1. INTRODUCTION

The European Green Deal aims at making Europe the first climate-neutral continent by 2050, tackling biodiversity loss, pollution and reforming our wasteful use of resources by moving to a more circular economy, thereby fostering competitiveness and growth. This transition is as much an environmental necessity, as it is an economic opportunity. By making sure that private and public investors take into account environmental considerations in their investment decisions the EU will support the emergence of new, clean energy and circular economy industries and create high quality jobs.

A sustainable Europe requires significant investment effort across all sectors of the economy. The Commission estimates that reaching the 2030 climate and energy targets[1] will require additional investments of EUR 260 billion a year by 2030 compared to a baseline scenario[2]. The Commission has already announced its intention to present an impact assessed plan to further increase the EU's climate ambition for 2030. Additional investments will also be necessary for achieving the broader environmental and social objectives that the EU has set itself[3]. **The Sustainable Europe Investment Plan is the investment pillar of the Green Deal.** It puts forward a comprehensive framework that will mobilise private and public investments for the sustainability transition from every corner of the EU. [PLACEHOLDER FOR DEFINITION OF SUSTAINABLE INVESTMENT TO BE CONSISTENT WITH THE TAXONOMY]

Investor appetite for sustainable opportunities with measurable impact is on the rise. The supply of bonds tied to environmental, social and corporate governance principles exceeded EUR 200bn last year, compared to less than EUR 50bn in 2015[4]. We need to create a framework bridging the gap between policy objectives and the significant private financial resources available.

The Sustainable Europe Investment Plan aims at mobilising at least EUR 1 trillion of investments over the upcoming decade. The EU budget and associated instruments will trigger at least EUR 1 trillion of sustainable investments. However, more will be needed to master the challenges ahead. Public finance needs to lead the way, but private actors will need to provide the scale. By pulling together a set of new policy initiatives with reinforced commitments on ongoing instruments within a single policy framework, the Commission will give a new policy push in this area, and ensure enhanced impact and coherence of the EU framework for sustainable investments.

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[1] The key targets for 2030 are : at least 40% cuts in greenhouse gas emissions (from 1990 levels), at least 32% share for renewable energy and at least 32.5% improvement in energy efficiency.

[2] Communication "United in delivering the Energy Union and Climate Action - Setting the foundations for a successful clean energy transition" COM(2019) 285 28.

[3] The Commission estimates that beyond climate-related measures the broad environmental sustainability investment gap is between EUR 100 billion and EUR 150 billion annually, including environmental protection and resource management. With respect to social investments, the High-level taskforce on investing in social infrastructure has estimated that additional EUR142bn per year would be needed for affordable housing, health and long-term care, education and life-long training. . These do not relate to the cost of supporting the green transition exclusively

[4] Dealogic and Citi Research

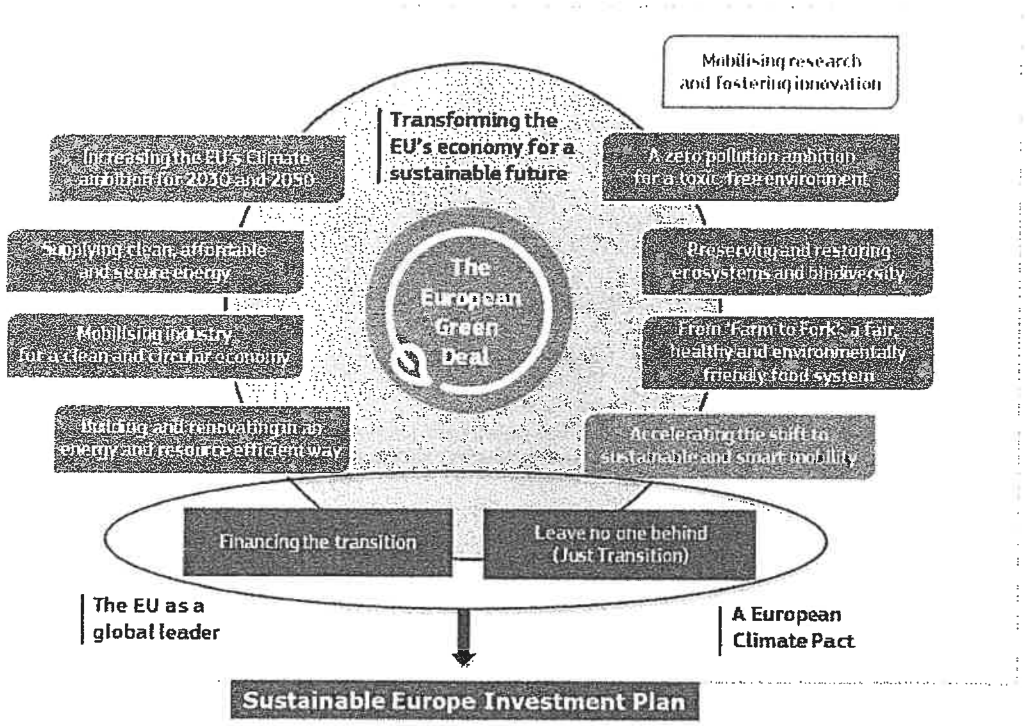

Figure 1. The Sustainable Europe Investment Plan within the European Green Deal.

The Sustainable Europe Investment Plan will provide a conducive environment for a transition to a climate-neutral, green economy across the following three dimensions:

- **First, it will increase funding for the transition, and mobilise at least EUR 1 trillion to support sustainable investments over the next decade through the EU budget.** The EU budget will devote a greater share of public spending to climate than ever before, it will crowd in private funding through guarantees and facilitate public sector investments in the regions most affected by the transition through the Just Transition Mechanism.
- **Second, it will create an enabling framework for private investors and the public sector.** Ensuring that financial institutions and private investors have the tools to properly identify sustainable investments, notably through the EU taxonomy and sustainability proofing, will be key to leverage their firepower. For the public sector, the EU Semester and the National Energy and Climate Plans under the Energy Union will allow to properly identify needs and estimate the financial needs.
- **Third, it will provide tailored support to public administrations and project promoters in identifying, structuring and executing sustainability projects.** Support for national, regional and local authorities to assess the financial needs and plan the subsequent investment as well as direct support to public and private project promoters will be reinforced,as compared to the current financial perspective. Coordination will be strengthened.

