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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the public sector loan facility under the Just Transition Mechanism

{SWD(2020) 92 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

On 11 December 2019, the Commission adopted a Communication on the European Green Deal, drawing its roadmap towards a new growth policy for Europe. This growth policy is based on ambitious climate and environmental objectives and on participatory processes bringing citizens, cities and regions together in the fight against climate change and for environmental protection. In line with the objective to achieve EU climate-neutrality by 2050 in an effective and fair manner, the European Green Deal announced a Just Transition Mechanism to provide means for facing the climate challenge while leaving no one behind. The most vulnerable regions and people are the most exposed to the harmful effects of climate change and environmental degradation. At the same time, managing the transition requires significant structural changes. Citizens and workers will be affected in different ways and not all Member States, regions and cities start the transition from the same point or have the same capacity to respond.

As further detailed in the Communication on the European Green Deal Investment Plan¹, adopted on 14 January 2020, the Just Transition Mechanism will focus on those regions and sectors that are most affected by the transition given their dependence on fossil fuels, including coal, peat and oil shale or greenhouse gas-intensive industrial processes and have less capacity to address the challenges of the transition. The Just Transition Mechanism consists of three pillars: a Just Transition Fund implemented under shared management, a dedicated just transition scheme under InvestEU, and a public sector loan facility to mobilise additional investments to regions concerned.

The proposal for establishing the Just Transition Fund² was adopted by the Commission on 14 January 2020. It sets up in particular the content, scope and rules applicable when implementing the Fund. The territorial just transition plans are instrumental to the programming and implementation of the Fund – the plans need to set out the key steps and timeline of the transition process and identify the territories most negatively affected by the transition towards climate neutral economy.

The proposal for a Just Transition Fund also includes, in its Annex I, a methodology which will be used for calculating the shares for Member States' allocations under this Fund.

Scope and objective of the proposal

The public sector loan facility of the present proposal constitutes the third pillar of the Just Transition Mechanism. It will support public investments, through preferential lending conditions. These investments will benefit the territories most negatively affected by the climate transition as identified in the territorial just transition plans for the purposes of the Just Transition Fund.

This facility will consist of a grant and a loan component. The grant, financed from the EU budget from assigned revenues and budgetary resources, will reduce the financial burden for beneficiaries resulting from the reimbursement of the loan that will be provided by a finance partner. While the grant component of EUR 1.525 billion is intended to be implemented with the European Investment Bank (EIB) being the finance partner of EUR 10 billion, the possibility to cooperate with other finance partners is provided for in order to explore other modalities of cooperation over time, in particular in case of possible future increase of Union

¹ COM(2020) 21 final.

² COM(2020) 22 final.

resources, or in case specific implementation challenges arise. With the contribution of EUR 1.525 billion for the grant component from Union support and the EIB lending of EUR 10 billion from its own resources, the public sector loan facility aims at mobilising between EUR 25 and 30 billion of public investments over the period 2021-2027. However, public entities in less developed regions generally suffer from lower public investment capacity. Therefore, the grant rates provided to projects promoted by such entities should be comparatively higher but should not exceed 20% of the loan (i.e. 5 p.p. higher grant coverage at most). Less developed regions are those with a GDP per capita inferior to 75% of the average GDP of the EU-27 as defined under cohesion policy rules.

The work programme for the facility will specify the criteria for project selection and for their prioritisation, in case demand exceeds funding resources under national allocations. Those criteria may be further detailed in the call for proposals. The criteria will take into account the project's contribution to the objectives identified in the territorial just transition plans, the overall objective of promoting regional and territorial convergence and the grant's contribution to the viability of projects. Priority should be given to projects contributing directly to climate transition. The criteria may also include the energy efficiency first principle, as defined in the Energy Union Governance Regulation³ and echo the principles and the guidance referred to under Section 4.2 of the Communication on the European Green Deal Investment Plan.

Support under the facility shall only be made available to Member States with at least one territorial just transition plan established in accordance with Article 7 of Regulation [JTF Regulation] and approved by the Commission as part of a programme or a programme amendment. In order to secure access to the facility, the grant component will be available to eligible projects to Member States through nationally earmarked allocations to be respected during a first stage (expressed as a share of the available overall budget of the instrument). These national shares will be determined based on the allocation methodology detailed in Annex I of Regulation [JTF Regulation].

However, in order to reconcile this objective with the need to optimise the economic impact of the facility and its implementation, these national allocations should only be earmarked until 31 December 2024. Beyond this date, the remaining resources of the Union support to the grant component of the facility will be available without any pre-allocated national share and on a competitive basis at Union level. Both the Commission and the EIB will make sure that allocation among Member States over the last three years of the 2021-2027 period ensure predictability for investment, and follows a needs-based as well as a regional convergence approach.

The facility will support public entities and cover a wide range of investments, on condition that these investments contribute to meet the development needs resulting from the challenges raised by the transition towards a climate neutral economy, as described in the territorial just transition plans. The design of these investments will take into account accessibility for persons with disabilities, in line with the United Nations Convention on the Rights of Persons with Disabilities.

³ Regulation (EU) 2018/1999 of the European Parliament and of the Council of 11 December 2018 on the Governance of the Energy Union and Climate Action, amending Regulations (EC) No 663/2009 and (EC) No 715/2009 of the European Parliament and of the Council, Directives 94/22/EC, 98/70/EC, 2009/31/EC, 2009/73/EC, 2010/31/EU, 2012/27/EU and 2013/30/EU of the European Parliament and of the Council, Council Directives 2009/119/EC and (EU) 2015/652 and repealing Regulation (EU) No 525/2013 of the European Parliament and of the Council (OJ L 328, 21.12.2018, p. 1).

By supporting investments that do not generate sufficient revenues and that otherwise would not obtain financial support without a grant element, the facility aims at providing public sector entities with additional necessary resources to address the social, economic and environmental challenges resulting from the climate transition. It will also enable these public entities, benefiting from higher endowment of public assets, to become more resilient to future symmetric and asymmetric shocks including disasters.

In addition, resources are dedicated to advisory support in order to promote the preparation, development and implementation of eligible projects.

Complementarity with the first and second pillars of the Just Transition Mechanism

The scope of support of the Just Transition Fund (first pillar of the Just Transition Mechanism) is limited to investments alleviating the social and economic costs of the climate transition for the territories identified. It focuses on the economic diversification of these territories and the reskilling, job search assistance and inclusion in the labour market of the workers concerned through grants, primarily. The second and third pillars of the Just Transition Mechanism will be able to support a wider range of investments both from a sectoral and geographical perspective in order to reinforce the actions and objectives of the Just Transition Fund. A wider coverage of development needs will therefore be possible, in so far as the support will benefit regions identified in the territorial just transition plans.

The support under the public sector loan facility will also be complementary to the financial products offered by the dedicated just transition scheme under InvestEU (second pillar of the Just Transition Mechanism). Whereas that scheme would aim at crowding in private investment, and supporting public investment that generates enough revenues to be financially viable, the public sector loan facility will focus on public investments with insufficient revenues, which would not be financed through a loan without the grant component.

Given the difference among the projects, their economic features and the beneficiaries targeted, the interventions under the three pillars should be complementary.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

EU action is justified by Article 174, paragraph 1, TFEU: ‘The Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions’.

