



# **JUST TRANSITION PLATFORM MEETING - COAL REGIONS IN TRANSITION VIRTUAL WEEK**

16 - 19 NOVEMBER 2020



# **AIMING FOR LONG-TERM OBJECTIVES WITH THE HELP OF COHESION POLICY**

19 November 2020



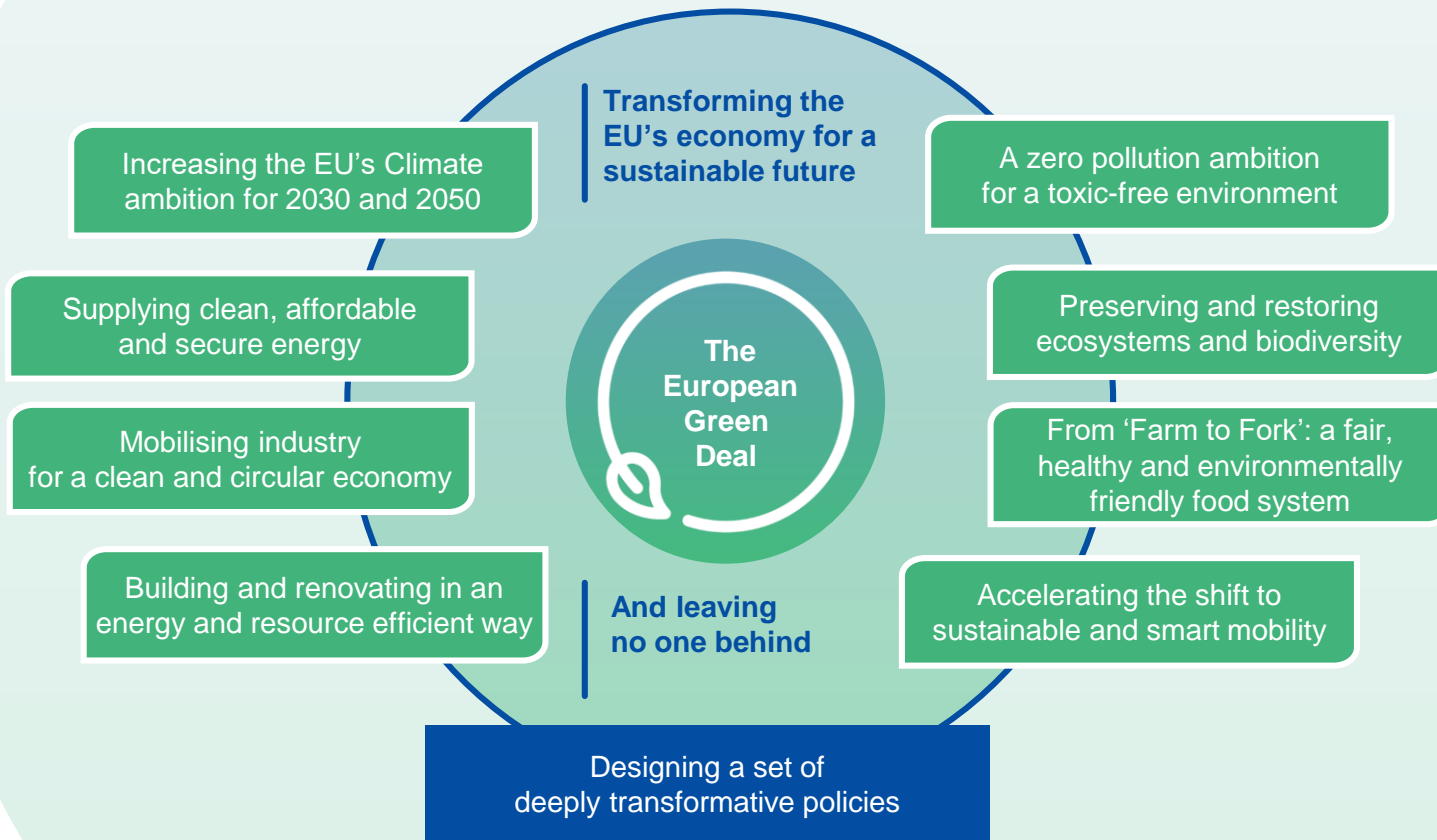
# Cohesion Policy and the European Green Deal

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Just Transition Platform Meeting, 19 November 2020

# European Green Deal



## LEADING THE TRANSITION TO A HEALTHY PLANET





- A **Climate Law** to anchor commitments and raise ambition
- **Earmarking** 30% of the EU budget for climate
- Greening the **European Semester**
- Comprehensive programme of legislation
- **Green investment needs** of around €470 billion per year

