other than SMEs, provided that**~~	~~**Additionally, the JTF may support, in less developed and transition regions as set out in Article 102(2) of Regulation No .../...[new CPR], productive investments in enterprises other than SMEs, provided that**~~	~~**Additionally, the JTF may support, in areas designated as assisted areas in accordance with points (a) and (c) of Article 107(3) of the TFEU, productive investments in enterprises other than SMEs, provided that**~~	***Delete*** Supported activities under the Article 4 must bring added value in comparison to the business as usual scenario. Eligible funds should be earmarked for

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	~~such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 7(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan.~~ […]	~~such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 7(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan, to create new jobs, and where they comply with social targets for job creation, gender equality and equal pay and environmental targets, and where they facilitate transition to a climate-neutral economy without supporting relocation, in compliance with Article 60(1) of Regulation No …/… [new CPR].~~ […]	~~such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 7(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan, where they contribute to the transition to a climate-neutral economy by 2050, and where their support is necessary for job creation in the identified territory, and where they do not lead to relocation as required under article 60 of Regulation No. …/… [CPR].~~ […]	investments in activities that can significantly contribute to the energy transition as well as allow both social and economic opportunities, including investments in renewable energy, power generation, smart and sustainable mobility and related infrastructure, storage technologies or building renovations. Large enterprises can play an important role in the transition away from carbon-intensive economies and should be allowed to contribute to the challenge. Eurelectric does not support conditions for projects of enterprises other than SMEs to be considered under the JTF. The current wording does not provide clear signals for the right investments.

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The scope of support: **Exclusion of all fossil fuels from the scope of support** **Article 5**	The JTF shall not support: **(d) investment related to the production, processing, distribution, storage or combustion of fossil fuels;** […]	1. The JTF shall not support: **~~(d) investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels, unless compatible with paragraph 1a;~~** **~~(ea) new - investment in enterprises other than SMEs, involving the transfer of jobs and production processes from one Member State to another or to a third country;~~** **~~1a. (new) By way of derogation from point (d) of Article 5(1) of this Regulation, for regions heavily relying on the extraction and combustion of coal, lignite, oil shale or peat, the Commission may approve territorial just transition plans which include investments in activities related to natural gas,~~**	The JTF shall not support: **(d) investment related to the production, processing, distribution, storage or combustion of fossil fuels;** […]	**Commission/Council** Eurelectric emphasises that one of the main goals of the JTF should be easing of the transition away from coal and fossil fuels in the power sector. The window of opportunity to tackle climate change is closing and the JTF should not leave a door open to activities that delay the move to climate neutrality or create lock-in effects. The JTF must give priority to the deployment of renewable, smart and electric-based solutions rather than the installation of new fossil fuel infrastructure, including natural gas. Eurelectric does not support excluding investments in enterprises other than SMEs.

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		~~provided that such activities qualify as environmentally sustainable in accordance with Article 3 of Regulation (EU) No…/2020 [Taxonomy] and comply with the following cumulative conditions: points a) to f) […]~~		
The transferring mechanism **Article 6, paragraph 2**	The JTF priority or priorities shall comprise the JTF resources transferred in accordance with Article [21a] of Regulation (EU) [new CPR]. The total of the ERDF and ESF+ resources transferred to the JTF shall be at least equal to one and a half times the amount of support from the JTF to that priority excluding the resources referred to in paragraph 1 of Article 3a but shall not exceed three times that amount.	The JTF priority or priorities shall comprise the JTF resources consisting of all or part of the JTF allocation for the Member States**. <u>Those resources may be complemented by</u>** the resources transferred **<u>on a voluntary basis</u>** in accordance with Article [21a] of Regulation (EU) [new CPR]. The total of the ERDF and ESF+ resources **<u>to be</u>** transferred to the JTF **<u>priority</u>** shall **<u>not exceed</u>** one and a half times the amount of support from the JTF to that priority**. <u>The resources transferred from ERDF and ESF+ shall maintain their original objectives and be included in the levels of</u>**		**European Parliament** A voluntary transferring mechanism will allow Member States to assess the best way to allocate resources. This, to avoid that resources that are already committed for other essential projects are reallocated to JTF activities, creating unintended consequences.

