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JUST TRANSITION BEYOND COAL LESSONS FROM THE EU

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The EU is on track to become coal free by 2030 in a socially fair way with the pending adoption of its 'Fit for 55 package', an overhaul of its climate and energy policies to implement a climate target of 55% reductions by 2030. The EU got on this pathway through a combination of increased climate ambition including an increasing carbon price, cheap renewables, recovery funding and support for developing regional transition strategies through a dedicated Just Transition Mechanism.

This briefing reviews progress made in European coal regions and countries and draws out lessons relevant for countries within and beyond the EU aiming to transition away from coal in a fair way. These include:



Set an ambitious coal **phase-out date** and be ready for an exit to happen even faster



Make **regions** central and use a bottom-up, **participatory process** in their transitions



Combine increased **ambition** with targeted **just transition** support



Mobilise **investments in renewables** and avoid gas or biomass conversions

For the EU to conclude both a timely and socially just transition away from coal domestically, an ambitious agreement is needed on the 'Fit for 55 package' as well as strict application of EU competition law.

For the EU to support its global partners to share the benefits of a coal-free power system, it needs to assume an active role in developing and financing country specific deals like the South African Just Transition Partnership.

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Global coal phase out is picking up steam

The imperative to stop burning coal has arrived on the top agenda of world leaders in 2021. It culminated in a new international consensus at the UN climate conference COP26 that the world needs to start phasing down coal¹. In the final conclusions, countries also agreed on the need to ensure a Just Transition in doing so.²

The EU played an important part in this by taking steps to retire its own coal fleet by 2030 and by supporting other countries around the world in their efforts to transition away from coal. The Just Energy Transition Partnership with South Africa is a prominent example of this. Supported by the EU, US, UK, France and Germany, the partnership aims to combine financial support with an ambitious programme that helps to retire and replace aging coal assets with cheaper renewable energy capacities while supporting affected workers and communities.³ The Council Conclusions on Climate and Energy Diplomacy adopted unanimously in the Council of the EU in January 2021 provided the EU with the political mandate to do this. In the conclusions, the EU called for a global coal phase out and confirmed its commitment to develop and support international initiatives on advancing a Just Transition away from coal.⁴

Whether or not this COP will ultimately be seen as ‘having consigned coal to history’ depends on how the EU will now follow up. A successful conclusion of the Just Transition Partnership with South Africa will be essential for this, so that it can become a blueprint for other major coal countries like India and Indonesia. The EU will need to clarify how it will mobilise the necessary financial firepower for these deals, whether through its Global Gateway strategy, its forthcoming International Energy Strategy or a financial boost for multilateral development banks (MDBs).

In addition to this, the EU can more systematically start sharing with international partners its own experience with supporting coal regions in their Just Transition. This briefing, therefore, set out five lessons learnt from the EU’s

¹ Earlier drafts of the declaration committed to a ‘phase out’ of coal but was watered down in the end to address concerns by China and India.

² United Nations Climate Change (2021). [Glasgow Climate Pact](#)

³ European Commission (2021). [Just Energy Transition Partnership with South Africa](#)

⁴ Council of the EU (2021). [Council adopts conclusions on climate and energy diplomacy](#)



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approach to Just Transition away from coal and provides recommendations for how the EU can complete the last mile.⁵

Learnings from the EU's approach to Just Transition

The Just Transition is a time-limited opportunity to shape the shift to a sustainable and prosperous society. It seeks to anticipate and proactively manage the negative impacts for some, such as job losses, and to reap the benefits for all like future-proof development of regions. To minimise the impacts of climate change, the pace of a Just Transition needs to ensure the temperature goal of the Paris Agreement is met. The Just Transition approach is not limited to the energy sector but offers proven tools and processes for other economic sectors as well, such as industry or agriculture.

There is no single formula for a Just Transition because it is shaped by national and regional circumstances as well as factors such as political culture, strength of social security systems and the role of social dialogue between employers, workers and government representatives. In the case of the EU, it is important to stress that almost all the labour and social policy instruments that are relevant to a Just Transition are the exclusive competence of EU Member States, leaving the EU as such with limited options. The approach to a Just Transition varies therefore among Member States and is the result of EU financial support instruments such as the Just Transition Mechanism and how well different countries and regions have succeeded in making use of this. **At the same time, several central, common elements can be drawn from the EU's experience so far.**

Lesson 1: Set a coal phase out date that is ambitious and be ready for an exit to happen even faster

The International Energy Agency's (IEA) net-zero roadmap for the global energy sector requires the phase out of coal by 2030 in advanced economies (OECD) and by 2040 in all other countries.⁶ Clear timelines ensure predictability for industries, sectors and regions as well as investor security. They also need to allow for upward revision when faced with new scientific evidence.

