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COHESION FOR COMPETITIVENESS

How place-based and cohesion policy are essential determinants of success for a European Industrial Strategy

ABSTRACT

The European Union is currently grappling with a range of interlinked challenges, including decreasing competitiveness, climate change, demographic shifts, rising inequality, and geopolitical pressures, all within a constrained fiscal environment.

This policy brief analyses how a place-based approach can contribute to achieving the three main priorities of the EU's industrial strategy, competitiveness, strategic autonomy, and decarbonisation. Furthermore, the risks are outlined for reducing cohesion policies to mobilise the required resources for an ambitious industrial strategy.

A place-based approach is essential for the EU's industrial strategy to address these combined challenges effectively. Only by tapping into the full potential of each of its regions can the EU mobilise the resources required for the desired transformation.

A successful industrial strategy needs to develop each region's comparative advantage, unlock its capabilities and resources through improving physical, digital and social connections, and foster international cooperation between regions and businesses.

To fully realize its industrial strategy and address regional inequalities, Europe must not only focus on emerging industries but also continue strengthening its place-based and cohesion policies. The academic evidence, recent reports and opinions by European institutions underscore the importance of cohesion policy in fostering economic convergence and regional integration. They also provide valuable advice on how existing policies should be updated to better align with Europe's evolving goals of competitiveness, strategic autonomy, and decarbonization. Integrating cohesion policy more deeply into these objectives will be essential for achieving a prosperous Europe for everyone.

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The European Union is facing an unprecedented set of challenges, ranging from climate and demographic change to increasing inequality and growing political discontent, while systemic competitors undercut Europe's key industries and pose geopolitical threats in a context of technological change and limited fiscal space to address these issues. In the absence of expansionary budgets, the EU has to prioritise its funding to the areas where it is expected to have most effect to address this set of mutually reinforcing challenges.

To channel this funding effectively, a comprehensive Clean Industrial Deal is proposed as part of the political guidelines for the next European Commission: be competitive on the global stage with quality jobs, achieve strategic autonomy, and drive global decarbonisation.[1] The question therefore is if a reallocation of budgets is justified, for example from cohesion policy, the second largest spending item. One part of the debate poses the question whether a place-based approach to industrial policy is still relevant in a time of big power competition.

"A placed-based approach and cohesion policy are indispensable for the EU's industrial policy to be successful in achieving its three targets."

A placed-based approach and cohesion policy are a *sine qua non* for Europe's industrial policy to be successful in achieving its three targets. Drawing on recent publications on the effects of place-based policies, it becomes clear that each of the three targets individually needs to leverage the full potential of the diversity of Europe's regions. At the same time, trying to achieve all targets simultaneously can only be achieved if all of Europe's economic resources are mobilised. This can only be done if each region is able to develop itself as a contributor in its own right, instead of a Europe divided between productive and recipient regions.

To support this argument, each of the three targets of the Clean Industrial Deal will first be analysed separately, and how regional diversity is relevant to achieve this. Subsequently, it will be demonstrated that a comprehensive mobilisation of Europe's economic resources can only be accomplished through effective regional development. Finally, the risks of regional inequality for European competitiveness will be outlined, followed by a summary of the key literature on this topic.

THE THREE PILLARS OF EU INDUSTRIAL STRATEGY AND THE IMPORTANCE OF REGIONAL DIVERSITY

The EU has come to the realisation over the past years that the Chinese and American industrial policies ushering in a new era of big power competition, threatening the rule-based globalised trading system. At the same time, the rise of new technologies such as AI and quantum computing, as well as the maturing of existing technologies such as clean technology, biotechnology and semiconductors have shown that the EU has become highly vulnerable to forces outside its control. Lastly, despite great technological advances, the roll-out of clean technologies is still facing internal massive hurdles. Europe's priority therefore is to find a way to deal with these challenges.

