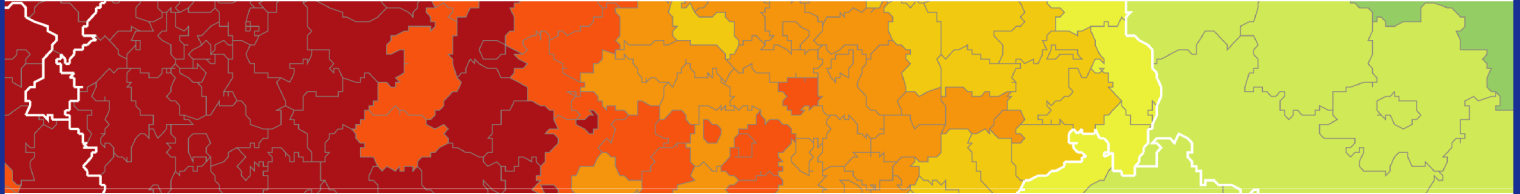




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ESCAPE European **S**hrinking Rural Areas:

Challenges, **A**ctions and **P**erspectives for Territorial Governance

Applied Research

Final Report - Annex 16
Just Transition and EU Policy: A brief Overview of
the Implications of the Green Deal for Rural Regions

Annex 16

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Final Report – Annex 16

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A brief Overview of the Implications of the
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ESCAPE
European **S**hrinking Rural Areas:
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Version 21/12/2020

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Abbreviations

EC	European Commission
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus (2021 – 2027)
GHG	Greenhouse Gases
JTT	Just Transition Territories
JTF	Just Transition Fund
EU	European Union
USA	United States of America
WCED	World Commission on Environment and Development

1 Overview

The concept of Just Transition has, as a consequence of its recent inclusion in both the EU's and USA's 'Green Deal' initiatives, moved from one that was primarily focused on protecting labour rights and welfare in the context of adapting to or mitigating the effects of climate change, to ensuring that no one is left behind in the green transition (EU Commission, 2019). In the original formulation, the concept sought to place workers, and their representatives, at the heart of negotiations concerning policy development and governance arrangements responding to the climate crisis (Stavis and Felli, 2015). The continued coupling of energy and development, and carbon and growth led to engagement with the idea of just transitions as a means of ensuring that the decarbonisation of economic activities did not adversely impact specific sectors or groups in society. It was ultimately included in the Paris Climate Agreement and, though largely symbolic, it was this that brought the concept into mainstream policy discourses. In this regard the concept has followed a similar path to that charted by sustainable development; a concept that was in use for many years before coming to global prominence following its inclusion in the Brundtland Commission Report (WCED, 1987).

1.1 EU Approach to Just Transition

Unsurprisingly, given the centrality of Greenhouse Gases (GHG) to the climate crisis, just transition frameworks were closely linked to the changes required in the scale and functioning of the global fossil fuel industries (Newell and Mulvaney, 2013). More recently, just transition has morphed into an integrative concept and is being applied to all economic sectors and all people, not just workers. This approach is clearly reflected in the European Green Deal (2019) which sees the concept spanning multiple policy areas, and their different objectives. This document sets out:

“a new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use. It also aims to protect, conserve and enhance the EU's natural capital, and protect the health and well-being of citizens from environment-related risks and impacts.” (European Commission, 2019, p.2).

“At the same time, this transition must be just and inclusive. It must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges.” (European Commission, 2019, p.2).

To meet these challenges, the Commission emphasise the need for multi-level just transition (governance) frameworks that foreground competing social and economic priorities and

highlight that compromises will be necessary if socially sustainable solutions that deliver a lower carbon economy are to be achieved. It emphasises active public engagement and participation bringing together citizens, civil society and industry at national, regional and local authority levels, whilst working in conjunction with the EU's institutions and consultative bodies.

