



## **The European Green Deal Investment Plan and Just Transition Mechanism explained**

Brussels, 14 January 2020

### **What is the Green Deal Investment Plan?**

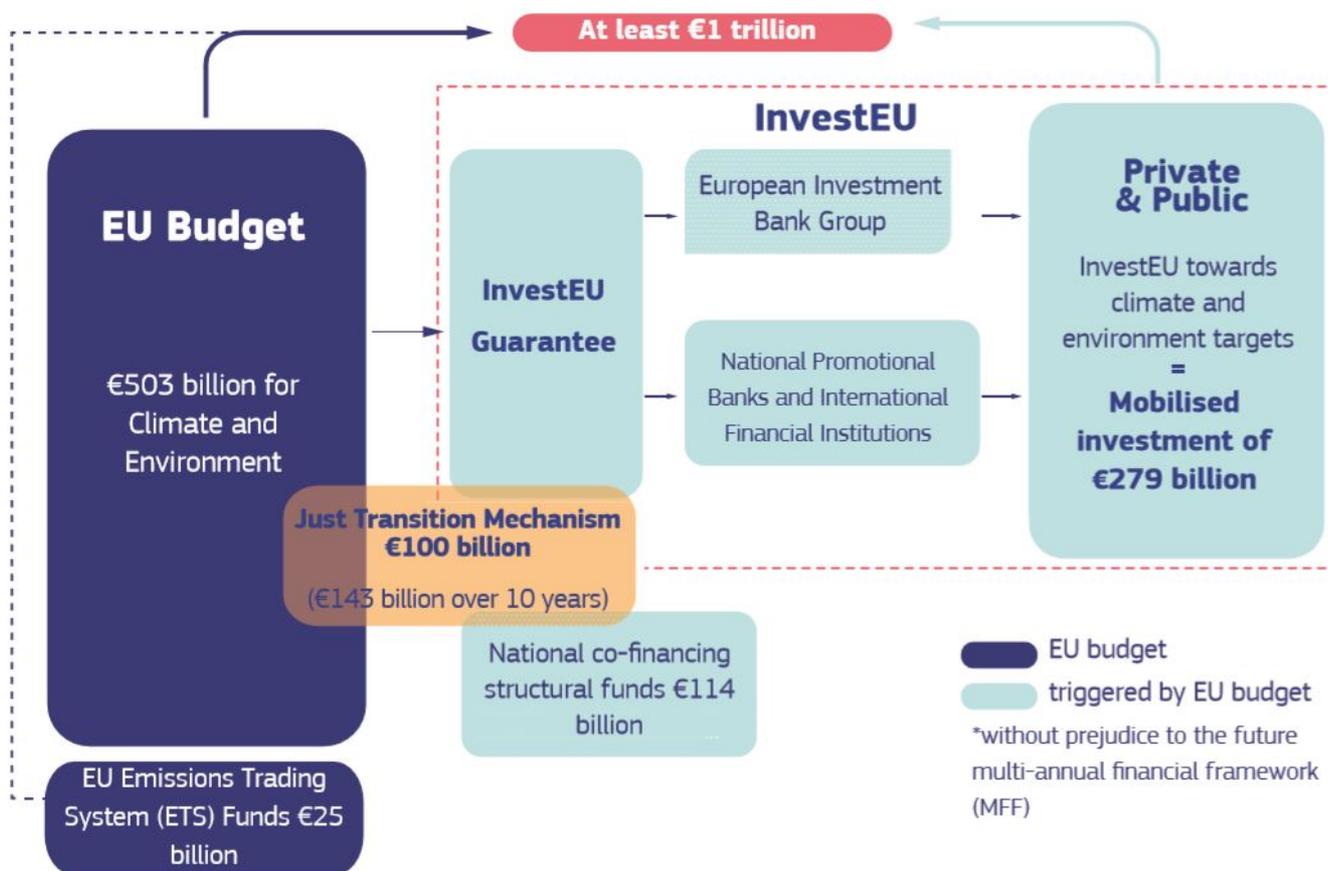
The European Green Deal Investment Plan (EGDIP), also referred to as Sustainable Europe Investment Plan (SEIP), is the investment pillar of the Green Deal. To achieve the goals set by the European Green Deal, the Plan will mobilise at least €1 trillion in sustainable investments over the next decade. Part of the plan, the Just Transition Mechanism, will be targeted to a fair and just green transition. It will mobilise at least €100 billion in investments over the period 2021-2027 to support workers and citizens of the regions most impacted by the transition.

