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From: General Secretariat of the Council
To: Permanent Representatives Committee

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Subject: Just Transition Fund (JTF) Regulation
- Confirmation of the final compromise text with a view to agreement

I. INTRODUCTION

1. On 11 December 2019, the Commission adopted a Communication on the European Green Deal, setting out its roadmap towards a new growth policy for Europe. In line with the objective of achieving EU climate neutrality by 2050 in an effective and fair manner, the European Green Deal proposed a Just Transition Mechanism. The Mechanism consists of three pillars: (1) a Just Transition Fund implemented under shared management, (2) a dedicated scheme under InvestEU, and (3) a public sector loan facility with the EIB Group to mobilise additional investments to regions concerned.

2. On 14 January 2020, the Commission adopted a proposal for a Regulation establishing the Just Transition Fund (JTF Regulation). The JTF Regulation was presented to the Structural Measures Working Party on 21 January 2020, during the Croatian Presidency. On 28 May 2020, following the COVID-19 outbreak, an amended proposal was submitted. Detailed examination of the JTF Regulation by the working party followed during February, March, May and June. The Permanent Representatives Committee endorsed a (partial) mandate for negotiations with the European Parliament on the JTF Regulation on 24 June 2020¹.
3. The partial mandate for negotiations was updated on 5 October 2020 to take account of the European Council Conclusions adopted in the special meeting of the European Council of 17, 18, 19, 20 and 21 July 2020².
4. The inter-institutional negotiations with the European Parliament started under the German Presidency and a provisional political agreement on the JTF Regulation was reached at the political trilogue on 9 December 2020 on the whole regulation, except Annex III (output and result indicators) in which further technical alignment with the ERDF/CF Regulation and the ESF+ Regulation was needed pending a political agreement on those regulations. On 16 December 2020, The Permanent Representatives Committee took note of the progress made and acknowledged the results achieved on the negotiations with the European Parliament on the JTF Regulation³.

II. STATE OF PLAY OF INTER-INSTITUTIONAL NEGOTIATIONS

5. Under the Portuguese Presidency, following the political agreement on the ERDF/CF and the ESF+ Regulations, the technical alignment of Annex III of the JTF Regulation was agreed by both co- legislators.
6. Following the Structural Measures Working Party on 19 February 2021, **the Presidency is of the view that a final and balanced compromise text has emerged which has been supported by the majority of Member States.**

¹ Doc. 8502/1/20 REV 1.

² Doc. 10883/1/20 REV 1.

³ Doc. 13719/20.

III. WAY FORWARD

7. On that basis, The Permanent Representatives Committee is, therefore, invited to:
- confirm the agreement reached in favour of the compromise package concerning the proposal for a Regulation establishing the Just Transition Fund, as set out in the Annex to this note.
 - authorise the Presidency to send a letter to the Chair of the European Parliament's Committee on Regional Development confirming that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in the compromise text contained in the Annex (subject to revision by the lawyer-linguists of both institutions), the Council would, in accordance with Article 294, paragraph 4 of the Treaty, approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.
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Regulation establishing the Just Transition Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 and Article 322(1)(a) thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁴,

Having regard to the opinion of the Committee of the Regions⁵,

Having regard to the opinion of the Court of Auditors⁶,

Acting in accordance with the ordinary legislative procedure,

⁴ OJ C 311, 18.9.2020, p. 55 and OJ C 429, 11.12.2020, p. 240.

⁵ OJ C 324, 1.10.2020, p.

⁶ OJ C 290, 1.9.2020, p. 1

Whereas:

- (1) The regulatory framework governing the Union's cohesion policy for the period from 2021 to 2027, in the context of the next multi-annual financial framework, contributes to the fulfilment of the Union's commitments to implement the Paris Agreement, limiting global temperature increase to below 1.5°C, and the United Nations Sustainable Development Goals by concentrating Union funding on green objectives. This Regulation implements one of the priorities set out in the Communication on the European Green Deal ('the European Green Deal')⁷ and is part of the Sustainable Europe Investment Plan⁸ providing dedicated financing under the Just Transition Mechanism in the context of cohesion policy to address the economic, social and environmental costs of the transition to a climate-neutral and circular economy, where any remaining greenhouse gas emissions are compensated by equivalent absorptions.
- (2) The transition to a climate-neutral and circular economy constitutes one of the most important policy objectives for the Union. On 12 December 2019, the European Council endorsed the objective of achieving a climate-neutral Union by 2050, in line with the objectives of the Paris Agreement. While fighting climate change and environmental degradation will benefit all in the long term and provides opportunities and challenges for all in the medium term, not all regions and Member States start their transition from the same point or have the same capacity to respond. Some are more advanced than others, whereas the transition entails a wider social, economic and environmental impact for those regions that rely heavily on fossil fuels for energy use - especially coal, lignite, peat and oil shale - or greenhouse gas intensive industries. Such a situation not only creates the risk of a variable speed transition in the Union as regards climate action, but also of growing disparities between regions, detrimental to the objectives of social, economic and territorial cohesion.
- (3) In order to be successful, the transition has to be fair and inclusive to be socially acceptable for all. Therefore, the Union, the Member States as well as their regions must take into account its economic, social and environmental implications from the outset, and deploy all possible instruments to mitigate adverse consequences. The Union budget has an important role in that regard.

⁷ COM(2019) 640 final, 11.12.2019.

⁸ COM(2020) 21, 14.1.2020.