⁵ The lessons draw from work done under the project '**A Boost for Rural Lignite Regions**' which supported transition processes in Lusatia in Germany, Eastern Wielkopolska in Poland and Gorj county in Romania.

⁶ IEA (2021). **Net Zero by 2050: A Roadmap for the Global Energy Sector**



The debate on strengthened climate ambition was central for putting Just Transition on the EU's agenda in 2019. As part of its European Green Deal, the EU ultimately agreed to achieve at least 55% emissions reductions compared to 1990 levels until 2030 and reach climate neutrality by 2050 at the latest. **An EU-wide coal phase out by 2030 is implicit in the strengthened 2030 target.**

Modelling suggests that only 2% of current capacity will be operational in 2030.⁷

The revised 2030 target, coupled with declining economic profitability of coal, has accelerated the already rapidly advancing retirement of the EU's coal fleet.

78% of the EU's 137 GW capacity either closed already since 2010 or is scheduled to close by 2030.⁸ 21 EU countries are now coal free or have committed to phasing out coal until 2030 as part of the Powering Past Coal Alliance.⁹ The high costs of coal and its negative economic outlook have led many governments to bring forward their phase out plans with Germany being the most prominent latest example.¹⁰ The European experience also shows that despite revising phase out timelines, the last coal plant is sometimes nevertheless retired ahead of schedule. This was for example the case in Portugal.

Polish transition leader Eastern Wielkopolska

The lignite region Eastern Wielkopolska was the first Polish coal region to set itself a coal phase out date in the absence of a national coal phase out plan and to join the Powering Past Coal Alliance in June 2021.¹¹ It aims to phase out coal in energy and heating by 2030 and to become climate neutral by 2040. Eastern Wielkopolska is further notable for its bottom-up approach to engage stakeholders in the development of a regional transition plan under the EU's Just Transition Mechanism.



Source: *Wikivoyage (2011)*

⁷ Ecologic & Climact (2020). **Analysing the Impact Assessment on raising the EU 2030 Climate Target**

⁸ Own calculation.

⁹ PPCA (2021). **PPCA Members**

¹⁰ Europe Beyond Coal (2021). **Overview of national coal phase out commitments**

¹¹ PPCA (2021). **Eastern Wielkopolska becomes first region in Poland to join PPCA**



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Yet, the fact that the European Commission has not clearly communicated to Member States that the EU needs to phase out coal by 2030 has led a small number of countries (Poland, Czechia and Bulgaria) to consider unrealistic timelines for retiring their coal capacity. Research by think tank Ember reveals that these three countries would be responsible for over 95% of the EU's planned electricity generation from coal in 2030 based on their National Energy and Climate Plans (NECPs).¹² Settling for a late coal phase out date creates an unstable transition process and will make more frequent adjustments necessary as politics and market conditions in the EU make a 2030 phase out unavoidable. This decreases planning security for affected regions and exposes workers and industry to disruptive changes.

Lesson 2: Combine climate ambition with transition support

The new EU climate targets were combined with generous, additional financial support to all Member States. In doing so, they kick-started the discussion on sustainable re-development of EU coal and high-carbon regions. This additional financial support came on top of existing EU cohesion programmes that already play an important role in the economic modernisation of EU regions, particularly in Central and Eastern Europe.