# Cohesion policy in the European Green Deal

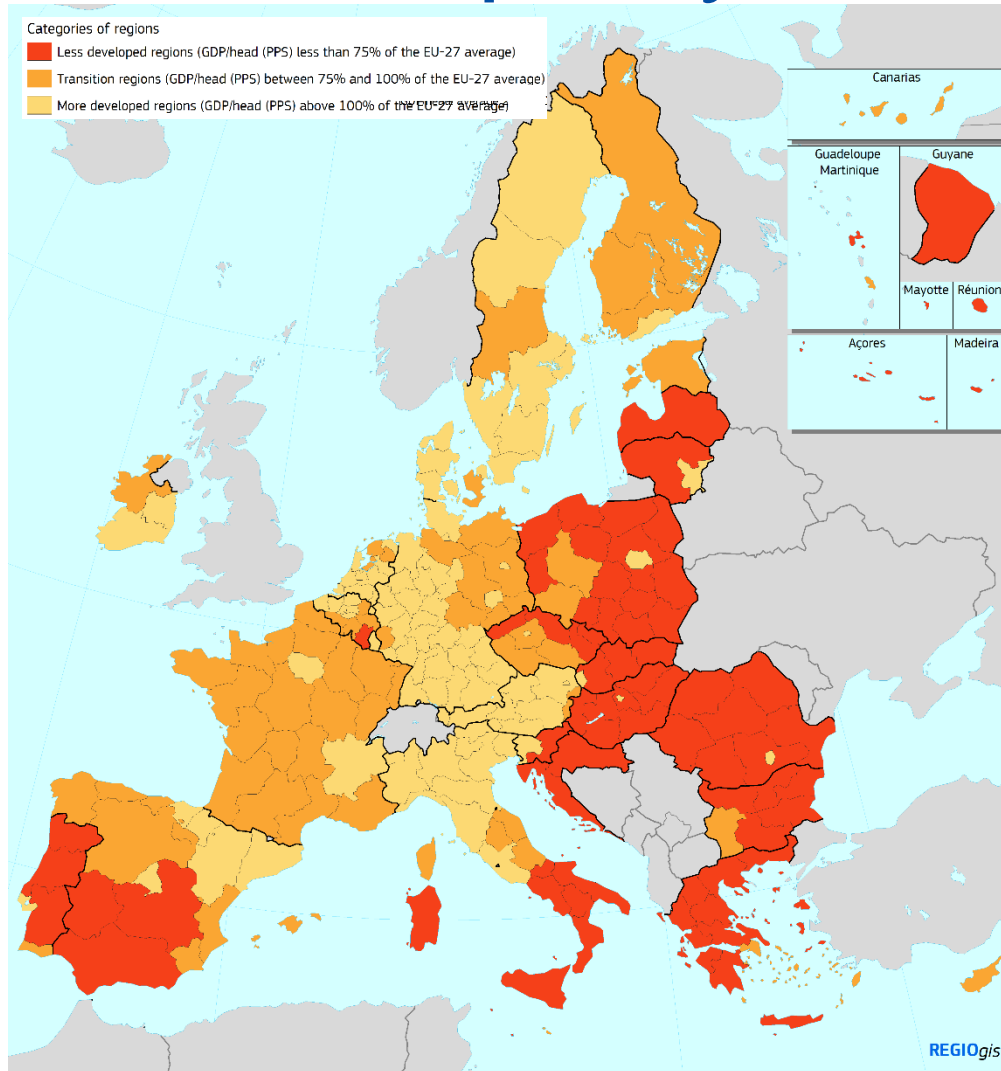


*“Cohesion Funds play a crucial role in supporting our regions and rural areas from East to West, from South to North to keep up with the transformations of our world.*

*In this transition, **we must recognise and respect that we do not all start from the same point.** We all share the same ambition but some may need more tailored support than others to get there.”*

-  Investing in place-based innovation and smart economic transformation
-  Deploying technological and social innovation on a large scale
-  Facilitating phase-out of unsustainable practices
-  Ensuring a just transition for all regions

# Cohesion policy 2021-2027



Investment for jobs and growth goal (ERDF and ESF+) eligibility, 2021-2027  
informal update (July 2020) based on unpublished lists of regions

- Nearly 1/3 of the EU budget (European Regional Development Fund, Cohesion Fund, European Social Fund +, *proposed* Just Transition Fund) to:
  - Reduce disparities between Europe's regions, strengthening economic, social and territorial cohesion
  - Contribute to EU priorities
- 5 Policy Objectives
  1. A more competitive and smarter Europe
  2. **A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe**
  3. A more connected Europe
  4. A more social and inclusive Europe
  5. A Europe closer to citizens

# Higher ambitions for long-term transition

- What we expect
  - Programming according to priorities expressed in European Semester Country Reports
  - Reflecting on the link between innovation and deployment
  - Enabling conditions: not a paper exercise, but a strategic framework for achieving long-term ambitions
  - ‘Do no harm’: taking environmental assessments seriously, sustainable project selection criteria, etc.
- What we aim for
  - Using programming as opportunity to formulate pathways for long-term transitions
  - Transformational change instead of marginal efficiency gains
  - Thinking beyond 2027 to avoid lock-ins (e.g. energy sources, waste management)
  - Integrating elements of the European Green Deal into programmes
  - Nature-based solutions to avoid negative impact of grey infrastructure and to achieve co-benefits
  - Exploiting full potential of cohesion policy to ensure a just transition