- (4) As set out in the European Green Deal and the Sustainable Europe Investment Plan, a Just Transition Mechanism should complement the other actions under the next multi-annual financial framework for the period from 2021 to 2027. It should contribute to addressing the social, economic and environmental consequences, in particular for workers affected in the process of transitioning towards Union climate neutrality by 2050 by bringing together the Union budget's spending on climate and social objectives at regional level and aiming at high social and environmental standards.
- (5) This Regulation establishes the Just Transition Fund ('JTF') which is one of the pillars of the Just Transition Mechanism implemented under cohesion policy. The aim of the JTF is to mitigate the adverse effects of the climate transition by supporting the most affected territories and workers concerned and to promote a balanced socio-economic transition. In line with the JTF specific objective, actions supported by the JTF should directly contribute to alleviate the impact of the transition by financing the diversification and modernisation of the local economy and by mitigating the negative repercussions on employment. This is reflected in the JTF specific objective, which is established at the same level and listed together with the policy objectives set out in Article [4] of Regulation EU [new CPR].
- (6) In view of the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement, the commitment regarding the United Nations Sustainable Development Goals and the increased ambition of the Union as proposed in the European Green Deal, the JTF should provide a key contribution to mainstream climate actions. Resources from the JTF own envelope are additional and come on top of the investments needed to achieve the overall target of 30% of the Union budget expenditure contributing to climate objectives. They contribute fully to the achievement of this target together with resources transferred on a voluntary basis from the ERDF and ESF+. The JTF should support activities that respect the climate and environmental standards and priorities of the Union and do no significant harm to the environmental objectives within the meaning of Article 17 of Regulation (EU) No 2020/852 and that ensure the transition towards a low carbon economy in the pathway to achieve climate neutrality at the latest by 2050.
- (7) The resources from the JTF should complement the resources available under cohesion policy.

- (8) Transitioning to a climate-neutral economy is a challenge for all Member States. It 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 due to the transition towards climate neutrality and that lack the financial means to do so. The JTF should therefore cover all Member States, but the distribution of its financial means should focus on those territories that are the most affected by the climate transition process, and reflect the capacity of Member States to finance the necessary investments to cope with the transition towards climate neutrality.
- (9) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also include a general regime of conditionality for the protection of the Union budget.
- (10) In order to ensure the effective use of the JTF resources, access to the JTF should be limited to 50% of the national allocation for those Member States that have not yet committed to implement the objective of achieving a climate-neutral EU by 2050, in line with the objectives of the Paris Agreement, the other 50% being made available for programming upon acceptance of such a commitment. In order to ensure fairness and equal treatment of Member States, where a Member State has not committed to implement the objective of achieving a climate-neutral EU by 2050 by 31 December in any year starting from 2022, the budgetary commitment for the preceding year should be decommitted in its entirety the following year.
- (11) In order to set out an appropriate financial framework for the JTF, the Commission should set out the annual breakdown of available allocations per Member State under the Investment for jobs and growth goal, based on objective criteria. Member States should ensure that municipalities and cities are involved in the implementation of the JTF resources and their needs in that context are taken into account.
- (12) In accordance with Regulation [European Recovery Instrument] and within the limits of resources allocated therein, recovery and resilience measures under the Just Transition Fund should be carried out to address the unprecedented impact of the COVID-19 crisis. Such additional resources should be used in such a way as to ensure compliance with the time limits provided for in Regulation [ERI].

- (13) The identity of mining communities needs to be preserved and the continuity of past and future communities needs to be safeguarded. This involves paying special attention to their tangible and non-tangible mining heritage, including culture.
- (14) This Regulation identifies types of investments for which expenditure may be supported by the JTF. All supported activities should be pursued in full respect of the climate, environmental and social commitments and priorities of the Union. The list of investments should include those that support local economies through stimulating their endogenous growth potential in accordance with the respective smart specialisation strategies, including sustainable tourism where appropriate. Investments need to be sustainable in the long-term, taking into account all the objectives of the European Green Deal. The projects financed should contribute to a transition to a sustainable, climate-neutral and circular economy, including measures aiming at increasing resource efficiency. It is clarified that waste incineration should not receive support given that this activity belongs to the lower part of the waste circular economy hierarchy. Consultancy services contributing to the implementation of measures supported by the JTF should also be eligible. Renaturation of sites, development of green infrastructure and water management can be supported as part of a land restoration project.

When supporting energy efficiency measures, the JTF can support investments which also contribute to reducing energy poverty, principally through energy efficiency improvements of the housing stock. It is clarified that the JTF may also support the development of innovative storage technologies. Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement, and the commitment to the United Nations Sustainable Development Goals, the actions under this Regulation should contribute to the achievement of a 30% target of all MFF expenditure spent on mainstreaming climate objectives and should contribute to the ambition of providing 7.5% of annual spending under the MFF to biodiversity objectives in the year 2024 and 10% of annual spending under the MFF to biodiversity objectives in 2026 and 2027, while considering the existing overlaps between climate and biodiversity goals.

- (15) Support for activities in the area of education and social inclusion should be allowed as well as for social infrastructure for the purposes of child and elderly care facilities as well as in training centres, provided that these activities are appropriately justified in the territorial just transition plans. For elderly care, the principle of promoting community-based care should be preserved. Social and public services in these areas could complete the investment mix. All support in these areas require appropriate justification in the territorial just transition plans and should follow the objectives of the European Pillar of Social Rights.
- (16) To protect citizens who are most vulnerable to the climate transition, the JTF should also cover the up-skilling and reskilling, including training, of the affected workers, irrespective of whether they are still employed or have lost their job due to the transition. The JTF should aim to help them adapt to new employment opportunities. The JTF should also provide any appropriate form of support to jobseekers, including job search assistance and their active inclusion into the labour market. All jobseekers having lost their job in sectors affected by the transition in the region covered by the territorial just transition plan can be supported by the JTF, even if the dismissed workers are not residing in that region. Due regard should be paid to citizens at risk of energy poverty and, in particular, when implementing energy efficiency measures for improved social housing conditions.
- (17) To address the specific situation and role of women in the transition, gender equality should be promoted. Women’s labour market participation and entrepreneurship as well as equal pay play an important role for ensuring equal opportunities. The Just Transition Fund should also pay special attention to vulnerable groups that suffer disproportionately from the adverse effects of the transition, such as workers with disabilities.

