



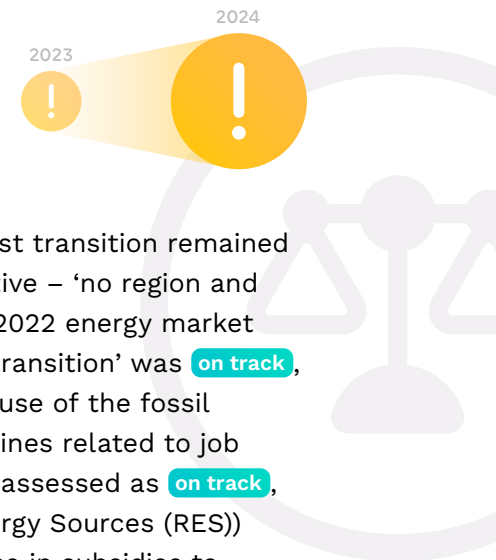
Just and Inclusive Transition



Too slow

Just transition refers to designing and executing the shift to climate neutrality in a fair and inclusive way. Job opportunities, regional policies, and managing distributional effects are essential to the process.

4.10 Just and Inclusive Transition



Past progress: The overall classification of the progress related to just transition remained **too slow** in the period assessed. Progress in the just transition objective – ‘no region and no individual left behind’ – was mixed, having been hindered by the 2022 energy market volatility. While the decline of the poverty rate in the ‘EU regions in transition’ was **on track**, the number of people in material deprivation increased in 2022 because of the fossil fuel energy crisis. The biggest encouragement stems from the trendlines related to job opportunities. The employment rate in ‘EU regions in transition’ was assessed as **on track**, with employment in the renewable energy sector (all Renewable Energy Sources (RES)) having soared in 2022. As the 2022 events also resulted in an increase in subsidies to vulnerable energy groups, we saw a reduction in the share of energy efficiency subsidies. Developments related to regional just transition policies were encouraging, with initial data signalling high absorption of regional policy funds.

Policy context: The EU policy landscape related to just transition constitutes an increasingly comprehensive framework. Its cornerstone in regions most affected by the transition is shaped by the support schemes under the Just Transition Mechanism, the Just Transition Fund (JTF), and the Just Transition Platform. The European Pillar of Social Rights Action Plan (EC, 2021a) supports well-functioning labour markets and social protection systems. It also outlines actions to be taken for the reduction of poverty. From 2026, the Social Climate Fund (SCF) will become operational and will provide dedicated funding to protect the vulnerable groups affected by the upcoming introduction of carbon pricing in the buildings and transport sectors. Other relevant political instruments are scattered across EU legislation, notably in the Fit for 55 package and in the National Energy and Climate Plans (NECPs).

Areas of action: To deliver the EU goals, it is crucial to effectively implement reforms outlined by the Member States (MS) in Territorial Just Transition Plans. This includes taking further action towards bridging the employment gaps and increasing job opportunities for workers from sectors affected. The improvement of labour market statistics and diagnosis of future demanded skills will be important keys to line up effective reskilling and upskilling programmes. On a national level, a focus is needed on a sound, knowledge-based preparation of Social Climate Plans (SCPs), which information about measures and investments realised using the SCF.


















Table 22: Progress in just transition towards the objective and enablers

OBJECTIVE	ENABLERS		
Leaving no region and no individual behind 	Creating job opportunities 	Fostering regional just transition policies 	Supporting vulnerable groups with the right policy mix

Note: Large circles show the progress classification of this year and small circles the one from last year’s progress assessment. Arrows indicate positive or negative changes in classification. See Table 35 for further information.

Source: ©ECNO.