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		thematic concentration of ERDF and ESF+.		
Aid intensity **Article 6, paragraph 2a (new)**		**The JTF is designed for the most vulnerable communities within each region, and therefore eligible projects financed under the JTF contributing to the specific objective in Article 2 shall benefit from co-financing of up to 85 % of relevant costs.**		**European Parliament** Eurelectric supports a clear methodology on the aid intensity rules to make the fund more effective and agrees with the proposed co-financing rate of 85%.
Support to investments to enterprises other than SMEs **Article 7, paragraph 2, (h)**	~~**Where support is provided to productive investments to enterprises other than SMEs, an exhaustive list of such operations and enterprises 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;**~~	~~**where support is provided to productive investments to enterprises other than SMEs, an indicative list of such operations and enterprises 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;**~~	~~**Where support is provided to productive investments to enterprises other than SMEs, a list of such operations and enterprises 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 job created in the absence of the investment ;**~~	**Eurelectric's proposal** ***Delete*** There should be no obligation to state an exhaustive list of operation and enterprises other than SMEs in the territorial just transition plans. The needs of affected regions change continuously, it is impossible to set them *ex ante*. Large enterprises are the biggest employers in transforming sectors of the economy. They

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				should be provided with clear signals for the right investments to be made in the needed areas.
The calculation method for the allocation of resources **Annex I (a)**	(a) the share of each Member State is calculated as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated: […] (ii) employment in mining of coal and lignite (weighting 25%); […]		European Council conclusions, 17-21 July 2020 100. The distribution key for the Just Transition Fund will be in line with the Commission's proposal, including a maximum amount and proportionate reduction in the minimum aid intensity.	**Eurelectric's proposal** (a) the share of each Member State is calculated as the weighted sum of the shares determined on the basis of the following criteria, weighted as indicated: […] (ii) Employment in mining of coal and lignite (weighting **<u>more than</u>** 25%); […] (**<u>vi) use of imported oil for electricity generation in outermost regions and islands</u>** The used methodology to calculate national allocations should make sure to prioritise areas that needs support the most. The weight for employment in coal mining, energy use and in carbon

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				intensive industries should account for the fact that the main aim of the JTF should be easing the transition away from coal in the power sector. Moreover, Eurelectric proposes to take into account the dependency on imported oil for outermost regions (Article 349 of the Treaty), Atlantic, Mediterranean and Baltic islands. The weight of other criteria should be recalculated accordingly
The maximum allocation for a Member State **Annex I (b)**	The allocations resulting from the application of point (a) are adjusted to ensure that no Member State receives an amount exceeding EUR 8 billion (in 2018 prices). The amounts exceeding EUR 8 billion per		European Council conclusions, 17-21 July 2020 100. The distribution key for the Just Transition Fund will be in line with the Commission's proposal, including a maximum amount and proportionate reduction in the minimum aid intensity.	**Eurelectric's proposal** The allocation resulting from the application of point (a) are adjusted to ensure that no Member State receives an amount exceeding **27% of the total amount**. The amount exceeding **the 27%** per Member State are redistributed proportionally to the allocations

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	Member state are redistributed proportionally to the allocations of all other Member States. The Member States shares are recalculated accordingly;			of all other Member States. The Member states shares are recalculated accordingly. The cap adopted for the maximum allocation of fund for a Member State cannot be limited to EUR 2 billion if the overall envelope is higher than EUR 7,5 billion. Therefore, a more substantial financial envelope should also go hand in hand with a higher cap. Eurelectric suggests to set the cap at 27%, which is equivalent to the share of the EUR 2 billion cap out of the initially proposed EUR 7,5 billion.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

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