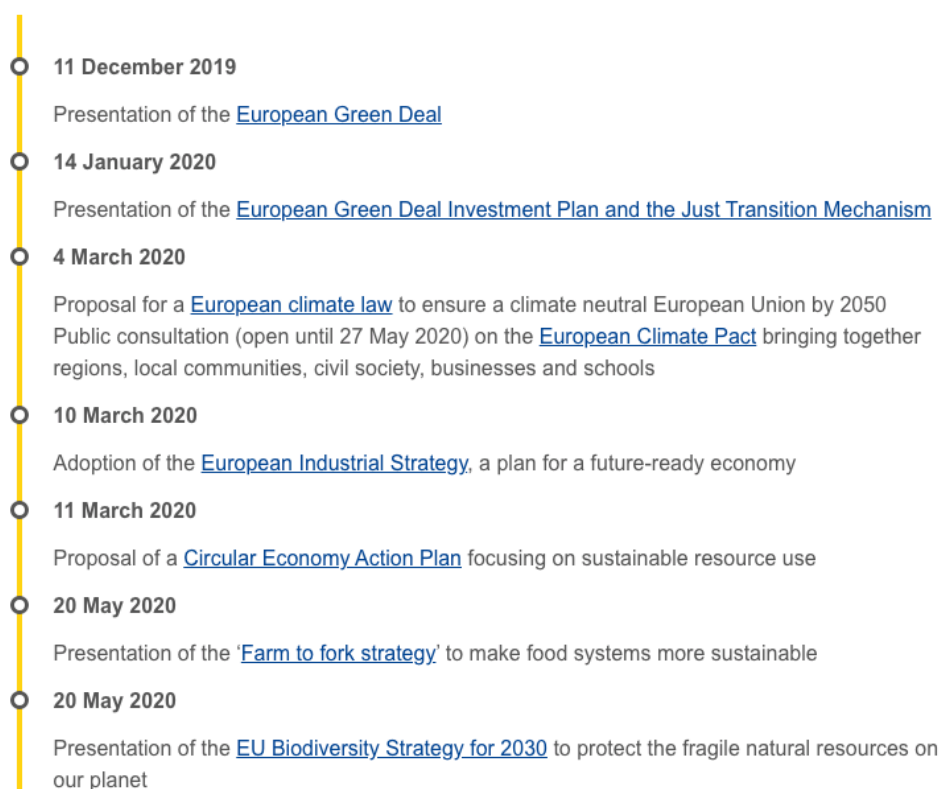
1.2 Implications of the Green Deal for rural regions

1.2.1 Regional Policy

In the first half of 2020 the EU published a number of initiatives in support of delivering just transitions (or should it be a just transition?) including the presentation of the *Green Deal Investment Plan* and the *Just Transition Mechanism* in January, the *Industrial Strategy* and *Circular Economy Action Plan* in March, and the *Farm to Fork Strategy* in May (Figure 1). These initiatives are largely built on the pre-existing regulatory and budgetary framework of the EU and responsibility for the different aspects rests with the competent Directorates-General. As part of the *Just Transition Mechanism* the *Just Transition Fund* seeks to support 'just transition territories' (JTTs) to "*alleviate the impact of the transition by financing the diversification and modernisation of the local economy and by mitigating the negative repercussions on employment*" (European Commission, 2020). These territories are NUTS II regions that are identified on the basis of the 'carbon intensity' of industry in the region, the numbers employed in mining coal, lignite and industry, and the production of peat and oil-shale. In effect, this fund of €7.5 billion in 'fresh' funding is targeted towards 'old' industrial regions, i.e. not necessarily rural regions. To access the fund Member States are required to match each Euro drawn from the fund with €1.5 from either their ERDF or ESF+ budgets. Whilst this may have a relatively minor effect in some Member States it could result in resources being diverted from budgets that had been allocated to regions that are not classified as JTTs. As a consequence, a ceiling has been placed on the maximum transfer that is allowable for each Member State. Cameron et al. (2020) provide a critical assessment of the fund and highlight a range of issues. They suggest that the fund of €7.5 billion is small, in the context of estimates that de-carbonisation of the EU economy will require over €300 billion per annum, and it is predominantly aimed at encouraging Member States with large fossil fuel sectors to engage with EU climate objectives. In addition this report concludes that, based on current proposals, it is possible the €7.5 billion will be reallocated from other cohesion policy funds. This would represent a partial reallocation from some countries (mainly Italy, Spain, Portugal, and Hungary) to others (mainly Poland, Germany, Czechia and Bulgaria) (Cameron et al., 2020, p.2).

Figure 1. Timeline charting the development of the European Green Deal¹

Timeline



On the whole then, the *Just Transition Fund* (JTF) could result in shifts in budget between some Member States facing acute rural shrinkage to others, who are also faced with the same challenge, and a reallocation of budget between regions within member states. Though this is a cause for concern it is possible that the other elements that make up the *Just Transition Mechanism*, namely the InvestEU scheme and the EIB loan facility which have a broader geographical and thematic scope than those targeting the JTTs, will provide funding that offset these budgetary re-allocations. This emphasises the need for other EU priority issues, e.g. demography and democracy, to develop specific programmes that target vulnerable regions. Alternatively, additional changes to the Common Provisions Regulation could require Member States to develop integrated territorial plans focused on delivering a range of cross-cutting policy objectives, e.g. those associated with climate, bio-diversity, demography and democracy, etc. The latter suggestion would have the benefit of preventing the slicing EU funds into ever smaller slivers and enabling Member State to develop integrated programmes that deliver to multiple policy objectives and a range of regional and rural policy stakeholders.