Table 23: Details on indicators' past progress and required change

2023 ▼	2024 >	Historical data			Required change	
		Time period	Relative change p.a.	Absolute change p.a.	Benchmark	Absolute change p.a.
OBJECTIVE: Leaving no region and no individual behind						
 	Regional poverty rate [%]	2017–2022 (Eurostat, 2024n)	-2.1% per year	-0.5%-points per year	17.7% by 2030 (EC, 2021o)	-0.4%-points per year → on track
 	Average of four relevant sub-indicators in the material deprivation rate [%]	2017–2022 (Eurostat, 2024a, 2024i, 2024j, 2024k)	-0.6% per year	-0.1%-points per year	9.1% by 2030 (EC, 2021o)	-0.6%-points per year → 7.8 times faster
ENABLER 1: Creating job opportunities						
 	Employment in environmental goods and services [FTE]	2015–2020 (Eurostat, 2024e)	2.1% per year	36,686 FTE per year	n/a	n/a
 	Employment rate in regions [%]	2017–2022 (Eurostat, 2024d, 2024o)	0.7% per year	0.5%-points per year	78% by 2030 (EC, 2021o)	0.5%-points per year → on track
 	Employment in the renewable energy market [FTE]	2017–2022 (EurObserv'ER, 2023)	4.6% per year	63.431 FTE per year	n/a	n/a
ENABLER 2: Fostering regional just transition policies						
 	JTF progress implementation [%]	n/a	n/a	n/a	n/a	n/a
 	Share of accepted Territorial Just Transition Plans [%]	n/a	n/a	n/a	n/a	n/a
ENABLER 3: Supporting vulnerable groups with the right policy mix						
 	Share of support for energy efficiency purposes [%]	2017–2022 (EC, 2023ak)	-2.0%	-0.2%-points per year	n/a	n/a
 	Share of support for households [%]	2017–2022 (EC, 2023ak)	16.1%	2%-points per year	n/a	n/a

Note: Icons indicate progress classification of this year's progress assessment and coloured lines the change in classification; See Table 35 for further information. n/a indicates that data are not available.

Source: ©ECNO.

Objective: Leaving no region and no individual behind

Past progress: In the period assessed, the just transition objective was moving in the **right direction**, but the reduction of the material deprivation rate still progressed **too slowly**. Some of the key factors driving the dynamics were the pandemic in 2020 and the Russian war in Ukraine starting in 2022 with the subsequent fossil fuel energy crisis. With regards to 'no region left behind', the share of people who are at risk of poverty or social exclusion in the EU's regions most affected by the energy transition continued to decrease in 2022, in line with reaching the EU's overall poverty reduction target. However, considering the wider impacts of the aforementioned crises the pace of that change slowed down in recent years. The material deprivation rate – a measure for 'no individual left behind' – increased in 2022 for all four categories considered, with the biggest rise in the inability to keep homes adequately warm. These changes were also largely caused by the impacts of the 2022 fossil fuel energy crisis. As an effect, the class of the indicator worsened. The changes were limited due to emergency policies and earlier progress in the energy transition.

Indicators:

- Regional poverty rate
- Average of four relevant sub-indicators in the material deprivation rate

Policy context: In principle, all the major just transition areas are covered by EU policies. The main policy tools shaping the regional dimension of the just transition are the Territorial Just Transition Plans developed by MS. These define regions eligible for investments through the JTF and set out development needs and objectives for each region. The policy actions to protect the most vulnerable groups across the EU involved a range of protective measures to support consumers during the fossil fuel energy crisis, such as a windfall profit tax on excessive profits in the oil and gas sector, used to lower the prices for end users (EC, 2022h). The close-to-adoption electricity market design rule (EC, 2023j) foresees further protection of consumers in the long term, by making energy markets more resilient and energy bills more independent of short-term market volatility. The SCF will provide funding to protect vulnerable groups affected by the introduction of carbon pricing in the buildings and transport sectors. The SCF will be launched in 2026.