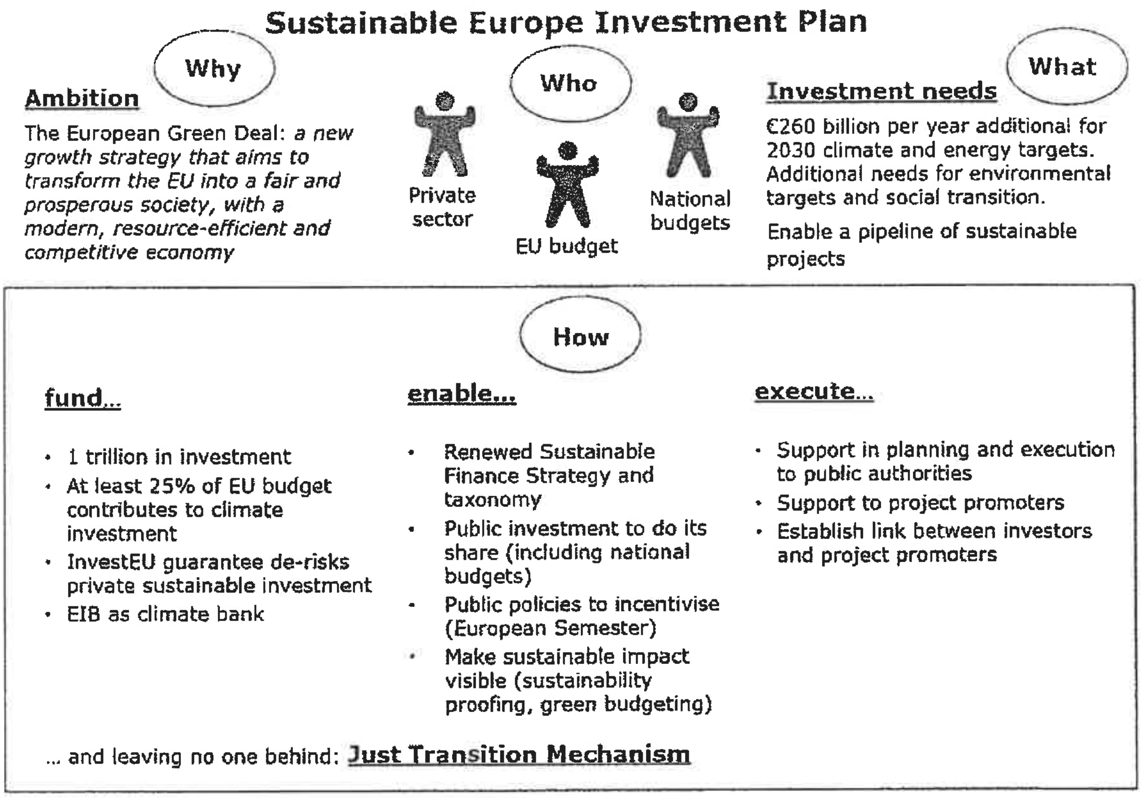

Figure 2. The Sustainable Europe Investment Plan including the Just Transition Mechanism- the objective, the needs, the policy action.

2. THE INVESTMENT CHALLENGE [CLIMA,ENER AND MOVE TO PROVIDE ESTIMATION ON INCREASED INVESTMENT NEEDS]

The transition to a climate-neutral and environmentally sustainable economy will require significant investments. Achieving the current 2030 climate and energy targets will require an estimated EUR 1.2 trillion annually, of which EUR 260 billion would be additional compared to a baseline scenario. This concerns energy-related investments, buildings and the transport sector. Figure 3 presents the average investment needs per sector[5]. It underlines in particular the significant needs for additional investments in the renovation of buildings. These investment flows would need to be sustained over time. Significant investments will be also necessary in other sectors, notably agriculture. As announced in the European Green Deal, the Commission will present an impact assessed plan to further raise the EU's greenhouse gas emission reductions target for 2030, which will translate into even bigger investment needs **[CLIMA,ENER and MOVE to provide estimates].**

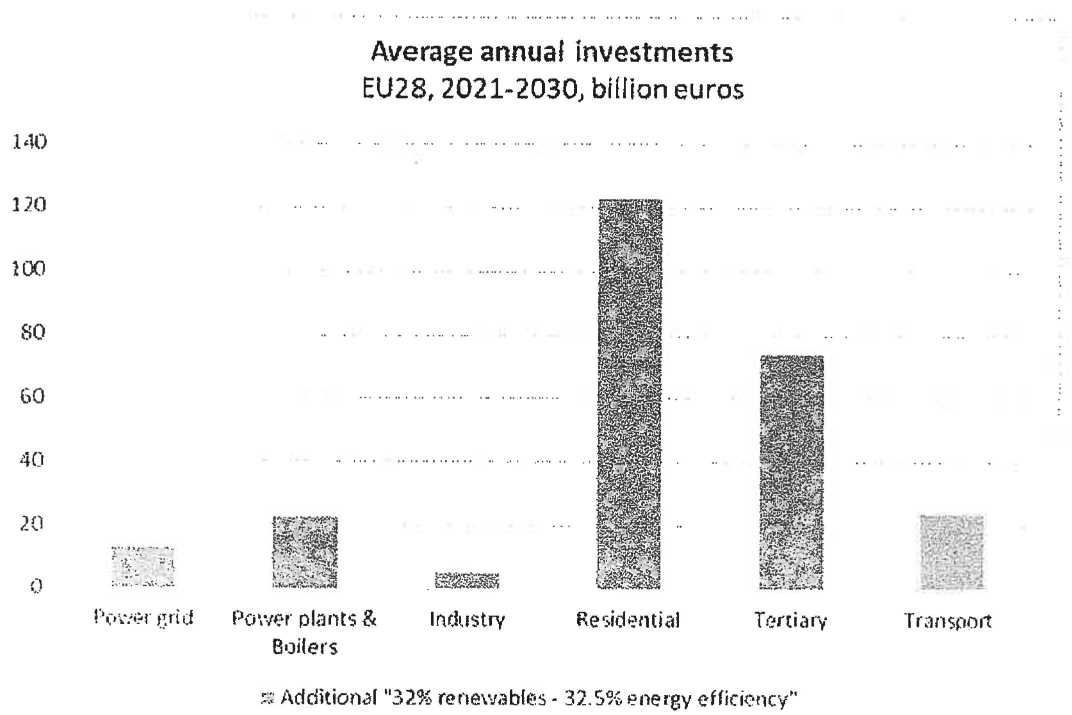

Figure 3: Average additional annual investment need 2021-30 (Source: Commission modelling).