- (18) In order to enhance the economic diversification of territories impacted by the transition, the JTF should provide support to enterprises and economic stakeholders including through support to productive investment in SMEs. 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. For enterprises other than SMEs, productive investments should only be supported if they are necessary for mitigating job losses resulting from the transition, by creating or protecting a significant number of jobs and they do not lead to or result from relocation. Investments in existing industrial facilities, including those covered by the Union Emissions Trading System, should be allowed if they contribute to the transition to a climate-neutral economy by 2050 and go substantially below the relevant benchmarks established for free allocation under Directive 2003/87/EC of the European Parliament and of the Council⁹ and if they result in the protection of a significant number of jobs. Any such investment should be justified accordingly in the relevant territorial just transition plan. In order to protect the integrity of the internal market and cohesion policy, support to undertakings should comply with Union State aid rules as set out in Articles 107 and 108 TFEU and, in particular, support to productive investments in enterprises other than SMEs should be limited to enterprises located in areas designated as assisted areas for the purposes of points (a) and (c) of Article 107(3) TFEU.
- (19) In order to provide flexibility for the programming of the JTF resources under the Investment for jobs and growth goal, it should be possible to prepare a self-standing JTF programme or to programme JTF resources in one or more dedicated priorities within a programme supported by the European Regional Development Fund ('ERDF'), the European Social Fund Plus ('ESF+') or the Cohesion Fund. In accordance with Article 21a of Regulation (EU) [new CPR], JTF resources could be reinforced on a voluntary basis with complementary funding from the ERDF and the ESF+. The respective amounts transferred from the ERDF and the ESF+ should be consistent with the type of operations set out in the territorial just transition plans.

⁹ Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading within the Community and amending Council Directive 96/61/EC (OJ L 275, 25.10.2003, p. 32).

- (20) The JTF support should be conditional on the effective implementation of a transition process in a specific territory in order to achieve a climate-neutral economy. In that regard, Member States should prepare, in social dialogue and cooperation with the relevant stakeholders, in accordance with the partnership principle established by Article 6 of Regulation (EU) .../... [new CPR], and supported by the Commission, territorial just transition plans, detailing the transition process, consistently with their National Energy and Climate Plans. To this end, 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.
- (21) The territorial just transition plans should identify the territories most negatively affected, where JTF support should be concentrated and describe specific actions to be undertaken to reach the Union climate target for 2030 and a climate-neutral economy by 2050, notably as regards the conversion or closure of facilities involving fossil fuel production or other greenhouse gas intensive activities. Those territories should be precisely defined and correspond to NUTS level 3 regions or should be parts thereof. The plans should detail the challenges and needs of those territories, taking into account depopulation risks, and identify the type of operations needed to contribute to job creation at the level of the plan and in a manner that ensures the coherent development of climate-resilient economic activities that are also consistent with the transition to climate-neutrality and the objectives of the Green Deal. Where such territories are identified, additional attention should be given to the specificities of islands, insular areas as well as the outermost regions where the geographical and socio-economic characteristics may require a different approach to support the transition process towards climate-neutrality. Only investments in accordance with the transition plans should receive financial support from the JTF. The territorial just transition plans should be part of the programmes (supported by the ERDF, the ESF+, the Cohesion Fund or the JTF, as the case may be) which are approved by the Commission.
- (22) In order to enhance the result orientation of the use of JTF resources, the Commission, in line with the principle of proportionality, should be able to apply financial corrections in case of serious underachievement of targets established for the JTF specific objective.
- (23) In order to set out an appropriate financial framework for the JTF, implementing powers should be conferred on the Commission to set out the annual breakdown of available allocations per Member State in accordance with Annex I.

(24) The objectives of this Regulation, namely to support the people, economy and environment of territories facing economic and social transformation in their transition to a climate-neutral economy, cannot be sufficiently achieved by the Member States alone. The main reasons in this regard are, on the one hand, the disparities between the levels of development of the various territories and the backwardness of the least favoured territories, as well as the limit on the financial resources of the Member States and territories and, on the other hand, the need for a coherent implementation framework covering several Union funds under shared management. Since those objectives can better be achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter and scope

1. This Regulation establishes the Just Transition Fund ('JTF') to provide support to the people, economies, and environment of territories facing serious socio-economic challenges deriving from the transition process towards the Union's 2030 targets for energy and climate set out in Article 2(11) of Regulation (EU) 2018/1999 and a climate-neutral economy of the Union by 2050.
2. It lays down the specific objective of the JTF, its geographical coverage and resources, the scope of its support with regard to the Investment for jobs and growth goal referred to in [point (a) of Article 4(2)] of Regulation (EU) [new CPR] as well as specific provisions for programming and indicators necessary for monitoring.

Article 2

Specific objective

In accordance with the second subparagraph of Article [4(1)] of Regulation (EU) [new CPR], the JTF shall contribute to the single specific objective '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'.