The European Green Deal Investment Plan has three main objectives:

- First, it will increase funding for the transition, and mobilise at least €1 trillion to support sustainable investments over the next decade through the EU budget and associated instruments, in particular InvestEU;
- Second, it will create an enabling framework for private investors and the public sector to facilitate sustainable investments;
- Third, it will provide support to public administrations and project promoters in identifying, structuring and executing sustainable projects.

**How will the European Green Deal Investment Plan be financed? How will the €1 trillion be mobilised?**

## WHERE WILL THE MONEY COME FROM?



\*The numbers shown here are net of any overlaps between climate, environmental and Just Transition Mechanism objectives.

Becoming the world's first climate-neutral bloc by 2050 is a great challenge but also a great opportunity. The EU budget, Member States and private actors will all play an important role in financing the European Green Deal. The EU budget alone cannot be enough to tackle climate change or to meet the massive global investment needs. Member States and private actors will need to provide the scale.

The next long-term EU budget will run for seven years from 2021 to 2027 and will invest substantially in climate- and environment-related objectives. The Commission proposed 25% of its total to contribute to climate action and spending on the environment across multiple programmes (e.g. [European Agricultural Fund for Rural Development](#), [European Agricultural Guarantee Fund](#), [European Regional Development Fund](#), [Cohesion Fund](#), [Horizon Europe](#) and [Life funds](#)). Taken together and extrapolated from 7 to 10 years, as well as assuming that the climate target post-2027 will be at least maintained, the EU budget will provide €503 billion to the European Green Deal Investment Plan. This will trigger additional national co-financing of around €114 billion over this timeframe on climate and environment projects.

InvestEU will leverage around €279 billion of private and public climate and environment related investments over the period 2021-2030. It will provide an EU budget guarantee to allow the EIB Group and other implementing partners to invest in more and higher-risk projects, crowding in private investors.

To ensure no one is left behind, the Just Transition Mechanism will mobilise at least €100 billion of investments over 2021-2027 with financing coming from the EU budget, co-financing from Member States as well as contributions from InvestEU and the European Investment Bank (EIB). Extrapolated over ten years, the Just Transition Mechanism will mobilise around €143 billion.

Lastly, the Innovation and Modernisation funds, which are not part of the EU budget, but are financed by a part of the revenues from a key policy tool - the auctioning of carbon allowances under the EU Emissions Trading System, will provide some €25 billion for the EU transition to climate neutrality, with a special focus on lower-income Member States in the case of the Modernisation Fund.

**How much of this is new money?**

The European Green Deal Investment Plan builds on the Commission's proposal for the future long-term budget 2021-2027. Running for 7 years, it will mobilise 25% of the EU budget for climate financing and invest in environmental objectives through several EU programmes. Extrapolated to 10 years, assuming the climate target will be at least maintained post -2027, the long-term budget is expected to deliver €503 billion. The next long-term budget 2021-2027 is currently under negotiation. The numbers are extrapolated to ten years, without prejudice to the final agreement on the next long-term budget and the one after 2027.

The Plan also builds on the contributions from national budgets to EU projects, on public and private investments mobilised by InvestEU and the ETS funds (Modernisation and Innovation Funds).

As part of the European Green Deal Investment Plan, the Commission has proposed the establishment of a Just Transition Mechanism including a new Just Transition Fund. The Just Transition Fund will be equipped with fresh funds of €7.5 billion from the EU budget which will come on top of the Commission 2018 proposal for the long-term budget.

### **Will you need to make changes to the current next long-term budget (2021-2027) proposals to make available these EU funds?**

On [2 May 2018, the Commission put forward a proposal for a modern, balanced and fair budget](#) to deliver on [Europe's priorities as set out by EU Leaders in Bratislava in 2016](#) and in [Rome in 2017](#). The 37 sector-specific proposals followed immediately afterwards. Since then, the Commission has worked hand-in-hand with the Rotating Presidencies of the Council, and with the European Parliament, to take the negotiations forward. A lot of progress has been made on the overall framework and on many of the sectoral proposals.