Investments in sustainability are held back by regulatory uncertainty, still fragmented markets, coordination failures, public sector constraints and limited access to finance. The failure to fully reflect environmental costs in market prices renders investment in clean technologies and sustainable infrastructure less attractive (i.e. with lower returns) and more risky, than in other sectors. Sustainability investments also involve technologies and business

[5] These are to be considered as conservative estimates as important investment needs in agriculture or climate adaptation or the preservation and restoration of ecosystems and biodiversity are not included due to a current lack of data.

models which are inherently risky for investors because they are innovative. Finally, sustainability projects are often complex to plan and execute.

Securing energy efficiency of buildings would require approx. EUR 120bn of additional annual investments in residential and EUR 75bn in tertiary buildings for reaching the 2030 energy and climate objectives[6]. This corresponds to the largest investment needs compared to other sectors. Investing in energy efficiency is made difficult by a number of y factors such as high upfront costs, long payback times, limited access to funding, split incentives, complex bureaucratic practices, and coordination problems in multi-apartment buildings.

Decarbonising the transport sector will also require important investments (approx. EUR 20 billion of additional annual investments, excluding infrastructure) in the coming decade as regards the networks use, the infrastructure and the fleets. Faster electrification of road vehicles is held back, inter alia, by the cost of innovative battery cell technology, and a lack of EU-wide charging infrastructure. Although both alternative-fuel vehicles and charging infrastructure have a high revenue-generation potential, this materialises only after a long time. As a result the risk for investors operating on a purely commercial basis (i.e. with no risk-sharing with the public sector) tends to be too high[7].

In the power sector (where approximately EUR 40 billion of additional annual investment is needed), **decarbonisation will still require a substantial effort, in spite of the increase in the penetration of renewable energies.** Uneven progress in market integration and in addressing infrastructure bottlenecks has sometimes constrained investments in renewable electricity generation, despite major drops in its cost[8]. In addition, historically low levels of R&I spending constrain the ability of this sector to innovate[9]. **Fully decarbonising our industrial base will require the development of new technologies and considerable investments.** The required financial effort will not be even across countries and regions. More investments will be needed in countries still relying heavily on fossils fuels for power generation and in regions with significant mining and extracting industries.

In all sectors, investment in climate-proofing, resilience building, prevention and preparedness is crucial beyond the decarbonisation efforts.

Directing investments towards these and associated sectors will be possible only with an appropriate regulatory framework (including a binding 2050 climate target and effective carbon pricing) combined with a tailor-made investment framework. The Green Deal provides an ambitious agenda on the former. The Sustainable Europe Investment Plan complements it with a practical set of measures to address the latter.

Public and private investments in the social sector, to support skills acquisition and education, health and housing, but also to develop affordable transport and energy services will be needed

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[6] All sectoral figures in this section are derived from the analysis underpinning the Communication "United in delivering the Energy Union and Climate Action - Setting the foundations for a successful clean energy transition" COM(2019) 285 28

[7] CEF Blending Facility market study, EY, March 2019.

[8] The empirics of enabling investment and innovation in renewable energy, OECD working paper, G. Ang, D. Roetgers, P. Burli, May 2017.

[9] Ibid.

to ensure social cohesion and to make sure that the efforts required to adapt industrial processes, production and consumption patterns are socially acceptable. In addition, **there is a significant scope for synergies between environmental and social investments**, as in the case of the 50 million EU households affected by energy poverty[10], whose energy bills could be reduced through energy efficiency investment schemes.

3. FUND: MOBILISING SUSTAINABLE INVESTMENT FROM ALL SOURCES

As the investment pillar of the Green Deal, the Sustainable Europe Investment Plan provides at least EUR 1 trillion Euro of sustainable investment over the period from 2021 to 2030 at the level of the Union. This amount of financing for the green transition is achieved through spending under the EU's long-term budget; at least a quarter of the EU's long-term budget will go to climate-related purposes and estimated EUR 39 billion in addition for environmental expenditures. Moreover, it will crowd in additional private funding through leveraging the EU's budget guarantee under the InvestEU Programme.

In addition to the EU spending related to climate action and environmental policy, the Sustainable Europe Investment Plan also covers the amounts used under the Just Transition Mechanism, which will contribute to ensuring that the transition is fair by helping the most affected regions. The EIB will become the Union's climate bank through doubling its climate-related lending. Co-operation with other financial institutions will also be crucial. While this contribution shows the commitment of the EU to fund the Green Deal, it will on its own not be sufficient to unlock the needed investments. Sizeable contributions will be needed from the private sector and national budgets.