Article 3

Geographical coverage and resources for the JTF under the Investment for jobs and growth goal

1. The JTF shall support the Investment for jobs and growth goal in all Member States.
2. The resources for the JTF under the Investment for jobs and growth goal available for budgetary commitment for the period 2021-2027 shall be EUR 7 500 000 000 in 2018 prices as established in [point (g)] of Article [104(1)] of Regulation (EU) [CPR]. They 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.
3. The Commission shall adopt a decision by means of an implementing act setting out the annual breakdown of resources, including any additional resources referred to in paragraph 2, by Member State in accordance with allocations set out in Annex I.

Article 4

Resources from the European Union Recovery Instrument

1. Measures referred to in Article [1(2)] of Regulation [ERI] shall be implemented under this Regulation with an amount of EUR 10 000 000 000 referred to in the second subparagraph of Article 103(1) of the CPR and subject to Articles 3(3), 4(4), 4(7) and 4(9) of Regulation [ERI].

This amount shall be considered other resources as referred to in Article 3(2). As provided for in Article 3(1) of Regulation (ERI), this amount shall constitute external assigned revenue for the purpose of Article 21(5) of Regulation (EU, Euratom) 2018/1046.

This amount shall be made available for budgetary commitment under the Investment for jobs and growth goal for the years 2021 to 2023 in addition to the global resources referred to in Article 3 as follows:

- 2021: EUR 2 000 000 000;
- 2022: EUR 4 000 000 000;
- 2023: EUR 4 000 000 000;

In addition, EUR 15 600 000 in 2018 prices shall be made available for administrative expenditure from the resources referred to in the first subparagraph.

2. The annual breakdown of the amount referred to in the first subparagraph of paragraph 1 by Member States shall be included in the Commission decision referred to in Article 3(3) in accordance with the allocations set out in Annex I.

3. By way of derogation from Article 14(3) of the Financial Regulation, the de-commitment rules set out in Chapter IV of Title VII of Regulation (EU) [new CPR] shall apply to the budgetary commitments based on resources referred to in paragraph 1. By derogation from Article 12(4)(c) of the Financial Regulation these resources shall not be used for a succeeding programme or action.

4. Payments to programmes shall be posted to the earliest open commitment of the JTF, starting first with the commitments from resources referred to in the first subparagraph of paragraph 1 until exhausted.

Article 5
Green Rewarding Mechanism

1. Where, pursuant to Article 3(2) the resources for the JTF are increased before 31 December 2024, they shall be allocated on the basis of national shares set out in Annex I.
2. Where, pursuant to Article 3(2) the resources for JTF are increased after 31 December 2024, the additional resources shall be distributed among Member States on the basis of GHG emissions of their industrial facilities in the period from year 2018 to the latest year for which data is available, as reported in accordance with Article 7 of Regulation (EC) No 166/2006 of the European Parliament and of the Council. The change of GHG emissions of each Member State shall be calculated by aggregating the GHG emissions of only those NUTS 3 level regions that have been identified in the territorial just transition plans in accordance with Article 11(1). These resources shall be distributed in accordance with the methodology laid down in paragraph 3.
3. The allocation of additional resources for each Member State shall be determined, in accordance with the following:
 - (i) the initial share of each Member State within the additional resources shall be calculated by taking the relative share of the Member State in the overall JTF allocation in accordance with Annex I;
 - (ii) for Member States that achieved a reductions in GHG emissions, the initial share shall be further adjusted by taking into account the reduction in GHG emissions achieved by each Member State, calculated by expressing the level of GHG emissions of the latest reference year as percentage of the GHG emissions observed in 2018; for Member States that have not achieved a reduction in GHG emission, that percentage shall be set 100%;
 - (iii) the final share for each Member State shall be obtained by dividing the shares resulting from point i) with the percentages resulting from point ii) and the result from this division shall be rescaled in order to sum up to 100%.
4. Member States shall include the additional resources in their programmes and submit a programme amendment in accordance with Article 19 of Regulation (EU) [CPR].

Article 6

Specific allocations for outermost regions and islands

When preparing their territorial just transition plans in accordance to Article 11(1), Member States shall take particular account of the situation of islands and outermost regions facing serious social-economic challenges deriving from the transition process towards the Union's 2030 targets for energy and climate set out in Article 2(11) of Regulation (EU) 2018/1999 and a climate-neutral economy of the Union by 2050, having regard to their specific needs as recognised in Article 174 and 349 TFEU.

When including such territories in their territorial just transition plans, Member States shall set out the specific amount allocated for these territories with the corresponding justification, taking into account the specific challenges of these territories.

Article 7

Conditional access to resources

1. Where a Member State has not made a commitment to implement the objective of achieving a climate-neutral EU by 2050, only 50% of the annual amounts for that Member State set out in accordance with Article 3(3) and 4(3) shall be made available for programming and included in the priorities.

By way of derogation from Article 10(1), the remaining 50% of the annual amounts shall not be included in the priorities. In such cases, the programmes supported from the JTF and submitted in accordance with Article 16 [new CPR] shall include only 50% of the annual JTF amounts in the table referred to in Article 17(3)(f)(ii) [new CPR]. The table referred to in Article 17(3)(f)(i) [new CPR] shall identify separately the amounts available for programming and the amounts that shall not be programmed.

2. The Commission shall only approve programmes containing a JTF priority or any amendment to it, where the requirements set out in programmed allocation part in accordance with paragraph 1 are respected.

3. As soon as the Member State has committed to implement the objective of achieving a climate-neutral EU by 2050, it may submit a request for the amendment of each programme supported from the JTF in accordance with Article 19(1) [new CPR] and to include the non-programmed amounts that have not been decommitted. The Commission shall proceed in accordance with Article 19 [new CPR].