# Delivering the European Green Deal

- The current period:
  - 20% climate mainstreaming across the EU budget
  - Earmarking up to 20% ERDF for low-carbon economy
  - Ex-ante conditionalities linked to compliance with key legislation
- Reinforcements for the future:
  - 30% (ERFD) and 37% (CF) climate mainstreaming at fund level
  - Earmarking 30% ERDF at MS level for Policy Objective 2
  - Enabling conditions focused on effectiveness of spending e.g link with NECPs
  - Excluding undesirable investment (e.g. fossil fuels, landfilling, treatment of residual waste)
  - Climate proofing of infrastructure projects
  - Just Transition Mechanism and Just Transition Fund
  - New interregional innovation instrument, stronger focus on sustainability in S3



# A transformative agenda adapted to different starting points

- This is what we need our programmes to do better:
  - Develop a **vision** of a sustainable future, and formulate **pathways**
  - Put in place a system of proactive **governance** to manage the transition
  - Support **innovation** to develop sustainable solutions
  - Support **deployment** of innovation, and **phase-out** of unsustainable practices
  - Ensure a **just transition** so that the transformation benefits everyone
  - Apply specific **territorial approaches** to the delivery of the Green Deal (e.g. cities, rural areas, coal regions)
  - **Mainstream sustainability** into programmes and projects

# Next steps



- Work with key actors (e.g. EEA) and across the Commission
- Translate frontier academic knowledge into recommendations
  - OECD Report **Managing Environmental and Energy Transitions for Regions and Cities**
- Toolkit on supporting sustainability transitions for Managing Authorities
  - Soon to be published by DG REGIO
- Assess governmental capacity to manage sustainability transitions
  - World Bank project (ongoing)
- Together: making the best of programming

# Contact



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# Managing Environmental and Energy Transition for Regions and Cities

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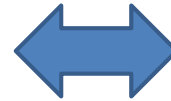
# **1 – REGIONS AND CITIES ARE CENTRAL TO MANAGE THE ENVIRONMENTAL AND ENERGY TRANSITION**



# The active contribution of regions and cities is vital to reach a climate-neutral and circular economy



The transition to environmental and energy sustainability



Role of regions, cities, and rural areas

- Environmental and energy transition aims to **halt climate change, land degradation and biodiversity loss**
- There is a **window of opportunity** now to **scale up measures and investment**
- Transition can come with many **local wellbeing benefits**

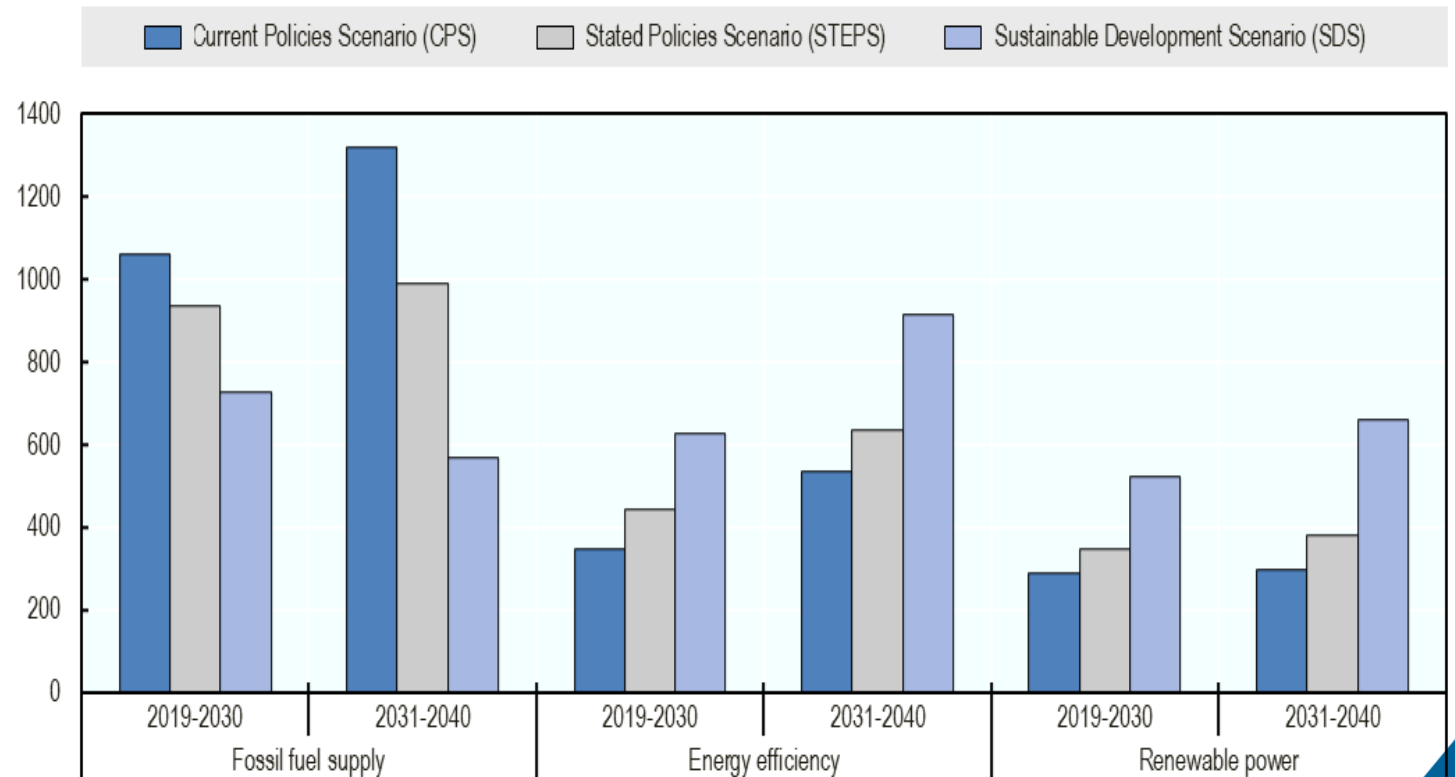
- Subnational governments were responsible for **55% of public spending and 64% of climate-related public investment** over the period 2000-2016
- **Close contact with citizens and local businesses** enables regions and cities to generate **high levels of trust**
- A **coordinated response by all levels of government** helps embed environmental priorities and foster a just transition



