



Key recommendations for INVESTING IN A JUST TRANSITION in the EU budget for 2028–2034

1

Ensure that the entire EU budget contributes to social progress and leaves no worker or community behind

Commission proposal on the table:

- Article 4(2) of the **Budget Performance and Tracking Regulation** establishes a horizontal spending target of at least 35% for climate and environmental objectives. However, as defence and security expenditure is excluded from this calculation, the actual proportion will depend on the total amount spent on these areas.
- Annex I to the Budget Performance and Tracking Regulation sets out indicators for monitoring and reporting on the budget's contribution to the EU's climate, environmental and social objectives.
- The European Social Fund (ESF), the EU's main funding instrument for social rights, falls under Heading 1 and is part of the National and Regional Partnership Plans (NRPPs). Article 10(5) of the **NRP Regulation** requires that 14% of NRPP resources be allocated to achieving the Union's social objectives. However, the intervention areas and target groups set out in Article 22 are broader than those supported under the European Social Fund Plus (ESF+) in the current EU budget. Moreover, as funds ring-fenced for the Common Agricultural Policy (CAP) and externally assigned revenue for the Social Climate Fund (SCF) are excluded from the 14% earmarking, the resulting allocation for social objectives falls more than 15% below the current overall ESF+ envelope.
- "Supporting a just transition towards the Union's 2030, 2040 and 2050 energy and climate targets" is listed as a specific objective of the NRPPs in Article 3 of the NRP Regulation, but no funding is earmarked for it: the Just Transition Fund is discontinued, while the Social Climate Fund is integrated into the NRPPs.
- The Social Climate Fund chapter in Article 80 of the NRP Regulation contains weaker provisions on targeting and applies less stringent criteria for how spending is directed under the NRPPs compared to those set out in the **Social Climate Fund Regulation**.

Recommendation 1.1

Increase the green mainstreaming target from 35% to 50% of the €2 trillion EU budget in Article 4(2) of the Budget Performance and Tracking Regulation, in order to more effectively address the climate and environmental spending gap, and **introduce a horizontal social clause** in Article 6 of the same Regulation. This clause should establish a clear legal basis **to systematically integrate social objectives into the planning and implementation of budgets across all EU funding instruments**, including by ring-fencing resources for social purposes, targeting people experiencing poverty, social exclusion and discrimination, applying social conditionalities in funding for large companies and requiring robust social indicators to track results.

Establish a standalone European Social Fund with a dedicated budget at least equivalent to current social spending in real terms, to support poverty reduction, social inclusion, access to quality jobs and skills development. If this is not achieved, **increase the minimum target for investment in social objectives** in Article 10(5) of the NRP Regulation **from 14% to at least 25%** for all Member States.

Recommendation 1.2

Recommendation 1.3

Ensure that the NRP Regulation explicitly requires that NRPPs prioritise support for people experiencing poverty, social exclusion and discrimination, in line with the European Pillar of Social Rights. Additionally, to ensure the fund delivers on its objectives, reintroduce binding earmarking within the European Social Fund by requiring each Member State to **allocate at least 25% of shared-management resources to social inclusion**, 3% for material support to address the most deprived persons, 5% to fight child poverty, as well as to implement the Youth Guarantee, and provide capacity-building for civil society and social partners.

Integrate robust, sector-specific socio-economic criteria into EU-funded spending, including in tenders issued by national, regional and local authorities, through the planned revision of the Public Procurement Directives. This approach would ensure that all investments deliver tangible benefits for vulnerable groups, such as low-income households, women, young people, affected workers and regions in greatest need.

Recommendation 1.4

Recommendation 1.5

The methodology for tracking climate, environmental and social expenditure across EU programmes, as set out in Annex I of the Budget Performance and Tracking Regulation, **should be improved to ensure that spending effectively delivers on the EU's objectives.** This includes reducing the risk of “social washing”, whereby targets appear to be met without generating real social benefits, and enabling better monitoring of distributional impacts, to ensure that EU spending effectively reaches and benefits vulnerable groups and disadvantaged territories. For example, indicators should capture **the proportionality of support for vulnerable groups** and measure outcomes such as the proportion of energy savings actually achieved, rather than outputs such as the number of households reached by broad measures. They should also **better reflect the contribution of social reforms to the implementation of the European Pillar of Social Rights**, social inclusion and a just transition. Currently, Annex I relies on output indicators for social reforms (intervention areas 464–475) that prioritise quantity over quality, creating a risk that socially regressive measures contribute to meeting the social spending target. A new joint statement developed within the framework of the European Alliance for a Just Transition sets out these and other concrete proposals for improving the tracking framework.

