



# EUROPE'S NEW CLIMATE LAW: LEAVING NO- ONE BEHIND?

SPECIAL REPORT | MARCH 2020  
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*When she took the European Commission's helm in December, Ursula von der Leyen pledged to deliver the EU's first Climate Law within the first 100 days after taking office. The proposal, due on 4 March, aims to enshrine into hard legislation the bloc's objective of becoming the world's first climate-neutral continent by 2050.*

*In this Special Report, EURACTIV looks at the implications of the new Climate Law for Europe's economy, including the promise of ensuring the transition to net-zero emissions leaves no-one behind.*



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# EU's just transition ambitions face acid test

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By Sam Morgan | EURACTIV.com



European Commission vice-president Frans Timmermans in Brussels, Belgium, 29 January 2020.  
[Photo: EPA-EFE/OLIVIER HOSLET]

The European Commission is due to release proposals Wednesday (4 March) to enshrine the EU's goal of reaching climate neutrality by 2050 into hard legislation. But concerns remains over the size of a fund aimed at making the transition smoother for countries heavily dependent on coal and other polluting industries.

The EU executive has tabled a €7.5bn-strong Just Transition Fund to sweeten its Green Deal ambitions for EU countries reliant on fossil fuels.

Under a plan launched in January, the Commission has put together €100bn for member states to share over the next decade, although the lion's share of that Just Transition Mechanism comes in the form of investments.

The pillar of the mechanism that has proved of most interest to national governments is the €7.5bn fund (JTF), which is comprised of what the Commission insists is fresh money. It has also decided how much each country should be awarded and which regions are eligible.

Areas heavily dependent on

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fossil fuel power generation, carbon-intensive industries like cement and steel, and transportation hubs are all on track to get a slice of the fund, pending approval of Just Transition Plans. Member states will compile those this year.

EU climate boss Frans Timmermans said at the launch of the plan that it is “a message to coal miners, peat farmers and oil shale workers” but acknowledged that the size of the money on offer is “just a start”.

The overall size of the fund has indeed come in for criticism. Luc Triangle, general secretary of trade union IndustriAll, said that “the €7.5bn, if we get it, because the negotiations are still ongoing, is peanuts”.

Talks on the EU's long-term budget, the multiannual financial framework, have stalled in the European Council. A summit in mid-February proved unsuccessful in paving way for an agreement.

That was largely because so-called net-payers like Austria, Denmark, the Netherlands and Sweden refused to shift from their demands to have a streamlined, smaller budget. Another summit this month is aimed at bridging the gap.

But the so-called ‘frugal four’ have positioned themselves at the sharp end of climate policy ambition at EU level and diplomats from those member states have confirmed to EURACTIV that a larger JTF would have been welcomed.

The Commission appeared to acknowledge its error at the February summit, when officials circulated a new budget calculation that pegged the fund at €7.8bn instead. Sectors like space policy and military mobility were stripped of cash during the reallocation.

EU leaders ultimately dismissed that calculation because of more pressing concerns but sources at the

Council expect fresh talks this month to take into account the Commission's willingness to funnel more cash into climate policy.

Polish MEP Jerzy Buzek (EPP), an early advocate of a just transition policy, has warned that “we need fresh, additional money... not to shift money from one part of the budget to another”.

It is likely though that given the positions of national governments, any further increases to the JTF will indeed come at the expense of other areas.

### NUTS N' BOLTS

The overall size of the JTF is an issue for Council and Commission heads to haggle over but more nuanced details like the cap on funding available and which countries are eligible are also on the table.

When Buzek proposed an ‘Energy Transition’ fund in late 2018, the idea was very much along the lines of beefing up an existing coal regions framework and targeting the funding towards Central and Eastern European countries.

The Polish lawmaker's original plan was to set aside €5bn, so the increase in funding is an improvement, but the rest of the criteria have provoked disappointment in the likes of Poland, the Czech Republic and Bulgaria.

During the drafting phase of the fund, the Commission decided to extend the eligibility criteria from just 10 lower-income member states, which are covered by the Emissions Trading Scheme's Modernisation Fund, to all 27 countries.

That was after governments in France, Germany, Italy and Spain all made it perfectly clear that they would not back a budget that allocated a fresh tranche of resources to a specific group of countries.

Final conclusions at an October EU summit even ditched all mention of the JTF after climate negotiations

started to focus too much on energy-related needs.

But the subsequent EU-wide roll-out has prompted fears that the funding will not stretch far enough for those that need it most. Poland and the Czech Republic are set for a €2bn and €581m windfall but Germany and France are also €877m and €402m each.

Regional policy Commissioner Elisa Ferreira attempted to assuage worries during a trip to Warsaw, saying the plan “is more than a financial proposal”.

“It is a political recognition of the social and economic impacts of the transition. And it is Europe's commitment to support the people and regions most affected by the transition.”

The Portuguese official added that “we will ensure that Poland benefits to the full, and that no region in Poland is left behind. We will rebuild, reskill and diversify the regions most dependent on fossil fuels.”

A new concern for Warsaw emerged at the last summit though when Council President Charles Michel hitched full JTF funding to a long-term plan that targets climate neutrality by 2050.

Countries that have not subscribed to the strategy will only be able to access 50% of their allocation. Poland is the only nation not on board and Prime Minister Mateusz Morawiecki was quick to denounce “political conditionality” as a poor negotiating tactic.

Morawiecki was happier with the way the Commission decided which countries should get what funding though, saying in January that the allocation under the wider mechanism “is good for Poland”.

### OTHER NAMES IN THE GAME

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Jerzy Buzek will be in action again later this year, as he was chosen by the European Parliament's industry and energy committee (ITRE) to helm its opinion on the proposal.

