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2.4 E a JTF

e regulation proposal provides details about the types of projects on which the money will be spent. Some of it will be used to invest in private projects and in particular in SMEs, but member states will also be able to use the funds to invest in human capital. e JTF will support a total of 11 types of activities which can be regrouped (apart from activity (k) ie technical assistance) into three broad categories[1]:

- Economic revitalisation: (a) productive investments in SMEs, including start-ups, leading to economic diversi cation and reconversion[2]; (b) investments in the creation of new rms, including through business incubators and consulting services; (c) investments in research and innovation activities and fostering the transfer of advanced technologies; (d) investments in the deployment of technology and infrastructures for a ordable clean energy, in greenhouse gas emission reduction, energy e ciency and renewable energy; (e) investments in digitalisation and digital connectivity; (g) investments in enhancing the circular economy, including through waste prevention, reduction, resource e ciency, reuse, repair and recycling;
- Social support: (h) upskilling and reskilling of workers; (i) job-search assistance to jobseekers; (j) active inclusion of jobseekers;
- Land restoration: (f) investments in regeneration and decontamination of sites, land restoration and repurposing projects.

2.5 G a a a J T a F

In addition to the pre-allocation and the obligations to reallocate ERDF/ESF+ funds and to co- nance projects at national level, there are a number of other conditions for countries to access the JTF. Countries will have to submit 'territorial just-transition plans' to show that the funds are needed and where they will be spent. Countries will also have to demonstrate how they plan to ful l their national climate objectives, as the proposal also mentions the (rather vague) need to be "*consistent with their National Energy and Climate Plans and the EU objective of climate neutrality by 2050*" and "*steered by Country Speci c Recommendations*" of the European Semester. e following elements are described as requirements in member states' territorial just-transition plans:

- A timeline of key transition steps at national level;
- A justi cation for identifying the territories most negatively a ected by the transition – these territories can be considered at any level, including NUTS3;
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track record of acting in similar circumstances. The EGF was established in 2006 to support workers who lose their jobs as a result of major structural changes, originally from world trade patterns arising from globalisation. EU countries apply for funding from the EGF, and national or regional authorities oversee the deployment of project funds[4]. Over time, the EGF has been adapted to new economic and social challenges emerging in Europe[5]. The EGF's flexible

Fund currently under discussion, it will not realistically be able to tackle effectively all three components, especially if it is supposed to be available to all member states.

With this level of funding, we recommend that the European Parliament considers focusing only on two of the three components: social support and, to a lesser extent, land restoration. This is the only way to make it effective and also politically visible. This does not mean that economic revitalisation is not crucial. On the contrary, it should be an essential part of any just transition strategy. But given the major investment needed to transform the EU economy into a carbon-neutral economy – between €250 and €300 billion per year (Claeys *et al*, 2019) – compared to its small size, the JTF would anyway play a marginal (if not

Moreover, the JTF should also support activities that develop regions' capacity to collect, harmonise and disseminate labour data (including with neighbouring regions) – speci cally, what skills are needed and where workers could nd alternative jobs. is data would give workers a better overview of where they could move to for new jobs, given their skills and experience. Finally, although EU-level funds dedicated to direct income support are less necessary in the EU than, for instance, in the US, given the extent of the social safety net in most EU countries (especially in western countries) the JTF could nevertheless also include income support for transitioning workers, eg pension bridging grants, or mobility grants for workers who need to move for a new job. ese activities should thus be added to the list of JTF-eligible actions.

Concerning land restoration projects, their eligibility for JTF funding should be strictly circumscribed. ere was a good reason why this type of activity was excluded from previous EU programmes, which is to avoid providing bad incentives for polluting companies. One way to respect the 'polluter pays' principle could be to allow the nancing of land restoration projects only when there is no company left to foot the bill.

3.5 G a a JTF a a a

Given the high level of uncertainty about the impact of the transition on employment and its possible geographical distribution, we think it would have been preferable not to have any *ex-ante* geographical pre-allocation of the JTF funds. It would have been better to spend the money where the problem arises, as it is the case for the EGF.

However, given that the JTF was also created to convince some countries to commit to the EU's ambitious climate targets, and in particular to reach climate-neutrality by 2050, it is politically understandable why there might be a need to show the EU's rm (and quanti ed) commitment to these countries.

At the very least, if the pre-allocation system is retained in the nal version of the legislation, the weights or the variables of the allocation formula could be modi ed to take into account the rede ned narrower scope of the JTF.

Another desirable change in the allocation method would be to use NUTS3-level data in the formula instead of NUTS2-level data (even though data availability might be an issue at rst), to be sure the funds can reach every territory where money is needed. We applied the JTF's criteria for identifying "*high carbon-intensity*" regions at the NUTS2 and NUTS3 levels and found that 40 percent of the NUTS3 regions we identi ed as highly carbon-intensive did not belong to NUTS2 regions identi ed as highly carbon-intensive. While our estimates are subject to some uncertainty because of the lack of detail in the JTF allocation method (in particular on how greenhouse-gas emissions are converted to CO2-equivalent emissions), they give an idea of the discrepancy that can occur in the determination of high carbon-intensity regions depending on the level of granularity chosen. In the Commission's current calculation, some highly carbon-intensive NUTS3 regions are not accounted for by the JTF allocation formula, simply because they are situated within a NUTS2 region which is not considered highly carbon intensive. is means that the allocation methodology might discriminate against some countries that will receive less money than what they would actually need.

e need to be granular seems to be recognised by the Commission, as the regulation proposal states that "*in order to ensure the e ectiveness of the Just Transition Fund, the support provided needs to be concentrated. e territories identi ed will therefore correspond to NUTS level 3 regions or could be parts thereof*".

Moreover, as the JTF proposal stands at time of writing, the co- nancing rate is set according to the level of development of NUTS2 regions[8]. is means that NUTS3 territories that

8 is is how we interpret the following sentence from the regulation (European Commission, 2020b): *e le el of Union co- nancing ill be e acco ding o he ca ego y of egion in hich he iden i ed e i o ie a e loca ed .* is sentence should further be clari ed in the nal legislation to indicate what NUTS level is meant by the term 'region'.

are less developed than the NUTS2 regions in which they are located will have a lower rate of co- nancing than they would otherwise have if this rate were determined at NUTS3 level.

3.6 G a : C

Given the pre-allocation of funds, we believe that, at minimum, the conditionality should be strong enough to ensure that the funds are well used in order to achieve the objectives of the

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