While the NRP Regulation refers to the general objective of the Social Climate Fund of contributing to a socially fair transition towards climate neutrality, Article 80 of this Regulation omits the Fund's specific objective of supporting vulnerable households, as set out in Article 3 of the SCF Regulation. Therefore, **the SCP chapter of the NRP Regulation should explicitly align with the Fund's general and specific objectives, clearly stating that the resources are intended to support vulnerable groups.** This is particularly important given that the current NRP framework lacks clear earmarking for households in energy and transport poverty. In addition, **the SCF should be extended beyond 2032** to cover at least the full duration of the 2028-2034 MFF.

Recommendation 1.6

2

Ensure adequate and continued funding for just transition regions and territories

Commission proposal on the table:

- The Just Transition Fund (JTF) is discontinued and support for current just transition regions (NUTS3 regions which are receiving support under the Just Transition Mechanism) becomes optional:
 - Article 21 of the **NRP Regulation** states that the system of NRPPs offers Member States flexibility to develop “national, sectoral and, where relevant, regional and territorial chapters”.
 - Article 4 of the **European Fund for Regional Development and Cohesion** requires Member States to “pay special attention” to the challenges of disadvantaged regions, including just transition areas. This may include commitments to dedicated funding and could be reflected in dedicated NRPP chapters.
- The new legislation no longer defines just transition regions nor requires the continuation of the implementation of the Territorial Just Transition Plans (TJTPs). Article 10 of the NRP Regulation earmarks €218 billion for the least developed regions. However, not all of the “just transition regions” are in the least developed regions category, so there is no assurance that Member States will allocate resources to just transition regions beyond the least developed areas.

Recommendation 2.1

NRPPs must ensure predictable, long-term support for just transition regions, guaranteeing both the continuity and expansion of just transition efforts in NUTS3 just transition regions currently supported under the Just Transition Mechanism (JTM), while also extending support to newly identified territories that are facing similar socio-economic and environmental challenges. If a standalone, ring-fenced

JTF is not maintained, Member States must instead ensure that **the NRPPs provide dedicated and safeguarded resources for NUTS3 just transition regions**, at least equalling current cohesion policy allocations in real, inflation-adjusted terms. To operationalise this, regional (NUTS2) and territorial (NUTS3) chapters within the NRPPs must first be made mandatory. These chapters should be co-designed and implemented with local and regional authorities through a genuine multilevel governance approach and the full and effective application of the partnership principle. They should integrate existing and future territorial plans, and **the development or updating of Territorial Just Transition Plans (TJTPs) should become a requirement** for allocating regional funding labelled as supporting the just transition across sectors. ►

When developing these tailored regional and territorial chapters, and in line with national governance structures, Member States should ensure the inclusion of the following elements, which the Commission should systematically assess as part of the approval and monitoring of the plans:

- **Adequate territorial coverage**, guaranteeing support for all territories currently covered by cohesion policy, including urban areas, while allocating sufficient and targeted resources to just transition territories.
- **Coverage of the appropriate territorial level**, building on existing integrated territorial strategies. TJTPs should continue to be used for newly identified just transition regions.
- **Explicit decarbonisation commitments**, outlining clear pathways for the transformation of regional and local economies in line with EU climate objectives.
- **Targeted social investments**, with the level of support determined by NUTS3-level socio-economic indicators such as income levels, in line with the JTF approach.
- **Social proofing mechanisms** should be introduced in regional just transition planning for a broader range of sectors to systematically assess social impacts. Each relevant territorial just transition measure should guarantee access to decent, green jobs for all workers affected by the transition, and prioritise energy savings and other investments for low-income groups and people in vulnerable situations, mirroring the approach outlined in Article 8 of the [Energy Efficiency Directive](#).
- **Strengthened multilevel governance and partnership principle**. Regional and territorial chapters should be developed through a documented, inclusive and continuous multi-stakeholder, multi-level process. Their approval and renewal should be conditional on the establishment or continuation of effective multi-stakeholder management and monitoring structures that operate in full compliance with the partnership principle.
- **Support for administrative and implementation capacity**, including measures to strengthen regional and local authorities' ability to plan, manage and deliver the transition, **making full use of existing governance and management structures** where possible.