A competitive Europe in the 21st century

Europe needs a thriving business sector to ensure it remains competitive and is able to offer sufficient high quality jobs. To this extent it is essential that on the one hand European businesses are able to lead the development of upcoming technologies, while at the same time retain its ability to compete in established markets. The recent and upcoming reports by former Italian prime ministers Letta and Draghi on the single market and EU competitiveness outline the potential to enhance the market through providing the necessary demand for successful businesses, while simultaneously bolstering its competitiveness.[2] The priorities to bolster the single market are to harmonise energy, telecoms, finance, and defence markets, where the first three represent the infrastructure that enables scale for other industries, while the latter is essential for European security. For competitiveness, Draghi is supporting Letta's recommendations in his speeches preceding the release of his report, but also proposes pooling public goods at European level, such as supercomputing power and energy grid infrastructure. He also identifies the need to secure critical resources, in terms of raw materials, but also developing European human capital.

"Economic growth is determined by one's ability to consistently increase capabilities."

The insights of these reports should be complemented by Hausmann's "atomic theory".[3] Based on studies on the causes of economic development, he finds that capabilities are key. These capabilities can be defined as the economic building blocks needed to produce certain goods and services, and the more capabilities one disposes of, the more complex they can produce. Economic growth is determined by one's ability to consistently increase capabilities. Hausmann furthermore posits that capabilities are inherently local, as they involve the interaction between individuals, teams, organisations, technology, and natural resources in the case of physical products, for example in economic clusters.

The EU regions' rich diversity, in terms of human, technological and physical endowments, with diverse industrial and economic traditions, is therefore the foundation of the EU's competitiveness. On one hand, high variety means that the EU collectively possesses almost all the capabilities that a modern economy needs. On the other hand, it offers the opportunity to further leverage the competitive advantages of each region. Together, this provides the EU with the potential to deliver high-quality goods and services cost-effectively in short time windows in all places.[4]

"Instead of developing all these capabilities in-house, their competitive advantage lies in their ability to successfully leverage a deeply integrated network of suppliers from across the continent."

How this works in practice can be seen through two examples of European champions: Airbus and ASML. Both produce highly complex products that require a wide variety of highly specialised capabilities. Instead of developing all these capabilities in-house, their competitive advantage lies in their ability to successfully leverage a deeply integrated network of suppliers from across the continent. Each of these companies, in turn, builds on the capabilities of the regions where they are located. Furthermore, these companies and their suppliers can keep their technological edge by constantly adding new capabilities that are adjacent to their existing ones, driving innovation locally and across the EU.[5]

"Dynamic regions are so because of their diversity."

Promoting skills, innovation and economic diversification is key to being able to compete in the abovementioned technologies, as well as technologies that still need to be developed. As seen in the examples of Airbus and ASML, to be successful in highly complex industries, access to a wide range of capabilities characterised by a diversified economy is crucial. Hausmann also stresses the importance that this should apply at the regional level, as only a diversified regional economy provides the resilience to overcome economic transformation, as demonstrated in the case of the transition of German coal regions.[6] Many regions were and still are dependent on a handful of industries and are, therefore, vulnerable to the demise of these industries. On the contrary, dynamic regions are so because of their diversity.

Rather than subsidising large, potentially multinational, companies, the International Monetary Fund (IMF) suggests investing in infrastructure and basic research, as this provides the foundation for developing new capabilities, and the ability to combine existing ones to develop and produce the complex technologies of the future – an approach that is consistent with Mazzucato's research.[7] This includes physical digital and social infrastructures that facilitate the exchange of knowledge, goods and people between these regions. Supporting this argument is recent research on regional expertise and the potential of regions for specific next-generation and clean technologies.[8] These studies find that each EU region could play a role in multiple of these technologies, if the relevant infrastructure were present.

“For the EU to lead in AI, and all other key 21st century technologies, it needs multiple centres of excellence that are deeply integrated with each other, and with regions that offer complementing capabilities.”

That this is relevant for all regions, and not just those eligible for cohesion funding, is shown by an analysis of AI activity in the EU. The two biggest EU centres in terms of research, Munich and Paris publish most of their articles with institutions from regions in their own country, and rarely together, while in the US the biggest centres of New York and the Bay area are much better connected.[9] For Europe to lead in AI, and all the other key 21st century technologies, it needs multiple centres of excellence that are deeply integrated with each other, and with regions that offer complementing capabilities.