4. Budgetary commitments will be made on the basis of the table referred to in Article 17(3)(f)(i) [new CPR]. The commitments related to the non-programmed amounts shall not be used for payments and shall not be included in the basis for the calculation of the pre-financing in accordance with Article 84 [new CPR] until they are made available for programming in accordance with paragraph 3.

By way of derogation to Article 99 [new CPR], in the absence of the Member State's commitment to implement the objective of achieving a climate-neutral EU by 2050 by 31 December of any given year starting from 2022, budgetary commitments for the preceding year which relate to non-programmed amounts shall be decommitted in their entirety in the following year.

Article 8
Scope of support

1. The JTF shall only support activities that are directly linked to its specific objective as set out in Article 2 and which contribute to the implementation of the territorial just transition plans established in accordance with Article 11.
2. In accordance with paragraph 1, the JTF shall exclusively support the following activities:
 - (a) productive investments in SMEs, including microenterprises and start-ups, leading to economic diversification, modernisation and reconversion;
 - (b) investments in the creation of new firms, including through business incubators and consulting services, leading to job creation;
 - (c) investments in research and innovation activities, including by universities and public research institutions, and fostering the transfer of advanced technologies;
 - (d) investments in the deployment of technology as well as in systems and infrastructures for affordable clean energy, including energy storage technologies, and in greenhouse gas emission reduction;

- (e) investments in renewable energy in accordance with the Renewable Energy Directive (EU) 2018/2001¹⁰, including the sustainability criteria set out therein, and in energy efficiency, including for the purposes of reducing energy poverty;
- (f) investments in smart and sustainable local mobility, including decarbonisation of the local transport sector and its infrastructure;
- (g) investments in 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 they are supplied exclusively by renewable energy sources;
- (h) investments in digitalisation, digital innovation and digital connectivity;
- (i) investments in regeneration and decontamination of brownfield sites, land restoration and including where necessary green infrastructure and repurposing projects, taking into account the ‘polluter pays’ principle;
- (j) investments in enhancing the circular economy, including through waste prevention, reduction, resource efficiency, reuse, repair and recycling;
- (k) upskilling and reskilling of workers and jobseekers;
- (l) job-search assistance to jobseekers;
- (m) active inclusion of jobseekers;
- (n) technical assistance;
- (o) other activities in the areas of education and social inclusion including, where duly justified, infrastructure for the purposes of training centres, child and elderly care facilities as indicated in territorial just transition plans in accordance with Article 11.

¹⁰ Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (recast) (OJ L 328/82, 21.12.2018, p. 82).

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 such investments have been approved as part of the territorial just transition plan based on the information required under point (h) of Article 11(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 to related environmental targets, 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].

The JTF may also support investments to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC of the European Parliament and of the Council provided that such investments have been approved as part of the territorial just transition plan based on the information required under point (i) of Article 11(2). Such investments shall only be eligible where they are necessary for the implementation of the territorial just transition plan.

Article 9

Exclusion from the scope of support

The JTF shall not support:

- (a) the decommissioning or the construction of nuclear power stations;
- (b) the manufacturing, processing and marketing of tobacco and tobacco products;
- (c) undertakings in difficulty, as defined in Article 2(18) of Commission Regulation (EU) No 651/2014¹¹, 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;
- (d) investment related to the production, processing, transport, distribution, storage or combustion of fossil fuels.

¹¹ 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).

Article 10

Programming of the JTF resources

1. The JTF resources shall be programmed for the categories of regions where the territories concerned are located, on the basis of territorial just transition plans established in accordance with Article 11 and approved by the Commission as part of a programme or a programme amendment. The resources programmed shall take the form of one or more specific programmes or of one or more priorities within a programme.

The Commission shall only approve a programme or any amendment to it where the identification of the territories most negatively affected by the transition process, contained within the relevant territorial just transition plan, is duly justified and the relevant territorial just transition plan is consistent with the National Energy and Climate Plan of the Member State concerned.

2. JTF priority or priorities shall comprise the JTF resources consisting of all or part of the JTF allocation for the Member States and the resources transferred on a voluntary basis in accordance with Article 21a of Regulation (EU) [new CPR]. The total of the ERDF and ESF+ resources transferred to the JTF shall not exceed three times the amount of support from the JTF to that priority excluding the resources referred to in paragraph 1 of Article 4.

3. In accordance with Article 106 of Regulation (EU) [new CPR], the co-financing rate for the priority supported by the JTF shall not be higher than

- (a) 85% for less developed regions;
- (b) 70% for transition regions;
- (c) 50% for more developed regions;

applicable to the region where the territory or territories identified in the territorial just transition plans in accordance with Article 11 are located.

Article 11
Territorial just transition plan

1. Member States shall prepare, together with the relevant local and regional authorities of the territories concerned, one or more territorial just transition plans covering one or more affected territories corresponding to level 3 of the common classification of territorial units for statistics ('NUTS level 3 regions') as established by Regulation (EC) No 1059/2003 of the European Parliament and of the Council as amended by Commission Regulation (EU) 2016/206612 or parts thereof, in accordance with the template set out in Annex II. Those territories shall be those most negatively affected based on the economic and social impacts resulting from the transition, in particular with regard to expected adaptation of workers or job losses in fossil fuel production and use and the transformation needs of the production processes of industrial facilities with the highest greenhouse gas intensity.