Recommendation 2.2

Include a definition of just transition regions in Article 4 of the NRP Regulation to ensure continuity for existing NUTS3 territories currently supported by the JTF. Eligibility should also be extended to other 'qualifying' territories identified using criteria consistent with those of the Just Transition Fund, including GDP levels, greenhouse gas emissions intensity and exposure of employment to transition-related risks.

Make performance indicators in Annex I of the Budget Performance and Tracking Regulation **more territorial and explicitly linked to the implementation responsibilities of all levels of government**. This would ensure that the EU's monitoring framework recognises the decisive contribution of cities and regions, while also creating stronger incentives for national authorities to engage them meaningfully.

Recommendation 2.3

Recommendation 2.4

The European Competitiveness Fund (ECF) should include dedicated funding for LIFE-related actions and specific work programmes for just transition regions, providing targeted support for innovation and the development, start-up and scaling-up of new technologies, as well as capacity-building measures. These programmes should complement and reinforce long-term transition pathways, thereby strengthening regional competitiveness and accelerating decarbonisation. Given that around 50% of the ECF is earmarked for defence, military spending must not be excluded from social and environmental efforts.

Ensure the continued provision of dedicated non-financial support for just transition, building on the services currently offered by the Just Transition Platform (JTP). This should include high-quality technical guidance and training for local and regional authorities, structured exchanges between JTF territories and just transition experts, and expert discussion forums.

Recommendation 2.5

3

Incorporate social and environmental conditionalities into the European Competitiveness Fund and other key EU funding streams for companies

Commission proposal on the table:

- Article 3 of the **Regulation on the European Competitiveness Fund** includes just transition among the objectives of the European Competitiveness Fund (ECF), but is heavily industry-focused and provides neither dedicated funding nor social conditionalities.
- The eligibility conditions listed in Article 10 of the ECF Regulation currently focus exclusively on geographic restrictions justified on security grounds (the so-called “Made in EU” provision). This creates a risk that the allocation of funds may conflict with EU cohesion objectives, by disproportionately supporting investment in already more developed regions with higher levels of capital and resources, rather than prioritising regions most in need of support for their transition.

Recommendation 3.1

Integrate social conditionalities for financial support for companies in the MFF, notably in the Competitiveness Fund and other EU instruments that provide benefits or priority access to specific companies and projects, such as the Industrial Accelerator Act. The Clean Industrial Deal State Aid Framework (CISAF) Guidelines provide a useful reference for the inclusion of social conditionalities into the ECF and other EU funding instruments. The following conditions should also be added for accessing Union funding, with the possibility of full or partial reduction or recovery of funds in case of non-compliance with agreed objectives:

- Companies engage in collective bargaining and respect collective agreements;
- Companies support upskilling and reskilling of workers;
- All multinational corporations should evidence responsible tax behaviour and should publish a full public country-by-country report annually, at least as comprehensive as the Global Reporting Initiative reporting template.

Include a commitment by the European Commission to provide guidance under Article 6 of the Budget Performance and Tracking Regulation on how to operationalise social conditionalities. The Commission should clarify how Member States and financial intermediaries can translate social and tax conditionality principles into effective measures, including monitoring compliance, ensuring enforcement, and applying appropriate sanctions, suspension mechanisms and fund recovery in cases of breach. To develop this guidance, the Commission should establish a dedicated group composed equally of social partners representing employers and trade unions, alongside legal and technical experts. This work should also draw on best practices, including sector-specific non-work-related social conditionalities such as requirements to share benefits with local communities.

Recommendation 3.2

This document was developed within the framework of the European Alliance for a Just Transition. Read the European Alliance for a Just Transition's vision for a European Union that advances a Fair and Just Transition during the Cycle 2024-2029 and Beyond. Membership of the Alliance does not imply formal endorsement of this statement, nor does it signify any political affiliation between Alliance organisations.