Greek MEP Manolis Kefalogiannis of the regional committee (REGI) will be the main rapporteur for the file though and the Cretan will give Athens a strong voice in the climate debate, which has been lacking so far.

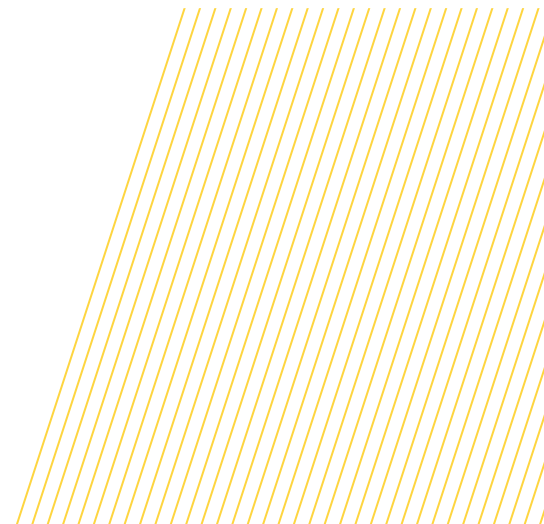
According to VoteWatch.eu, Kefalogiannis' voting record suggests that his stance on nuclear power could muddy the waters of the negotiations. His views align with the Commission's on precluding it from funding but that is not a universal opinion among centre-right forces.

Bulgaria, for example, outlined its financial demands for the Green Deal last week and reportedly included the costs of constructing the Belene nuclear plant, estimated at around €10bn. Poland and Hungary are also firm advocates of atomic energy.

Although not an official part of the political wrangling, the European Investment Bank is also a major player to watch, as it will be responsible for managing around €30bn of the investments promised under the wider Mechanism.

As part of its Energy Transition Package agreed last year, the EIB has decided to up the top level of funding from 50% of costs to 75%. Stakeholders like Poland's electricity association wants that generous increase reflected in the just transition package as well.

Further tweaks to the finer points of the proposal will likely have to wait until EU Council heads broker an MFF agreement or at least a partial deal to ringfence a certain amount for the JTF so talks can progress.



INTERVIEW

# Electricity boss: 'EU climate law should be kept short and simple'

By *Frédéric Simon* | EURACTIV.com



"Electricity grids deserve more attention in our view. With the decentralisation currently happening in power generation, we will absolutely rely on strong distribution grids," says Kristian Ruby. [EU2017EE Estonian Presidency / Flickr]

**A**s the European Commission prepares its proposal for a landmark EU Climate Law, Eurelectric boss Kristian Ruby urges policymakers to keep it simple and focus on the long-term.

Kristian Ruby is the secretary-general of Eurelectric, the EU power sector association. He spoke to

EURACTIV's energy and environment editor, Frédéric Simon.

**INTERVIEW HIGHLIGHTS:**

- Policymakers should focus the upcoming EU Climate Law on the 2050 climate neutrality objective and avoid divisive discussions on 2030 target;

- Going climate neutral means the power sector needs to invest €100 billion per year in generation and storage alone;
- But yearly investments are currently in the range of €60 billion per year;
- Investment into electricity

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grids deserves more attention, especially at distribution level;

- 5 million electric cars are soon expected to hit the road every year, requiring an unprecedented upscaling of infrastructure;
- Financing the transition in heavy emitting countries like Poland implies looking at state aid rules at the EU level.



**The European Commission is about to unveil its proposed Climate Law on 4 March, setting in stone the EU objective of reaching climate neutrality by 2050. What, in your view, should this law contain, what should be its main elements?**

In my view, the Climate Law should be kept fairly short. It should stay simple and focus on what we don't have today, which is a long-term climate target for 2050. That's the critical element.

And, in order to keep the legislative process as smooth as possible, I think the Climate Law should also refrain from adding too many other elements. As you know, the climate challenge is all-encompassing – it affects every part of society and every sector of the economy. So if you try to cover everything in one law you risk ending up with a very complicated legal instrument and you risk creating overlaps with other pieces of legislation.

There's really a risk of over-complicating this. As you know, it's not like we don't have other instruments, there are many different pieces of legislation to address climate-related issues.

So, I would say: keep it simple, focus on the long term and try to create a proposal that will sail smoothly through the legislative process.

**Should the Climate Law contain a greenhouse gas reduction target for 2030, in addition to the 2050 climate neutrality target?**

In my view, that would complicate things, because immediately there will be a discussion on what that target should be.

We already have a legally-binding 2030 target to reduce greenhouse gas emissions by 40% compared to 1990 levels. And the separate process for reviewing the 2030 targets has already been announced.

In addition, the discussion about the level of ambition for 2030 is one for which we haven't had any impact assessment yet. That means we don't have any analytical basis to propose anything for 2030 – whether a 50% reduction in emissions or a 55% reduction, which is what the European Commission proposed in its Green Deal.

So the impact assessment will be a prerequisite. And therefore, I think adding a 2030 target to the Climate Law would be exactly the kind of additional element that would complicate the debate and make it more difficult to pass legislation.

**Reaching climate neutrality by 2050 will require more than doubling the share of electricity in the energy mix – from around 22% today to 53% at least by 2050, according to the Commission. This will require massive investments. Have you made an evaluation of the price tag associated with that?**

For power generation and storage alone, we're talking about investments of €100 billion. And that's on an annual basis. On top of that, you need to consider the reinforcement of electricity grids and other related investments, such as charging infrastructure for electric cars, and investments needed to electrify other industries, etc.

For the economy as a whole, the

Commission's Long Term Strategy said the amount of investments needed to reach climate neutrality would be in excess of €270 billion per annum.