Strategic autonomy

These insights are relevant for the concept of strategic autonomy, and its related concept of strategic depth. As seen during the early days of the pandemic, being dependent on one region, country or company, for the supply of a critical product, can create security problems. This demonstrates two aspects: it is hard (but not impossible) to predict what kind of goods and services are essential; and solutions often come from unexpected corners. For example, the European Cluster Alliance, the network of industrial clusters, turned out to be an effective organisation and distribution force through its overview of the manufacturing capabilities of its various members, as well as being able to connect the relevant partners with each other to produce protective gear, tests and other medical equipment.[10] Therefore, for strategic autonomy to be achieved, thriving regions with diverse economies are needed.

While autonomy implies independence, it does not mean autarky. As with European regional diversity, producing the complex goods and services of the 21st century, while being able to deal with the shocks able to hit such an interconnected world, require strong international cooperation and supply chains. This goes beyond securing sources of critical raw materials in third countries and should include the co-development of these regions as equal partners.

An international approach that builds on local connections would in this regard be mutually beneficial and more effective than any top-down structure, as these connections would need to be built around mutual complementarities. For strategic depth to be achieved, these need to be multiplied, with each region and industry having multiple relationships with suppliers and partners, while each of these suppliers and partners should have multiple European partners.

The European Battery Alliance (EBA), launched by the European Commission in 2017, exemplifies an effective international approach through interregional connections and mutual complementarities. By bringing together over 800 stakeholders across various sectors—including industry, academia, and finance—the EBA integrates regional strengths to create a comprehensive and sustainable battery value chain. This collaboration spans raw material extraction to recycling, enhancing the efficiency and resilience of the supply chain. Projected to generate an annual market value of €250 billion by 2025, the EBA aims to reduce Europe’s dependency on foreign battery suppliers while fostering innovation, creating jobs, and supporting EU carbon neutrality and sustainable development goals. Initiatives like the EBA250, driven by EIT InnoEnergy, facilitate funding access, market intelligence, and business development opportunities, further supporting the alliance’s mission to establish a competitive and sustainable European battery industry.[11]

Lastly, war-gaming, social simulations and other tools can test the degree to which critical supply chains are resilient to future shocks.[12] These are also effective tools in building cross-institutional and cross-regional connections, such as those displayed by the European Clusters Alliance, that can be used in future crises, as well as for non-crisis cooperation.

Decarbonising Europe and the world

Strongly related to strategic autonomy and competitiveness is Europe's aim to decarbonise its economy. While it will decrease Europe's total energy costs, it increases investment needs today.[13] Depending on the current policy choices, the energy transition could replace one material dependency with another or lead to energy independence.[14]

"Regions that have fossil fuel intensive economies tend to be poorer than average."

One choice that needs to be considered is how energy in the EU is generated. As Letta and Draghi separately point out, decarbonisation can only succeed if European energy markets are much better integrated and collective investment flows to energy infrastructure.[15] Additionally, regions that have fossil fuel intensive economies tend to be poorer than average, and have a bigger potential for solar or wind energy, meaning that the energy transition could also improve convergence between EU regions.[16] For this to succeed, it is important that industrial policy, such as the Net Zero Industry Act and Critical Raw Materials Act, is complemented with adequate labour policies.[17]

Another choice of high relevance is the level and share of domestic production of renewable technologies in Europe. While opinions diverge on the merits of producing low-tech products such as PV panels in Europe, there is consensus that being fully dependent on one external supplier for critical raw materials and PV panels is undesirable. Hausmann for example argues that in light of Europe's particular capabilities and constraints, it makes more sense to improve existing technologies and develop new ones – rather than reshoring production – and to work more closely with international partners to produce lower-tech components in African and Latin American regions.[18] This would secure European supply chains, expand on the comparative advantages, develop a network of like-minded partners, while providing them with an incentive to shift to clean energy, and thereby create global political goodwill. Europe should not only ask how it could best decarbonise domestically, but how Europe can decarbonise the world.

Just like water and land, decarbonised energy can be a very localised resource. If Europe is to decarbonise, it needs to fully leverage the geographic and climatic diversity of its regions through investing in regional development and cooperation.