Areas of action: For the regional dimension of just transition, an important area of action is to review the spending of the JTF, to monitor its impact of the investments and to revise the eligible list of projects accordingly. Moreover, subsequent policy measures, which will be needed to be put in place after the projects relying on the JTF are finalised, should be strategically designed. This is particularly important as transition impacts will start affecting an increasing number of sectors. There is a need to initiate and develop just transition efforts in sectors such as transport, buildings and agriculture. In terms of the distributive effects, the key challenge is to move on from crisis management policies to more structural solutions and investments. The launch of the SCF is a step in this direction. Until the SCF becomes available in 2027, MS can already use the ETS' revenues and recovery fund to support vulnerable groups with measures other than protective actions.

Enabler 1: Creating job opportunities

Past progress: Job opportunities in the EU increased in the period assessed, even if the pace of progress was still **too slow**. At 74.2% in 2022, the employment rate in the EU's most vulnerable regions was the highest recorded so far, **on track** to reaching the EU's overall employment goal of 78% among people aged 20 to 64 by 2030. However, as laid out in [5.4](#), significant inequalities between regions remain. Employment in the renewable energy sector (all RES) showed significant growth in 2022 (14.7% compared to 2021), and thus this indicator was almost assessed as **on track** – a significant change compared to last year's **far too slow** classification. Employment in environmental goods and services also saw a steady 2.1% increase over the period of 2015 to 2020, this however is still too slow. Thus, while the classifications of some of the indicators related to job opportunities were still too slow, recent trends show encouraging signs of improving momentum.

Indicators:

- Employment in environmental goods and services
- Employment rate in regions
- Employment in the renewable energy market

Policy context: The Fit for 55 package will significantly impact the structure of the labour force between sectors, skillsets in demand, and regions. A crucial challenge is thus to bridge the emerging gap between existing skillsets and the qualifications in demand in the newly growing sectors. This issue is being addressed both at the EU level and through various initiatives by the MS. At the EU level, the primary source of legislation in this area is the European Skills Agenda (EC, 2020j), but relevant policy instruments are also scattered across many more policies, such as the Recovery and Resilience Facility (RRF), the Just Transition Fund to support for transitioning workers in the fossil fuel industry out of their jobs, revisions of directives under Fit For 55 (e.g. EPBD Directive) or NECPs. The European Pillar of Social Rights Action Plan plays a key role in setting employment-related objectives and introducing hands-on policies such as the Effective Active Support to Employment (EASE).

Areas of action: EU policy-makers must ensure the timely development of the skills needed for the transition to climate neutrality. The first step in this direction should be a state-led systemic gathering of precise data on shortages of skilled professionals in each profession and the use of this data to create adequate training programmes (SolarPower Europe, 2023). Existing policies regarding (green) job creation require more ambitious targets, especially in terms of their timeline and pace of progress. Furthermore, it is crucial to track the implementation and to measure the effectiveness of policies introduced in the last few years.

Enabler 2: Fostering regional just transition policies

Past progress: In 2023, Bulgaria’s Territorial Just Transition Plan was accepted by the EC, which means that all MS have now identified their ‘regions in transition’ and outlined the policies for targeted support of these areas. Payments for this support from the JTF started in 2022. Data regarding the amount of money accessed already by MS indicate that, as of March 2024, over 30% of the total allocation has already been distributed (EC, 2024a). This number is consistent with the linear trend to attaining 100% spending in 2030. It is worth noting that usually the pace of spending of EU funds is significantly slower in the first three years compared to the first three years of the JTF (e.g., in the case of the European Regional Development Fund from 2014 to 2020). This signals a positive development of the expected high absorption of EU just transition funds but also carries a risk of financial resources running out before 2030 if the amount available is not increased in the future. Of course, spending is just an initial step in supporting the most vulnerable regions – in the years to come, it will be crucial to monitor impacts of the projects realised using JTF financing.