Article 175, paragraph 3, TFEU also provides that ‘if specific actions prove necessary outside the Funds and without prejudice to the measures decided upon within the framework of the other Union policies, such actions may be adopted by the European Parliament and the Council acting in accordance with the ordinary legislative procedure and after consulting the European Economic and Social Committee and the Committee of the Regions’.

Union support is based on Article 322, paragraph 1, TFEU: ‘The European Parliament and the Council, acting in accordance with the ordinary legislative procedure, and after consulting the Court of Auditors, shall adopt by means of regulations: (a) the financial rules which determine in particular the procedure to be adopted for establishing and implementing the budget and for presenting and auditing accounts; (b) rules providing for checks on the responsibility of financial actors, in particular authorising officers and accounting officers’.

- **Subsidiarity and proportionality**

The scale of the challenges raised by the transition towards climate neutral economy and addressed by the Just Transition Mechanism requires EU action. The transition challenge represents an EU-level dimension and scale and can therefore be more efficiently addressed at EU level.

In particular, the capacity of public entities to access financing, in order to implement investments which do not generate sufficient revenues, should be enhanced by providing grant support.

Providing this grant support at EU level, through direct management, ensures equal access to public entities from all Member States for the benefit of the territories most negatively affected by the climate transition – as identified in the territorial just transition plans. Together with the loan provided by the EIB, the grant component of the facility increases the attractiveness of the investments concerned to other financing sources or institutions as well.

Furthermore, the design of the facility respects the proportionality principle by providing temporarily earmarked national shares and differentiated levels of grant support depending on the level of development of the territory concerned.

- **Choice of the instrument**

In accordance with the ordinary legislative procedure as set out in Article 175, paragraph 3, of the Treaty, the choice of instrument is a Regulation of the European Parliament and of the Council.

3. IMPACT ASSESSMENT AND STAKEHOLDER CONSULTATION

- **Stakeholder consultation**

In May and June 2018, the Commission adopted its proposals for the post-2020 long-term budget and the next generation of programmes and funds. As an integral part of this process, the Commission conducted a series of public consultations covering major spending programmes to gather views from all interested parties on how to make the most of every euro of the EU budget.

The public consultation on the EU long-term budget in the area of cohesion took place from 10 January 2018 to 9 March 2018 and received 4 395 replies. 85% of the respondents considered the transition to a low-carbon and circular economy, ensuring environmental protection and resilience to climate change, to be an important challenge. However, only 42% of the respondents considered this challenge to be adequately addressed by the current programmes/funds.

In the context of the negotiations on the post-2020 long-term budget, the European Parliament in its resolution of 14 November 2018 called for the introduction of a specific allocation (EUR 4.8 billion) for a new ‘Just Energy Transition Fund’ to address societal, socio-economic and environmental impacts on workers and communities adversely affected by the transition from coal and carbon dependence.

This call has been echoed by the Committee of the Regions, which has issued an opinion⁴ on the socio-economic structural change in Europe's coal regions, calling for the provision of additional funds helping address the specific needs of coal regions. The opinion suggested in

⁴ European Committee of the Regions, Opinion on Socioeconomic structural change in Europe's coal regions, 136th plenary session, 7-9 October 2019, ECON-VI/041.

this regard to allocate EUR 4.8 billion to a new ‘Fair Energy Transition Fund’, designed to mitigate the social, socio-economic and environmental impact of transition in these regions.

In its conclusions of 18 October 2019, the European Council stressed its determination that the EU continues to lead the way in a socially fair and just green transition in the implementation of the Paris Agreement. The European Council also endorsed, through its conclusions of 12 December 2019, the objective of achieving a climate neutral EU by 2050, in line with the objectives of the Paris Agreement. In addition, it endorsed the principle of providing tailored support for regions and sectors most affected by the transition through a Just Transition Mechanism, including a Just Transition Fund, together with a dedicated just transition scheme under the InvestEU and a public sector loan facility.

- **Impact assessment**

The Proposal for a Regulation of the European Parliament and of the Council on the European Regional Development Fund and on the Cohesion Fund⁵ has been accompanied by an impact assessment⁶, which has validated the delivery system proposed for these Funds.

The impact assessment also examined the challenges to be addressed by the next multiannual financial framework and cohesion policy. It confirmed the need, consistent with the outcome of the public consultation, to support a clean and fair energy transition, through a dedicated policy objective and a corresponding thematic concentration mechanism (see Chapters 2.2 and 3.2).

Therefore, the objective of the Just Transition Mechanism is justified, as it aims to ensure a fair energy transition through alleviating the economic and social costs stemming from the transition towards a climate neutral economy. The Just Transition Mechanism, under its third pillar, will support the territories most negatively impacted, address the development challenges raised by transition and provide public sector entities with resources to invest in projects facilitating the transition to climate neutrality.

The unevenly dispersed effects of the energy transition had also been pointed out in the impact assessment (see Chapter 3.3). In particular, the latter highlighted the challenges that the most affected regions face due to their reliance on solid fuel production and the high share of solid fuels in their electricity generation mix. This assessment justifies the proposed concentration of the third pillar of the Just Transition Mechanism on the most negatively impacted territories and the proposed temporary earmarking of national shares for the grant component, in accordance with the methodology proposed under the Just Transition Fund.

The above analyses and impact assessment elements support the objectives and the main features of the third pillar of the Just Transition Mechanism.

The scope of sectors expected to benefit from investment support is very large and potentially covers all public investments falling under the competences of public entities, which can cover, for instance, energy and transport infrastructure, district heating networks, public transport, energy efficiency measures including renovation of buildings, investments supporting transition towards circular economy, land restoration and decontamination, as well as up- and re-skilling, training and social infrastructure. The activities supported will be identified in a tailored manner, in the light of the specific development needs detailed under each territorial just transition plan.

⁵ COM(2018) 372 final.

⁶ SWD(2018) 282 final.

This proposal is accompanied by a Staff working document, detailing the rationale and the justification for setting up the facility, together with the mechanisms envisaged to monitor and evaluate its achievements.

4. BUDGETARY IMPLICATIONS

The total budget proposed for the grant component of the facility is EUR 1.525 billion. It is envisaged to finance this amount mainly with assigned revenue EUR 1.275 billion and partly with appropriations programmed under the Multiannual Financial Framework (MFF) 2021-2027 for EUR 250 million.

EUR 1 billion of the assigned revenue foreseen would stem from the estimated surpluses of the provisioning of the European Fund for Strategic Investments (EFSI) after its constitution phase, ending in 2022. The EFSI Regulation sets out the provisioning rate of the EU guarantee of EUR 26 billion at 35%, which represents EUR 9.1 billion to be held in the EFSI guarantee fund. The constitution of the provisioning has been programmed over 2015-2020 for commitments and 2016-2022 for payments. The end of the investment period provided by the EFSI Regulation for approvals is 31 December 2020 and 31 December 2022 for the signature of contracts by the EIB and the European Investment Fund (EIF) with beneficiaries or financial intermediaries. The provisioning rate of 35% has been set out based on an evaluation carried out by the Commission in September 2016, which estimated potential losses at 33.4%. The current estimate of potential losses based on data as of 31 December 2019 provided by the EIB and the EIF is below that percentage. The lower percentage of provisioning is mainly due to the following circumstances:

- the total amount of guarantee calls of EUR 180.2 million in the first four years is lower than the conservative assumptions used to estimate potential losses,
- the actual funding costs covered by the EU guarantee so far are lower than expected due to the benign interest rate environment,
- the foreign exchange exposure is lower than expected due to a large extent to the withdrawal of the United Kingdom from the EU.