¹ https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

1.2.2 Agricultural and Rural Policy

The other core element of the Green Deal of direct relevance to rural regions is the *Farm to Fork Strategy* published in May 2020. Interestingly, at times this document applies a slightly different language and talks of a ‘fair transition’ though it does not explicitly define what this is. Whilst the strategy is highly attuned to the need to “*take into account different starting points and differences in improvement potential in the Member States.*” there is relatively little discussion of the implications of the challenges or the potential opportunities presented by the Green Deal and a just or fair transition for rural regions European Commission, 2020b, p.7). Furthermore the focus on food production, unsurprising given the title of the strategy, means that relatively little consideration is given to the implications (just or otherwise) for broader rural economy or society. This despite the acceptance that “*...a transition to sustainability of the food system will change the economic fabric of many EU regions and their patterns of interactions.*” (European Commission, 2020b, p.7).

Of relevance to all rural regions is the proposed ‘EU carbon farming initiative’ which incentivises carbon sequestration by farmers and foresters. Implicit in this initiative is the need for extensive tracts of land to be given over to absorbing carbon through either changes in farming practices or changes in land use. As a consequence, remote, inaccessible and mountainous areas, where farming may be more extensive to begin with or natural conditions favour production of carbon sinks, e.g. forests or restored bogs, may have a competitive advantage. Such developments are seen as an opportunity for sustainable farming practices to remove CO² from the atmosphere and contribute to the EU’s climate neutrality objective and these, the Strategy argues, should be rewarded, either via the common agricultural policy (CAP) or other public or private initiatives. It highlights the role of the proposed EU carbon farming initiative under the Climate Pact in certifying the amount of carbon removed and thereby providing an opportunity for this to be traded with other actors in the food supply chain or other economic sectors. (European Commission, 2020b, p. 8). Whilst the spatial dimensions of the development of these markets are not explicitly considered within the Strategy there is a need to reflect on issues of spatial justice or fairness. The praxis of a just transition has to consider which economic and business models ensure communities in these regions are beneficiaries of the shift to carbon farming and not reduced to living with the ‘externalities’ of sequestration, i.e. rapid land use change through large scale afforestation or development of solar or wind farms which preclude or stymie the growth of other sectors. The Commission appears to be aware of this issue and suggests that, “*based on public consultations, on the identification of the environmental, social and economic impacts, and on analyses of how small and medium size enterprises (SMEs) are affected and innovation fostered or hindered, impact assessments will contribute to making efficient policy choices at minimum costs, in line with the objectives of the Green Deal.*” (European Commission, 2020b, p.8). There is, however, the need to ensure public consultation gives voice to the diversity of communities that make their lives and livelihoods in

regions that may be expected to play a key role in the development of the 'EU carbon farming initiative'.

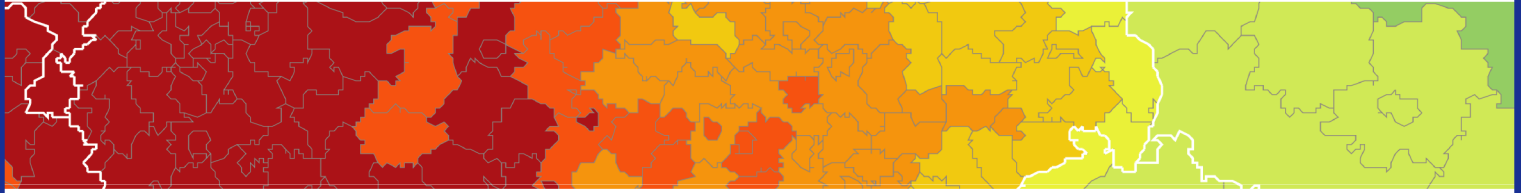
1.3 Conclusions

There is much that is worthy in the concept of just transitions. The implicit sense of fairness is, in a world coming to grips with the Covid-19 pandemic and a greater understanding the far reaching and fundamental changes associated with the need to tackle climate change, something that most will identify with. Taken together, this may lead to public support for the concept. The challenge is one of adapting existing policy frameworks and associated governance structures to support transitions that are not only environmentally, economically and socially just but also spatially just. Whilst the EU is at a very early stage in the development of policies and instruments to support just transitions there are already clear issues pointing to the complexity of delivering on the promise explicit in the concept. These are reflected in the challenges of designing initiatives that fit within the current EU budgetary framework and deliver across a range of EU policy objectives. The risk is, as evidenced by the carving out of a JTF from a fixed budget, that the available resources are spread thinly over a range of policy priorities or give rise to distortions in internal budget allocations that inadvertently disadvantage some types of regions.

In terms of realising opportunities in rural regions, particularly those that are shrinking or at risk of doing so, careful consideration needs to be given to the design and governance of market based systems associated with carbon sequestration to ensure that communities in these places gain from the development of this service.

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