

Just Transition Fund: Challenges and prospects

Ensuring a just transition for all is one of the von der Leyen II Commission's stated policy priorities. As part of the Just Transition Mechanism, the Just Transition Fund has been a vital tool for regions in transition. However, several challenges persist when it comes to implementing a just transition in a fair and inclusive way.

Background

The Just Transition Fund ([JTF](#)), one of the main funds to promote a just transition, is part of the Just Transition Mechanism ([JTM](#)). Its main aim is to support the economic diversification and reconversion of certain territories towards carbon neutrality through the transformation of existing carbon-intensive installations, environmental rehabilitation, research and innovation, up- and reskilling of workers, creation of new firms, and investment in small and medium-sized enterprises (SMEs). Its aim aligns with one of the cohesion policy's priorities for the years 2021 to 2027: 'a greener, low-carbon Europe'.

On 16 July 2025, the European Commission presented its [proposal](#) for the next multiannual financial framework, the EU's long-term budget plan for the years 2028 to 2034. The proposed budget introduces more built-in flexibility to reallocate funds to new priorities such as crises and geopolitical shifts, as well as to strategic goals such as the green and digital transitions. It also proposes a [comprehensive restructuring](#) of the EU budget, merging several existing EU funds, including the cohesion funds and the JTF, into a single fund, managed through national and regional partnership plans. A total of about €865 billion has been allocated to the financing of these plans, of which around €450 billion will be dedicated to cohesion, rural development and fishing communities. According to the Commission, pooling resources into one fund is meant to increase synergies among policies and allow for increased flexibility.

Flexibility was also a stated aim in the Commission's [mid-term review](#) of the EU cohesion policy, which was accompanied by proposals to amend existing regulations on cohesion policy funds. The main objective of the review, which concluded in an interinstitutional agreement in September 2025, was to align cohesion policy investments with new emerging policy priorities, two of which are decarbonisation and energy transition. To this end, existing cohesion policy funds regulations, which include the JTF, had to be [amended](#) in order to introduce greater **flexibility** and **incentives** to facilitate the rapid deployment of existing resources and accelerate the implementation of the existing programmes.

The future of a just transition

The Commission's [Ninth Cohesion Report](#) from 2024 states that, although a just transition may bring considerable benefits to regions, there are also significant potential costs, particularly for workers in fossil fuel industries and low-income households. According to the report, there is evidence that the green transition favours more developed regions, attracting investment and skilled workers there, while posing challenges for employment and households in low-income rural areas, and potentially exacerbating social inequalities. Addressing these challenges requires deepening the territorial approach to implementing the green transition in an equitable way. The report notes that this can be done by supporting vulnerable regions through co-financing investment in renewable energy, energy efficiency, clean circular technologies, carbon-free vehicles and the corresponding infrastructure, as well as retraining and education.

In 2025, the Commission's [Just Transition Platform](#) launched a new [working group](#) to provide input and recommendations to inform EU-level discussions on future just transition and related funding instruments for the 2028-2034 period. In its July 2025 [discussion paper](#), the working group highlights the JTM's **added value** over other sources of EU funding. It recommends continuing the JTM beyond 2027, setting out a series of recommendations on how its future operation could be improved. It calls for maintaining the proven territorial approach, including the requirement for Member States to develop territorial just



transition plans and ensuring the allocation of funding at [NUTS 3 level](#) and below. Ensuring active stakeholder engagement at all stages of JTM planning and implementation should remain a core priority. Recommendations include expanding capacity building through tailored high-quality technical assistance for local and regional authorities; simplifying administrative procedures and State aid rules; increasing support for social needs, particularly investments in education and skills development; and prioritising vulnerable groups and sector-specific needs in funding. The importance of strengthening multilevel governance structures and enhancing monitoring and transparency, both through the newly announced European Fair Transition Observatory and local monitoring frameworks, is also mentioned. Moreover, project eligibility should be refined to further support SMEs.

An October 2025 Commission [staff working document](#) on the mid-term evaluation of the 2021-2027 cohesion policy programmes states that, through the territorial just transition plans, the JTF shows how a place-based, partnership-based and integrated approach can be strengthened beyond the existing framework for other funds. In addition, the JTF approach to partnership has ensured effective participatory planning. The document notes that the strong integration of activities normally split between the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) could provide an example for future programming. However, it also states that this approach has increased the complexity and time requirements of the preparation and programming phase. The JTF has provided incentives to accelerate decarbonisation by linking EU funding to decarbonisation commitments described in the territorial just transition plans. Nevertheless, according to the document, while the advancement of coal phase-out in Europe through a series of newly introduced or specified commitments is an important achievement, the legal framework could provide a stronger basis for incentivising the fulfilment of the commitments introduced.

EU advisory bodies' views

In its 2024 [opinion](#) 'A just transition for all EU regions', the European Committee of the Regions calls for a **strong just transition policy as the central part of a reformed cohesion policy**. The opinion highlights the need for targeted EU funding to support regions, including automotive regions and others facing transition-related challenges; a technology-neutral approach to decarbonisation; and stronger partnerships between local governments, the EU and other stakeholders. The opinion stresses the importance of economic diversification, reskilling and upskilling programmes, and social and civil dialogue to manage the effects of the green and digital transitions while ensuring the competitiveness and resilience of European regions and industries.

The European Economic and Social Committee also [supports](#) a strong just transition framework, [calling](#) for a **just transition policy package** for the world of work through anticipation and management of change, with social dialogue and collective bargaining as leading principles.

European Parliament

Parliament played a [decisive role as co-legislator](#) in establishing the Just Transition Fund and the other pillars of the Just Transition Mechanism in the past term, securing increased funding and broadening its scope to include support focused on social cohesion and job creation.

In a September 2025 [resolution](#), Parliament calls for **support under the JTF to be continued** in the next programming period, highlighting its importance for reducing regional disparities within the EU. The resolution calls for the scope of the just transition support to be extended to the automotive sector and proposes a series of targeted measures to better tailor the JTF to the regions' various needs. Measures proposed include creating special economic zones for affected areas, and prioritising investment in education and training with a focus on apprenticeships and simplifying JTF rules. The resolution also emphasises the need for social dialogue with workers, prioritising access to public land for new projects, and ensuring a fair and equitable distribution of the transition's burdens.