THE RISK REGIONAL INEQUALITY POSES TO ACHIEVE THE EU'S COMPETITIVENESS

"Achieving all three simultaneously, while grappling with limited fiscal space, requires full mobilisation of all resources the EU has. Exacerbating regional inequalities would do the exact opposite, stranding a significant part of the EU's physical, human and financial capital."

Achieving one of the three aims of the EU's industrial strategy is a challenge. Achieving all three simultaneously, while grappling with limited fiscal space, requires full mobilisation of all resources the EU has. Exacerbating regional inequalities would do the exact opposite, stranding a significant part of the EU's physical, human and financial capital. This would increase the fiscal burden on regions and states, as they are required to tackle worsening social challenges.

The reason for this is the so-called stickiness of capital, which tends to move much slower than expected to regions with relatively higher rates of return. As Venables points out in a policy brief, it is crucial for governments to actively manage any transition to maximise its economic benefits.[19] This involves supporting high-potential regions to benefit fully and ensuring regions that receive a negative shock can recover. From an economic, fiscal and social perspective, it is crucial to note that "giving up on" a region is a suboptimal outcome, while ensuring a region is able to remain integrated in national and international supply chains maximises societal benefit.[20] The report on the future of cohesion policy provides a much more detailed overview of this, for example, that around 135 million Europeans are living in regions trapped in no or negative growth trajectories, showing the scale of risk of leaving regions behind.[21]

How this works in practice is shown by a recent report from the Committee of the Regions on the state of cohesion policy, where the biggest beneficiaries of the single market tend to be the biggest contributors to cohesion policy (and so are relatively richer regions).[22] In this way, the EU has correctly identified the necessity to invest in lagging regions, not only for their own benefit, but also to increase their value as trading partners and offset markets for more developed regions.

Especially important in this regard are effective policies dealing with ageing populations and brain drain. These two processes are highly effective at creating a downward spiral for affected regions, as their productive ability decreases, alongside their capacity to deal with social issues. This leads to an increase in people moving away, exacerbating the challenge. The problem of worsening inequality can further weaken strong and coordinated European industrial policy as it is a powerful indicator of low public satisfaction and support for anti-EU parties.[23]

"Without tackling the existing challenges of regional inequality through a strong and concerted place-based and cohesion policy, the EU will not be able to mobilise the necessary resources to achieve the triple goals of its industrial strategy."

In conclusion, while it appears intuitive to focus on developing the industries of the future and hope that this will increase the EU's welfare, it is unfortunately not enough. Without tackling the existing challenges of regional inequality through a strong and concerted place-based and cohesion policy, the EU will not be able to mobilise the necessary resources to achieve the triple goals of its industrial strategy. It should come as no surprise that all American industrial policy has a strong regional component, also to expand support for green transition policies.[24] Fortunately, the EU does have a strong tradition of PBP making, and a wealth of ideas on how to improve it.

NEXT STEPS: HOW CAN COHESION POLICY CONTRIBUTE TO ACHIEVING THE GOALS OF EU'S INDUSTRIAL STRATEGY?

Place-based and cohesion policy is at the political and economic core of European economic success. Although there is sufficient evidence to support this, there is still ample room for improvement, as outlined by a slate of recent publications on the topic. Some of the most notable are outlined below.

"Cohesion policy has lifted many Europeans out of poverty and driven social and economic progress."

The High-Level Group on Cohesion Policy[25] provides both an assessment of the effectiveness of cohesion policy, and provides a list of recommendations how it can be improved. The Group demonstrates how, over three decades, Cohesion Policy has lifted many Europeans out of poverty and driven social and economic progress, but also requests an upgrade to address the new structural challenges facing the EU.

Another significant document is the Commission's 9th Cohesion Report[26], which shows, among other, that "it is expected that each euro invested through Cohesion Policy will have tripled, by 2043 which is equivalent to an annual rate of return of around 4%." through fostering economic growth, creating jobs, and enhancing regional competitiveness.