# Regions and cities are well placed to support much needed emission reductions

- **Current scale and pace of climate action and investment** at all levels of government is **clearly insufficient to reach climate-neutrality** by 2050
- A **reorientation of investment flows** away from emission-intensive projects is needed

Energy investment with current or stated policies differs sharply from investment needed to meet sustainable energy goals

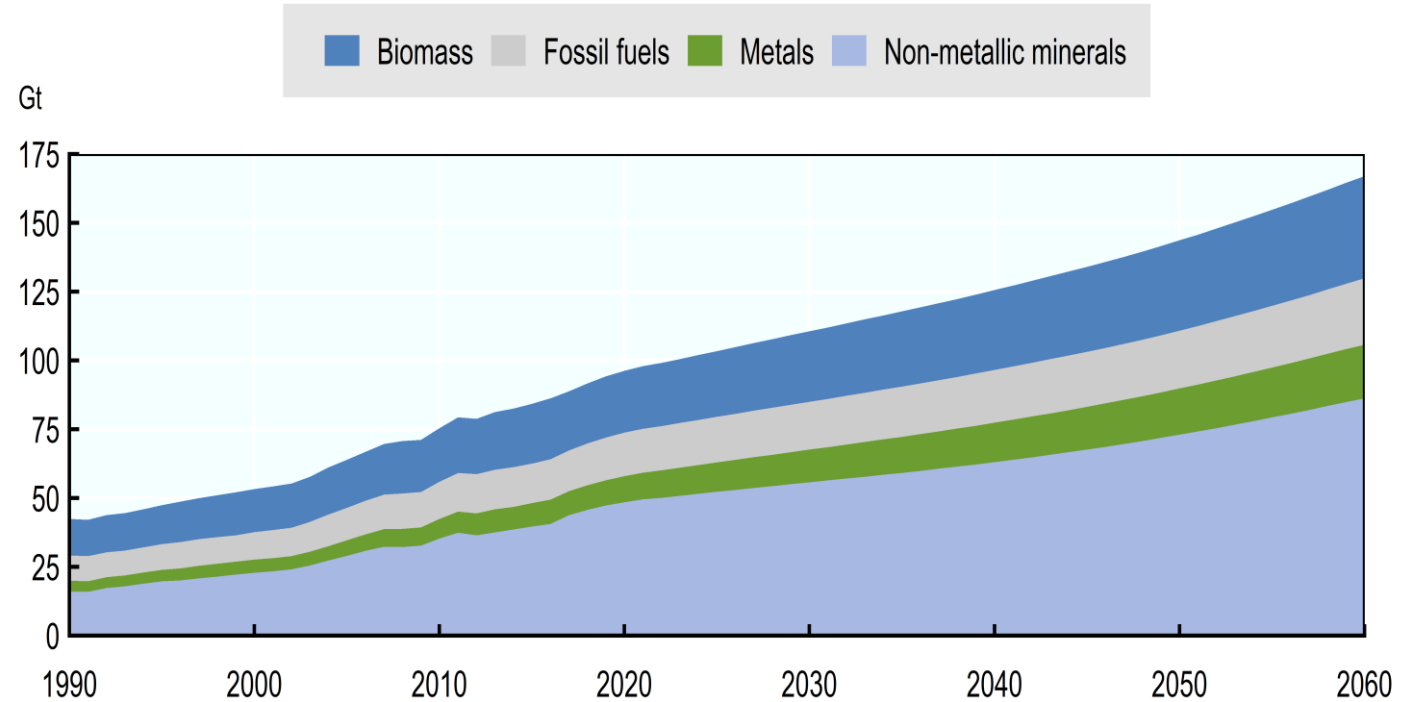


Source: Calculations from OECD (2020) *Managing environmental and energy transitions for regions and cities*, based on IEA 2019 figures.