**Where will that money come from? Do you believe that private investments will be sufficient to cover the entire amount?**

Clearly, we are not there today and we will need a significant ramp-up in order to reach those levels of investments. Last year, the power generation sector in Europe saw investments in the range of €60 billion. So that leaves a €40 billion gap at least.

Much of this gap can be filled by creating a well-functioning framework for investments, combining private and public funding. This is absolutely crucial because today, some countries and companies are not in a position to raise those amounts on the money market at the speed required.

This is why we're calling on policymakers to use the Just Transition Mechanism to get some of this done. And make sure that the EU's sustainable investment plan identifies critical projects – be it power infrastructure, generation, or other critical projects – to ensure the success of the European Green Deal.

In my view, the so-called Juncker fund – the European Fund for Strategic Investments (EFSI) – provides a credible precedent for what needs to be done. Thanks to EFSI, the Commission was able to basically get contracts signed worth more than €400 billion in five years.

Today, with the European Green Deal, we're roughly in the same ballpark: the EU's so-called sustainable investment plan wants to mobilise €1 trillion within a decade. So we're talking about the same sort of investment rate.

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**You alluded to a divide with some countries finding it more difficult than others to make those investments. Do you see an east-west divide here, with former communist states struggling to access finance?**

There is certainly something to that, but I think it's a little bit more complex. In Germany for example, investments needs are also very high because they're transitioning away from coal.

Coal still constitutes a significant part of the power mix in Germany and therefore the investments are high there.

**So you think it's fair that Germany should get a slice of the Just Transition Fund, even though the country is running budget surpluses every year and has a GDP above the EU's average?**

Yes, I do think so. The just transition is more than about countries, it also has to do with regions and citizens. If we create a green transition that makes wealthy people more wealthy and poor people even poorer, then it is not going to be a societal success. So, the concept of the just transition needs to go beyond a mere split between member states.

**Overall, the Commission estimates that an extra €260 billion in investments is needed every year to finance the switch to clean energy. But in the EU's long-term budget, it only proposed adding €7.5bn of fresh money, for the Just Transition Fund. Are you concerned about a lack of public financing for the energy transition?**

I am in the sense that the €7.5 billion is subject to an agreement among EU member states in the European Council. For me, the €7.5bn figure is really the bare minimum, because we know it will only cover a

small part of the investment needed. And in any case, this figure will only make sense if combined with other institutional funds used to gear other investments and leverage other sources of financing.

But my prime concern here is that that the Council will be too frugal and will forget about their ambitions for the green transition when they discuss the actual budget allocation.

**The EU budget is proportionately rather small. So public money will also need to come from the member states themselves...**

This is all subject to a certain level of speculation. There's a lot of ways you can get from €7.5 to €100. The good news is that the EU budget allows combining funds from different sources, not just the Just Transition Fund.

Take regional funds. If you combine one euro from the JTF with a couple of euros from other regional instruments and then add money coming from institutional investors and the member states, then all of a sudden you have several sources of funding. And you can easily channel them towards an objective that is compatible with the objectives of the European Green Deal.

For example, you could use that money to renovate buildings in a region where it is badly needed and make important energy efficiency gains.

**Where can EU money be the most useful for the transformation of the electricity sector? There is a modernisation fund under the ETS, for example. So what's the most efficient way of using those?**

Electricity grids deserve more attention in our view. With the decentralisation currently happening in power generation, we will absolutely rely on strong distribution grids. And we also know some countries will

struggle to mobilise those funds. So grids are absolutely something to prioritise.

Right now, money is being funnelled into gas infrastructure and transmission. So why not reprioritise and spend some of this money on distribution grids. I think that would make a lot of sense.

Then there is charging infrastructure for electric vehicles. Some 30% of all new cars will be either hybrid or fully electric in the coming years. That means 5 million cars per year. This requires an upscaling of electricity infrastructure that goes well beyond what can be expected of the market in such a short timeframe.

You need to consider that the market will look for a return on investment. So the marketplace will deploy infrastructure where it is profitable immediately. And that means you might have some holes in the map where the deployment of charging infrastructure will be lagging behind.

And this is another area where it's obvious that the EU could prioritise spending. There is clearly a cross-border mobility challenge, where the EU could provide value-added, which was also acknowledged in the Green Deal.

**For the Polish electricity sector, the financing needs were evaluated at €60 billion until 2030, just for the power sector. Do you see a risk that Poland will be "left behind" in the transition to clean electricity?**

I do see a risk, yes. The good news is that Poland is changing. They are planning for offshore wind investments, and have recently issued a very big onshore wind tender. We're also seeing some deployment of solar. And there are also plans to establish other types of low-carbon power generation, like nuclear. So there are

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positive developments that have to be acknowledged.

That said, Poland also faces a special challenge because they start from such a high carbon asset base. And the risk for Poland is that the majority of their money will be ploughed into compliance, to buy allowances on the EU carbon market.

With a rising CO<sub>2</sub> price and a very carbon-intensive electricity mix, the risk is that they will end up paying a lot of money for every kilowatt hour they generate. And for individual companies, that means that it becomes more difficult to invest because they will need to spend more on carbon allowances.

***A reform of the Emissions Trading Scheme is in the pipeline. Do you believe special arrangements need to be made in the ETS for such circumstances?***

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We should not introduce a lot of exemptions for individual member states. But the target we set should be ambitious and achievable at the same time.

What Poland and the EU as a whole need to figure out is how to use the revenues from the auction of carbon allowances in the wider economy.