In this context, it is foreseeable that EUR 1.17 billion of provisioning would not be consumed by the EU guarantee and, therefore, EUR 1 billion could be assigned to the proposed facility. It is planned to assign this revenue from 2023 onwards, once the total EFSI portfolio has been signed by the EIB and the EIF and a more accurate estimate of potential losses can be carried out. In the meantime, the constitution of the provisioning for EFSI guarantee should continue as initially programmed as the low rate of losses in the first four years does not prejudice the future evolution of the EFSI portfolio.

The remaining EUR 525 million will be partially financed from resources from the Union budget, for an amount of EUR 250 million in current prices. The proposal will feed into the negotiation on the next MFF and expectedly will be integrated into the framework of an overall agreement on the next MFF.

Lastly, the proposal will be financed by EUR 275 million of assigned revenue from the repayments from financial instruments established by the programmes indicated in Annex I to this Regulation. It has been proposed to finance also EUR 1 billion of the InvestEU programme provisioning with reflows from the same financial instruments. The current estimate of repayments from those financial instruments during the period 2021-2032 is EUR 2.1 billion, out of EUR 5.9 billion of assets foreseen by 31 December 2020, sufficient to cover the needs of InvestEU and the public sector loan facility.

In accordance with Articles 21(6) and 22 of the Financial Regulation, in the budgetary lines accommodating the assigned revenue of the public sector loan facility and of InvestEU, the estimated amount of revenues for the year to be allocated to the public sector loan facility and to InvestEU will be indicated respectively [in the general remarks included on the annual draft budget proposed by the Commission](#).

From the financial envelope for the grant component, up to EUR 25 million from assigned revenues will be allocated to advisory services to support the preparation and implementation of eligible projects.

5. OTHER ELEMENTS

• Detailed explanation of the specific provisions of the proposal

The legal framework consists of a dedicated proposal for a Regulation on the public sector loan facility and focuses on the following features:

- setting out the subject matter and the scope of the facility;
- setting out the objectives of the facility;
- detailing the budgetary resources and the sequenced access to temporarily nationally earmarked allocation shares;
- setting out the implementation method under direct management;
- setting out the conditions for eligibility;
- detailing the condition for terminating grant agreements;
- determining the form of support and the applicable grant rates.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the public sector loan facility under the Just Transition Mechanism

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 and the first paragraph of Article 322 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee⁷,

Having regard to the opinion of the Committee of the Regions⁸,

Having regard to the opinion of the Court of Auditors,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) The Commission adopted a Communication on the European Green Deal on 11 December 2019⁹, drawing its roadmap towards a new growth policy for Europe and setting ambitious objectives to counter climate change and for environmental protection. In line with the objective to achieve climate neutrality in the Union by 2050 in an effective and fair manner, the European Green Deal announced a Just Transition Mechanism to provide means for facing the climate challenge while leaving no one behind. The most vulnerable regions and people are the most exposed to the harmful effects of climate change and environmental degradation. At the same time, managing the transition requires significant structural changes.
- (2) The Commission adopted a Communication on the European Green Deal Investment Plan¹⁰ on 14 January 2020, establishing the Just Transition Mechanism which focuses on the regions and sectors that are most affected by the transition given their dependence on fossil fuels, including coal, peat and oil shale or greenhouse gas-intensive industrial processes but have less capacity to finance the necessary investments. The Just Transition Mechanism consists of three pillars: a Just Transition Fund implemented under shared management, a dedicated just transition scheme under InvestEU, and a public sector loan facility to mobilise additional investments to the regions concerned.

⁷ OJ C , , p. .

⁸ OJ C , , p. .

⁹ COM(2019) 640 final.

¹⁰ COM(2020) 21 final.

- (3) The proposal for establishing the Just Transition Fund was adopted by the Commission on 14 January 2020¹¹. For the better programming and implementation of the Fund, territorial just transition plans are to be adopted, setting out the key steps and timeline of the transition process and identifying the territories most negatively affected by the transition towards a climate neutral economy and with less capacity to deal with the transition challenges.
- (4) A public sector loan facility (the ‘Facility’) should be provided. It constitutes the third pillar of the Just Transition Mechanism, supporting public sector entities in their investments. Such investments should meet the development needs resulting from the transition challenges described in the territorial just transition plans as adopted by the Commission. The activities envisaged for support should be consistent with and complement those supported under the other two pillars of the Just Transition Mechanism.
- (5) In order to enhance the economic diversification of territories impacted by the transition, the Facility should cover a wide range of investments, on condition that they contribute to meet the development needs in the transition towards a climate neutral economy, as described in the territorial just transition plans. The investments supported may cover energy and transport infrastructure, district heating networks, green mobility, smart waste management, clean energy and energy efficiency measures including renovations and conversions of buildings, support to transition to a circular economy, land restoration and decontamination, as well as up- and re-skilling, training and social infrastructure, including social housing. Infrastructure developments may also include solutions leading to their enhanced resilience to withstand disasters. Comprehensive investment approach should be favoured in particular for territories with important transition needs. Investments in other sectors could also be supported if they are consistent with the adopted territorial just transition plans. By supporting investments that do not generate sufficient revenues, the Facility aims at providing public sector entities with additional resources necessary to address the social, economic and environmental challenges resulting from the adjustment to climate transition. In order to help identify investments with a high positive environmental impact eligible under the Facility, the EU taxonomy on environmentally sustainable economic activities may be used.
- (6) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.
- (7) The Facility should provide support in the form of grants provided by the Union combined with loans provided by a finance partner. The financial envelope of the grant component, implemented by the Commission in direct management should take the form of financing not linked to costs, in accordance with Article 125 of Regulation (EU, Euratom) [2018/1046](#) of the European Parliament and of the Council (the

¹¹ [COM\(2020\) 22 final](#)

‘Financial Regulation’)¹². That form of financing should help incentivise project promoters to participate and contribute to the achievement of the Facility’s objectives in an efficient way relative to the size of the loan. The loan component should be provided by the European Investment Bank (‘the EIB’). The Facility may also be extended to other finance partners providing the loan component, where additional resources for the grant component become available or where it is required for the correct implementation.

- (8) EUR [250 000 000] of the grant component of the Facility are expected to be financed from the Union budget in accordance with [new MFF proposal] and should constitute the prime reference amount, within the meaning of point 17 of the Inter-institutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹³, for the European Parliament and the Council during the annual budgetary procedure.
- (9) EUR 275 000 000 of the grant component of the Facility is to be financed by repayments from the financial instruments established by the programmes listed in Annex I to this Regulation. Such revenue stems from terminated programmes independent of the Facility, and should be considered external assigned revenue by derogation to Article 21(3)(f) of the Financial Regulation on the basis of Article 322(1) TFEU.
- (10) EUR 1 000 000 000 of the grant component of the Facility should be financed by the foreseeable surplus of the provisioning for the EU guarantee established by Regulation (EU) 2015/1017 of the European Parliament and of the Council which also establishes the European fund for strategic investments (the ‘EFSI Regulation’)¹⁴. Therefore, a derogation should be made from point a) of Article 213(4) of the Financial Regulation, which envisages an obligation for any surplus of provisions for a budgetary guarantee to be returned to the budget, in order to assign that surplus to the Facility. That assigned revenue should be considered external assigned revenue by derogation to Article 21(3)(f) of the Financial Regulation on the basis of Article 322(1) TFEU.
- (11) In accordance with point (c) of Article 12(4) of the Financial Regulation, the appropriations corresponding to external assigned revenue should be automatically carried over to the successive programme or action. That provision allows matching the multiannual schedule of assigned revenue with the implementation path of the projects financed by the Facility.
- (12) Resources for advisory support should also be provided for in order to promote the preparation, development and implementation of projects.
- (13) In order to ensure that all Member States are granted the possibility to benefit from the grant component, a mechanism should be set up to establish earmarked national shares to be respected during a first stage, based on the distribution key proposed in the Just

¹² Regulation (EU Euratom) 2018/1046.