As part of its agreement on higher climate targets, the EU set up the Just Transition Mechanism to support regions most affected by the transition to climate neutrality in all Member States.¹³ The Just Transition Mechanism consists of three pillars (*Figure 1*) which are supposed to mobilise €55 billion in grants, public and private finance between 2021 and 2027. To gain access to all three pillars, Member States must prepare territorial just transition plans. These plans identify the most impacted coal and high-carbon (steel, cement, chemicals) regions, outline the necessary transition steps, assess transition challenges and outline the plans for using the EU's financial support. The Just Transition Fund has received most political attention as it consists of grants and has become a central element of the negotiations on the EU's climate policy in 2019 to convince Member States reluctant to commit to the EU's climate neutrality goal.¹⁴

¹² Ember (2021). [A German 2030 exit will isolate remaining EU coal power polluters](#)

¹³ European Commission (n.d.). [The Just Transition Mechanism: making sure no one is left behind](#)

¹⁴ E3G (2020). [The Just Transition Fund: 4 Benchmarks for Success](#)



Just Transition Mechanism

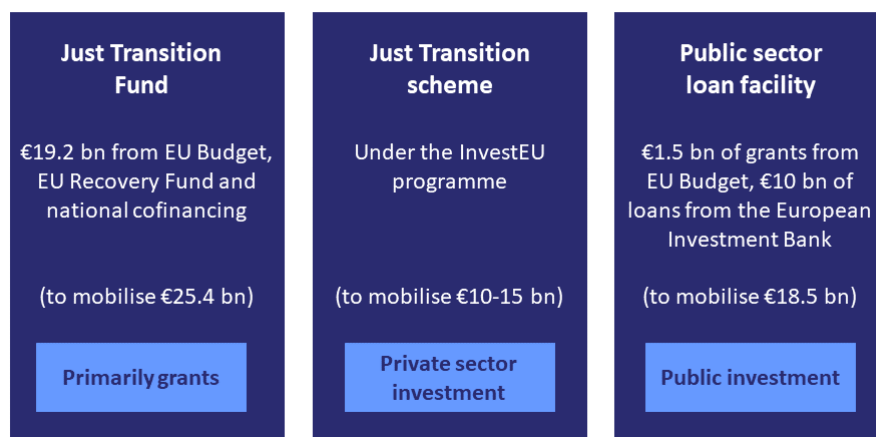


Figure 1: The structure of the Just Transition Mechanism (E3G graphic)

In response to the COVID-19 pandemic and its economic consequences, the EU topped up its financial support to Member States with the creation of an EU Recovery Fund.¹⁵ To access the fund, Member States were requested to prepare national Recovery and Resilience Plans outlining projects and reforms. The funding was also used to increase the Just Transition Fund from €8 billion to €19 billion (in current prices).

Both the recovery funding and the Just Transition Fund are tied to climate conditionality criteria. A 37% share of investments planned as part of the national recovery plans must be spent on climate and no measure in the plans should lead to significant harm to environmental objectives ('do no significant harm' principle). The Just Transition Fund also ensures climate conditionality and allows for flexibility if EU climate ambition is enhanced:

First, Member States not committing to the EU's 2050 climate neutrality target will only be able to access 50% of the annual funding allocated to them under the Just Transition Fund.¹⁶ This was meant as an incentive for Poland which had at the time not committed to implement the EU's climate neutrality target.

Second, territorial just transition plans must set out a transition aligned with the EU's climate targets for 2030 and 2050 as well as Member States' National Energy and Climate Plans (NECPs). NECPs are mandatory plans in which each EU country outlines how it will reach the EU's 2030 climate target. As Member

¹⁵ European Commission (n.d.). **Recovery and Resilience Facility**

¹⁶ EUR-Lex (2021). **Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund**



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States are expected to update these plans in 2023 following revision of the EU's climate target, the Just Transition Fund integrates room for strengthening climate ambition.

Third, investments into nuclear energy and fossil fuels, including natural gas, are strictly excluded from the scope of the fund. The exclusion of natural gas was one of the main battlegrounds between the European Commission, Parliament and Member States and its exclusion sends a strong signal that natural gas is not part of the transition.

Finally, the Just Transition Fund makes a modest attempt to reward climate ambition through a Green Rewarding Mechanism. If financing is increased after 2024, it should preferentially go to those countries that have achieved emissions cuts.