The Commission seeks to pursue its priorities as set out in the political guidelines as part of the broader ambition for the EU budget. An ambitious Just Transition Mechanism is a priority in that context. This is the reason why the Commission has tabled this proposal very early in its mandate.

Today's proposals on the Just Transition Mechanism and the Just Transition Fund Regulation are being put forward at a time when the negotiations on the long-term EU budget are quite advanced. They will therefore feed into the overall negotiations process. The focus is on securing an outcome that meets our objectives, taking account of the broader constraints. The long-term budget proposal will therefore not be reopened, and the Commission expects that today's proposals will be accommodated in the framework of the final agreement on the 2021-2027 **long-term** budget. The negotiating box published by the Finnish Presidency contains a *pour memoire* point for the Just Transition Mechanism, recognising that this new instrument warrants an additional allocation.

### **Does the €1 trillion under the European Green Deal Investment Plan overlap with the €1 trillion target announced by the European Investment Bank for climate projects?**

The Commission has committed to mobilise at least €1 trillion of investments over the next decade to support a just and green transition. InvestEU will be key in this respect. The EIB will also contribute to this target under InvestEU, including the dedicated just transition scheme which is pillar 2 of the Just Transition Mechanism, as well as pillar 3 of the Mechanism in the form of a public sector loan facility. The EIB's contribution to the European Green Deal Investment Plan is expected to amount to around to €250 billion in terms of mobilised investments under EU mandates (i.e. under EU instruments and through the EU budget).

In addition, the EIB has announced the doubling of its climate target from currently 25 to 50% by 2025. Over the next decade, this means a total of €1 trillion in investments, which includes the EIB's own financing operations as well as those under EU mandates.

### **What is the relation between the European Green Deal Investment Plan and InvestEU?**

The InvestEU Programme was proposed in June 2018 as part of the future long-term EU budget. It is part of and complementary to the European Green Deal Investment Plan.

InvestEU will dedicate at least 30% of mobilised investments to climate- and environment-related projects. It also contributes to the Just Transition Mechanism with a new dedicated InvestEU scheme to mobilise €45 billion of sustainable investments in the regions most affected by the transition challenges.

InvestEU will also play an important role in promoting sustainability practices among public and private financiers and project promoters, by setting standards for tracking climate-related investments and assessing the environmental and social impact of projects.

Finally, the InvestEU programme will provide technical assistance and advisory support through the InvestEU Advisory Hub. It will help public and private project promoters identify, develop and implement green investment projects. At the same time, the InvestEU Portal will continue to offer a

free, online, user-friendly tool, providing EU businesses and project promoters in search of financing with the visibility and networking with investors worldwide.

### **What kind of projects will be financed under the European Green Deal Investment Plan? Who can benefit?**

The projects financed under the European Green Deal Investment Plan will contribute to reaching the goals of the European Green Deal, to the emergence of new, clean energy and circular economy industries and they will create high quality jobs for a competitive European economy fit for the 21st century.

The funds and programmes contributing to the European Green Deal Investment Plan (such as InvestEU or the Just Transition Fund) will provide tailored financing to a wide range of projects. Both small projects (e.g. individual household energy renovation) and larger ones (e.g. installation of a network of electric vehicle charging stations) will be able to benefit through dedicated programmes and products. The investment support will be adjusted to the level of risk that specific projects carry.

Looking at examples of sustainable investment projects backed by the Investment Plan for Europe offers insight into the kind of projects that could be financed under InvestEU as part of the European Green Deal Investment Plan. Such projects include [modernising district heating services in Budapest](#), supporting the [installation of solar panels](#) on private homes and making industrial companies more energy efficient in Lithuania, or [modernising the electricity and heat supply in Zagreb](#).