¹³ OJ C 373, 20.12.2013, p. 1.

[http://eur-lex.europa.eu/legal-](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2013.373.01.0001.01.ENG&toc=OJ:C:2013:373:TOC)

[content/EN/TXT/?uri=uriserv:OJ.C_.2013.373.01.0001.01.ENG&toc=OJ:C:2013:373:TOC](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=uriserv:OJ.C_.2013.373.01.0001.01.ENG&toc=OJ:C:2013:373:TOC)

¹⁴ Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).

Transition Fund Regulation. However, in order to reconcile that objective with the need to optimise the economic impact of the Facility and its implementation, such national allocations should not be earmarked after 31 December 2024. Thereafter, the remaining resources available for the grant component should be provided without any pre-allocated national share and on a competitive basis at Union level, while ensuring predictability for investment and following a needs-based and regional convergence approach.

- (14) Specific eligibility conditions and award criteria should be set out in the work programme and the call for proposals. Those eligibility conditions and award criteria should take into account the relevance of the project in the context of the development needs described in the territorial just transition plans, the overall objective of promoting regional and territorial convergence and the significance of the grant component for the viability of the project. Union Support established by this Regulation should thus only be made available to Member States with at least one territorial just transition plan adopted. The work programme and calls for proposals will also take into account the territorial just transition plans submitted by Member States to ensure that coherence and consistency across the different pillars of the mechanism is ensured.
- (15) Support under this Facility should only be provided to projects that do not generate a sufficient stream of own revenues that would allow them to be financially viable and to be financed solely by loans provided on market terms. Own revenues should correspond to revenues, budgetary transfers excepted, generated directly by the activities carried out by the project, such as sales, fees or tolls and as incremental savings generated by the upgrade of existing assets.
- (16) Since the grant component should reflect the divergent development needs of regions across Member States, such support should be modulated. Taking into account that public sector entities in less developed regions, as defined in Article 102(2) of Regulation [new CPR], generally experience lower public investment capacity, the grant rates applied to loans provided to such entities should be comparatively higher.
- (17) In order to ensure an effective implementation of the Facility, it may be necessary to provide advisory support for the preparation, development, and implementation of projects. This support should be provided through the InvestEU Advisory Hub.
- (18) In order to speed up implementation and ensure that resources are used in a timely fashion, this Regulation should lay down specific safeguards to be included in the grant agreements. In view of that objective, the Commission, in line with the principle of proportionality, should be able to reduce or terminate any Union support in case of serious lack of progress in the implementation of the project. The Financial Regulation lays down rules on the implementation of the Union budget. In order to ensure coherence in the implementation of Union funding programmes, the Financial Regulation should apply to the grant component and to resources for advisory support provided under this Facility.
- (19) In accordance with the Financial Regulation and Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council and Council Regulations (Euratom, EC) No 2988/95, (Euratom, EC) No 2185/96 and (EU) 2017/1939, the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities, including fraud, the recovery of funds lost, wrongly paid or incorrectly used, and, where appropriate, the imposition of administrative penalties. In particular, in

accordance with Regulations (Euratom, EC) No 2185/96 and (EU, Euratom) No 883/2013, the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute offences against the financial interests of the Union, as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the financial interests of the Union, grant the necessary rights and access to the Commission, OLAF, the EPPO in respect of those Member States participating in enhanced cooperation pursuant to Regulation (EU) 2017/1939, and the European Court of Auditors (ECA), and ensure that any third parties involved in the implementation of Union funds grant equivalent rights.

- (20) In order to supplement and amend certain non-essential elements of this Regulation, the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of delegating further certain implementation tasks to executive agencies as well as of the amendment of the elements contained in Annex II of this Regulation regarding the key performance indicators. It is of particular importance that the Commission can carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Inter-institutional Agreement of 13 April 2016 on Better Law-Making. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (21) In order to set out an appropriate financial framework for the grant component of this Facility until 31 December 2024, implementing powers should be conferred on the Commission to set out the available national allocations expressed as shares of the overall financial envelope of the Facility for each Member State in accordance with the methodology set out in Annex I of Regulation [the JTF Regulation]. The implementing powers should be conferred without comitology procedures given that the shares derive directly from the application of a pre-defined calculation methodology.
- (22) The objective of this Regulation, namely to leverage public investment in territories, most impacted by the transition towards climate neutrality by addressing the corresponding development needs, cannot be sufficiently achieved by the Member States alone. The main reasons in this regard are the difficulties for public entities to support investments, which do not generate sufficient streams of own revenues and benefit the territories most negatively impacted by climate transition, without EU grant support and the need for a coherent implementation framework under direct management. Since those objectives can be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 TEU. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve that objective,

HAVE ADOPTED THIS REGULATION:

CHAPTER I GENERAL PROVISIONS

Article 1

Subject matter and scope

This Regulation provides for the public sector loan facility (the ‘Facility’) in support of public sector entities by combining grants from the Union budget with loans granted by the finance partners and lays down the objectives of the Facility. It lays down rules for the grant component of Union support provided under this Facility covering in particular its budget for the period 2021-2027, the forms of Union support and provisions on eligibility.

The Facility shall provide support benefitting Union territories facing serious social, environmental and economic challenges deriving from the transition process towards a climate-neutral economy of the Union by 2050.

Article 2

Definitions

For the purposes of this Regulation, the following definitions apply:

1. 'administrative agreement' means the legal instrument establishing the cooperation framework between the Commission and a finance partner setting out the respective tasks and responsibilities for the implementation of the Facility in accordance with the provisions of this Regulation;
2. 'beneficiary' means a public sector legal entity established in a Member State as a public law body, or as a body governed by private law entrusted with a public service mission, with whom a grant agreement has been signed under the Facility;
3. 'finance partners' means the EIB, other international financial institutions, national promotional banks and financial institutions, with which the Commission signs an administrative agreement to cooperate within the Facility;
4. 'project' means any action identified by the Commission as eligible, financially and technically independent, which has a pre-defined objective and a set period during which it must be implemented and finalised;
5. 'territorial just transition plan' means a plan established in accordance with Article 7 of Regulation [JTF Regulation] and approved by the Commission;
6. 'loan scheme' means a loan granted to a beneficiary by finance partners aimed at financing a set of several pre-identifiable projects under the Facility.

Article 3

Objectives

1. The general objective of the Facility is to address serious socio-economic challenges deriving from the transition process towards a climate-neutral economy for the benefit of the Union territories identified in the territorial just transition plans prepared by the Member States in accordance with Article 7 of Regulation [JTF Regulation].