# Moving to the circular economy in regions and cities is essential to green growth

- **Raw material extraction** is projected to **nearly double by 2060**
- Material extraction and processing contributes to **71% of GHG emissions** and accounts for **substantial water, soil and air pollution**

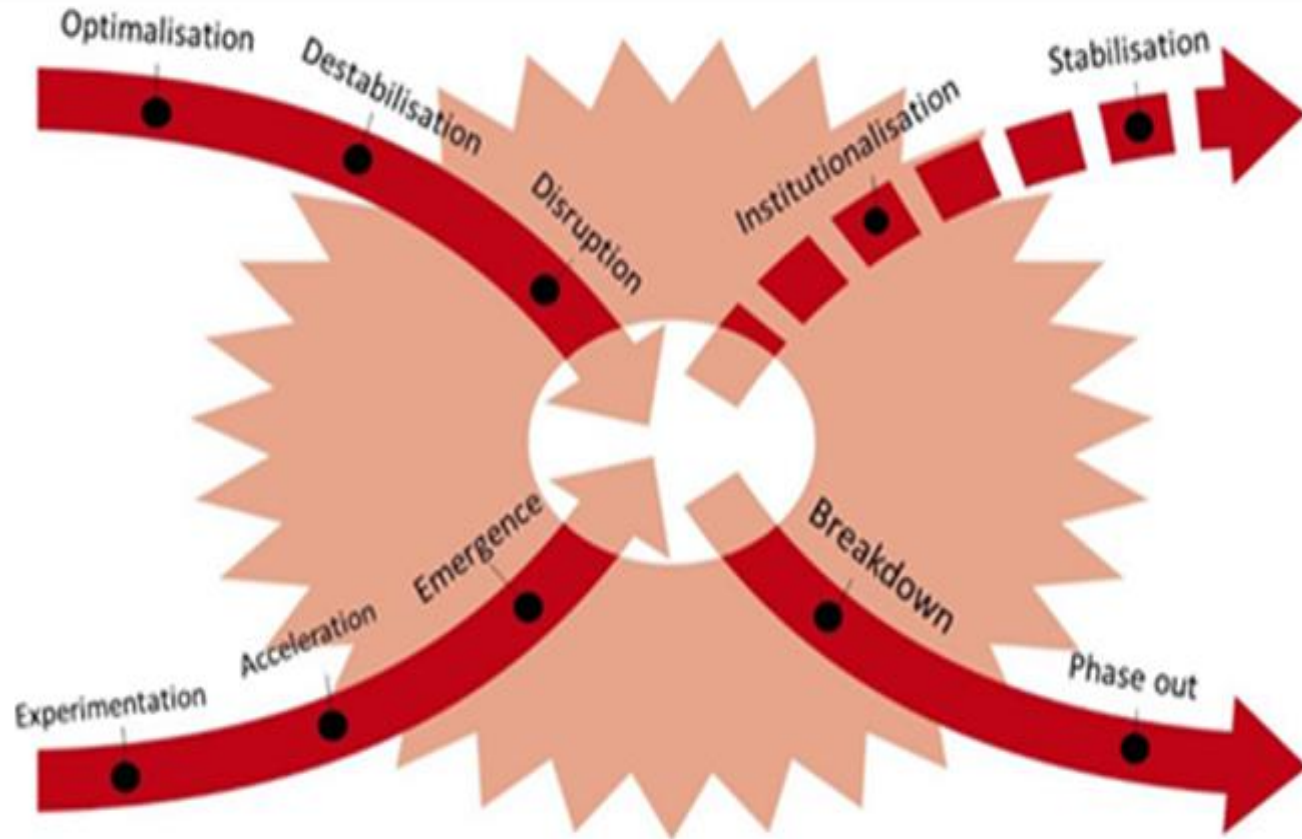


Source: OECD ENV-Linkages model





# Systematic change at the level of regions and cities is disruptive: the x-curve



- Sub-national transition management includes **embracing new technologies, social practices and business models** and **phasing-out unsustainable structures**

Example of a disruptive place-based policy:  
**digital based ride-sharing**

- A **place-based approach** allows people to address the sustainability challenges and to be part of the transition in the making



# Post COVID-19: Stimulating a green recovery

- The **economic consequences** of COVID-19 are likely to **affect regions very differently**
- The COVID-19 recovery packages need to be **consistent with transition**. Green recovery measures can stimulate jobs (e.g. construction)