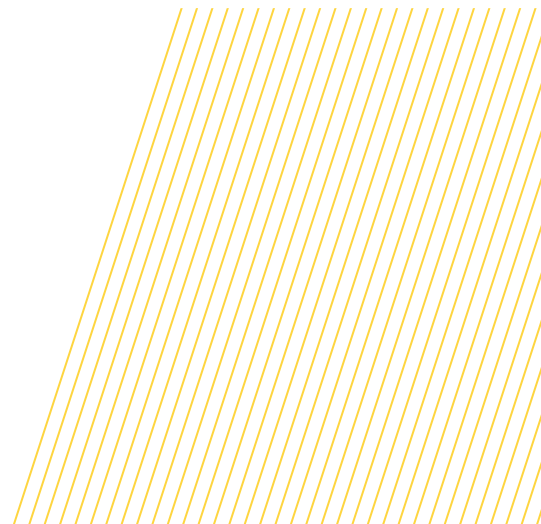
Financing the transition in Poland also implies looking at state aid rules at the EU level. But I think it's a bit premature to say we need to do exactly this or that in the ETS reform.

***There is a modernisation fund in the ETS. Is it big enough to fund the modernisation of Poland's fleet of coal power plants?***

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This is yet another source, but it's not at all going to cover the actual investment needs in Poland.

In general, the success of the Green Deal will depend on the ability of policymakers to put in place financing mechanisms allowing for a rapid upscaling of investments. And we haven't really seen that yet.

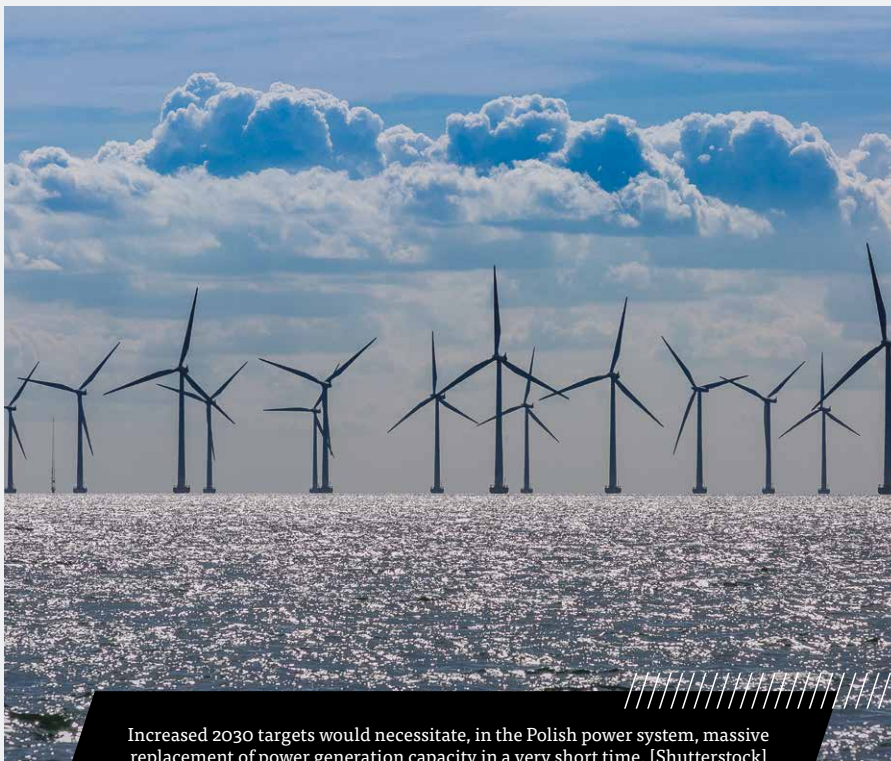


## PROMOTED CONTENT / OPINION

*DISCLAIMER: All opinions in this column reflect the views of the author(s), not of EURACTIV.COM Ltd.*

# The EU 2030 climate target is tomorrow

By PGE Polska Grupa Energetyczna



Increased 2030 targets would necessitate, in the Polish power system, massive replacement of power generation capacity in a very short time. [Shutterstock]

**T**he net-zero emissions economy by 2050 requires significant investment effort, estimated at EUR 179 – 206 billions for the power sector in Poland. The potential social and overall economic impact of climate neutrality largely exceed that cost. The most vulnerable regions and sectors should not be left alone in facing this enormous challenge.

*“PGE is ready to actively contribute to EU climate ambitions by investing heavily in low-carbon power generation technologies, as evidenced by our investment plans. However, we will need adequate support in the process.*

*A principle of proportional increase of EU ETS funding for low GDP per capita Member States should be enshrined in the European Climate Law, along with provisions regarding the increased ambition” – said Wojciech Dąbrowski, CEO of PGE Polska Grupa Energetyczna S.A.*

The proposed European Climate Law falls short of providing any substantial details regarding the EU's plans to share the investment burden across the continent in line with the principle of solidarity. The biggest concern stems from the proposals to radically increase the 2030 target

which for the power sector means a day-to-day change.

“The available analysis shows that particularly the increased 2030 targets would necessitate a rapid transition away from coal and massive replacement of power generation capacity in the Polish power system in a very short time-period, due to the drastic increases in CO2 prices. This is simply not doable for us from a technical, economic and social point of view. Taking into account the duration of investment process in our sector, 2030 is tomorrow” – stated Wojciech Dąbrowski.

The European Commission released yesterday its proposal for a Regulation establishing the framework for achieving climate neutrality (“European Climate Law proposal”). Although the key elements of the European Climate Law proposal were announced in the European Green Deal communication, there are some key shortcomings of the proposed draft regulation with regard to the issue of burden-sharing between Member States.