2. A territorial just transition plan shall contain the following elements:

- (a) a description of the transition process at national level towards a climate-neutral economy, including a timeline for key transition steps towards the Union's 2030 targets for energy and climate set out in Article 2(11) of Regulation (EU) 2018/1999 and a climate-neutral economy of the Union by 2050 which are consistent with the latest version of the National Energy and Climate Plan ('NECP');
- (b) a justification for identifying the territories as most negatively affected by the transition process referred to in point (a) and to be supported by the JTF, in accordance with paragraph 1;
- (c) 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, identifying the potential number of affected jobs and job losses as well as depopulation risks, the development needs and objectives, to be reached by 2030 linked to the transformation or closure of greenhouse gas-intensive activities in those territories;
- (d) a description of the expected contribution of the JTF support to addressing the social, demographic, economic, health and environmental impacts of the transition to a climate-neutral economy by 2050, including the expected contribution in terms of job creation and preservation;
- (e) an assessment of its consistency with other relevant national, regional or territorial strategies and plans;

¹² Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

- (f) a description of the governance mechanisms consisting of the partnership arrangements, the monitoring and evaluation measures planned and the responsible bodies;
- (g) a description of the type of operations envisaged and their expected contribution to alleviate the impact of the transition;
- (h) where support is provided to productive investments in 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;
- (i) where support is provided to investments to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC, a list of operations to be supported and a justification that they contribute to a transition to a climate neutral economy and lead to a substantial reduction in greenhouse-gas emissions going substantially below the relevant benchmarks established for free allocation under Directive 2003/87/EC and provided that they are necessary for the protection of a significant number of jobs;
- (j) synergies and complementarities with other relevant Union programmes to address identified development needs;
- (k) synergies and complementarities with planned support from the other pillars of the Just Transition Mechanism.

3. The preparation and implementation of territorial just transition plans shall involve the relevant partners in accordance with Article [6] of Regulation (EU) [new CPR] and, where relevant, the EIB and EIF.

4. Territorial just transition plans shall be consistent with the relevant territorial strategies referred to in Article [23] of Regulation (EU) [new CPR] and relevant smart specialisation strategies, the NECPs and the European Pillar of Social Rights.

Where the revision of a National Energy and Climate Plan pursuant to Article 14 of Regulation (EU) 2018/1999 necessitates a revision of a territorial just transition plan, this revision shall be carried out as part of the mid-term review exercise in accordance with Article 14 of Regulation (EU) [new CPR].

5. Where Member States want to make use of the possibility to receive support under pillars 2 or 3 of the Just Transition Mechanism, the territorial just transition plan shall set out the sectors and areas envisaged to be supported under those pillars.

Article 12 Indicators

1. Common output and result indicators, as set out in Annex III and, where duly justified in the territorial just transition plan, programme-specific output and result indicators, shall be established in accordance with [point (a) of the second subparagraph of Article 12(1)], [point (d)(ii) of Article 17(3)] and [point (b) of Article 37(2)] of Regulation (EU) [new CPR].
2. For output indicators, baselines shall be set at zero. The milestones set for 2024 and targets set for 2029 shall be cumulative. Targets shall not be revised after the request for programme amendment submitted pursuant to Article [14(2)] of Regulation (EU) [new CPR] has been approved by the Commission.
3. Where a JTF priority supports the activities referred to in points (h), (i) or (j) of Article 4(2), data on the indicators for participants shall only be transmitted where all the data relating to that participant, required in accordance with Annex III are available.

Article 13 Financial corrections

Based on the examination of the final performance report of the programme, the Commission may make financial corrections in accordance with Article 98 of Regulation (EU) [new CPR] where less than 65% of the target set out for one or more output indicators is achieved.

Financial corrections shall be in proportion to the achievements and shall not be applied where the failure to achieve targets is due to the impact of socio-economic or environmental factors, significant changes in the economic or environmental conditions in the Member State concerned or because of reasons of force majeure seriously affecting implementation of the priorities concerned.

Article 14
Review

At the latest by 30 June 2025, the Commission shall review the implementation of the JTF with regard to the specific objective set out in Article 2 taking into account possible changes in Regulation (EU) 2020/852¹³, the Union's climate objectives set out in Regulation (EU) 2020/... [European Climate Law] and the evolution in the implementation of the Sustainable Finance Action Plan. On that basis, the Commission shall submit a report to the European Parliament and to the Council, which may be accompanied by legislative proposals.

Article 15
Entry into force

This Regulation shall enter into force on the [twentieth] day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

¹³ Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (OJ L 198, 22.6.2020, p. 13–43).

ANNEX I
MEMBER STATE ALLOCATIONS

	Allocations from the European Union Recovery Instrument	Allocations from MFF resources	Total allocations	Member States' share from total
BE	95	71	166	0.95%
BG	673	505	1178	6.73%
CZ	853	640	1493	8.53%
DK	46	35	81	0.46%
DE	1288	966	2254	12.88%
EE	184	138	322	1.84%
IE	44	33	77	0.44%
EL	431	324	755	4.31%
ES	452	339	790	4.52%
FR	535	402	937	5.35%
HR	97	72	169	0.97%
IT	535	401	937	5.35%
CY	53	39	92	0.53%
LV	100	75	174	1.00%
LT	142	107	249	1.42%
LU	5	4	8	0.05%
HU	136	102	237	1.36%
MT	12	9	21	0.12%
NL	324	243	567	3.24%
AT	71	53	124	0.71%
PL	2000	1500	3500	20.00%
PT	116	87	204	1.16%
RO	1112	834	1947	11.12%
SI	134	101	235	1.34%
SK	239	179	418	2.39%
FI	242	182	424	2.42%
SE	81	61	142	0.81%
EU 27	10 000	7 500	17 500	100.00%

Allocations in EUR million, 2018 prices and before deductions for technical assistance and administrative expenditure (totals may not tally due to roundings)

ANNEX II
TEMPLATE FOR TERRITORIAL JUST TRANSITION PLANS

1. Outline of the transition process and identification of the most negatively affected territories within the Member State

