

Position Paper

Proposal of Establishing the Just Transition Fund (JTF)

Position paper of the German Association of
Energy and Water Industries (BDEW)

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According to the European Commission's Communication "The European Green Deal" from 11 December 2019, an additional annual investment of 260 billion Euros is needed to achieve the current 2030 climate and energy targets. It is vital to aim for a socially fair transition in order to get the necessary support for decarbonising the EU economy. Further, time-dependent variables must be considered by taking into account different starting points and challenges amongst the Member states when it comes to decarbonising the economy. Therefore, the German Association of Energy and Water Industries (BDEW) backs the aim to support regional-scale transformation by providing funding through the Just Transition Fund (JTF) to ensure that for each Euro invested the highest-level climate protection possible will be realised. There are many regions in the European Union and in Germany that would benefit greatly from supporting a socially, technologically and economically equitable transition.

The JTF should differentiate itself from other European schemes supporting regional development or social inequality

The BDEW supports the method of the allocation of funds as it is currently planned, including the call for limiting the transferral of funds by a member state from their ERDF and ESF+ allocation to a maximum of 20 per cent per fund. The Just Transition Fund needs to focus on regions that are and will be hardest affected by the energy transition and which have an especially long way ahead of them to transform their local economies. However, we would like to emphasise that for the energy transition to gain public acceptance, cannibalisation between schemes should be avoided. Furthermore, to ensure a longevity of effects, a significant contribution by the national governments for receiving JTF funds should be required, just as it is currently planned. To ensure continuity and longevity of outcomes, we support the prolongation of the JTF after 2027 in the context of the multiannual financial framework from 2027 onwards.

Allocation method needs to include a maximum cap and take into account past efforts made

The allocation method is generally well-balanced and incorporates different sets of initial conditions. Nevertheless, we would like to emphasise the need for a cap as well as for previously undertaken efforts. In case of an increase in the overall budget, we call for a proportionate maximum cap to be implemented (of currently 26 per cent of the overall budget). This will support the acceptance of this scheme since as many member states as possible should benefit from funding and thus no single member state should profit disproportionately. Further, we call for all efforts already undertaken by member states for transforming their energy sectors should be recognised. As the weight for employment in mining and energy use of coal and lignite is an allocation factor, we call for the original state to be acknowledged, e.g. to be calculated based on the weight for employment in mining and energy use of coal and lignite for the year 1990, as this year also serves as reference for the EU's climate policy goals.

Regional focus should take place on a small-scale basis so that funds get to where they are needed

A strong regional focus is essential when allocating funds for specific initiatives. In order for the effects to occur in the intended way, supporting the specific cause of energy transition on a regional level and reaching the recipients that need it most, we support the aim to identify regions corresponding to NUTS level 3 as a minimum. In specific cases due to strong regional differences, it might be necessary to reduce this scale even further, in which case the pos-

sibility should be accounted for. However, we see the necessity for a holistic strategy and call for the commission and all affected member states to develop a common strategy to support the transition effectively and efficiently. Furthermore, the BDEW also emphasises the need to use the JTF funds to provide employment opportunities in affected regions, not only in geographic proximity but first of all in energy-related industries. Therefore, we back the intention to financially support training measures.

SMEs are important stakeholders on regional levels, large enterprises should be supported in significant role for research and development

Large enterprises are the biggest employers by number and often provide strong support in product research and development. In many impacted (and rural) regions, SMEs provide most public services and are the largest employers. However, SMEs often lack the necessary funds to undertake productive investments. Therefore, the JTF's focus on supporting SMEs is a vital component of the scheme and should not be diluted, however, it should be complemented with granting large companies access to funds regardless of net job losses which should be specifically used for the purposes of research and development to provide momentum for technical innovation. Furthermore, applying for European funds often signifies a much higher workload for SMEs in comparison to large companies due to the relatively smaller workforce. Therefore, we would strongly call for clarifying any matters related to national laws being in accordance with state aid rules at a preliminary stage of the JTF.

Eligibility for municipal public companies to benefit from European support needs to be rectified

Essential for German SMEs is the eligibility to apply for funds, thus it is necessary for the European SME definition to be adjusted: In Germany most SMEs in the energy sector are municipal public utility companies. Most of them hold a municipal share of over 25 per cent and thus do not qualify for specific SME funds under the present SME definition applied by European institutions. Since municipal public companies play a decisive role in the German energy transition on a regional level, in the case of the JTF other criteria for SMEs need to be applied which do not refer to a company's municipal share.

The JTF as enabler for renewable energy and grid infrastructure and technical innovation

In addition to the social consequences the energy transition imposes on regions, it should also be highlighted that investments in innovation need to be supported. Over the course of realising the political energy transition process, we must ensure that security of supply remains intact by e.g. supporting the development of renewable energy, technical innovations, conversion of district heating to renewable sources, and the transition of gas infrastructure to enable the use of hydrogen. We call for the JTF to also support such measures as they are imperative for a functioning system and require high investment costs by the companies involved. Furthermore, it will help maintaining regional workforce in the energy sector.

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