Indicators:

- JTF progress implementation
- Share of accepted Territorial Just Transition Plans

Policy context: The main policy instrument that supports progress on just transition in the EU regions is the Just Transition Mechanism (JTM). The Mechanism is designed to address challenges experienced by the most vulnerable regions, industries, and workers. The financing options available within the JTM framework consist of three funds: The JTF (amounting to over EUR 19 billion, and expected to mobilise around EUR 25.4 billion in investments total), the InvestEU ‘Just Transition’ scheme (a budgetary guarantee scheme expected to mobilise EUR 1015 billion in mostly private sector investments) and a Public Sector Loan Facility (combination of grants from the EU budget with loans from the European Investment Bank expected to mobilise EUR 18.5 billion of public investment). The largest part of the JTM funding will be distributed through the JTF. The JTF will support economic diversification and reconversion of relevant regions through investment, e.g., in reskilling and upskilling of the workers, support of small and medium enterprises, creation of new firms, and research and innovation. The JTM funding is complemented by the Just Transition Platform, which constitutes a single access point and helpdesk for relevant authorities and beneficiaries of the JTF, where they can find comprehensive technical and advisory support. The Platform’s role is also to promote the exchange of best practices among stakeholders.

Areas of action: The most important area of action for EU regions is the effective implementation of the policies outlined in the Territorial Just Transition Plans. Special attention should be paid to reskilling and upskilling efforts (especially adequate identification of labour market gaps), the effectiveness of a fossil fuel phase-out (with special attention paid to a people-centric approach in this respect) and better integration of distributional considerations into the implementation of the Polluter Pays Principle.

Enabler 3: Supporting vulnerable groups with the right policy mix

Past progress: Progress with an overall policy mix to support vulnerable groups was mixed in the assessed period. The energy market volatility of 2022, which was a consequence of the Russian invasion of Ukraine, brought significant, but divergent, changes in both the share of energy subsidies distributed to households and the share of support dedicated to the improvement of energy efficiency. Even though the rate of funds distributed to households almost doubled between 2021 and 2022, this was almost entirely due to direct fossil fuel subsidies. While energy efficiency support also grew in the same period, its share dropped as a result of this overall increase. The first indicator is thus assessed as **on track** but is anticipated to decrease in pace as the emergency fossil fuel subsidies will be ending in full; the other was moving in the **wrong direction** and needs a course correction, also to increase the resilience for future energy price volatility.

Indicators:

- Share of support for energy efficiency purposes
- Share of support for households

Policy context: The strategic EU regulatory framework for this area is based primarily on the aforementioned instruments: JTM, JTF and – in the near future – SCF. National strategies are stipulated in the NECPs, which since 2022 have to include a report on the progress made by the MS towards phasing out energy subsidies, in particular for fossil fuels. Policies that support vulnerable groups are also outlined in the RRF. Recent policy measures undertaken by MS in order to support the most vulnerable groups were, to a large extent, temporary schemes put in place to protect EU consumers from the high prices after the 2022 fossil fuel energy crisis. Across the EU, at least 230 temporary national measures were created or extended to address the situation, and households were their main direct beneficiaries, receiving EUR 58 billion out of estimated EUR 181 billion spent for this purpose (EC, 2023ak). The amount of funds necessary to cushion the 2022 shock was contained by earlier progress in the energy transition. To further the resilience delivered by the transition, emergency measures that have been maintained in the medium term should now get redirected to actively support the transition (e.g., the build-out of renewables and energy efficiency).

Areas of action: For progress to be made in this area it is crucial to move on from temporary protection instruments to structural measures to manage distributional effects, designed to gradually make vulnerable groups independent of specific funding. If temporary measures continue to be extended further in the longer term, this could result in negative impacts such as lowering market incentives for energy efficiency and renewable energy investments (including clean heating solutions) and redirecting funds that would otherwise be spent on necessary structural investments. National authorities should therefore focus on a sound, knowledge-based preparation of Social Climate Plans, to make sure that the money available through the SCF is spent effectively.