Text field [12000]

Reference: Article 11(2)(a)

- 1.1. *Outline of the expected transition process towards the Union's 2030 targets for energy and climate set out in Article 2(11) of Regulation (EU) 2018/1999 and climate-neutral economy by 2050, in line with the objectives of the National Energy and Climate Plans and other existing transition plans with a timeline for ceasing or scaling down activities such as coal and lignite mining or coal fired electricity production*

Reference: Article 11(2)(b)

- 1.2. *Identifying the territories expected to be the most negatively affected and justifying this choice with the corresponding estimation of the economic and employment impacts based on the outline of Section 1.1*

Reference: Article 6

- 1.3. *Identifying the outermost regions and islands with specific challenges within territories listed under Section 1.1 and the specific amounts allocated for these territories with corresponding justification*

2. Assessment of transition challenges, for each of the identified territory

2.1. Assessment of the economic, social and territorial impact of the transition to a climate-neutral economy

Reference: Article 11(2)(c)

Text field [12000]

Identification of economic activities and industrial sectors impacted, distinguishing:

- *declining sectors, expected to cease or significantly scale down their activities related to the transition, including a corresponding timeline;*
- *transforming sectors, expected to undergo a transformation of their activities, processes and outputs.*

For each of the two sectors:

- *expected job losses and requalification needs, taking into account skills forecasts;*
- *economic diversification potential and development opportunities.*

2.2. Development needs and objectives by 2030 in view of reaching climate neutrality by 2050

Reference: Article 11(2)(d)

Text field [6000]

- *Development needs to address the transition challenges;*
- *Objectives and results expected through implementing the JTF priority, including the expected contribution in terms of job creation and preservation.*

2.3. Consistency with other relevant national, regional or territorial strategies and plans

Reference: Article 11(2)(e)

Text field [6000]

- *Smart specialisation strategies;*
- *Territorial strategies referred to in Article 23 of Regulation (EU) [new CPR];*
- *Other regional or national development plans.*

2.4. Types of operations envisaged

Text field [12000]

Reference: Article 11(2)(g)

- *types of operations envisaged and their expected contribution to alleviate the impact of the climate transition*

Reference: Article 11(2)(h)

To fill in only if support is provided to productive investments in enterprises other than SMEs:

- *an indicative list of such operations and enterprises and for each of them 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 this investment*

Update or fill in this section through the revision of the TJTP, depending on the decision to provide such support.

Reference: Article 11(2)(i);

To fill in only if support is provided to investments to achieve the reduction of greenhouse gas emissions from activities listed in Annex I to Directive 2003/87/EC:

- *a list of operations to be supported and a justification that they contribute to the transition to a climate-neutral economy and lead to substantial reductions in greenhouse gas emissions going below the relevant benchmarks used for free allocation under Directive 2003/87/EC and provided that they are necessary for the protection of a significant number of jobs*

Update or fill in this section through the revision of the TJTP, depending on the decision to provide such support.

Reference: Article 11(2)(j)

- *synergies and complementarities of the envisaged operations with other relevant programmes under the Investments for jobs and growth goal (supporting the transition process), other financing instruments (the Union Emissions Trading Modernisation Fund)*

Reference: Article 11(2)(k) and 11(5)

- *synergies and complementarities with planned support from the other pillars of the Just Transition Mechanism*
- *sectors and areas envisaged to be supported under Pillars 2 and 3*

2.5. Programme-specific output or result indicators

Reference: Article 12(1)

To fill in only if programme-specific indicators are envisaged:

- *justification for the necessity of programme-specific output or result indicators based on the types of operations envisaged*

Table 1. Output indicators					
Specific objective	ID [5]	Indicator [255]	Measurement unit	Milestone (2024)	Target (2029)

Table 2. Result indicators								
Specific objective	ID [5]	Indicator [255]	Measurement unit	Baseline or reference value	Reference year	Target (2029)	Source of data [200]	Comments [200]

3. Governance mechanisms

Reference: Article 11(2)(f)

Text field [5000]

3.1. Partnership

- *Arrangements for involvement of partners in the preparation, implementation, monitoring and evaluation of the territorial just transition plan;*
- *Outcome of public consultation.*

3.2. Monitoring and evaluation

- *Monitoring and evaluation measures planned, including indicators to measure the ability of the plan to achieve its objectives*

3.3. Coordination and monitoring body/bodies

Body or bodies responsible for coordinating and monitoring the implementation of the plan and their role

ANNEX III
COMMON OUTPUT INDICATORS ('RCO')
AND RESULT INDICATORS ('RCR') FOR THE JUST TRANSITION FUND¹⁴

	Results
RCO ¹⁵ 01 - Enterprises supported (of which: micro, small, medium, large) ¹⁶ RCO 02 - Enterprises supported by grants RCO 03 - Enterprises supported by financial instruments RCO 04 - Enterprises with non-financial support RCO 05 - New enterprises supported RCO 07 - Research institutions participating in joint research projects RCO 10 - Enterprises cooperating with research institutions RCO 120 – Enterprises supported to achieve the reduction of greenhouse-gas emissions from activities listed in Annex I to Directive 2003/87/EC	RCR ¹⁷ 01 - Jobs created in supported entities RCR 102 – Research jobs created in supported entities RCR 02 - Private investments matching public support (of which: grants, financial instruments) ¹⁸ RCR 03 – Small and medium-size enterprises (SMEs) introducing product or process innovation RCR 04 - SMEs introducing marketing or organisational innovation RCR 05 - SMEs innovating in-house RCR 06 - Patent applications submitted RCR 29a – Estimated greenhouse-gas emissions from activities listed in Annex I to Directive 2003/87/EC in supported enterprises
RCO 13 – Value of digital services, products and processes developed for enterprises	RCR 11 - Users of new and upgraded public digital services, products and processes RCR 12 - Users of new and upgraded digital services, products, and processes developed by enterprises

¹⁴ For presentational reasons, indicators are grouped to provide for easier matching with the indicators included in other cohesion policy fund-specific regulations.