2. The Facility shall have the specific objective of increasing public sector investments, which address the development needs of regions identified in the territorial just transition plans, by facilitating the financing of projects that do not generate a sufficient stream of own revenues and would not be financed without the element of grant support from the Union budget.
3. In pursuing the achievement of the specific objective referred to in paragraph 2, this Regulation also aims at providing advisory support for the preparation, development, and implementation of eligible projects where necessary. That advisory support shall be provided in accordance with the rules and implementation methods for the InvestEU Advisory Hub established by Article [20] of Regulation [InvestEU Regulation].

Article 4
Budget

1. Without prejudice to additional resources allocated in the Union budget for the period 2021-2027, the grant component of support provided under this Facility shall be financed from:
 - (a) resources from the Union budget for an amount of EUR 250 000 000 in current prices, and
 - (b) assigned revenue as referred to in paragraph 2 up to a maximum amount of EUR 1 275 000 000 in current prices.
2. The resources referred to in paragraph 1(b) shall be provided by repayments stemming from financial instruments established under the programmes listed in Annex I to this Regulation up to a maximum amount of EUR 275 000 000 and from the surplus of the provisioning for the EU guarantee established by the EFSI Regulation up to a maximum amount of EUR 1 000 000 000.
3. The resources referred to in paragraph 1 may be complemented by financial contributions from Member States, third countries and from non-Union bodies. These resources shall constitute external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.
4. By derogation to Article 21(3)(f) of the Financial Regulation, resources stemming from repayments referred to in paragraph 1(b) shall constitute external assigned revenue within the meaning of Article 21(5) of the Financial Regulation. By derogation from point a) of Article 213(4) of the Financial Regulation, the resources stemming from the EFSI provisioning surplus referred to in paragraph 1(b) shall constitute external assigned revenue within the meaning of Article 21(5) of the Financial Regulation.
5. An amount up to 2% of the resources referred to in paragraph 1 may be used for technical and administrative assistance for the implementation of the Facility such as preparatory, monitoring, control, audit and evaluation activities including corporate information and technology systems, as well as administrative expenditure and fees of the finance partners.
6. Resources up to an amount of EUR 25 000 000 included in those referred to in paragraph 1, shall be provided for activities set out in Article 3(3).
7. Budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments.

CHAPTER II UNION SUPPORT

Article 5

Forms of Union support and methods of implementation

1. Union support provided under the Facility shall be provided in the form of grants in accordance with Title VIII of the Financial Regulation.
2. Union support provided under the Facility shall be implemented in direct management in accordance with the Financial Regulation.
3. The Commission may delegate powers to implement tasks of the Union support provided under the Facility to executive agencies in accordance with Article 69 of the Financial Regulation with a view to the optimum management and efficiency of the Facility.

Article 6

Availability of resources

1. The resources referred to in Article 4(1), after deduction of a provision for technical and administrative expenditure referred to in Article 4(5), shall be used to finance projects, in accordance with paragraphs 2 and 3.
2. For grants awarded pursuant to calls for proposals launched no later than 31 December 2024, Union support awarded to eligible projects in a Member State shall not exceed the national shares set out in the decision to be adopted by the Commission pursuant to paragraph 4.
3. For grants awarded pursuant to calls for proposals launched as from 1 January 2025, Union support awarded to eligible projects shall be provided without any pre-allocated national share and on a competitive basis at Union level until exhaustion of remaining resources. The award of such grants shall take into account the need to ensure predictability of investment and the promotion of regional convergence.
4. The Commission shall adopt a decision by means of an implementing act setting out the respective shares for each Member State resulting from the application of the methodology set out in Annex I of Regulation [JTF Regulation] in the form of percentages of the total available resources.

Article 7

Administrative agreements with finance partners

An administrative agreement shall be signed between the Commission and the finance partner prior to the implementation of the Facility with that finance partner. The agreement shall set out the respective rights and obligations of each party to the agreement, including on audit and communication arrangements.

CHAPTER III ELIGIBILITY

Article 8 Eligible projects

Only projects contributing to the objectives referred to in Article 3 and fulfilling all the conditions set out below shall be eligible for Union support under the Facility:

- (a) the projects achieve measurable impact in addressing serious social, economic or environmental challenges deriving from the transition process towards a climate-neutral economy and benefit territories identified in a territorial just transition plan, even if they are not located in those territories;
- (b) the projects do not receive support under any other Union programmes;
- (c) the projects receive a loan by the finance partner under the Facility; and
- (d) the projects do not generate a sufficient stream of own revenues allowing them to be financed without Union support.

Article 9 Eligible persons and entities

Notwithstanding the criteria set out in Article 197 of the Financial Regulation, only public sector legal entities established in a Member State as a public law body, or as a body governed by private law entrusted with a public service mission, are eligible to apply as potential beneficiaries under this Regulation.

CHAPTER IV GRANTS

Article 10 Grants

1. Grants shall take the form of financing not linked to costs in accordance with Article 125(1)(a) of the Financial Regulation.
2. The amount of the grant shall not exceed 15% of the amount of the loan provided by the finance partner under this Facility. For projects located in territories in NUTS level 2 regions with a GDP per capita not exceeding 75% of the average GDP of the EU-27 as referred to in Article [102(2)] of Regulation [new CPR], the amount of the grant shall not exceed 20% of the amount of the loan provided by the finance partner.
3. Payments of an awarded grant may be split into several instalments linked to the progress in implementation as set out in the grant agreement.

Article 11 Reduction or termination of the grants

1. In addition to the grounds specified in Article 131(4) of the Financial Regulation and after consulting the finance partner, the amount of the grant may be reduced or the grant agreement may be terminated, if within two years from the date of signature of the grant agreement, the economically most significant supply, works or services

contract has not been signed, in cases where the conclusion of such contract is envisaged pursuant to the grant agreement.

2. When Union support is combined with loan schemes and when supply, works or services contracts are not envisaged, paragraph 1 shall not apply.

In such cases and after consulting the finance partner, the amount of the grant may be reduced or the grant agreement may be terminated, and any related amounts paid may be recovered, in accordance with the conditions set out in the grant agreement.

CHAPTER V ADVISORY SUPPORT SERVICES

Article 12

Advisory support services

1. Advisory support under this Regulation shall be implemented in indirect management, in accordance with the rules and implementation methods for the InvestEU Advisory Hub established by Article [20] of Regulation [InvestEU Regulation].
2. Activities necessary to support the preparation, development and implementation of projects shall be eligible for advisory support.

CHAPTER VI PROGRAMMING, MONITORING, EVALUATION AND CONTROL

Article 13

Work programmes

The Facility shall be implemented by work programmes established in accordance with Article 110 of the Financial Regulation. The work programmes shall set out the national shares of resources, including any additional resources, for each Member State in accordance with Articles 4(1) and 6(2) of this Regulation.

Article 14

Monitoring and reporting

1. Key performance indicators to monitor implementation and progress of the Facility towards the achievement of the objectives set out in Article 3 are established in Annex II.
2. The performance reporting system shall ensure that data regarding the indicators referred to in paragraph 1 are collected efficiently, effectively and in a timely fashion. Beneficiaries in cooperation with finance partners shall provide to the Commission the data regarding those indicators.
3. The Commission shall be empowered to adopt delegated acts in accordance with Article 17 to amend Annex II by modifying the indicators referred to in paragraph 1.