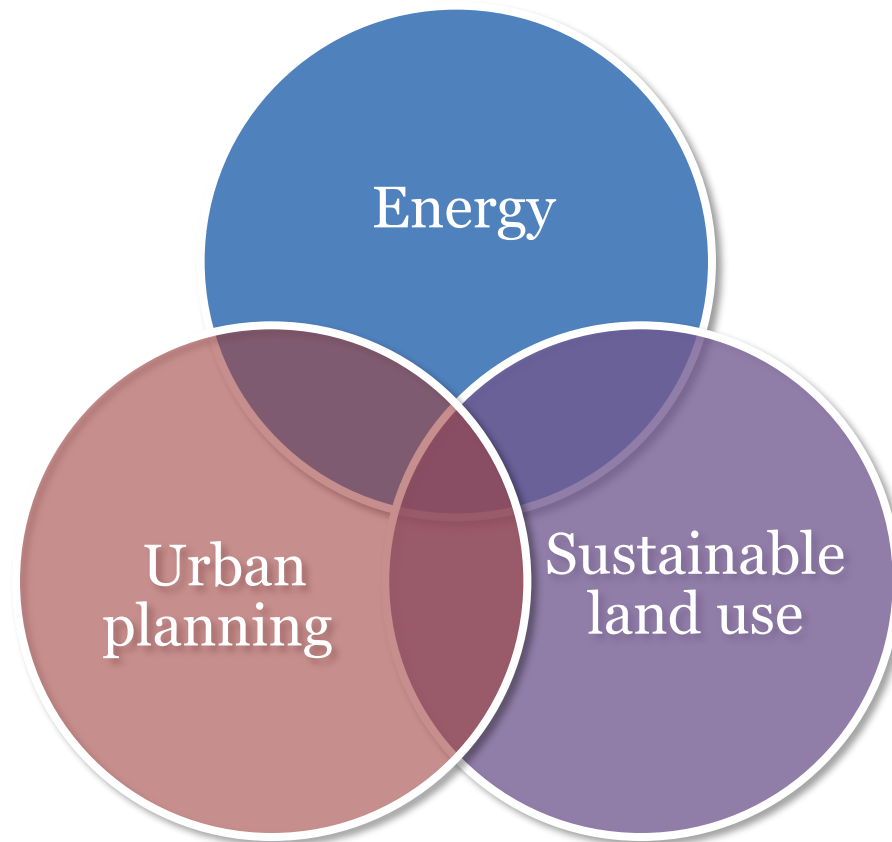


## **2 - PATHWAYS AND ROLES FOR REGIONAL AND URBAN ACTORS**



# Three pillars of climate action are at the heart of regional development policies

- **The energy transition** provides important opportunities in energy generation and use for cities and rural areas
- **Urban planning** can support sustainable buildings and transport
- **Land use** is central for sustainable food systems





# Regions and cities go circular, but need more investments and more effective governance

- Circular economy implies a **holistic and systemic approach** for regions and cities
- All sectors are concerned, but some have **high potential**
- Regions and cities are well positioned to support the circular economy:
  - **Policy responsibilities** (waste management, zoning and urban and regional planning)
  - **Market creation** (public procurement, framework conditions)
- Key barriers are a **lack of investments and a lack of (multi-level) governance**



## *Examples of circular business models in regions and cities:*

- ✓ *designing buildings for resource efficiency and deconstruction*
- ✓ *ride sharing and reduced transport needs*
- ✓ *diet transition and food waste reduction*
- ✓ *applying circularity in rural industries such as mining and forestry*



# Cities are at the forefront of managing the transition

In OECD countries, metropolitan areas account for:



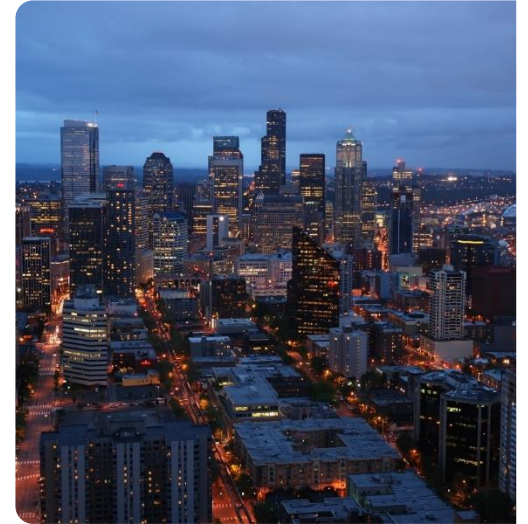
54%  
of population



60%  
of GDP

- Cities are **major innovation hubs**, provide great opportunities for **learning and networks** and offer the possibility of achieving **whole system transformation** at local scale
- Cities face also important challenges such as the **danger of lock-in, complexity** in governing city-systems and **conflict**

