



Joint statement on the Just Energy Transition Fund

The transition towards a carbon-neutral economy will transform the functioning of modern societies. In order for it to be achieved in a cost effective, economically viable, environmentally justifiable and socially acceptable manners, considerable changes must be introduced: how energy is produced and consumed, how our industry produces goods and how transport networks operate. Simultaneously, such a transformation should not result in a surge in energy prices for consumers, a loss of competitiveness of the European industry or a reduction in accessibility and security of supply levels. 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 and robust financial assistance to facilitate the transition. In this regard, we note a proposal of the European Commission on European Green Deal, which can be perceived as a reference point. We consider that a key element of this initiative should be a **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 technologically difficult and economically and socially 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. A study by Eurelectric 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 EUR 147 bn until 2045². 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 significant loss of jobs. Coal is mined in 41 regions within 12 EU countries and overall, 452,000 jobs are directly and indirectly related to the coal sector. There are currently 207 coal power plants operating in 21 Member States (MS), with a total capacity of 150 GW and 53,000 employees. Moreover 6,000 people work in the oil shale extraction industry. Many of these facilities and jobs are located in Central and South-Eastern Europe (Poland, Czechia, Romania, Bulgaria and Slovakia), regions with significantly lower GDP per capita in comparison to the EU average. The 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. As an example, in Silesia, Poland, job losses could amount to 50% of the current workforce by 2030, i.e. 40.000³.

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

² <https://www.eurelectric.org/decarbonisation-pathways/>

³ JRC report "EU coal regions: opportunities and challenges ahead", 2018.



Size of the fund and sourcing

The magnitude of the transformation justifies an increase to 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 Structural Funds, as this would mean a decrease of resources available for lower-income MS and weakening of the cohesion policy. A targeted approach necessitates that the 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, 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 those regions and MS where electricity generation requires far-reaching structural changes to the energy mix. Thus, the JET fund should first of all support investments in new generation and grid infrastructure, aimed at the evolution of energy mixes towards low carbon.

As the costs of the energy transition could have a direct impact on levels of economic growth, the fund should also support investment in job creation, up-skilling and re-skilling of the active workforce. It should also contribute to GDP growth, including innovation, research, and development, primarily in the most adversely affected regions

As the transformation will affect mainly those communities where coal constitutes an important source of employment, it will almost certainly lead to structural redundancies. 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.

Clear eligibility criteria

Any political decisions related to the energy transition should take into account the different starting points of MS, which is determined by the shares of fossil fuels within their electricity generation portfolio. This automatically translates to higher costs for the 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 GHGs

We advocate that financial resources should be split fairly among eligible MS in accordance with clear criteria which will objectively present the scale of challenges for particular countries and regions , while ensuring that no affected region is left behind and a minimum share of the total size of the fund is provided:

- CO2 emission intensity (g CO2/kWh)
- Share within energy mix (dispatchable electricity generation capacities)
- GDP per capita (PPS)
- number of jobs in the coal and coal-dependent sectors