¹⁵ RCO: REGIO Common Output Indicator.

¹⁶ Breakdown not requested for programming but only for reporting.

¹⁷ RCR: REGIO Common Result Indicator.

¹⁸ Breakdown not requested for programming but only for reporting.

RCO 15 - Capacity of incubation created	RCR 17 - New enterprises surviving in the market RCR 18 - SMEs using incubator services after incubator creation
RCO 101 – SMEs investing in skills for smart specialisation, for industrial transition and entrepreneurship	RCR 97 – Apprenticeships supported in SMEs RCR 98 – SMEs staff completing training for skills for smart specialization, for industrial transition and entrepreneurship (by type of skill: technical, management, entrepreneurship, green, other) ¹⁹
RCO 18 – Dwellings with improved energy performance RCO 19 - Public buildings with improved energy performance RCO 20 - District heating and cooling network lines newly constructed or improved RCO 104 – Number of high efficiency co-generation units	RCR 26 - Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other) ²⁰ RCR 29 – Estimated greenhouse gas emissions
RCO 22 - Additional production capacity for renewable energy (of which: electricity, thermal) ²¹	RCR 31 - Total renewable energy produced (of which: electricity, thermal) ²² RCR 32 – Additional operational capacity installed for renewable energy
RCO 34 - Additional capacity for waste recycling RCO 107 – Investments in facilities for separate waste collection RCO 119 - Waste prepared for re-use	RCR 47 - Waste recycled RCR 48 - Waste used as raw materials

¹⁹ Breakdown not requested for programming but only for reporting.

²⁰ Breakdown not requested for programming but only for reporting.

²¹ Breakdown not requested for programming but only for reporting.

²² Breakdown not requested for programming but only for reporting.

<p>RCO 55 - Length of new tram and metro lines</p> <p>RCO 56 - Length of reconstructed or modernised tram and metro lines</p> <p>RCO 57 – Capacity of environmentally friendly rolling stock for collective public transport</p> <p>RCO 58 - Dedicated cycling infrastructure supported</p> <p>RCO 60 - Cities and towns with new or modernised digitised urban transport systems</p>	<p>RCR 62 - Annual users of new or modernised public transport</p> <p>RCR 63 - Annual users of new or modernised tram and metro lines</p> <p>RCR 64 - Annual users of dedicated cycling infrastructure</p>
<p>RCO 36 - Green infrastructure supported for other purposes than adaptation to climate change</p> <p>RCO 38 - Surface area of rehabilitated land supported</p> <p>RCO 39 – Area covered by systems for monitoring air pollution installed</p>	<p>RCR 50 - Population benefiting from measures for air quality*</p> <p>RCR 52 - Rehabilitated land used for green areas, social housing, economic or other uses</p>
<p>RCO 61 – Surface of new or modernised facilities for employment services</p>	<p>RCR 65 – Annual users of new or modernised facilities for employment services</p>
<p>RCO 66 - Classroom capacity of new or modernised childcare facilities</p> <p>RCO 67 - Classroom capacity of new or modernised education facilities</p>	<p>RCR 70 - Annual users of new or modernised childcare</p> <p>RCR 71 - Annual users of new or modernised education facilities</p>
<p>RCO113 - Population covered by projects in the framework of integrated actions for socioeconomic inclusion of marginalised communities, low income households and disadvantaged groups*</p>	

RCO 69 - Capacity of new or modernised health care facilities RCO 70 - Capacity of new or modernised social care facilities (other than housing)	RCR 72 – Annual users of new or modernised e-health care services RCR 73 - Annual users of new or modernised health care facilities RCR 74 - Annual users of new or modernised social care facilities
for participants ^{23,24} : EECO 01- unemployed, including long-term unemployed, * ²⁵ EECO 02 - long-term unemployed, * EECO 03 – inactive, * EECO 04 - employed, including self-employed, * EECO 05 – number of children below 18 years of age, * EECO06 (new) - young people aged 18-29 years, * EECO07 (new) number of participants 55 years of age and above, * EECO 08 - with lower secondary education or less (ISCED 0-2), * EECO 09 - with upper secondary (ISCED 3) or post-secondary education (ISCED 4), * EECO 10 - with tertiary education (ISCED 5 to 8), * EECO 11 - total number of participants ²⁶	for participants ²⁷ : EECR 01 - participants engaged in job searching upon leaving, EECR 02 - participants in education or training upon leaving, EECR 03 - participants gaining a qualification upon leaving, EECR 04 - participants in employment, including self-employment, upon leaving

²³ All output and result indicators related to participants are to be reported.

²⁴ All personal data are to be broken down by gender (women, men, non-binary, according to national legislation). Where appropriate, common output indicators can be reported based on the target group of the operation. When data are collected from registers, Member States do not need to align with commonly agreed definitions and may use national definitions.

²⁵ Data reported under the indicators marked with * are personal data according to Article 4(1) of Regulation (EU) 2016/679.

²⁶ To be calculated automatically on the basis of the common output indicators relating to employment status.

²⁷ All personal data are to be broken down by gender. If certain results are not possible, data for those result indicators do not have to be collected and reported. When data are collected from registers, Member States do not have to align with commonly agreed definitions and may use national definitions.