[10] Commission estimates

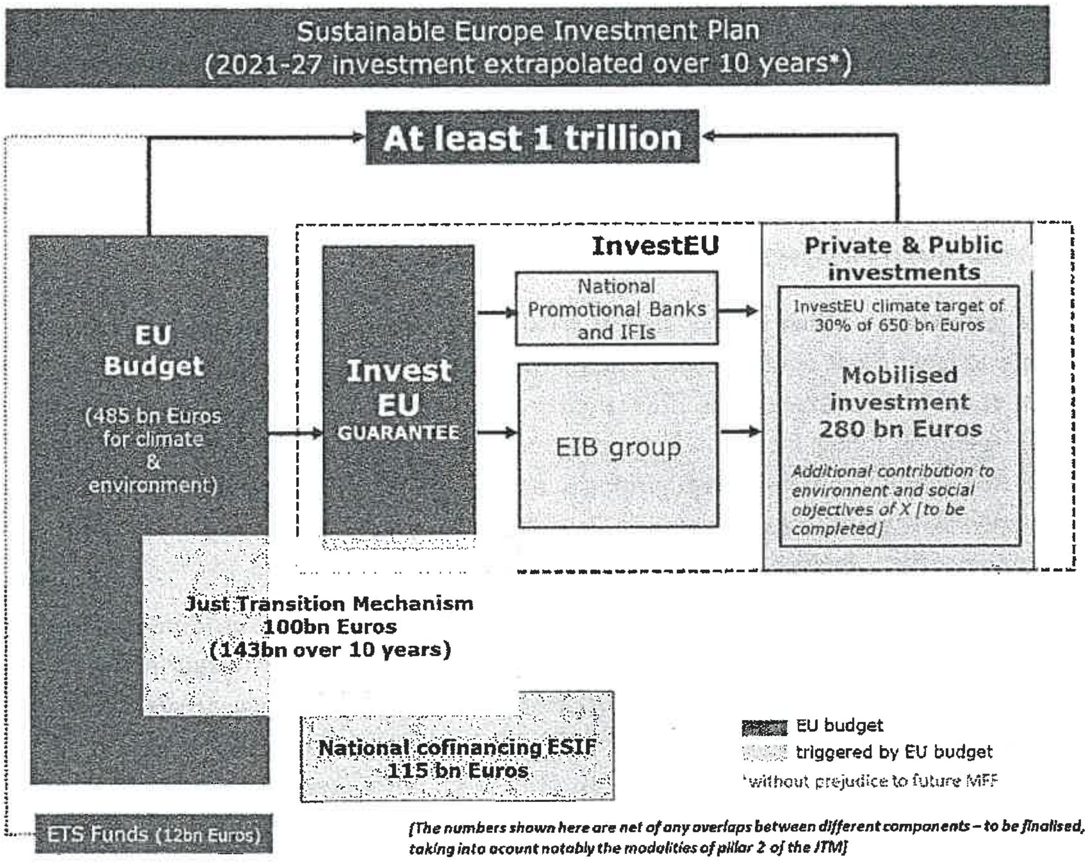

Figure 4: financing elements making up the >EUR 1,000 billion over 10 years[11] under the Sustainable Europe Investment Plan

How will the EU budget mobilise at least EUR 1 trillion over the next decade?

The Sustainable Europe Investment Plan will mobilise at least EUR 1 trillion over the next decade building on the funds provided by the EU budget and further public and private investments triggered by it. The extrapolation is without prejudice to the future long-term EU budget and [[net of any overlaps between the different components – to be finalized]].

Climate-related spending under the EU budget will provide EUR 485 billion from 2021 to 2030 in line with the 25% climate mainstreaming target proposed for the 2021-2027 MFF. This amount also includes spending on the environment across all programmes (i.e EAFRD, EAGF, ERDF, CF, Horizon Europe and Life funds*)*. **This will trigger additional national co-financing of EUR 115 billion** over this timeframe on climate and environment.

On top of this, the **Innovation and Modernisation funds**, which are not part of the EU budget but are financed through a part of the revenues from the auctioning of carbon allowances under the Emissions Trading Scheme, **will provide at least some EUR 12** billion for EU transition to climate neutrality, with a special focus on lower-income Member States.

11 The figures estimated are a simple extrapolation over 10 years of the Commission proposal for 2021-2027 multi-annual financial framework without prejudice to future MFF while assuming that the climate ambition will be at least maintained in the future MFF post 2027.

The InvestEU Fund will leverage EUR 280 billion of private and public investments over the period 2021-2030 for the purpose of the green transition by providing an EU budget guarantee to reduce the risk in financing and investment operations.

To leave no one behind, **the Just Transition Mechanism will** include financing from the EU budget, co-financing from Member States as well as contributions from InvestEU and the EIB to **reach EUR 100 billion of investments to be mobilised over 2021-27**, which, extrapolated over 10 years will reach EUR 143 billion to ensure a just transition.

3.1. An increased ambition of the EU budget and associated programmes

Becoming the world's first climate-neutral continent by 2050 is a great challenge and opportunity. In addition to private sources and Member States' budgets, the EU budget will play an important role in achieving this ambition, including by triggering additional private funds, thereby supporting the goals of the European Green Deal. It will act as a catalyst to leverage sustainable private and public investment and channel EU financial support for the sustainability transition to where it is most needed. Climate challenges do not stop at borders and affect all citizens. Investing in environmental protection and combating climate change through the EU budget creates clear EU added value for all European citizens.

Under its proposal for the next EU multiannual financial framework, the Commission has proposed to increase climate-related ambition to 25%. The Commission calls the European Parliament and the Council to maintain at least this level of ambition in the ongoing negotiations, as it is essential to allow the EU budget to play its catalyst role in line with the scale of the challenge for the European economy. In addition, credible climate proofing provisions are important to ensure policy coherence.

The different programmes will include specific measures to strengthen the link between the implementation of the EU budget and the objective of a greener, carbon-free Europe, for example:

- The Cohesion fund and the European Regional Development Fund are expected to invest at least EUR 108 billion in climate and environment related projects over the next 7 years (2021-2027), more than 40% of the total envelope.
- The future common agriculture policy will direct 40% of direct payments to farmers to support climate-related objectives. All direct payments will be conditional to enhanced environmental and climate requirements.
- The LIFE Programme will see its envelope increased by 72% as compared to 2014-2020 to EUR 5.4 billion, including EUR 0.95 billion for climate action and EUR 1 billion for the clean energy transition.
- The ESF+ will support the upskilling and re-skilling of 5 million people for green jobs and the green economy.

Additionally, the EU Emissions Trading System Modernisation Fund and Innovation Fund, both financed outside the EU's long-term budget, will channel additional money to the green transition. The Innovation Fund will support investments in low-carbon technologies and processes in energy intensive industries. The aim is to share the risk with project promoters to support first-of-a-kind highly innovative projects. The Modernisation Fund will support investments in modernising the power sector and wider energy systems, boosting energy efficiency in 10 lower-income Member States. The Commission will review these instruments as part of the revision of the EU Emissions Trading System (ETS) and will consider the allocation of additional revenues to strengthen the Sustainable Europe Investment Plan and the financing of the just transition.