## 1. NEED FOR COUNTRY-SPECIFIC IMPACT ASSESSMENT REGARDING THE BINDING OBJECTIVE OF CLIMATE NEUTRALITY

The cornerstone of the European Climate Law is to establish a binding

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objective of climate neutrality in the Union by 2050, which should be achieved in a gradual and irreversible way. However, the European Climate Law proposal goes one step further by paving the way for a 50-55% emissions reduction targets by 2030 and defining policy tools to set up other intermediate trajectories / targets in the 2030-2050 period.

In the opinion of PGE, the decision on increasing emission reduction targets under the energy and climate policy can be made only after conducting a thorough impact assessment. Such an assessment should be carried out not only at the level of the entire EU, but also for the individual Member States, and should indicate the total costs of achieving the new objectives and their impact on GDP growth at country level.

## **2. NEED TO ADJUST FINANCING MECHANISMS FOR LOW INCOME MEMBER STATES IN THE FORTHCOMING EU ETS DIRECTIVE REVISION**

By September 2020 the European Commission intends to review the EU's GHG emissions reduction target and existing legislation in the light of the climate-neutrality objective, as well as explore options for an increased 2030 target. Legislative proposals dedicated to establish a new 2030 target will be published by 30 June 2021. The Commission will assess different options to implement the new target through revised EU legislation, including EU ETS.

However, there are no details whether the Commission has any plans to assess different options for increasing financing mechanisms for low-income Member States, along with increasing the ambition.

Any measures that reduce the number of EU ETS allowances in

circulation by increasing targets will inevitably mean an increase in the carbon price, leading to higher compliance costs (OPEX) for the electricity sector before 2030. At the same time, Member States with high carbon intensity and low GDP/capita levels would also face significantly higher investment needs (CAPEX) to comply with the new commitments proposed by the European Climate Law regulation.

Therefore, the compensatory measures foreseen under the ETS directive – the Modernisation Fund and solidarity mechanism (the amount of allowances for auctions for less wealthy Member States) – should be increased proportionally to account for the cost resulting from new increased targets.

The Climate Law establishing the framework for achieving climate neutrality should directly stipulate that the compensatory measures should be amended proportionally with additional costs that the new 2030 reduction targets generate. Otherwise, the financial resources of energy utilities will be dedicated to cover the additional operational costs stemming from higher CO<sub>2</sub> prices, instead of being dedicated to financing new investments that enable their transition.

## **3. NEED TO PRESERVE NATIONAL CONTROL OVER ESTABLISHING INTERMEDIATE CLIMATE TARGETS**

The European Climate Law proposal foresees a policy tool to establish intermediate targets, which is unfortunately based on the delegated acts. This leaves an inappropriate institutional oversight of the Commission's decisions in a crucial file for the future of the EU with regards to its global competitiveness, jobs and growth. The list of reasons to be considered to establish intermediate

targets appears to be arbitrary and does not reflect, inter alia, the respective challenges regarding electrification and decarbonisation of the European economy.

According to the Article 290 TFEU, delegated acts are designed to supplement or amend certain non-essential elements of the legislative act. Intermediate targets are by no means non-essential elements of the climate and energy policy. Thus, any EU climate targets should be settled with an active participation of the Member States and with respect to the European Parliament competences.

Historically speaking all EU climate targets have been agreed at state and government level. The European Climate Law sets a precedent by abandoning this principle. At the same time it falls short of providing meaningful financial compensation for Member States with different starting points like Poland. This is a very unfortunate development at time when more unity and more solidarity are needed in the EU in all political aspects, and even more so in the effort to fight climate change.

# Green transition will require 'Herculean effort', EU admits

By *Frédéric Simon* | EURACTIV.com



“Our commitment is that no-one will be left behind,” Timmermans insisted when asked about worries over the costs of the transition in countries like Poland, which relies on coal for almost 80% of its electricity. [Source: EC - Audiovisual Service]

The European Union will need to “re-orient most, if not all” of its policies in order to protect vulnerable regions and workers in industries affected by the transition to a green economy, the EU Commission’s vice-president Frans Timmermans has said.

The European Commission tabled its much-awaited Climate Law on

Wednesday (4 March), promising “predictability and transparency to industry and investors” as Europe embarks on a journey to cut global warming emissions to net-zero by 2050.

While some investor groups hailed the Commission’s move, Eastern EU countries and trade unions have expressed concerns about the costs of the transition, and the lack of finance

to support the move to a net-zero economy.

Responding to those concerns, Frans Timmermans, the Commission’s executive vice-president in charge of the European Green Deal, again emphasised the EU’s commitment to a fair and just transition.

“Our commitment is that no-one

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will be left behind,” Timmermans insisted when asked about worries over the costs of the transition in countries like Poland, which relies on coal for almost 80% of its electricity.

The Commission is also committed to using its proposed €7.5 billion Just Transition Fund to support vulnerable regions, Timmermans added, referring to a wider Just Transition Mechanism aimed at leveraging €100 billion every year for the green transition, using private finance.

“But we will have to re-orient most if not all the instruments we use in Europe” towards the net-zero emission objective, Timmermans added, calling the shift “tectonic”.

### SUSTAINABLE EUROPE INVESTMENT PLAN

Overall, the Commission estimates that an extra €260 billion in investments is needed per year to finance the switch to clean energy and reduced emissions.

In January, the EU executive published a Sustainable Europe Investment Plan, aimed at mobilising investment of €1 trillion over 10 years, using public and private money to help finance its flagship project – the European Green Deal.

But critics say there is hardly any fresh money on the table and that the sums are too small in relation to the scale of the challenge.

At a summit last month, EU leaders failed to agree on the bloc’s long-term budget, as Austria, Denmark, the Netherlands and Sweden – the so-called ‘frugal four’ – insisted on capping national contributions to 1% of their country’s gross national income.