The Committee of Regions contributed a report on the benefits of cohesion policy[27] and an opinion on the future of the 2027 Cohesion Policy[28]. It is clear that Cohesion Policy has played a crucial role in reducing disparities across the EU by supporting regional development and fostering economic and social convergence. It has enabled less developed regions to participate fully in the Single Market, improved access to infrastructure and services, and boosted local economies through innovation and support for SMEs. Additionally, Cohesion Policy has promoted good governance and administrative efficiency, contributing to fair competition and integration across the EU. To adapt to challenges such as the clean industrial and digital transitions, which could create new regional disparities, a better understanding of the economic and non-economic spillover effects, increased stakeholder involvement, and more flexible and responsive planning frameworks to meet the demands of a rapidly changing world are needed.

Additionally, the European Economic and Social Committee (EESC) has published an opinion on Cohesion Policy 2.0[29]. This opinion mirrors that of the Committee of the Regions in large parts, including calls for increased involvement of civil society in shaping the future of cohesion policy, ensuring that the principle of "leaving no one behind" remains central. The opinion also suggests a reevaluation of the policy's complexity to enhance its effectiveness, particularly in light of evolving challenges like inflation and geopolitical tensions.

The European Regional Policy Research Consortium produced a report on cohesion policy[30] that traces the EU Cohesion Policy in the 2021-27 cycle. In this period, it has made strides with effective Territorial Just Transition Plans and increased funding for territorial instruments, demonstrating a commitment to regional development and green, digital, and infrastructure investments. The authors recommend clarifying performance frameworks, simplifying compliance, and ensuring the policy's priority amidst shifting EU budgetary and strategic pressures.

Equally, the Council of European Municipalities and Regions (CEMR) published a report[31] with recommendations for the next cohesion policy framework 2027-34. For CEMR, Cohesion Policy represents the "DNA of European projects" and should be funded by at least 33% of the EU's budget.

"Cohesion policy is essential to the EU's success."

The common thread of these reports is that Cohesion Policy is essential to Europe's success. At the same time, to achieve Europe's fullest potential, Cohesion Policy deserves an update by integrating it more closely into the three goals of competitiveness with good jobs, strategic autonomy and decarbonization, and allowing it to enable the poorest regions to contribute to the European ecosystem.

ANNEX: FURTHER READING AND LITERATURE REVIEW NOTES:

The following provides a brief overview of some of the key further reading on this topic that were not included in the above due to space limitations.

Crescenzi & Guia[32] find that Cohesion Policy has disparate economic effects depending on the studied regions. It finds that it has benefited German regions in terms of economic growth and the UK for labour demand growth, with lesser effects in poorer regions in south and eastern Europe.

Crescenzi, de Blasio & Giua analyzed the precursor to S3 policies in Italy[33] and found that they are not effective in supporting target-firms, and would not have made too much of a difference if more money was made available. Low-tech firms were the predominant beneficiaries of these policies.

One recurring question in EU decision-making circles is the absorption capacity of regions. Ecorys published a report on this topic that clearly identifies EU-level issues as the main hindrance to higher absorption rates.[34]

Citizen Perspectives on place-based policies

The DG Regio report on "Geography of discontent"[35] demonstrates how left-behind regions are fertile grounds for anti-EU parties. This is also complemented by a paper by Crescenzi et al.[36], who in the UK finds no link between EU funding and support for EU, unless EU funding is effective in creating jobs.

Lastly, a study by Lang et al.[37] shows that EU citizens have positive perceptions about cohesion policy, even though its distributional effects benefit mostly the elites in a given region. It concludes that more needs to be done to effectively target the poorest in each region.

OECD perspectives on the future of place-based policy

Beyond the European space, the OECD published a series of papers on place-based policies, based on a series of six workshops on the future of place-based policy the OECD held in 2023[38]:

Suedekum[39] provides evidence that place-based approaches work, goes into the difference between the existing place-based framework (cohesion), suggests a new approach to reach all regions in need, and addresses the balance between the two.

McCann[40] analyzes the historic development of place-based vs people-based narratives, and explains that the differences between the two approaches are largely constructed and not based on evidence.

Solé-Ollé[41] demonstrates how place-based policies can be aligned and integrated with other types of place based approaches, such as "equalization grants" and 'sectoral investment policies". While these types of interventions might have different goals than cohesion policy, their special effects are clear. If streamlined, these policies can multiply the desired (if properly defined) effects of each of the policies.

