

Is the proposed Transition Fund really just?



Betting on private investment and market-based mechanisms won't help deliver a just transition for workers.

The European Commission has announced today that the just transition fund will include €7.5 billion of “fresh money”. The fund will help finance the transition of affected regions and workers into the new green economy. This new just transition mechanism will also rely heavily on private investment, and only a modest part of the money will come from public loans and Member States’ budgets.

EPSU welcomes the fact that the Commission has taken into account the social dimension of decarbonisation policies, especially by putting fresh money on the table to finance the just transition. Yet General Secretary Jan Willem Goudriaan warns that this won't be enough, and we already know that private investments and actors are not delivering. The goal, “No one should be left behind!”, will not be accomplished if we rely on private investments for a large proportion of the needed funds. This model has failed in the past, and it will fail again. The transition into a net-zero carbon economy, and the ensured wellbeing of affected communities, must

not depend on the willingness of private actors to finance it. Publicly and municipally owned energy companies are already leading the way in terms of alternative models, and provide a good example of how public investment can enlarge the green energy transition.

Addressing the need for more funding to ensure a just transition for workers, one of the groups most affected by the Green Deal, EPSU calls upon the European institutions to include the following elements into the Just Transition Mechanism:

1. ***An increase in public funding in the Just Transition Mechanism (direct contributions from Member States budgets and Central Banks' public loans);***
2. ***Promotion of public ownership of utilities to ensure a just transition for workers;***
3. ***Fair and effective taxation as a new funding method: strengthened measures in the fight against tax avoidance and progressive taxation;***
4. ***Allocation of public funds for the fight against energy poverty (in order to ban disconnections and to renovate low-income dwellings); and***
5. ***Involvement of Trade Unions in national and regional transition plans and the just transition mechanism.***

1. Increasing public funding in the Just Transition Mechanism

Private Investment should not be relied upon to address issues of social justice , as it has continuously proven to be inefficient in the past. Profit-based thinking will not provide the necessary funds needed to progress towards a just transition. More public investment and loans are needed. This will allow (local) authorities to support workers throughout the transition. Public investment would also incentivise quicker deployment of renewable energy sources, and subsequently create job opportunities, and strengthen communities and local public services. Member States and the European Investment bank should stop financing companies that are harmful to the realisation of the green deal goals. ETS auctioning revenues can also contribute to mobilising additional funding for public authorities. Public investments and loans are a good way forward and should be increased in the proposed Just Transition Mechanism.

2. Ensuring a just transition for workers by strengthening the role of

public services and publically owned utilities

Public authorities are best equipped to deal with the management of the just transition, and should be better supported and funded. Public ownership of the utility sector will allow for a fair and just transition, as it does not prioritise profitability over values or wellbeing. Public authorities are also more efficient in mobilising sufficient and cheaper funding. Well financed social security systems and strong public services will be key for a smooth transition into the new carbon-neutral economy. Social security systems with sufficient funding are vital as many workers, such as those who could lose their jobs, and their families will be in need of assistance during the transition. Strong public services will also play a crucial role, for example services which provide assistance in finding new green jobs and up-or reskilling opportunities.

3. Ensuring fair and effective taxation as a new funding method

Fair and effective taxation is one way of increasing much needed funds for the just transition mechanism. Fair taxation will help raise additional funds that can be invested directly into the just transition and the deployment of renewable energies. Tax fraud and tax avoidance cost public authorities a huge amount (€50-70 billion is lost a year through tax avoidance) that could be used in up-or reskilling workers, or creating new green jobs. New taxation instruments should not jeopardise the financial situation of those already in a precarious situation.

4. Providing public funds for the fight against energy poverty

Sufficient funds should be allocated to fight energy poverty and grant an access to affordable and clean energy, overseen by an adequate regulatory framework. The just transition mechanism should dedicate investments into subsidising households which suffer from energy poverty, and disconnections should be banned. Investing in the renovation of low-income households to boost energy saving and efficiency would cut emissions whilst creating new jobs for workers in transition. No additional costs due to higher bills (linked to the deployment of renewable energies) should be put onto the shoulders of those already suffering from energy poverty.

5. Involving

Trade Unions in just transition policy planning and financial mechanism development

The involvement of trade unions in deciding the funding eligibility criteria is a way to ensure the interests of workers affected by the transition will be protected. Deciding the eligibility criteria should include an assessment of who is affected and what this means. EPSU is in favour of planning at a global level, that acknowledges the interests of all regions and countries. Social dialogue in the development of the just transition mechanism is crucial. A just transition can only happen if the voices of those who will be in need of funding are heard. Detailed policy planning to anticipate and mitigate social disruption for workers must also be developed.

The need to move towards public ownership to ensure a just transition for workers and to reach the decarbonisation objectives has been proven. The recent report “Going Public: A Decarbonised, Affordable and Democratic Energy System for Europe” by Vera Weghmann demonstrates that the only way to ensure a just transition is through public ownership and public investment. “Public institutions are in a much better position to address the urgency of climate change while also protecting workers”^[1]. Now is the time to act: Europe must establish this important milestone for the future of the workers affected by the transition;

^[1] Vera Weghmann, Going Public: A decarbonized, Affordable and Democratic Energy System for Europe, The failure of energy liberalization (PSIRU, Greenwich University, July 2019) 52.

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