The EU budget will contribute to achieving climate objectives also through the revenue side. In May 2018, the Commission put forward a proposal for an Own Resource Decision, which included a basket on new Own Resources. One of its key elements is the non-recycled plastic-packaging waste own resource which will contribute to the EU-wide targets defined in the Waste strategy. Furthermore, under the Commission proposal, 20% of the revenues from the auctioning of EU Emissions Trading System (ETS) would be allocated to the EU budget as an Own Resource.

In line with the Green Deal communication, the Commission will present by summer 2020 an impact assessed plan to increase the EU's greenhouse gas emission reductions target for 2030. Depending on the outcome thereof, it could be appropriate to consider potential changes to the climate related targets in MFF.

The Commission will:

- **Defend a high climate ambition of at least 25% of the MFF in the inter-institutional negotiations.**
- **Enhance the tracking system for monitoring progress towards this target.**

3.2. Crowding in private investments through InvestEU

Some investments needed for the transition entail more risk than the private sector can bear alone. This is where limited amount of public funds can usefully be used to de-risk projects and leverage private financing. By providing an EU budget guarantee to partially cover the risk of financing and investment operations, the InvestEU programme, the successor of the European Fund for Strategic Investments (EFSI) and 13 other EU financial instruments, will mobilise EUR 650 billion over 7 years. InvestEU must be used to its full potential to support the objectives of the European Green Deal. Achieving an ambitious climate target for InvestEU in the context of the ongoing inter-institutional negotiations is therefore essential. The Commission has proposed a target of at least 30%, which would trigger approximately EUR 195 billion of climate investment from 2021 until 2027, i.e. close to EUR 28 billion per year and 280 billion over a decade. While InvestEU aims to de-risk projects that are not currently mature enough to attract private financing, it is crucial to prevent crowding out of private investments. The achievement of InvestEU's ambitious target will be supported by a robust reporting and monitoring system.

InvestEU will support sustainability investments in all sectors of the economy. Such investments will continue to be a priority in infrastructure and research as was the case under EFSI, but from now on dedicated measures will also target SMEsand the social sector. Financial products to be deployed under InvestEU will aim at, inter alia, scaling up the green bond market, developing innovative solutions in the circular economy, decarbonising energy intensive industries, and re-skilling and adaptating the workforce to emerging green industries. These financial products will seek synergies between the environmental and social sustainability, targeting for example the development of zero-energy social housing. InvestEU will contribute to a socially just sustainability transition by being one of the pillars of the Just Transition Mechanism (see section 6.2).

InvestEU will also mainstream sustainability practices among private and public investors. The Commission will enhance a climate tracking methodology for measuring the contribution of specific financing and investment operations to the climate and environmental objectives of the programme. In addition, it will put in place a method for 'sustainability proofing', on the basis of which promoters of projects above a certain size will be required to assess the environmental, climate and social impact of those projects. As these methods will be mandatory for all of InvestEU Implementing Partners (EIB Group, National Promotional Banks and Institutions, International Financial Institutions) and will also be the reference point for private investors and financial intermediaries participating in the programme, they are expected to spill-over beyond the InvestEU Programme. These methods will take into account the sustainability investment taxonomy developed by the Commission.

The Commission will:

- **Enhance the climate tracking and sustainability proofing guidance in the second half of 2020. These guidance documents will use in an appropriate way the criteria established by the EU taxonomy after its entry into force.**
- **Develop, in cooperation with InvestEU implementing partners, financial products to be deployed under InvestEU that will target environmental, climate and social sustainability.**

3.3. EIB's contribution and mobilizing other financial institutions

The European Investment Bank also plays a key role in financing the shift to a carbon-neutral, sustainable economy. It uses its own resources and EU budgetary support under various programmes and facilities to finance climate action and environmental investments both inside and outside the EU. In 2018, almost 30% of EIB signed operations contributed to climate action, supporting investments in climate change mitigation and adaptation, low-carbon and climate-resilient growth. For 2019, the EIB expects this contribution to be in the range of 28-31%. [For the duration of the Sustainable Europe Investment Plan over a decade, the EIB is expected to finance around EUR 608 billion of climate investments within the EU and outside EU mandate.]

The role of the EIB in financing the sustainability transition will grow as it becomes the EU climate bank. The EIB will gradually increase the share of its financing dedicated to Climate Action and Environmental Sustainability to reach 50% by 2025 and beyond. A significant share of this will be carried out under the InvestEU Programme, which will allow the EIB to engage in more innovative, higher policy-added value projects, by covering a part of the risk of financing and investment operations. Moreover, the EIB Group will align all its financing activities with the principles and goals of the Paris agreement by the end of 2020. A first step in that direction was the adoption of the new Energy Lending Policy on 14 November 2019, which prioritises lending to energy efficiency, renewable energy, new green technologies and new types of energy infrastructure required for the future low carbon energy system. The revised Energy Lending policy also foresees the phasing out of the support to energy projects reliant on fossil fuels after end of 2021, including notably all natural gas infrastructure projects.

The Commission will work closely with other relevant International and National Financial Institutions, to explore how their activities could be aligned more closely with the European Green Deal objectives.

The Commission will: **Ensure that EIB operations financed under EU mandates provide high additionality, both in terms of sectors covered and of the risk profile of financed projects. This will be done notably by enhancing the reporting and monitoring system, including the climate-tracking methodology.**

4. ENABLE: CREATING A FRAMEWORK FOR PUBLIC AND PRIVATE INVESTMENTS TO COME ABOUT.

The European Green Deal sets a clear direction and its implementation will provide a comprehensive policy framework for the transformation of the EU economy. The 2050 climate neutrality objective will be enshrined in legislation and the ambition for greenhouse gas emission reductions in 2030 will be raised. The policies forming part of the European Green Deal will use a mix of regulation and incentives in order to address externalities and implement the "polluter pays" principle, so that costs for society are reflected in investment decisions. The EU Emissions Trading System (ETS) will be reviewed and will further help to ensure effective carbon pricing. Specific initiatives will address sector-specific regulatory barriers, such as obstacles to energy efficiency investments in the building sector. Competitive and integrated markets are also necessary to keep costs down and trigger innovation.