Green[42] argues in favor of fiscal autonomy and extended policy levers available at the subnational level to adjust and improve place-based policies according to the local context in which they are implemented.

Syssner[43] finds that based on literature on population decline, local governments need to develop adaptation policies that are economically sustainable, retain equality of service provision, and regional cohesion. This can be done through four types of interventions: structural interventions (i.e. changing the role and objectives of local government), financial interventions (investment and subsidies), place-based support for innovation, and human skills development.

Creutzig[44] demonstrates how to improve place-based policies for a clean transition, where the challenge lies at three levels: industrial infrastructure (factories etc.), urban mobility, and rural spatial planning (agriculture). The key to success is that for any successful transition, there needs to be an integration of local values in transformation policies, the strengthening of co-design processes of these policies with local populations, and the connection between economic and wider identity-based narratives (i.e. an answer to the question "who are we"?).

Nathan[45] sets out monitoring practices based around developing counter factuals, and investigates why some things are seen as difficult to know, and why some questions are difficult to ask. Since goals are oftentimes ill-defined, or formulated ex-post, an accurate evaluation is almost impossible to achieve. Policymakers do not have clear incentives to understand whether money was well spent (or indeed mis-spent) because of electoral realities.

Faggian and Urso[46] emphasize the importance of monitoring in regular circumstances and make the case that it might be even more important in times of crisis. In concrete terms, the RRF might have been an appropriate crisis tool, and it might be acceptable that place-based policies were not explicitly mentioned in its implementation. It is, however, crucial to understand what effect its measures had on places – which would in turn allow for remedies at a later stage.

Giest[47] describes a framework of the constituent elements of successful governance, and how to support and successfully implement this framework. It identifies three key dimensions of policy capacity—analytical, operational, and political—across individual, organizational, and systemic levels, and highlights nine elements that support this capacity. The paper emphasizes the importance of collaborative initiatives such as Policy Innovation Labs, Data Collaboratives, and Collaborative Governance Regimes, which engage local stakeholders and foster networked structures for effective knowledge exchange and data utilization in policymaking.

Beer[48] shows how the success of place-based policies is largely determined by their governance. Given the complexity of place-based policies, there is a high potential to tackle many challenges comprehensively if the details of governance are gotten right. Succesful arrangements should address the aspirations and challenges of the respective policy, manage political and policy issues, and be durable over time.

Glasmeier[49] analyses various US programmes to understand how place-based policies should be designed: sensitive to local context, able to provide long-term planning security, flexible to changing market circumstances, including labour market specificities, taking into account that local economies need to be commercially viable, and local governments have limited capacity.

The American perspective on place-based policies

The Brookings Institution delivered a handy overview of the 19 place-based policies approved by the 117th Congress in the US, identifying their value and core targets.[50]

The Roosevelt Institute informs the American debate by analysing the central points of German regional based industrial policy. Here, the focus lies on the expenditure, education and research funding, the tricky balance between support for incumbent and emerging sectors, the difficulty of anticipatory planning, and finally the pitfalls of special planning.[51]

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Milan is co-founder and lead of Project SEER, which aims to provide EU policymakers and other stakeholders with a better evidence base for a European economic transition that leaves no one behind. Previously, he worked for Systemiq, a systems change agency, where he co-authored multiple reports and on the European Green Deal, plastic pollution, and the circular economy. He is also Co-founder of the Sustainable Storytelling Academy Europe, and doing a PhD on a Systems approach to the European Just Transition.

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THE POTENTIAL OF LABOUR POLICY FOR JUST TRANSITION REGIONS

Milan Petit, Mikhail Sirenko, Michael Obersteiner, Kevin le Merle

POLICY BRIEF
February 2024

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A EUROPEAN CLEAN GROWTH MINDSET

ABSTRACT

"Clean growth" versus "degrowth" is a highly contentious political debate. It ought not to be. The seeming clash of worldviews is more about rhetoric than actual policy. First and foremost, it is a distraction from focusing on the actual policies needed to cut greenhouse gas emissions - quickly - and doing so while keeping competing priorities in mind.