→ **Managing transition in cities requires an integrated approach to investment, finance, and co-ordination**



*Between 2015-50, city populations are projected to grow by 50%, creating further pressures but also opportunities for more efficient resource use!*



# Rural areas contribute to the transition by using their natural resource endowment sustainably

Rural areas face multiple and specific opportunities and challenges in responding to and preparing for environmental and energy transition



## Opportunities

- *Preserving and valuing ecosystem services*
- *Industrial innovation and digital business models*
- *New sustainable modes of transport*



## Challenges

- *Economic diversification*
- *Rural-urban migration*
- *Lack of capacity*



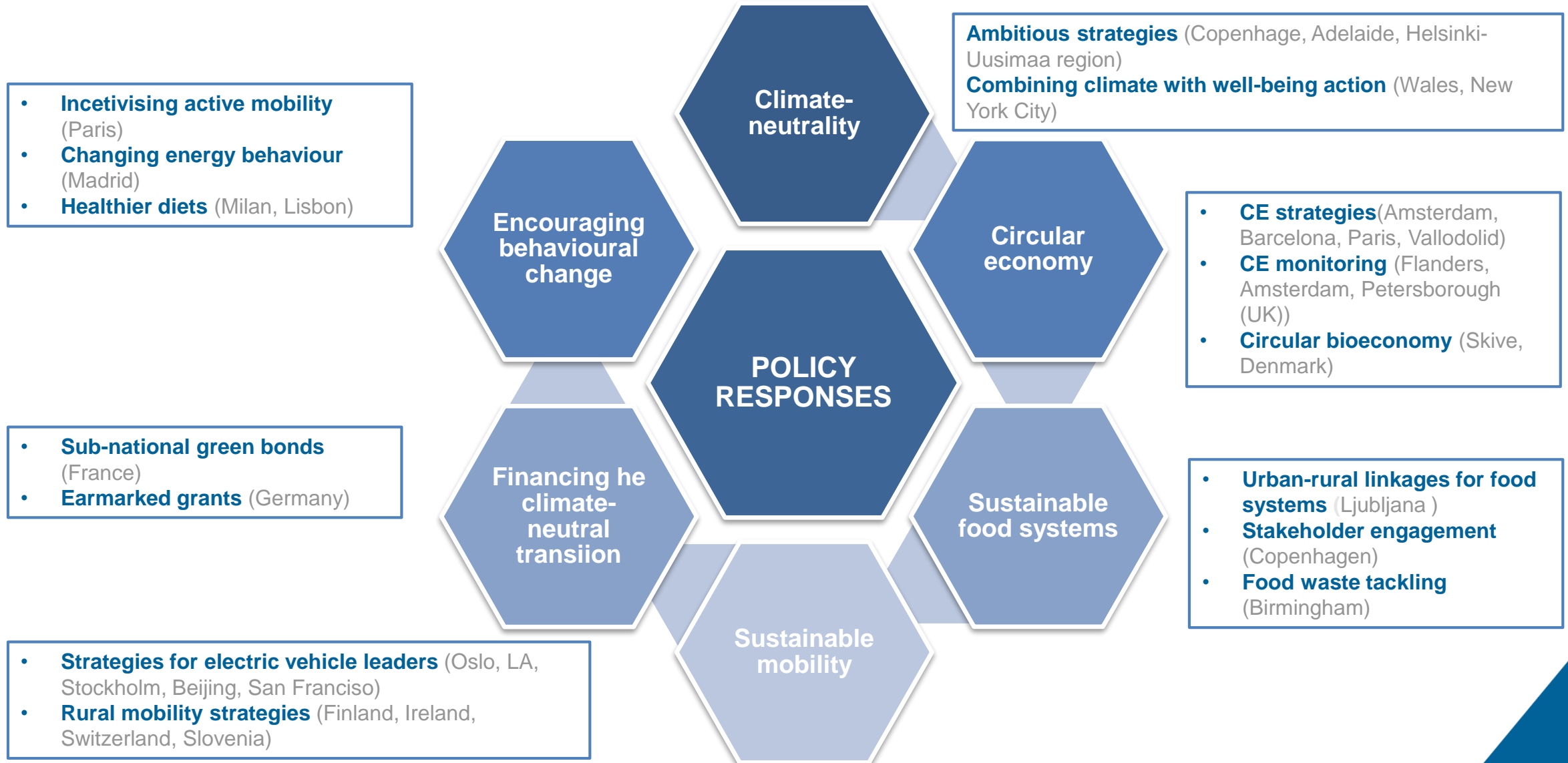
Managing transition in rural areas requires:

- Building **transition capacities**
- Linking transitions with **rural development**
- Ensuring a **just transition** and active **stakeholder involvement**