Article 15
Evaluation

1. Evaluations on the implementation of the Facility and its capacity to reach the objectives set out in Article 3 shall be carried out in a sufficiently timely manner to feed into the decision-making process.
2. The interim evaluation of the Facility shall be performed by 30 June 2025, when sufficient information is expected to be available about the implementation of the Facility. The evaluation shall in particular demonstrate how the Union support provided under the Facility shall have contributed in addressing the needs of territories implementing the territorial just transition plans.
3. At the end of the implementation period and no later than 31 December 2031, a final evaluation report on the results and long-term impact of the Facility shall be established.

Article 16
Audits

1. Audits on the use of the Union support provided under the Facility carried out by persons or entities, including by other than those mandated by the Union Institutions or bodies, shall form the basis of the overall assurance pursuant to Article 127 of the Financial Regulation.
2. The finance partners shall provide to the Commission and any designated auditors all available documents that are necessary for both these authorities to carry out their obligations.

Article 17
Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 14 shall be conferred on the Commission until 31 December 2028.
3. The delegation of power referred to in Article 14 may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Inter-institutional Agreement of 13 April 2016 on Better Law-Making.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.

CHAPTER VII TRANSITIONAL AND FINAL PROVISIONS

Article 18

Information, communication and publicity

1. The beneficiaries and the finance partners shall ensure the visibility of the Union support provided under the Facility, in particular when promoting the projects and their results, by providing targeted information to multiple audiences, including the media and the public.
2. The Commission shall implement information and communication actions relating to the Facility, the funded projects and their results. Financial resources allocated to the Facility shall also contribute to the corporate communication of the political priorities of the Union, as far as they are related to the objectives referred to in Article 3.

Article 19

Transitional provisions

Where necessary, appropriations may be entered in the budget beyond 2027 to cover the payment of instalments of grant Union support, provided for in accordance with Article 6(2), to enable the management of actions not completed by 31 December 2027.

Article 20

Entry into force

This Regulation shall enter into force on the [...] [twentieth] day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the public sector loan facility under the Just Transition Mechanism

1.2. Policy area(s) concerned (*Programme cluster*)

Environment and Climate Action pending the approval of the MFF proposals

1.3. The proposal/initiative relates to:

a new action

a new action following a pilot project/preparatory action¹⁵

the extension of an existing action

a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Second half of 2020 – Adoption of the Regulation

Starting from 2020 – Preparation of territorial just transition plans in the Member States

First half of 2021 – Signature of administrative agreement with the European Investment Bank

First half of 2021 – Adoption of the multiannual work programme as implementing act

Second half of 2021 – Launch of the first calls for projects

1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

EU action for the public sector loan facility (the 'Facility') is justified on the grounds of the objectives laid down in Article 174 TFEU which states that particular attention shall be paid to areas affected by industrial transition, and regions which suffer from severe and permanent handicaps.

Transitioning to a climate-neutral economy is a challenge for all Member States. It will be particularly demanding for those Member States which rely heavily on fossil fuels or carbon intensive industries which will be phased out or severely impacted by the transition and which lack the financial means to adapt in view of achieving climate-neutrality. The Facility helps to overcome the transition challenge in the

¹⁵ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

most impacted territories, by supporting investments in the public sector, through preferential funding conditions.

1.4.3. *Lessons learned from similar experiences in the past*

N.A

1.4.4. *Compatibility and possible synergy with other appropriate instruments*

The Facility will be implemented in synergy and complementarity with the other pillars of the Just Transition Mechanism, such as the Just Transition Fund (the 1st pillar) and the just transition scheme under the InvestEU programme (the 2nd pillar).

The scope of support of the Just Transition Fund is limited to investments alleviating the social and economic costs of the climate transition for the territories identified. It focuses on economic diversification of these territories and the reskilling, job search assistance and inclusion in the labour market of the workers concerned through grants, primarily. The second and third pillars of the Just Transition Mechanism will be able to support a wider range of investments both from a sectoral and geographical perspective in order to reinforce the actions and objectives of the Just Transition Fund. A wider coverage of development needs will therefore be possible.

The support under the Facility will also be complementary to the financial products offered by the dedicated just transition scheme under InvestEU. Whereas that scheme would support economically viable investments, the Facility will rather focus on investments with insufficient revenues to be financed without the grant component.

1.5. Duration and financial impact

limited duration

- in effect from [DD/MM]YYYY to [DD/MM]YYYY
- Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to post-2027 for payment appropriations.

unlimited duration

- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.6. Management mode(s) planned¹⁶

Direct management by the Commission

- by its departments;
- by an executive agency (see below).

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
 - international organisations and their agencies (to be specified);
 - the EIB and the European Investment Fund;
 - bodies referred to in Articles 70 and 71 of the Financial Regulation;
 - public law bodies;
 - bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
 - bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
 - persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

Depending on the outcome of a forthcoming cost-benefit analysis, most of the budget could be implemented through delegation to an executive agency, in which case, only the assessment of the calls would be managed directly by the Commission departments.

¹⁶ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

The Facility will be subject to a mid-term evaluation, by 30 June 2025, in order to assess its efficiency, effectiveness, relevance and coherence and to demonstrate how the Union support will have contributed to addressing the development needs of the just transition territories.

The performance reporting system will ensure that data for monitoring implementation and results are collected efficiently, effectively, and in a timely manner. To that end, proportionate reporting requirements will be imposed on the beneficiaries of the grant component of the Facility.

This reporting will also aim at planning the disbursement of the split appropriations of the grant component, linked to the progress in implementation, in accordance with modalities detailed in the grant agreements.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The Facility will be implemented under direct management. It might be delegated to an executive agency, subject to the outcome of a cost-benefit analysis and related decisions to be taken, with a view to ensuring a robust project pipeline.

The Facility will be implemented through a combination of grants, awarded to beneficiaries which will also be the borrowers of the loan component, either with individual or framework loans.

The control strategy will be set up accordingly and will focus on three key stages of grant implementation, in accordance with the Financial Regulation:

- the organisation of calls and the selection of proposals that fit the policy objectives of the Facility;
- operational, monitoring and ex-ante controls that cover project implementation, public procurement, pre-financing, interim and final payments etc.
- ex-post controls of projects and payments.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

The risks identified are the following:

- delays in the submission of applications, in particular regarding framework loans;
- delays in the implementation of the projects;
- possible errors or mismanagement of EU funds.

These risks are to be addressed by a set of measures:

- involvement of stakeholders, from an early stage and the preparation of the territorial just transition plans;
- advisory support for the preparation of projects, on a demand driven basis;

- optimisation of the organisation of the calls for projects;
- appropriate budgetary flexibility, regarding in particular the disbursement of split instalments of the grant support;
- possibility to terminate grant agreements and reduce the amounts of grant support in case of unsatisfactory implementation performance and pace of the projects.

These controls will be supported by a yearly bottom up risk assessment, by a systematic assessment of the control framework, by an appropriate reporting of deviations (exception and non-compliance register) and by corrective actions undertaken with regard to recommendations issued by the Internal Audit Service, by the European Court of Auditors, or by the Discharge Authority.

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

Cost and benefits of controls

Under the assumption that the Facility would be managed by the Commission, the cost of control could be less than 0.5% of the payment appropriations.