Within this broader context, the Sustainable Europe Investment Plan will contribute to ensuring an enabling framework through targeted actions in areas that directly touch upon investment decisions of private investors and public entities.

4.1. Putting sustainable finance at the heart of the financial system [FISMA to clarify tracking part and wording on new actions under the renewed finance strategy]

Since private companies and households will have to provide the bulk of the sustainable investments in the next decade, it is crucial to put in place clear long-term signals to guide investors and to remove any obstacles to sustainable investment.

In order to address the significant amount of investments needed to reach our climate and broader sustainability objectives, the Commission proposed in March 2018 the Action Plan on financing sustainable growth. This Action Plan fits within the context of building a Capital Market Union, which aims at overcoming market fragmentation and structural barriers to investment in the internal market and at increasing financing capacity.

The 2018 Action Plan has already put in place important foundations for conducive frameworks to mobilise finance for sustainable investments. Those frameworks aim to help investors to identify sustainable investment opportunities. This is the case notably of the EU taxonomy, of disclosures on sustainability by the financial sector, as well as of climate benchmarks. Through international co-operation, e.g. via the International Platform on Sustainable Finance, the EU is promoting coherent approaches and an enhanced impact of sustainable finance globally.

The Commission welcomes in particular the recent political agreement by co-legislators on the Regulation establishing a framework to facilitate sustainable investment. This regulation sets the basis for establishing an EU-wide classification system for environmentally sustainable economic activities ('EU taxonomy'), further specified by Commission delegated acts. The EU Taxonomy will determine whether an economic activity is environmentally sustainable, based on performance criteria for its contribution to six environmental objectives.

The Commission will also reflect how the EU taxonomy can be used in the context of the European Green Deal. While initially designed for private investors, the taxonomy – once sufficiently developed – could also be used by public sector entities. It is important that there is convergence of standards between the private sector and the public banks/entities, for example the European Investment Bank.

Building upon the success of 2018 Action Plan and in light of the new ambitions set in the European Green Deal, the Commission will present a renewed strategy for sustainable finance in the third quarter of 2020, aiming at scaling up sustainable finance even further. For instance, companies and financial institutions will need to increase their disclosure of climate and environmental data so that investors are fully informed about sustainable investment opportunities. To this end, the Commission will review the Non-Financial Reporting Directive.

Furthermore, **the renewed strategy will further increase investment opportunities by facilitating the identification of sustainable investments through clear labels for a variety of sustainable investment products and by developing and implementing an EU green bond standard.**

Parts of the renewed Sustainable Finance Strategy will provide additional enabling frameworks for the SEIP. At the same time, the renewed strategy will provide the regulatory tools to mobilise private funding above and beyond the contribution given by the SEIP .

The Commission will:

- **Launch the work on the development of delegated acts necessary for the full implementation of the EU Taxonomy.**
- **Reflect on how the EU taxonomy can be used in the context of the European Green Deal, including in the public sector**
- **Present a renewed sustainable finance strategy in the third quarter of 2020.**

4.2. Providing the public sector with guidance and appropriate means for making sustainable investments

In many cases public authorities need to play a guiding and coordinating role for sustainable investments. Where these investments often have a cross-border nature and spill-over effects across Member States, the Commission needs to play a coordinating role at the EU level. **Public authorities may also need to invest when market actors cannot step in, in particular** when the social and environmental benefits are not reflected in private returns, or when projects are considered too risky. To ensure the necessary enabling conditions for public actors are in place the Commission will revise relevant state aid rules (state aid, public procurement) and will propose further legislation and guidance on green public procurement.

The European Semester provides a well-established framework for the coordination of policies that will facilitate the necessary investment for the green transformation from the Union and its Member States . The Semester contributes to the identification of investment priorities and barriers in each Member State. The European Semester Country Reports will match the available sources of financing through EU funds with the country-specific challenges identified in the reports, among others in view of climate, environmental and social policy objectives. A joint effort between the EU and its Member States should ensure that the investments are directed to the most sustainable projects. The European Semester will also provide the analytical basis for the Just Transition Fund and will guide the process.

The Commission will work with the Member States to screen and benchmark green budgeting practices. This will make it easier to assess to what extent annual budgets and medium-term fiscal plans take environmental considerations and risks into account, and learn from best practices. The review of the European economic governance framework will include a reference to sustainable public investment in the context of the quality of public finance. This will inform a debate on how to improve EU fiscal governance. The outcome of the debate will form the basis for any possible future steps including how to treat sustainable investments within EU fiscal rules, while preserving safeguards against risks to debt sustainability.

[paragraph on Green public procurement to be included by ENV/GROW]

The Commission will:

- **Include environmental sustainability as an integral part of Country Reports under the European Semester as of this year.**
- **Help Member States identifying the sustainability investment needs and possibilities for funding them each year as of 2020.**
- **Propose further legislation and guidance on green public procurement.**

4.3. Enabling sustainability investments through a supportive State Aid framework.

The relevant State aid rules will be revised by 2021 to reflect the policy objectives of the European Green Deal and support a cost-effective transition to climate neutrality by 2050. They will also facilitate the phasing out of fossil fuels, in particular those that are most polluting, thus ensuring a level-playing field in the internal market. This will include, in particular, the Environmental and Energy State aid guidelines, the Aviation Guidelines, the Regional Aid Guidelines, the Railway Guidelines and the General Block Exemption Regulation.

Whenever State aid is necessary, the revised State aid rules will enable Europe to fulfil its Green Deal objectives by making the most efficient use of limited public funds. State aid rules provide a toolbox for Member States. They will support the transition by fostering the right types of investment and aid amounts. They will encourage innovation and the deployment of new, climate-friendly technology at market scale, while facilitating the phase-out of carbon intensive activities. In sum, state aid control will help Europe reap the full environmental, social and economic benefits from support to undertakings through the use of scarce public resources: it minimises the costs for taxpayers, industry and consumers, it ensures that public funds do not crowd out private spending, and it contributes to a level playing field in the Single Market.

