



Just Energy Transition Fund

Targeted support for the transition towards an inclusive carbon-neutral economy

The transition towards a carbon-neutral economy will transform the functioning of modern societies. In order for it to be achieved, considerable changes must be introduced to the fundamental elements of current socio-economic models: how energy is produced and consumed, how our industry produces goods and how transport networks operate. This transformation will have far-reaching effects on our daily lives. Simultaneously, such a transformation should not result in a surge in energy prices for consumers and a loss of competitiveness of the European industry. Were that to happen, associated costs incurred by end-users may well result in a decrease in their acceptance of, and support for such changes.

With the ambitious timeline – a carbon-neutral economy by 2050 - must come a strong regulatory framework facilitating transition. In this regard, we note a declaration by the President of the European Commission, Ursula von der Leyen, on the New Green Deal for Europe, which can be perceived as a reference point for this journey. We consider that a key element of this initiative should be the **Just Energy Transition Fund (JET Fund)**, a tool of support and mitigation of the changes, available to those regions and countries for which this transition is much more difficult and costly.

The scale of the challenges related to the energy transition

The European Commission estimates in its Long-Term Climate Strategy that investments in low- carbon energy and related infrastructure have to increase from an annual 2% of EU's GDP to 2.8% or to EUR 520-575 bn for carbon neutrality to be reached by 2050. This means considerable additional investments compared to the baseline - in the range of EUR 175 to 290 bn a year¹. The impact assessments of the Clean Energy legislation estimate that the delivery of the Union's 2030 energy targets will require additional investments of EUR 177 bn annually in the period 2021-2030. As for the transition in the electricity sector, a study by ITRE² indicates that an annual cost of transition between 2021 and 2050 will be between 95 and 145 bn EUR. Another study by Eurelectric³ indicates that the cumulative capital investment cost of energy transition between 2020 and 2030 for the EU would be between 677 and 885 bn EUR. In the case of Poland alone, these figures are 147 bn EUR till 2045. Additionally, Polish energy sector will have to bear the costs of CO2 of approximately 85 bn EUR in the

¹ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52018DC0773&from=EN>

² [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595356/IPOL_STU\(2017\)595356_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595356/IPOL_STU(2017)595356_EN.pdf)

³ <https://www.eurelectric.org/decarbonisation-pathways/>



period 2020-2045. While these estimates vary, their numbers remain staggering. Therefore, the mobilisation of capital is crucial for the success of energy transformation in the EU. In this regard, public sources should have a leveraging effect on private capital, encouraging the necessary investments.

The social cost of energy transition

The phasing out of coal will result in the loss of directly and indirectly related jobs. Coal is mined in 41 regions within 12 EU countries and overall, 237,000 jobs are directly related to the coal sector while an additional 215,000 jobs are indirectly related. There are currently 207 coal power plants operating in 21 Member States, with a total capacity of just above 150 GW. Many of these facilities and jobs are located in Central and South-Eastern Europe (Poland, the Czechia, Romania, Bulgaria and Slovakia), regions with significantly lower GDP per capita in comparison to the EU average. Decommissioning of coal power plants and the closure of coal mines would lead to an accumulated loss of up to 77,000 workplaces by 2025 and 160,000 by 2030. Only in Silesia, Poland, there are 80,000 coal-related jobs which could be cut by 50% by 2030, i.e. 40.000⁴.

Size of the fund and sourcing

The magnitude of the transformation justifies the increase of the financial resources of the JET Fund which should be far larger than the EUR 4.8 bn as proposed by the European Parliament. We advocate an initial budget of **at least EUR 25 billion**. Moreover, a large share of the funding should not be reallocated from other EU Funds e.g. the European Regional Development Fund, the Cohesion Fund and the European Social Fund Plus, as this would mean a decrease of these funds available to lower-income Member States and weakening of the cohesion policy. A targeted approach necessitates that eligible MS should be granted national shares within the Fund. The JET Fund should also be introduced with a clearly defined governance, scope, and objectives. MS should have a leading role in selecting the most relevant projects for financing based on a transparent selection process.

As the energy transition is a long-term challenge and the European Commission is proposing the timeframe till 2050, the JET Fund should be a constant element of the MFF beyond the currently discussed period (2021-2027) and should remain as one of the fundamental funds for the EU's policies.

Objectives of the fund

We anticipate that this instrument would be the response to the risk of a significant increase in electricity prices for end-users in regions where electricity generation requires far-reaching structural changes in the energy mix. Thus, the JET fund should first of all support investments in new generation and transmission infrastructure, aimed at the evolution of energy mixes towards low carbon.

⁴ JRC report "EU coal regions: opportunities and challenges ahead", 2018.



As the costs of the energy transition could have a direct impact on the level of economic growth, the fund should also support investment in job creation and contributing to the GDP growth, primarily in the most adversely affected regions, including innovation, research, and development.

As the transformation will affect mainly those communities where coal constitutes an important source of direct and indirect jobs, it will almost certainly lead to structural unemployment. Programmes linking the need for retraining with investments in households' energy efficiency or distributed energy systems, appears to be a viable option for coal-mining regions.

Addressing these issues is of key importance for the credibility of the New Green Deal.

Support for the decarbonisation of the economy in the lesser developed and most carbon-intensive Member States

Any acts and political decisions related to the energy transition should take into account different starting points of EU Member States, which is determined by the varying shares of fossil fuels within their electricity generation portfolio. This automatically translates to higher costs for decarbonisation of those energy systems which have a high carbon intensity. The role of the JET Fund would be to leverage investments in order to facilitate a rapid decrease of GHG gases in countries with a high CO2 emission intensity.

We advocate that financial resources should be split among eligible member states in accordance with clear criteria which will objectively present the scale of challenges for particular countries and regions:

- CO2 emission intensity (g CO2/kWh)
- GDP per capita (PPS)
- number of jobs in the coal and coal-dependent sectors