# Example policy responses from cities and rural areas



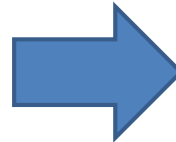




# The Just Transition imperative

## CHALLENGES

- The employment risk from the climate transition appears limited across OECD countries, but concentrated
- Some regions will lose activity and need support, in particular if their incomes and labour market situation are weak



## POLICIES

- ✓ Foster structural change and industrial diversification
- ✓ Targeted labour market policies
- ✓ Active stakeholder inclusion



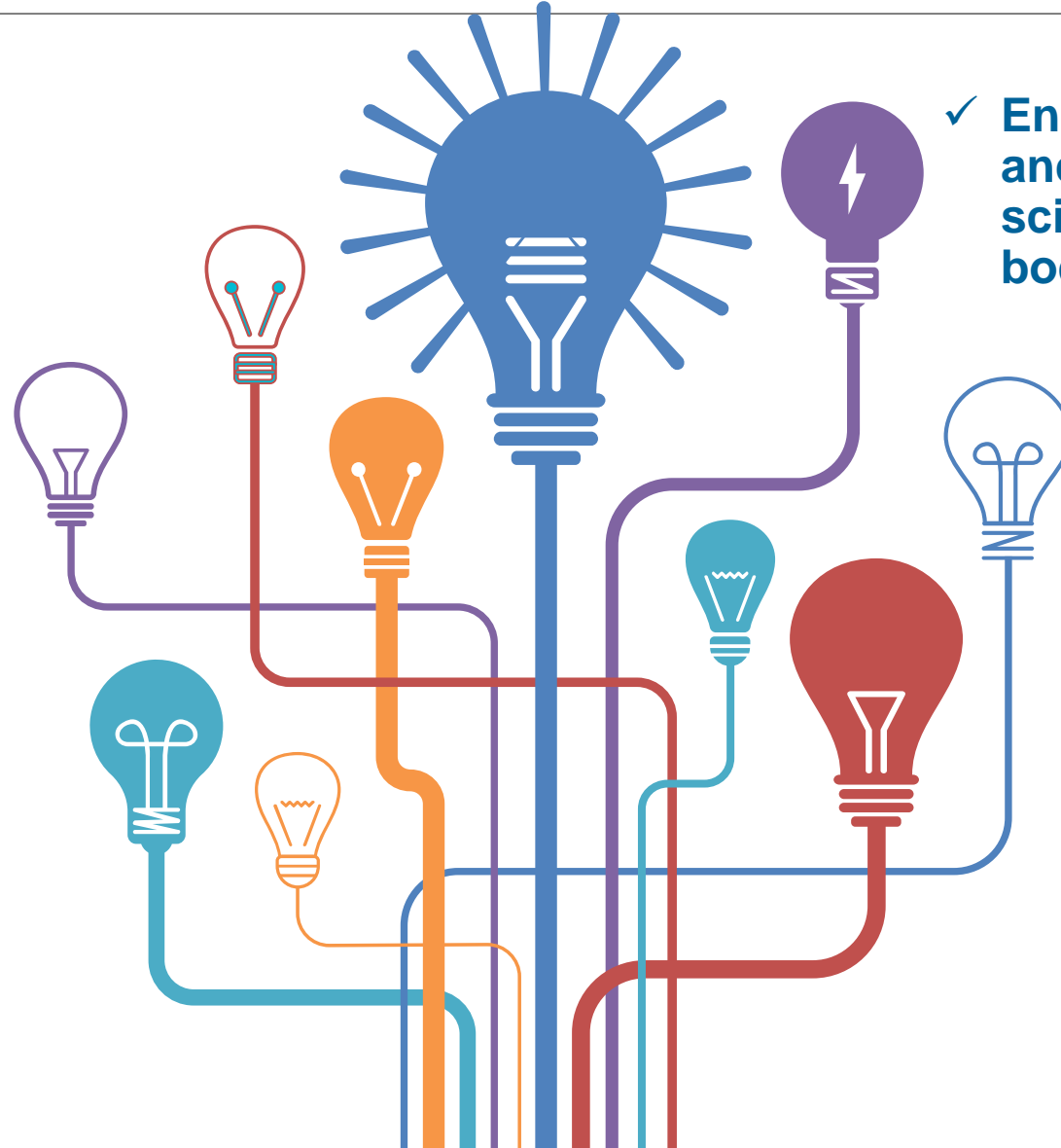
# 3 – KEY POLICY INSIGHTS



# Some Key Policy Recommendations

✓ Define and implement near-term action and measurable targets for long-term strategies

✓ Promote innovation and experiments



✓ Engage citizens and integrate scientific advice bodies

✓ Phase out non-sustainable structures and practices

✓ Scale-up and deploy finance



# THANK YOU!



**The full book is accessible at**

OECD (2020), *Managing Environmental and Energy Transitions for Regions and Cities*, OECD Publishing, Paris,  
<https://doi.org/10.1787/foc6621f-en>

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# We want to hear from you

**How can cohesion policy help regions in the transition towards long-term environmental and climate goals?**