Timmermans did not deny that the effort will be huge. “Let there be no misunderstanding: it will be a Herculean effort to get there. Yes, we’re under budget constraint. But

we’ve made that commitment and we want to show the rest of the world that we can do this.”

The former Dutch foreign minister also pointed to the costs of non-action, saying poor people will suffer most from the rise in temperatures.

“So yes, we will make sure that our policies will be fair and leave no-one behind. But let’s also be clear about the cost of non-action,” Timmermans stressed.

### POLAND IN THE SPOTLIGHT

In Poland, the transition to net-zero by 2050 will require an investment in the range of €179-206 billion for the power sector alone, according to PKEE, the Polish electricity sector association.

And new climate targets for 2030 – to be discussed later this year – will require a rapid transition away from coal and a massive replacement of Poland’s power generation capacity in a very short time period, it says.

“This is simply not doable for us from a technical, economic and social point of view,” said Wojciech Dąbrowski, CEO of PGE, Poland’s largest electricity utility.

According to the Polish electricity sector, additional measures should be considered when the EU reviews its carbon market, in order to cushion the anticipated increase in CO2 prices resulting from the 2050 net-zero target.

“The Climate Law establishing the framework for achieving climate neutrality should directly stipulate that the compensatory measures should be amended proportionally with additional costs that the new 2030 reduction targets generate,” PGE said in a statement.

### 11 MILLION JOBS ON THE LINE

While the energy sector is particularly exposed to the clean energy transition, other carbon-industries are also expected to take a hit.

“We are talking about almost 11 million jobs directly affected in extractive industries, energy-intensive industries and in the automotive industry,” said Luc Triangle, secretary-general of IndustriAll, a European trade union.

According to IndustriAll, European industries will need to invest €250 billion on an annual basis for the next ten years in order to stay on track with the 2050 climate neutrality objective.

“Where is the money for those investments?” Triangle asked, pointing to the “inconsistency” between Europe’s high level of ambition on climate and the lack of additional finance EU member states are willing to put on the table.

### STATE AID TO THE RESCUE

In Brussels, the European Commission pointed to an upcoming revision of the bloc’s state aid rules, suggesting those will give national governments more leeway to support industries in the transition to net-zero.

“State aid rules are a vital part of the green transition,” said Margrethe Vestager, the EU’s antitrust chief. “And it’s important that we keep them up to date, so they can support the investments we need,” she added in a recent speech.

The EU executive is also considering revising state aid guidelines to help energy-intensive industries cope with higher electricity costs resulting from the EU’s emissions trading system.

The EU’s updated state aid rules should be in place by the end of 2021, Vestager said.

# Eleven million jobs at risk from EU Green Deal, trade unions warn

By *Frédéric Simon* | EURACTIV.com



11 million jobs in extractive industries, energy intensive industries and in the automotive industry are potentially directly affected by the EU's new climate targets, said Luc Triangle, secretary general of IndustriAll, a federation of trade unions. [Shutterstock]

The European Green Deal risks deepening economic and social divisions between east and western EU countries, trade unions say, warning the 27-member bloc risks imploding before it reaches its 2050 climate neutrality goal.

Trade unions have stepped up warnings that the Green Deal put forward by the European Commission in December last year will put millions of jobs at risk, without any assurances that workers in affected industries will have a future.

“We are talking about almost 11 million jobs directly affected in extractive industries, energy intensive

industries and in the automotive industry,” said Luc Triangle, secretary general of IndustriAll, a federation of trade unions.

“Those jobs won’t necessarily disappear,” Triangle told EURACTIV in an interview. “But there needs to be a future perspective for jobs in these industries,” which is currently not clear, he said.

Last week, the European Commission tabled a groundbreaking EU Climate Law, aimed at putting into hard legislation the EU’s goal of becoming the first climate-neutral continent in the world by 2050.

The EU executive is now expected to follow-up with an industrial strategy

on Tuesday (10 March), outlining new growth areas for Europe as it moves towards a greener and more connected future.

But while the draft strategy places great focus on digitalisation, it contains little for traditional manufacturing sectors like steelmaking, automotive and chemicals, which are expected to be hit hardest by the transition to net-zero emissions.

“It’s easy to say we need to reach ambitious climate targets by 2050 and 2030,” Triangle said. “But the industrial strategy should give the answer on the ‘how’ we will get there. And at the moment, we don’t have those answers yet”.

## A NEW MIGRATION WAVE FROM EASTERN EUROPE

Trade unions are particularly worried about the social and economic divisions that the green agenda risks creating between poorer eastern EU countries and their richer western neighbours.

According to Triangle, the green transformation “will be much easier in Nordic or western European countries” than in poorer EU member states like Poland, Bulgaria and Romania, where employment in some regions can be entirely dependent on a single, heavily-polluting industry.

“This could have a major impact on internal migration inside the European Union,” Triangle pointed

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out, saying “close to 22 million people” have already left Eastern Europe to find work in richer western and Nordic countries over the last 20 years.

“Well, this will only increase if we don’t manage this transition right,” he warned.

Politicians in Eastern EU member states have stepped up warnings that the green transition risks deepening divisions inside the EU. Traian Băsescu, a former Romanian President, said the European Green Deal “will definitely create tensions” between east and western EU countries, which have other economic priorities than the green transition.

Such economic and social discrepancies “are likely to generate huge tensions inside the EU, which could lead to some countries considering the possibility of leaving the Union altogether,” he told EURACTIV in a recent interview.