The benefits of the controls are the following:

- avoiding the selection of weaker or inadequate proposals;
- optimising the planning and the use of EU funds, so as to preserve EU added value;
- ensuring the quality of the grant agreements, avoiding errors in the identification of legal entities that are the beneficiaries;
- detection of errors affecting the legality and regularity of operations at audit stage.

Estimated level of error:

- given that the Facility is a new instrument, the error rate cannot be estimated properly;
- with regard, however, to similar programmes implemented under direct management, the estimated residual error may be in the range of 1-2%.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The Commission's Directorate-General responsible for the grants under this Regulation is committed to protect the financial interests of the Union in line with the "Commission Anti-Fraud Strategy: enhanced action to protect the EU budget" COM(2019) 196 final of 29 April 2019. The anti-fraud measures cover notably the application of preventive measures against fraud, corruption and any other illegal activities; effective checks; the recovery of amounts unduly paid and, if irregularities are detected, effective, proportional and dissuasive penalties, in accordance with Council Regulations (EC, Euratom) No 2988/95, (Euratom, EC) No 2185/96 and with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council.

The Commission services will ensure that their fraud risk management approach is used to identifying high-risk areas, taking into account a sector-specific cost-benefit

analysis and the fraud prevention and risk analysis work of the European Anti-fraud Office (OLAF).

Contracts for grants and procurement concluded by the implementing DG will be based on standard models, which will set out the generally applicable anti-fraud measures, including the power of audit, on-the-spot checks and inspections mentioned above. The Commission, its representatives and the Court of Auditors will have the power of audit, on the basis of documents and on-the-spot, over all grant beneficiaries, contractors and subcontractors who have received Union funds.

OLAF will be authorised to carry out on-the-spot checks and inspections on economic operators concerned directly or indirectly by such funding in accordance with the procedures laid down in Regulation (EU, Euratom) No 883/2013 with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the European Union in connection with a grant agreement or decision or a contract concerning Union funding. The European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading of the multiannual financial framework and new expenditure budget line(s) proposed

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
		Diff./Non-diff. ¹⁷	from EFTA countries ¹⁸	from candidate countries ¹⁹	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
03. Natural resources and environment	XX.YY.01 [Just Transition Mechanism - Public Sector Loan Facility]	Diff.	NO	NO	NO	NO
	XX.YY.01 [Just Transition Mechanism - Public Sector Loan Facility administrative support]	Non-diff.	NO	NO	NO	NO

¹⁷ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

¹⁸ EFTA: European Free Trade Association.

¹⁹ Candidate countries and, where applicable, potential candidates from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework		3	'Natural Resources and Environment'								TOTAL
			2021	2022	2023	2024	2025	2026	2027	Post 2027	
Operational appropriations (split according to the budget lines listed under 3.1)	Commitments	(1)	0	0	50.000	50.000	50.000	50.000	50.000	50.000	250.000
	Payments	(2)	0	0	50.000	50.000	50.000	50.000	50.000	50.000	250.000
TOTAL appropriations for the envelope of the programme	Commitments	=1+3	0	0	50.000	50.000	50.000	50.000	50.000	50.000	250.000
	Payments	=2+3	0	0	50.000	50.000	50.000	50.000	50.000	-	250.000

EUR 250 000 000 of the financial envelope for the public loan facility under the Just Transition Mechanism will be financed under the ceiling of heading 3 of the 2021-2027 Multiannual Financial Framework.

The main part of the financial envelope of the facility, i.e. the remaining EUR 1 275 000 000 will be financed by external assigned revenue stemming from the estimated surpluses of the provisioning of the European Fund for Strategic Investments and from repayments from financial instruments. Out of this up to EUR 25 000 000 may be dedicated to support activities referred to under Article 3(3) (advisory support) and EUR 29 700 000 shall be dedicated to administrative expenditure, including external staff costs

The indicative breakdown of the expenditure (commitments and payments), including the financing from external assigned revenue is as follows:

EUR million (to three decimal places)

	2021	2022	2023	2024	2025	2026	2027	Total
	9.100	9.100	600.000	502.000	201.600	101.600	101.600	1 525.000
Out of which appropriations of administrative expenditure	4.100	4.100	4.100	4.100	4.100	4.600	4.600	29.700

Heading of multiannual financial framework	7	'Administrative expenditure'
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This section should be filled in using the 'budget data of an administrative nature' to be firstly introduced in the Annex of the Legislative Financial Statement, which is uploaded to DECIDE for interservice consultation purposes.

		EUR million (to three decimal places)								
		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
Human resources										
Other administrative expenditure										
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)									

		EUR million (to three decimal places)								
		2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments			50.000	50.000	50.000	50.000	50.000		250.000
	Payments			50.000	50.000	50.000	50.000	50.000		250.000

3.2.2. Summary of estimated impact on appropriations of an administrative nature

- The proposal/initiative does not require the use of appropriations of an administrative nature
- The proposal/initiative requires the use of appropriations of an administrative nature, as explained below:

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
-------	------	------	------	------	------	------	------	-------

HEADING 7 of the multiannual financial framework								
Human resources								
Other administrative expenditure								
Subtotal HEADING 7 of the multiannual financial framework								

Outside HEADING 7²⁰ of the multiannual financial framework								
Human resources	1.600	1.600	1.600	1.600	1.600	1.600	1.600	11.200
Other expenditure of an administrative nature	2.500	2.500	2.500	2.500	2.500	3.000	3.000	18.500
Subtotal outside HEADING 7 of the multiannual financial framework	4.100	4.100	4.100	4.100	4.100	4.600	4.600	29.700

TOTAL	4.100	4.100	4.100	4.100	4.100	4.600	4.600	29.700
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

²⁰ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former 'BA' lines), indirect research, direct research.

3.2.2.1. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources.
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full time equivalent units

Years	2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)							
Headquarters and Commission's Representation Offices							
Delegations							
Research							
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED ²¹							
Heading 7							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters						
	- in Delegations						
Financed from the envelope of the programme ²²	- at Headquarters						
	- in Delegations						
Research							
Other (assigned revenue)	20	20	20	20	20	20	20
TOTAL							

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints. Additional staff will be only external staff and will be solely financed from assigned revenues.

Description of tasks to be carried out:

Officials and temporary staff (existing staff)	<ul style="list-style-type: none"> • Policy development and strategy • Coordination and liaison with all stakeholders (Member States, third countries, other DGs and other EU institution, thematic and regional fora, etc.). • Development of the annual work programme, selection process • Design of annual calls for proposals, evaluation
External staff	<ul style="list-style-type: none"> • Support to selection process • Support to management of annual calls for proposals and selection of projects for EU financial support • Support to financial and project management • Support to the organisation of the evaluations

²¹ AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

²² Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.3. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties for the grant
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue

please indicate, if the revenue is assigned to expenditure lines X

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative ²³						
	2021	2022	2023	2024	2025	2026	2027

For assigned revenue, specify the budget expenditure line(s) affected.

XX.YY.01 [Just Transition Mechanism - Public Sector Loan Facility]

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[...]

²³

As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.