Pending the revision, Member States can continue to use the full flexibility provided under existing rules to achieve their 2030 targets and the further decarbonisation of the electricity sector and the economy by 2050. For example, they can choose to increase public investments in renewable electricity schemes for cheaper and more integrated green energy, the roll-out of cheaper and publicly accessible charging infrastructure or circular economy schemes such as the reuse of waste heat or recycling of waste.

Similarly, Member States can continue to rely on existing State aid rules to alleviate the social and regional consequences from decarbonisation measures. For example, they can choose to support workers affected by the closure of uncompetitive coal mines, invest in SMEs and start-ups, or in the up- and reskilling of workers. For key enabling technologies and breakthrough innovation necessary for Green Deal objectives, Member States can pool their funds to unlock significant private investments to make important projects of common European interest (IPCEIs) a reality – including in the regions most affected by the green transition.

To further support Member States' ambitions in the context of the Green Deal, State aid rules will be revised to provide a clear, fully updated and fit for purpose enabling framework for public authorities to reach these objectives. At the same time, the rules will continue to preserve the integrity of the internal market and respect cohesion objectives enshrined in the EU Treaty, which are at the heart of European integration. Their aim is to reduce disparities between the development levels of the various regions, by supporting the least favoured regions in catching up. In particular, this means that public investment support to large companies must only benefit the poorest regions to be affected by the green transition, since they do not have the means to deal with the challenges on their own.

Against this background, current State aid rules will be applied with maximum flexibility, focusing on a number of areas which seem crucial to achieve a quick decarbonisation. These areas, inter alia, are as follows:

4.3.1. More flexibility for State aid to transform to climate neutral production processes

The Commission will approve Member States' support of companies to decarbonise or electrify production processes, provided that economic incentives do not already warrant the investment concerned and the companies reduce their impact on the environment beyond Union standards or benchmarks.

To minimise costs to the State, public support should be limited to what is necessary. The current Guidelines typically set the maximum aid amount based on the extra costs of the relevant investment compared to a theoretical alternative investment that is less environmentally friendly. In future, the Commission will instead accept setting the maximum aid amount based on the eligible costs of the concrete project, without the need to compare with a hypothetical alternative. This is justified in light of the Green Deal objectives and the fact that such investments present an important way to reduce the carbon footprint of the installations concerned.

4.3.2. Aid to improve energy efficiency for buildings

Member States will be given more scope to invest in the energy-efficiency of buildings under the Guidelines for environmental protection and energy. In particular, Member States will be given more flexibility to support financing arrangements that are advantageous to consumers of electricity, such as Energy Performance Contracts. In such an arrangement energy service companies invest in the upgrading of buildings to make them more energy-efficient and are remunerated through the energy savings in the consumer's electricity bill.

Member States will also have more flexibility to support upgrades that both address the energy-efficiency of buildings and invest in renewable energy generation for self-consumption.

For the identification of the eligible costs for such projects, the Commission may take into account the fact that in many cases there is no counterfactual investment.

4.3.3. Aid for district heating

Support which is limited to district heating distribution networks can under certain circumstances be considered to fall outside of State aid control as an infrastructure measure which does not affect competition and trade. This is in particular the case when district heating networks are run in the same way as other energy infrastructure through separation from the heating generation, third-party access and regulated tariffs.

In all other cases where State aid is present, the Guidelines for environmental protection and energy establish a series of conditions under which support for district heating projects can be approved. In particular, the rules require that the investment leads to an energy efficient district heating system, as defined in the Energy Efficiency Directive. As regards the amounts, which can be granted, the Guidelines differentiate between aid intensities for the investments costs for the district heating installations and the so-called funding gap method for the financing of construction or upgrades of the distribution network.

To further unlock the potential of district heating to contribute to the EU sustainability targets, in future Member States can use a funding gap approach also for the district heating generation as alternative to the maximum aid intensities set in the Guidelines for environmental protection and energy.

Member States can also grant State aid to district heating networks which are not part of energy efficient district heating systems (e.g. because they are exclusively based on fossil fuels and because the investment is limited to the modernisation of the network) if investments that make the heat generation energy efficient will start within three years of the modernisation of the network.

4.3.4. Aid for closure of coal fired power plants

Burning lignite is one of the most polluting and CO2-intensive means of electricity generation. Many Member States are planning to phase out hard coal and lignite fired power plants.

Member States can notify to the Commission their plans to provide aid to close coal-fired power plants, for example to compensate operators for foregone profits as they cannot continue to sell electricity on the market. The Commission will assess State aid involved in such projects directly under the Treaty.

In this context, the Commission will in particular examine the proportionality of such support in order to avoid overcompensation. This means that Member States need to demonstrate that the compensation does not go beyond the loss of profit faced by the installation due to its anticipated closure. It is also important to ensure that the measure is structured in a way that limits to the minimum any distortion of competition in the market.

It should be recalled that any State support which is not related to economic activity, in particular for the benefit of individuals (e.g. social aid or for re-skilling) or the financing of a publicly available infrastructure, do not fall under State aid rules.

4.3.5. Aid for the circular economy

Member States will be given more scope to support measures needed for the shift from a linear economy to a circular economy: recycling of waste, re-use of waste heat, re-use of CO2, separate collection of waste streams, etc. This flexibility would apply provided that the aid amount is determined taking into account any additional revenues that circular economy investments can deliver.

4.3.6 Additional possibilities for just transition regions

On top of facilitating investments to support the green deal throughout the internal market, State aid rules will offer additional support possibilities in the regions most exposed to the challenges of climate change policies, in order to further strengthen the Just Transition Mechanism.

The Commission will:
- continue effective implementation of State aid rules, which are key enablers for the transition and apply the current rules with maximum flexibility in areas crucial for a quick decarbonisation;
- review State aid rules by 2021 to reflect the policy objectives of the European Green Deal, supporting a cost-effective transition to climate neutrality by 2050.