### **EU RISKS DISINTEGRATING BEFORE REACHING CLIMATE GOALS**

Triangle echoed those warnings, saying the Green Deal risked putting the entire EU project in jeopardy if it ignores the social aspect of the transition.

“The divisions within Europe are already such that if the European Green Deal neglects the social dimension, there is a serious risk to see the EU disintegrate before it is decarbonised,” he warned.

According to trade unions, there is a genuine risk that the Green Deal ends up putting entire industrial sectors on their knees, and discredit EU climate policies in the eyes of the general public.

“Climate policies will only fly if you can sell them to the public opinion, if you can do that without social disruption in the industries and

in the regions concerned,” Triangle said. “The social dimension is hugely important in order to make this whole climate policy sellable,” he said.

The European Commission is highly aware of the social aspects of the Green Deal, and insisted repeatedly that the transition to a climate-neutral economy should leave no-one behind.

But it is also convinced that a green industrial revolution is underway and that future growth lies in low-carbon industries. Last year, the executive calculated that the EU’s GDP will increase by 2% by 2050 if the bloc slashes its emissions to a net-zero level.

“The European Green Deal is our new growth strategy,” said Commission President Ursula von der Leyen after winning a confirmation vote in the European Parliament last November. “Our commitment is that no-one will be left behind,” said Commission vice-president Frans Timmermans when asked about worries over the costs of the transition in Eastern EU countries.

### **WHERE IS THE MONEY?**

However, those promises are insufficient for trade unions who say the EU also needs to put money where its mouth is.

“It’s clear that our industries want to make the step to net-zero emissions. But there is a need for financial support. Without financial support and real investments, we will not be able to make that leap forward,” Triangle said.

According to estimates, European industries need to invest €250 billion on an annual basis for the next ten years if in order to stay on track with the 2050 climate neutrality objective.

“Where is the money for those investments?” Triangle asked. True, the European Investment Bank will be turned into a climate bank, with 50% of lending dedicated to climate objectives as of 2025. And there is a reshuffling of the EU budget, with 25%

dedicated to the climate, trade unions admit.

But there is hardly any new funding to support the green transition, Triangle said, pointing to the “discrepancy between the high level of ambition on climate targets” and discussions over the EU’s next long-term budget, which some countries want to cap at 1% of their Gross National Income.

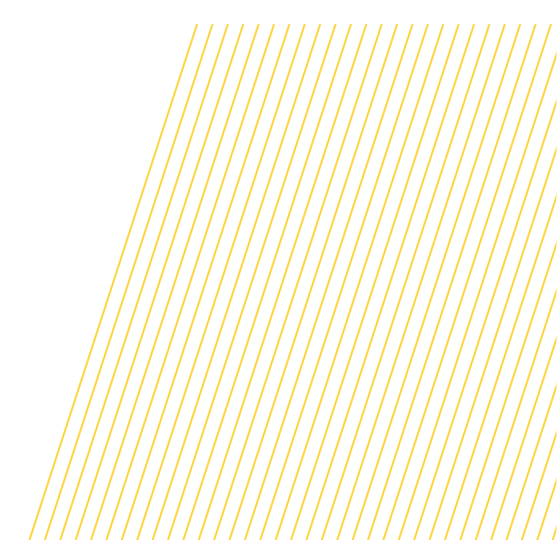
According to Triangle, the investment funding issue is particularly acute for energy-intensive industries, like steel and chemicals, which are hardest to decarbonise.

“That’s the problem for us with the 2030 targets: If we want to increase the objective to a 55% reduction in greenhouse gas emissions, I can assure you that energy-intensive industries will not be able to deliver. The technologies will be ready for commercialisation only after 2030, for example on low-carbon steel, which is only at pilot stage,” Triangle said.

This is where the industrial strategy could help, trade unions believes.

“For us it is important to keep an integrated industrial value chain in Europe. In the future, we will continue to need steel and chemicals produced in Europe,” Triangle said.

“We are expecting a lot from this industrial strategy”.