The effectiveness of these safeguards depends on the EU's willingness to enforce their implementation. Indeed, outcomes of the WWF Territorial Just Transition Plan Assessment Tool show that many of the 14 regional transition plans submitted at that time do not plan to end coal or oil shale use by 2030 and a few even foresee investments in new fossil fuel infrastructure.¹⁷ So far, the Commission has voiced its intend to withhold funding from regions where the transition is not taking place. As Poland plans to extend the mining license for the Turów lignite mine until 2044, the Commission has communicated that Zgorzelec County, where the mine is located, will not be eligible to receive financing from the Just Transition Fund.¹⁸

¹⁷ WWF (2021). **Just transition: EU local plans let polluters cling on**

¹⁸ CEE Bankwatch Network (2021). **Just transition in Poland – an overview of territorial just transition plans from six coal regions**



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Romanian coal exit as part of recovery planning

Climate conditionalities attached to EU recovery and Just Transition funding led to coal phase out progress in Romania. In 2021, Romania committed to phase out coal by 2032 as part of its national recovery plan developed to access the EU's Recovery Fund. The plan sees coal capacity cut by more than three quarters by 2025 and brings a 2030 coal exit within reach.¹⁹ The government has mandated a commission to work out the details of the phase out. The coal regions Jiu Valley and Gorj County will receive support from the Just Transition Fund.



Source: *Wikipedia (2011)*

Lesson 3: Make regional transition strategies the cornerstone of the transition

Regional transition strategies are an essential element of a Just Transition because they give planning security to workers, industries, investors and communities. They need to be supported by national energy and climate policies consistent with international climate commitments. Transition plans should focus on the sustainable development of an entire region to diversify its economy, strengthen social services and increase the quality of life. This includes creating new employment perspectives and offering necessary re-skilling programmes as well as retirement schemes but is not limited to it.

Importantly, transition plans need to be developed in a participatory process driven by stakeholders from affected regions, such as regional and local authorities, trade unions, civil society, young people and other citizens. They have most knowledge of regional strengths and weaknesses as well as a vision for the future of a region that should be incorporated into transition strategies. From the onset, it needs to be clear how inputs from stakeholders will be integrated. They also need to be engaged in implementing and monitoring of the plan. Transparency of the process as well as providing organisations and individuals with the necessary resources and capacity to participate is key to ensure meaningful participation.²⁰ However, the often slow pace of participation

¹⁹ Europe Beyond Coal (2021). **Romania commits to exiting coal by 2032 at the latest**

²⁰ Europe Beyond Coal (2019). **Seven Golden Rules for open and inclusive just transition planning at the regional level**



processes will have to be balanced with the more rigorous timeline of the policy-making process.

In the EU, the territorial just transition plans are at the heart of the Just Transition Mechanism. Yet, it is not always clear how they align with other strategic documents prepared by EU countries, such as national recovery plans. In their development, Member States need to respect the Partnership Principle which mandates the inclusion of stakeholders such as trade unions, employers and NGOs in the development of plans to access EU funding. However, analysis of transition plan development in Central and Eastern European countries shows that targeted engagement of local people is often lacking and the flow of information to them is poor, risking a lack of local ownership of the transition process.²¹ Experience from the development of national recovery plans in EU countries has also shown that a lack of public involvement can lead to a low level of climate ambition.²²

Bottom-up transition planning in Horná Nitra, Slovakia

In the Slovak lignite region Horná Nitra, the development of a transition plan started at the initiative of local authorities in 2018, long before the Just Transition Fund was put in place. The resulting action plan is notable for the engagement of local communities in its development.²³ The plan was approved by the national government in 2019 and supported by the EU's Coal Regions in Transition Initiative. Slovakia committed to a coal phase out by 2023 and joined the Powering Past Coal Alliance in 2019.



Source: [European Commission \(2019\)](#)

²¹ CEE Bankwatch Network (2021). [Status of the Territorial Just Transition Plans in central and eastern Europe: July 2021 update](#)

²² CAN-E (2021). [Public partnership and respect for the Aarhus Convention as preconditions for a green recovery](#)

²³ CEE Bankwatch Network (2019). [The transformation action plan for the Slovakia's Upper Nitra coal region](#)



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Lesson 4: Create regional ownership of the transition

The EU meant to put regions front and centre in the EU's Just Transition process from early on. However, this should not distract from the fact that national governments have a crucial role in guiding and supporting regional transitions through strategic long-term planning, policies and financing.

In 2017, the European Commission established the Coal Regions in Transition Initiative to enhance knowledge- and experience-sharing between EU coal regions and deliver technical assistance to support the development of transition strategies and concrete projects. Regions could qualify for technical support by becoming a pilot region, showing which regions were more motivated than others to drive the development of transition strategies before the Just Transition Mechanism was in place.