The Just Transition Mechanism will focus on the social and economic costs of the transition in the most impacted regions and finance projects ranging from creation of new workplaces through support to companies, job search and re-skilling assistance for jobseekers who lost employment due to the transition, but also renovation of buildings and investments in renewable energy, district heating networks and sustainable transport.

### **How will the Commission make sure there are enough high-quality projects to be financed?**

One of the main challenges in putting the European Green Deal Investment Plan into practice will be to develop a pipeline of investment projects that respond to the strategic objectives of the EU. The availability of such investment projects does not yet match the demand. Technical assistance and advisory support at all levels of public administration will help to identify and prepare sustainable projects and provide capacity building to project promoters.

As part of these efforts, the Structural Reform Support Programme will provide technical support to Member States to help design and implement growth-enhancing reforms. At the project promoter level, the InvestEU Advisory Hub and the advisory initiatives developed under the InvestEU Programme, will support the identification, preparation, development, structuring, procuring and implementation of investment projects. The Commission will also ensure that the support to public administration and the support to each project is provided in a coordinated way. This could include assistance to combine different funding opportunities in comprehensive regional plans.

As regards Just Transition Mechanism, the Commission will assist Member States and regions in the first instance to prepare territorial just transition plans. A Just Transition Platform will then help to generate the pipeline of projects in the regions most exposed to transition challenges.

### **How will the Commission monitor that the investments funded are truly sustainable?**

The achievement of climate ambitious targets of the Union will be supported by an enhanced, robust reporting and monitoring system, building on specific methodologies deployed under the relevant programmes.

More generally, every year the Commission will hold a Sustainable Investment Summit with all stakeholders. This will be an opportunity to take stock of progress on all fronts of the European Green Deal Investment Plan and identify new avenues for action.

### **How will the EU taxonomy be used in the context of the European Green Deal Investment Plan?**

The Commission welcomes the recent political agreement by co-legislators on the Regulation establishing a framework to facilitate sustainable investment, including the EU taxonomy. It will provide the private sector a common understanding on what is green investment and sets the basis for establishing an EU-wide classification system for environmentally sustainable economic activities. The Commission will prepare the climate taxonomy by the end of 2020 and will prepare the taxonomy for all other environmental objectives by end 2021.

The EU taxonomy will feed into the InvestEU climate tracking methodology that will be used by the InvestEU Implementing Partners.

The Commission will also explore how the EU taxonomy can be used in the context of the European Green Deal by the public sector, beyond InvestEU.

### **How will the European Green Deal Investment Plan help the people and regions most affected by the green transition?**

As the EU will move towards climate-neutrality, not all Member States or regions start from the same point. Some have a longer way to go to reach the climate targets than others. In addition, certain regions will be more affected than others by the transition, especially the regions where jobs depend on fossil fuels, including coal, lignite, peat and oil shale or carbon-intensive industrial processes emitting greenhouse-gases.

Transforming these regions will be essential to reaching carbon-neutrality. The green transition must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges. It must work for all, or it will not work at all.

To ensure that the transition happens in a fair way, taking into account the concerns of the Member States, regions, businesses and workers most affected, the Commission proposes to set up a Just Transition Mechanism, with the aim to provide targeted support.

### **What does the Just Transition Mechanism consist of and how will it be financed?**

While the European Green Deal Investment Plan looks at how to support the Green Deal as a whole, the Just Transition Mechanism is specifically targeted at the regions which will be most affected by the transition. This will make sure that the transition towards climate-neutrality works well for everybody.

The Just Transition Mechanism is structured around three pillars of financing:

- **Just Transition Fund:** The new Fund will be equipped with its own envelope within the EU budget, which the Commission proposes to amount to €7.5 billion on top of its long-term budget proposal. The fund is covered by a new legislative proposal presented alongside the European Green Deal Investment Plan. Member States will match each euro from the Just Transition Fund with a minimum of €1.5 and a maximum of €3 from the European Regional Development Fund and the European Social Fund Plus. These resources from the EU budget will be further complemented by national co-financing according to cohesion policy rules. Taken together, the funding will reach between €30 and €50 billion over the period 2021-2027. The fund will provide primarily grants to regions where many people work in coal, lignite, oil shale and peat production or to regions that host greenhouse gas-intensive industries. It will for example support workers to develop skills and competences for the job market of the future and SMEs, but also new economic opportunities to create jobs in these regions. It will also support investments in clean energy transition, for example in energy efficiency.
- **Dedicated just transition scheme under InvestEU** to mobilise up to €45 billion of investments. It will attract private investments that benefit those regions and help their economies find new sources of growth. For example, this could include projects for decarbonisation, economic diversification of the regions, energy, transport and social infrastructure. The scheme will operate according to the principles that define InvestEU, whereby a portion of the financing under InvestEU will be focused on the just transition objectives. The target of generating up to €45 billion of investments corresponds to a provisioning of around €1.8 billion from the EU budget for the InvestEU programme.
- **Public sector loan facility with the European Investment Bank backed by the EU budget** to mobilise between €25 and €30 billion of investments. It will be used for concessional loans to the public sector, for example for investments in energy and transport infrastructure, district heating networks, and renovation or insulation of buildings. The loan facility will rely on a contribution of €1.5 billion from the EU budget and an EIB lending of €10 billion at its own risk. The Commission will table a legislative proposal to set up this new public sector loan facility in March 2020.

The Just Transition Mechanism is about more than funding: relying on a Just Transition Platform, the Commission will also be providing technical assistance to Member States, regions and investors and make sure the affected communities, local authorities, social partners and non-governmental organisations are involved. The Platform will enable bilateral and multilateral exchanges of experience on lessons learnt and best practices across all affected sectors. The Commission will also make it easier to invest in the transition by making sure that the regulatory framework provides the

right incentives.

### **How can Member States get support from the Just Transition Mechanism?**

The three financing pillars will be tied together by “territorial just transition plans”. Taking into account the Commission's analysis in the European Semester exercise, Member States will prepare one or more territorial just transition plans, providing an outline of the transition process until 2030, consistent with the National Energy and Climate Plans and the transition to a climate-neutral economy. The territorial just transition plans will identify the most impacted territories that should be supported. For each of these territories, the plans will set out the social, economic and environmental challenges and give details on needs and measures for economic diversification, reskilling and environmental rehabilitation as appropriate.

The approval of the plans by the Commission will open the doors to dedicated financing from the Just Transition Fund (pillar 1 of the Just Transition Mechanism), as well as from the InvestEU (pillar 2) and the public sector loan facility by the EIB (pillar 3). Projects in the regions having an approved just transition plan, or projects that directly benefit those regions (even if they are not located in the regions themselves), can benefit from the dedicated InvestEU scheme and the public sector loan facility, but only when funding outside the just transition territories supports their transition. This is relevant in particular for transport or energy infrastructure projects that improve the connectivity of these territories.

Territories receiving support from the Just Transition Fund will also benefit from a dedicated technical assistance facility to be set up at the initiative of the Commission.

### **Which countries will be able to benefit from support from the Just Transition Fund and how will their allocation be calculated?**

The Just Transition Fund will provide support to all EU Member States. The proposal is designed for a Union of 27 Member States, taking into account the intention of the United Kingdom to withdraw from the European Union.

The distribution of the Just Transition Fund's financial means will reflect the capacity of Member States to finance the necessary investments to cope with the transition towards climate-neutrality. The allocation method considers:

- the scale of the transition challenge of the highest carbon intensive regions emitting greenhouse gases;
- the social challenges in the light of potential job losses in industry, oil shale, coal and lignite mining and the production of peat and the need for subsequent reskilling of workers for employment;
- Member States' level of economic development and related investment capacity.

Member States will complement their Just Transition Fund allocation from their resources under the European Regional Development Fund and European Social Fund+ through a transfer mechanism. They will also provide national resources to complement the Union resources in form of co-financing in line with cohesion policy rules. The level of Union co-financing will be set according to the category of region in which the identified territories are located. This will bring the overall resources for the Just Transition Fund between €30 billion and €50 billion.