Making the green transition work for people and for the planet is key to achieving sustainable emissions cuts without stirring political resentment and policy retrenchment. Doing so means finding a balance between energy efficiency measures on the one hand, and research, development, and the rapid deployment of new, cleaner technologies on the other - between demand-side policies that guide behaviour and energy use in the right direction, and the clean (re)industrialisation of Europe and the world.

This mirrors a pledge made by 118 governments at the United Nations Climate Change Conference, COP28, to both double the annual rate of energy efficiency improvements and to triple global renewable energy capacity by 2030.[1] In combination with the explicit identification of fossil fuels as the cause of massive environmental degradation, this means that some polluting sectors and industries will necessarily shrink, while others will thrive.

It also means that policies must focus on guiding the transition and channelling market forces in the right direction, towards a high-efficiency, low-carbon economy and world.

The global clean energy race is on. Europe must take advantage of its policy environment and structural advantages, unique among advanced economies, while minimising some of the potential disadvantages. This requires finding the right balance between decarbonising Europe's economy domestically and leading the rest of the world to do so. By balancing the demands of domestic consumers, producers, and citizens with their global counterparts, while helping stabilise the global climate in the process, Europe can square the circle of green growth.

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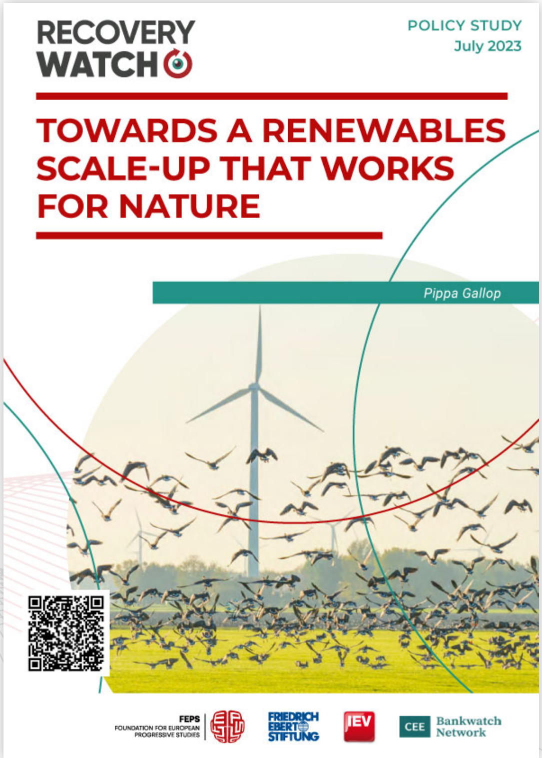

RECOVERY WATCH

POLICY STUDY
July 2023

TOWARDS A RENEWABLES SCALE-UP THAT WORKS FOR NATURE

Pippa Gallop

POLICY BRIEF
April 2023

FEPS FOUNDATION FOR EUROPEAN PROGRESSIVE STUDIES

THE ROAD TO A JUST TRANSITION

A COMPARATIVE ANALYSIS OF TERRITORIAL JUST TRANSITION PLANS

ABSTRACT

This policy brief analyses the Territorial Just Transition Plans (TJTPs) of seven countries, with the aim of understanding the envisioned just transition in these regions. The brief scrutinises and evaluates the economic, environmental and social aspects of the plans to map the kind of justice to be expected from their implementation. It finds that the TJTPs primarily direct funding towards economic policies, with the aim of supporting SMEs and large corporations to decarbonise and generate or maintain employment opportunities in the regions. There are lesser investments in environmental policies, mainly focused on the decontamination of polluted land, and social policies, such as elderly and childcare.

The TJTPs can be grouped into three categories. The first group has a relatively balanced approach in dividing investments among economic, social and environmental policies. The second group focuses mostly on economic policies and decarbonising large corporations and SMEs. The last group mostly focuses on environmental policies.

The envisioned justice in the TJTPs is primarily directed towards employment opportunities; this poses the risk of benefitting people and organisations that already receive support from the European Commission. A different kind of justice, one focused on improving social conditions, could be better positioned to help those who are typically left behind.

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