The initiative included a multi-stakeholder platform, the Platform for Coal Regions in Transition, to enable exchange. Next to primarily local and regional authorities, it was open to stakeholders, such as businesses, trade unions, NGOs and academia. **The platform illustrated the importance of setting clear rules of engagement to manage the dominance of incumbents like the coal industry and clearly linking regional development discourses to climate goals.** The independent secretariat of the initiative was helpful in managing this process and delivered the technical support to the regions.²⁴

With the introduction of the Just Transition Mechanism, the initiative has now turned into a workstream under the EU's Just Transition Platform which was set up together with the funding instrument.²⁵ Similar in its design, it aims to support regions along the workstreams coal, steel, cement and chemicals in accessing the funding from the mechanism and developing transition strategies. Positively, it includes a working group on horizontal stakeholder strategy aimed at identifying and developing inclusive approaches to transition.

The EU has started to build on the format of the Coal Regions in Transition Initiative in its immediate neighbourhood and launched a similar initiative for the Western Balkans and Ukraine in 2020 together with six international partners.²⁶ In addition, a dedicated twinning programme brings coal regions from the Western Balkans and Ukraine together with European regions.²⁷ **This is an**

²⁴ European Commission (n.d.). [Secretariat Technical Assistance to Regions in Transition \(START\)](#)

²⁵ European Commission (n.d.). [Just Transition Platform](#)

²⁶ European Commission (n.d.). [Initiative for coal regions in transition in the Western Balkans and Ukraine](#)

²⁷ European Commission (n.d.). [Coal regions exchange programme](#)



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important first step to anchor the EU's Just Transition expertise in the Union's Green Deal diplomacy.

A lack of regional ownership in Lusatia, Germany

The German lignite region Lusatia was among the first to become a pilot region of the EU's Coal Regions in Transition initiative. A national 'Structural Change Law' as part of the German coal phase out provided the region with generous financial support and a governance framework for the transition.²⁸ However, regional ownership of the transition process was hindered by regional political leadership which sought to delay phasing out coal as much as possible and created unrealistic expectations among affected workers. Germany's 2038 phase out was brought forward in 2021 by a new government which is aiming to phase out coal by 2030.



Source: *Wikimedia (2016)*

Lesson 5: Mobilise investments in renewable energy and avoid gas/biomass-conversions

A timely coal phase out relies on the building-up of alternative renewable energy generation capacities and related infrastructure. In its report on the pathway to a 2050 net-zero global economy, the International Energy Agency (IEA) has set 2035 as a benchmark until when richer OECD countries will have to decarbonise their entire power sector.²⁹ Similarly, in June, the G7 countries agreed on achieving an 'overwhelmingly decarbonised power system in the 2030s'.³⁰ The G7 members US and UK have already announced their intention to reach a clean electricity sector by 2035.³¹

Analysis of the energy scenarios informing EU policymaking suggests that the EU could achieve a clean power sector in the 2030s as well, provided it

²⁸ E3G (2020). **How (not) to phase out coal**

²⁹ IEA (2021). **Net Zero by 2050: A Roadmap for the Global Energy Sector**

³⁰ G7 UK (2021). **Carbis Bay G7 Summit Communique**

³¹ The White House (2021). **FACT SHEET: President Biden Sets 2030 Greenhouse Gas Pollution Reduction Target**; UK Government (2021). **Plans unveiled to decarbonise UK power system by 2035**



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accelerates the phase out of fossil gas.³² In its net-zero emissions pathway, the IEA has made clear that fossil gas is not a ‘transition fuel’. It is unsustainable due to the risk of stranded assets in the medium-term as well as its large climate footprint which is worsened by upstream emissions of methane.³³

Renewables have already overtaken fossil fuels to become the EU’s main source of electricity for the first time in 2020 and are becoming ever cheaper.³⁴ By 2025 new renewables will outcompete all existing coal plants in the EU when it comes to economic competitiveness.³⁵ The EU has contributed to increasing renewable energy capacity in Member States by setting an EU-wide target which needs to be collectively delivered by EU countries through national support schemes. EU funding as part of the EU budget and EU recovery fund is crucial to get projects off the ground in Member States. With the EU’s revamp of key climate and energy files as part of the ‘Fit for 55 package’, the EU is well-positioned to give renewables a further boost.