### **How will the support from InvestEU and the public sector loan facility complement the Just Transition Fund?**

The support provided through the Just Transition Fund will be complemented by a dedicated just transition scheme under Invest EU. This scheme will support a wider scope of investments, notably by contributing to the transition through support to low-carbon and climate-resilient activities, such as renewable investments and energy efficiency schemes. This scheme will also be able to deploy financing for energy and transport infrastructure, including gas infrastructure and district heating, but also decarbonisation projects, economic diversification of the regions and social infrastructure. Additionally, a new public sector loan facility set up together with the EIB will provide subsidised financing to the local authorities for the benefit of the regions concerned. The InvestEU scheme and the public sector loan facility will not only support investment in projects in just transition territories but also in projects directly benefiting the transition in these regions.

### **What is the European Investment Bank Group's role in the European Green Deal Investment Plan and Just Transition Mechanism?**

The European Investment Bank Group is an important partner of the European Commission. The EIB Group participates in the Just Transition Mechanism in two ways:

- First, it is the main financing partner, with a 75% share of the guarantee, providing backing to InvestEU, the backbone of the European Green Deal Investment Plan. In addition, the Just Transition Mechanism will comprise a dedicated just transition scheme under InvestEU, to generate additional investment to benefit the most affected regions. The general conditions of InvestEU will apply and the EIB will continue to be the privileged partner.
- Second, the EIB will contribute to a public sector loan facility to support national and regional authorities with low-interest loans. With the contribution from the EU budget of €1.5 billion and the EIB lending of €10 billion at its own risk, the public sector loan facility could mobilise between €25 and €30 billion of public investments over the period 2021-2027. It will be used for investments in energy and transport infrastructure, district heating networks, renovation and insulation of buildings, among others.

**How will the contribution of InvestEU to the just transition work? Will you earmark part of the budget guarantee for this? Will you need to re-open the regulation with the co-legislators?**

The InvestEU regulation will not be re-opened. A portion of the financing under InvestEU will be focused on the just transition objectives. This could generate up to €45 billion of investments over the period 2021-2027, to support the transition in the regions concerned, aiming at reflecting the national allocation key under the Just Transition Fund. However, the final use of InvestEU will remain demand-driven and will depend on the project pipeline and the absorption capacity of the regions concerned will be key in achieving the objectives. The overall target of €45 billion correspond to a provisioning of around €1.8 billion from the EU budget for the InvestEU Programme.

To avoid that the supply of projects is unnecessarily restricted, InvestEU will not only support investment in projects in just transition territories (regions having an approved transition plan under the Just Transition Fund Regulation) but also in projects directly benefiting those regions. This is relevant in particular for transport or energy infrastructure projects that improve the connectivity of the just transition territories. Compared to the Just Transition Fund, it will also enable investments in a wider range of projects, in line with the broader eligibility of investments under InvestEU. InvestEU will support financing, among others, to decarbonisation projects, economic diversification of the regions and social infrastructure but also projects for energy and transport infrastructure, including gas infrastructure and district heating.

**How will the public sector loan facility in the EIB Group work? Who will be the beneficiaries?**

The loan facility will target specifically regions that will be most affected by the transition. The exact geographical coverage will be the same as under the InvestEU just transition scheme (pillar 2 of JTM), i.e. projects in the regions with an approved just transition plans and also projects directly benefiting those regions.

Supported investments will range from energy and transport infrastructure, district heating networks, energy efficiency measures including renovation of buildings, as well as social infrastructure, and can include other sectors as well.

The support under the public sector loan facility benefits projects which do not generate revenue and would otherwise not get financed. It will therefore be complementary to the products offered by the InvestEU dedicated just transition scheme.

The Commission will propose a legislative proposal setting up this new public sector loan facility in March 2020.

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Press contacts:

[Vivian LOONELA](#) (+32 2 296 67 12)  
[Stefan DE KEERSMAECKER](#) (+32 2 298 46 80)  
[Marta WIECZOREK](#) (+32 2 295 81 97)  
[Sara SOUMILLION](#) (+32 2 296 70 94)  
[Balazs UJVARI](#) (+32 2 295 45 78)  
[Claire JOAWN](#) (+32 2 295 68 59)  
[Siobhán MILLBRIGHT](#) (+32 2 295 73 61)

General public inquiries: [Europe Direct](#) by phone [00 800 67 89 10 11](tel:0080067891011) or by [email](#)