Brussels, 28.5.2020
COM(2020) 453 final

ANNEXES 1 to 2

ANNEXES

to the

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the public sector loan facility under the Just Transition Mechanism

{SWD(2020) 92 final}

ANNEX I

Financial instruments from which repayments may be used for the Facility

A. Equity Instruments:

- European Technology Facility (ETF98): Council Decision No 98/347/EC of 19 May 1998 on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (SMEs) - the growth and employment initiative (OJ L 155, 29.5.1998, p. 43).
- TTP: Commission decision adopting a complementary financing decision concerning the financing of actions of the activity “Internal market of goods and sectoral policies” of the Directorate-General Enterprises & Industry for 2007 and adopting the framework decision concerning the financing of the preparatory action “The EU assuming its role in a globalised world” and of four pilot projects “Erasmus young entrepreneurs”, “Measures to promote cooperation and partnerships between micro and SMEs”, “Technological Transfer” and “European Destinations of excellence” of the Directorate-General Enterprises & Industry for 2007 (C(2007) 531).
- European Technology Facility (ETF01): Council Decision No 2000/819/EC of 20 December 2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005) (OJ L 333, 29.12.2000, p. 84).
- GIF: Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310, 9.11.2006, p. 15).
- Connecting Europe Facility (CEF): Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p. 129) as modified by Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments (OJ L 169, 1.7.2015, p. 1).
- COSME EFG: Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (OJ L 347, 20.12.2013, p. 33).
- InnovFin Equity:
 - Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L 347, 20.12.2013, p. 104);
 - Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in “Horizon 2020 - the Framework Programme for Research and

Innovation (2014-2020)” and repealing Regulation (EC) No 1906/2006 (OJ L 347, 20.12.2013, p. 81);

- Council Decision No 2013/743/EU of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC (OJ L 347, 20.12.2013, p. 965).
- EaSI Capacity Building Investments Window: Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation (“EaSI”) and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347, 20.12.2013, p. 238).

B. Guarantee Instruments:

- SME Guarantee Facility '98 (SMEG98): Council Decision No 98/347/EC of 19 May 1998 on measures of financial assistance for innovative and job-creating small and medium-sized enterprises (SMEs) - the growth and employment initiative (OJ L 155, 29.5.1998, p. 43).
- SME Guarantee Facility '01 (SMEG01): Council Decision No 2000/819/EC of 20 December 2000 on a multiannual programme for enterprise and entrepreneurship, and in particular for small and medium-sized enterprises (SMEs) (2001-2005) (OJ L 333, 29.12.2000, p. 84).
- SME Guarantee Facility '07 (SMEG07): Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013) (OJ L 310, 9.11.2006, p. 15).
- European Progress Microfinance Facility – Guarantee (EPMF-G): Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 87, 7.4.2010, p. 1).
- RSI:
 - Decision No 1982/2006/EC of the European Parliament and of the Council of 18 December 2006 concerning the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007-2013) Statements by the Commission (OJ L 412, 30.12.2006, p. 1);
 - Council Decision No 2006/971/EC of 19 December 2006 concerning the Specific Programme Cooperation implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 86);
 - Council Decision No 2006/974/EC of 19 December 2006 on the Specific Programme: Capacities implementing the Seventh Framework Programme of the European Community for research, technological development and demonstration activities (2007 to 2013) (OJ L 400, 30.12.2006, p. 299).

- EaSI-Guarantee: Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation (“EaSI”) and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347, 20.12.2013, p. 238).
- COSME Loan Guarantee Facility (COSME LGF): Regulation (EU) No 1287/2013 of the European Parliament and of the Council of 11 December 2013 establishing a Programme for the Competitiveness of Enterprises and small and medium-sized enterprises (COSME) (2014 - 2020) and repealing Decision No 1639/2006/EC (OJ L 347, 20.12.2013, p. 33).
- InnovFin Debt:
 - Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in “Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)” and repealing Regulation (EC) No 1906/2006 (OJ L 347, 20.12.2013, p. 81);
 - Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L 347, 20.12.2013, p. 104);
 - Council Decision No 2013/743/EU of 3 December 2013 establishing the specific programme implementing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decisions 2006/971/EC, 2006/972/EC, 2006/973/EC, 2006/974/EC and 2006/975/EC (OJ L 347, 20.12.2013, p. 965).
- Cultural and Creative Sectors Guarantee Facility (CCS GF): Regulation (EU) No 1295/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Creative Europe Programme (2014 to 2020) and repealing Decisions No 1718/2006/EC, No 1855/2006/EC and No 1041/2009/EC (OJ L 347, 20.12.2013, p. 221).
- Student Loan Guarantee Facility (SLGF): Regulation (EU) No 1288/2013 of the European Parliament and of the Council of 11 December 2013 establishing 'Erasmus+': the Union programme for education, training, youth and sport and repealing Decisions No 1719/2006/EC, No 1720/2006/EC and No 1298/2008/EC (OJ L 347, 20.12.2013, p. 50).
- Private Finance for Energy Efficiency (PF4EE): Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007 (OJ L 347, 20.12.2013, p. 185).

C. Risk-Sharing Instruments:

- InnovFin:
 - Regulation (EU) No 1290/2013 of the European Parliament and of the Council of 11 December 2013 laying down the rules for participation and dissemination in “Horizon 2020 - the Framework Programme for Research and

Innovation (2014-2020)” and repealing Regulation (EC) No 1906/2006 (OJ L 347, 20.12.2013, p. 81);

- Regulation (EU) No 1291/2013 of the European Parliament and of the Council of 11 December 2013 establishing Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020) and repealing Decision No 1982/2006/EC (OJ L 347, 20.12.2013, p. 104).
- Connecting Europe Facility Debt Instrument (CEF DI): Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 (OJ L 348, 20.12.2013, p. 129).
- Natural Capital Financing Facility (NCFF): Regulation (EU) No 1293/2013 of the European Parliament and of the Council of 11 December 2013 on the establishment of a Programme for the Environment and Climate Action (LIFE) and repealing Regulation (EC) No 614/2007 (OJ L 347, 20.12.2013, p. 185).

D. Dedicated Investment Vehicles:

- European Progress Microfinance Facility – Fonds commun de placements – fonds d’investissements spécialisés (EPMF FCP-FIS): Decision No 283/2010/EU of the European Parliament and of the Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 87, 7.4.2010, p. 1).
- Marguerite:
 - Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks (OJ L 162, 22.6.2007, p. 1);
 - Commission Decision of 25.2.2010 on European Union participation in the 2020 European Fund for Energy, Climate Change and Infrastructure (the Marguerite Fund) (C(2010) 941).
- European Energy Efficiency Fund (EEEF): Regulation (EU) No 1233/2010 of the European Parliament and of the Council of 15 December 2010 amending Regulation (EC) No 663/2009 establishing a programme to aid economic recovery by granting Community financial assistance to projects in the field of energy (OJ L 346, 30.12.2010, p. 5).

ANNEX II

Key performance indicators

1. Volume of grants awarded
2. Volume of loans signed
 - 2.1 Individual loans
 - 2.2 Loan schemes
3. Overall investment mobilised, divided as follows
 - 3.1 Amount of private financing mobilised
 - 3.2 Amount of public financing mobilised
4. Number of projects receiving support, including geographical coverage
 - 4.1 Country
 - 4.2 NUTS 2 region
 - 4.3 Just transition territory supported
5. Number of projects receiving financing under the Facility
6. Number of projects by sector
 - 6.1 Transport
 - 6.2 Social infrastructure
 - 6.3 Public utilities (water, wastewater, district heating, energy, waste management)
 - 6.4 Direct support to transition (renewable energy, energy efficiency)
 - 6.5 Environmental protection
 - 6.6 Urban infrastructure (including housing)
 - 6.7 Others
7. Greenhouse gas emission reduced