Fast-tracked energy transition in Portugal

The rapid decarbonisation of Portugal’s electricity mix is remarkable. Its last coal plant went offline in 2021, three years before the country’s phase out date. Transition planning focuses on coal plant workers as Portugal has no mines. The government ensures a strong involvement of utilities in reskilling and job creation measures. The government and utilities also invest in renewable energy and the upgrade of the transmission grid. Portugal aims to achieve an 80% renewables share in electricity consumption by 2030 and to phase out fossil gas by 2040, whereas utility EDP plans to produce 100% renewables-based electricity by 2030 already.³⁶



Source: *Wikipedia (2011)*

³² Ember (2021). **Zero-Carbon Power: A key milestone on the route to Net Zero**

³³ E3G (2021). **Gas under pressure as IEA launches net-zero pathway**

³⁴ Ember & Agora (2021). **EU power sector in 2020**

³⁵ RMI (2020). **How to retire early**

³⁶ Tagesspiegel Background (2021). **Portugal schafft den Absprung von der Kohle**



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How to deliver a Just Transition as the EU enters the endgame for coal

The EU is in a good place to put coal on a phase out track until 2030 in a socially fair way based on raised climate targets, falling prices for renewables, financial support mechanisms and the governance framework for regional transition planning. This will be the first step on the way to a fully decarbonised power sector by 2035, the international benchmark set by the IEA. **To deliver a timely Just Transition away from coal, the European Commission, Parliament and Member States will have to do the following:**

- > **Seize the full potential of Territorial Just Transition Plans:** The regional plans can enable successful regional transition processes away from coal and other high-carbon activities over the years to come, provided they are aligned with the EU's 2030 climate target and a national or regional 2030 coal phase out plan. Inclusive participation in the development of the plans and continuous stakeholder involvement in their implementation and monitoring is crucial to ensure buy-in from the local population.
- > **Do not approve more state aid for coal:** The Commission is currently assessing whether a Polish hard coal mining closure scheme and compensation payments for German lignite plant operators affected by the coal phase out are in line with the EU's state aid laws. Both payments are questionable from a legal, economic and climate standpoint and would be a barrier to an effective and timely coal phase out. They should not be approved by the Commission.³⁷
- > **Establish safeguards to consign coal to history:** The Fit for 55 package is an opportunity to make the EU's coal phase out a done deal. This includes strengthening the EU's emissions trading system (EU ETS) in line with the 2030 climate target to drive coal out of the market and deleting the coal tax exemption from the proposal for the revised Energy Taxation Directive to end public subsidies for coal. Finally, it requires increasing the EU's renewable energy target and maintaining a clear focus on renewables in the revised Renewable Energy Directive to speed up the transition to a renewables-based energy system.

³⁷ ClientEarth (2021). **Letter to DG Competition: Observations on the German lignite opening decision**; ClientEarth (2021). **Unenforceable social contract. Analysis of the government's negotiations with mining industry trade unions**



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The way the EU manages its transition away from coal has global implications as other major emitters closely follow the implementation of the EU's coal phase out. **To accelerate the global coal-to-clean transition, the EU has to enhance its international engagement and start sharing its own experience more widely. This includes:**

- > **Create the structures and mobilise the financial resources needed to support the development of country specific Just Transition partnerships,** building on the experience of the South Africa Just Transition Partnership and starting with Indonesia, India, Philippines and Vietnam in 2022.
- > **Advance a shared international coal diplomacy agenda** that helps put the world on a 2040 retirement track with the OECD being coal-free by 2030 by working together with the UK-Germany co-lead Energy Transition Campaign.
- > **Support the 'No New Coal Compact'** launched at the 2021 UN General Assembly as the primary vehicle to demonstrate commitment to stop new coal and help this ensures a complete end to the world's coal pipeline.³⁸

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About E3G

E3G is an independent climate change think tank accelerating the transition to a climate-safe world. E3G builds cross-sectoral coalitions to achieve carefully defined outcomes, chosen for their capacity to leverage change. E3G works closely with like-minded partners in government, politics, business, civil society, science, the media, public interest foundations and elsewhere.

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³⁸ Sustainable Energy For All (2021). **Governments launch unprecedented initiative to end new coal power**