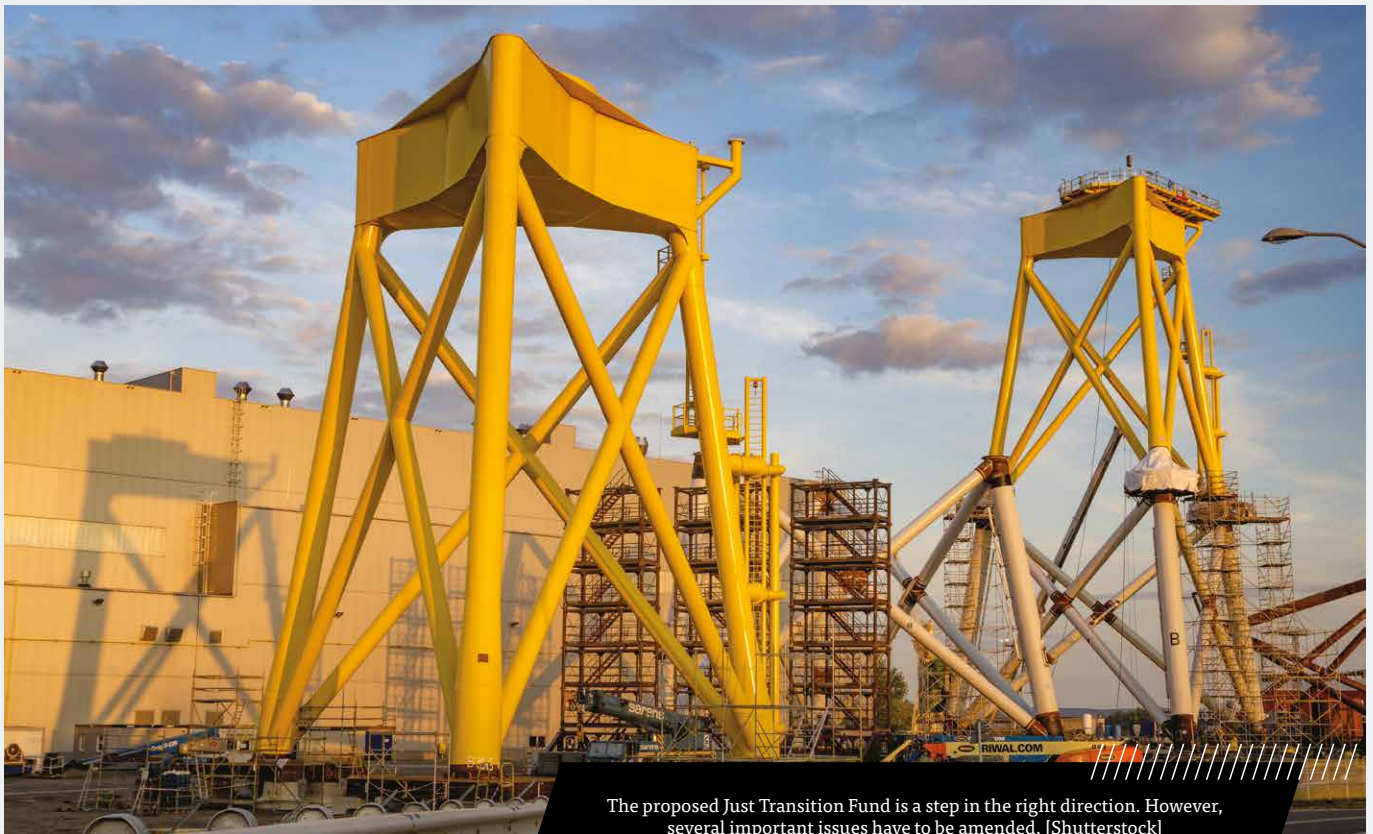


PROMOTED CONTENT / OPINION

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# Funding the Just Transition Fund: additional money is needed

By PGE Polska Grupa Energetyczna



The proposed Just Transition Fund is a step in the right direction. However, several important issues have to be amended. [Shutterstock]

**N**egotiations on the post-2020 EU budget are currently very high on EU's political agenda especially in the context of financing increased climate targets. The European Commission estimates that achieving these targets by 2030 will require yearly investments of EUR 180 billion throughout the European Union. In Poland alone the

costs of achieving net-zero emissions economy by 2050 require the power sector to invest between EUR 179-206 billion.

To achieve the climate change target in a fairer way, the European Commission proposed a Just Transition Mechanism and a Just Transition Fund (JTF). The Fund, equipped with EUR 7,5

billion, should support the territories most affected by the transition towards a climate neutral economy. It is a step in the right direction, but still there are several points which should be taken into account and improved to make the Fund fit for purpose, and to really make a difference.

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First, any EU fund used for the JTF should be additional “fresh money” and should not come from the reallocation of EU funds from other resources under the next EU budget – like the European Regional Development Fund, the Cohesion Fund or the European Social Fund Plus. This would result in a decrease of these funds for Member States and other social groups, which may need them. Additionally, the Fund should be increased to EUR 20 billion. The proposed amount of EUR 7,5 billion is largely insufficient to bridge the investment gap in Member States heavily reliant on coal and with a GDP per capita below EU's average. An increased financing for JTF should also go hand in hand with a higher cap per Member State, which today is limited to EUR 2 billion.

Second, the artificially introduced cap means that Poland receives only 27% of the fund's total. Instead, its share should be far bigger given that half of all EU coal related jobs are located there. The methodology for calculating the allocation from the JTF to Member States should put more emphasis on coal- and lignite-related jobs. The weight for this criterion should be increased so as to allow for the identification of regions with the biggest financial needs resulting from phasing out of coal-based activities. These are the regions which face the most demanding task of transformation. At least 80% of the JTF's resources should be dedicated for these regions, which means that the list of regions eligible for funding from the JTF should be narrowed down.

Third, the JTF should especially support investments in Renewable Energy Sources, which play an important role in the energy transition. However these technologies are still capital-intensive and require significant capital investments, which, especially in case of Member States with a GDP per capita below EU's average, is a significant challenge. Therefore, the possibility of supporting RES investments in power generation companies in largest need of transformation should be reflected accordingly in the JTF regulation.

Fourth, the aid intensity rules for the JTF should be aligned with those adopted by the European Investment Bank in its Energy Transition Package (ETP) so as to make the JTF more effective and consistent with the EU acquis. Therefore, the aid intensity level from the JTF should be equal to a maximum financing level of 75% used under the ETP.

Fifth, preparation and coordination of territorial just transition plans, as envisaged by the JTF regulation, should be done at a central level, as this seems to be a more rational solution than preparing these plans at a regional level. Without a coordination at central level it might be very difficult to ensure that the prepared just transition territorial plans will be in line with the commitments made under the National Climate and Energy Plans. Thus, the JTF regulation should foresee a more centralised approach for the preparation of the territorial just transition plans, and require the preparation of such plans at the central level.

PGE is ready to actively contribute to EU climate ambitions by investing

heavily in low-carbon power generation technologies as evidenced by our investment plans. However, we will need adequate support in the process.

The proposed Just Transition Fund is a step in the right direction. However, for it to become an effective and significant tool in helping to ease the additional investment burden of the energy transition towards a climate neutral economy, several important issues have to be amended. This is to ensure a more fair distribution of costs between Member States, which can enable most affected power companies to modernise the generation fleet without having a negative impact on electricity bills.





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