5. EXECUTE: CREATING A PIPELINE OF SUSTAINABLE PROJECTS

In the current context of high market liquidity, the challenge is to develop a robust pipeline of investment projects aligned with the strategic objectives of the EU. The availability of investment projects that are compatible with the expectations and requirements from investors does not yet match the demand, which means that the financing resources available are not exhausted. Advisory support to project promoters has shown to be very effective in bridging the gap between a concept and an economically sound project.

On the basis of the established priorities, technical assistance and advisory support will help to identify and prepare sustainable projects and provide capacity building to project promoters to facilitate access to finance. This will be organised at different levels from the support to public administrations in defining their investment plans to support of individual public and private project promoters in developing and implementing their specific projects.

5.1.1. Supporting administrations

Limited administrative capacity, awareness and sustainability expertise of public administrations at national, regional and local level in Member States is one of the major barriers holding back investment in sustainable infrastructure and environment protection. This is why the Structural Reform Support Programme will provide technical support to Member States to help design and implement growth-enhancing reforms, including the development of sustainable investment strategies. The programme will also help to identify investment potentials in clean energy, or actions aimed at increasing the pace of energy efficiency investments in buildings. Through the Structural Reform Support Programme, the Commission also supports Member States in setting out action plans on circular economy or sustainable finance and investments. [SRSS to provide budget size]

5.1.2. Supporting project promoters

At the project promoter level, the InvestEU Advisory Hub and the advisory initiatives developed under the InvestEU Programme with a total budget of EUR 500 million, will support the identification, preparation, development, structuring, procuring and implementation of investment projects. , Where needed, it can also enhance the capacity of promoters and financial intermediaries to implement financing and investment operations. This comprehensive service offer will [also] take into consideration sustainability related aspects. The InvestEU Advisory Hub will provide a single point of entry for both public and private project promoters, and to financial intermediaries to implement financing and investment operations for the benefit of entities that face difficulties in obtaining access to finance. The 30% InvestEU climate target will also apply to advisory, ensuring that a significant share of the budget is allocated to sustainability projects. Relevant advisory initiatives could include the continuation of European Local Energy Assistance (ELENA) programme under the InvestEU Advisory Hub to support local sustainable energy and clean transport projects and the Sustainable Infrastructure Advisory initiative providing support for the development of sustainable projects in key infrastructure areas such as transport, energy, environment, broadband and digital connectivity.

5.1.3. Ensuring coherence

The Commission will ensure that the support to public administration and the support to each project are provided in a coordinated way, where appropriate. The capacity building and master planning activities under the SRSS mandate are showing positive results that could be replicated and scaled up for the purpose of the Green Deal. The existing close cooperation between the SRSS activities and the European Investment Advisory Hub (EIAH) advisory support to national promotional banks and investment projects will be extended under the relevant successor programmes of the next MFF to reinforce the generation and the realisation of sustainable investment project pipelines.

A specific technical assistance facility could be developed to combine different funding opportunities in comprehensive regional plans, for coordination purposes. These plans would be consistent with the sectoral strategies underpinning the planning of projects, in accordance with the legislation ruling the water, waste management or energy sectors for instance. They could build on the experience of preparing integrated programmes under cohesion policy, with a special focus on climate finance. In addition the voluntary ex-ante assessment of big infrastructure projects could include a Sustainable Procurement Screening' instrument providing : tailored advice on how the procurements can be structured to climate-proof projects.

The InvestEU Portal will build on the current European Investment Project Portal (EIPP) and continue to offer a free, online user-friendly Portal, providing EU businesses and project promoters in search of financing with the visibility and networking opportunities they need towards investors worldwide. The focus of the Portal shall also be the provision of a pipeline of EU-based investment projects to the InvestEU implementing partners, who shall examine the projects falling within their geographical and activity scope.

The Commission will:

- through the Structural Reform Support Programme provide technical support to Member States to help design and implement growth-enhancing reforms, including the development of sustainable investment strategies.
- through the InvestEU Advisory Hub provide tailored advisory services to private and public promoters of sustainability projects.
- Propose a Sustainable Procurement Screening' instrument for infrastructure projects [to be reviewed by GROW]

6. A JUST TRANSITION MECHANISM.

The transition to a sustainable and climate-friendly economy will require substantial investment all over Europe and a strong policy response at all levels. While all regions will require funding for the green transition, the transformation will pose an existential challenge to some territories. Climate neutrality will require a fundamental restructuring of their economies, structural changes in business models, and new skill requirements. This must be acknowledged and addressed in a transition that leaves no one behind.

Fossil fuel mining and exploration will face a significant decline and highly-emitting activities will undergo a deep transformation. Regions and territories highly dependent on these activities will need to restructure their industries, ensure that new economic activities can keep the economic and social texture together and, provide the necessary training to the workers concerned to find new jobs. Transforming these regions will be essential to reaching carbon neutrality. The green transition will only be successful if it works for everyone. It must put people first, and pay attention to the regions, industries and workers who will face the greatest challenges. Without the necessary accompanying measures, the transition will not happen, since it will be neither just nor socially sustainable.

To address the specific challenges encountered by some regions, the Commission is proposing a Just Transition Mechanism that provides targeted support to generate the necessary investments in these territories. The Just Transition Mechanism will consist of three pillars: 1) a Just Transition Fund, 2) a dedicated just transition scheme under InvestEU, and 3) a new public sector loan facility for additional investments to be leveraged by the European Investment Bank. Each pillar will assist with different grant and financing instruments in order to offer a full range of support options in line with the needs to mobilise investments in just transition regions. The Just Transition Fund will be used to provide primarily grants; the dedicated transition scheme under InvestEU will crowd in private investments, and the new just transition public sector loan facility will leverage public financing. These measures will be accompanied by dedicated advisory and technical assistance for the regions and projects concerned. The Just Transition Mechanism will include a strong governance framework centred on territorial transition plans.

Taken together, the components of the Just Transition Mechanism could help mobilize investment in the regions most exposed to transition challenges in the order of EUR 100 billion over the period 2021-2027.

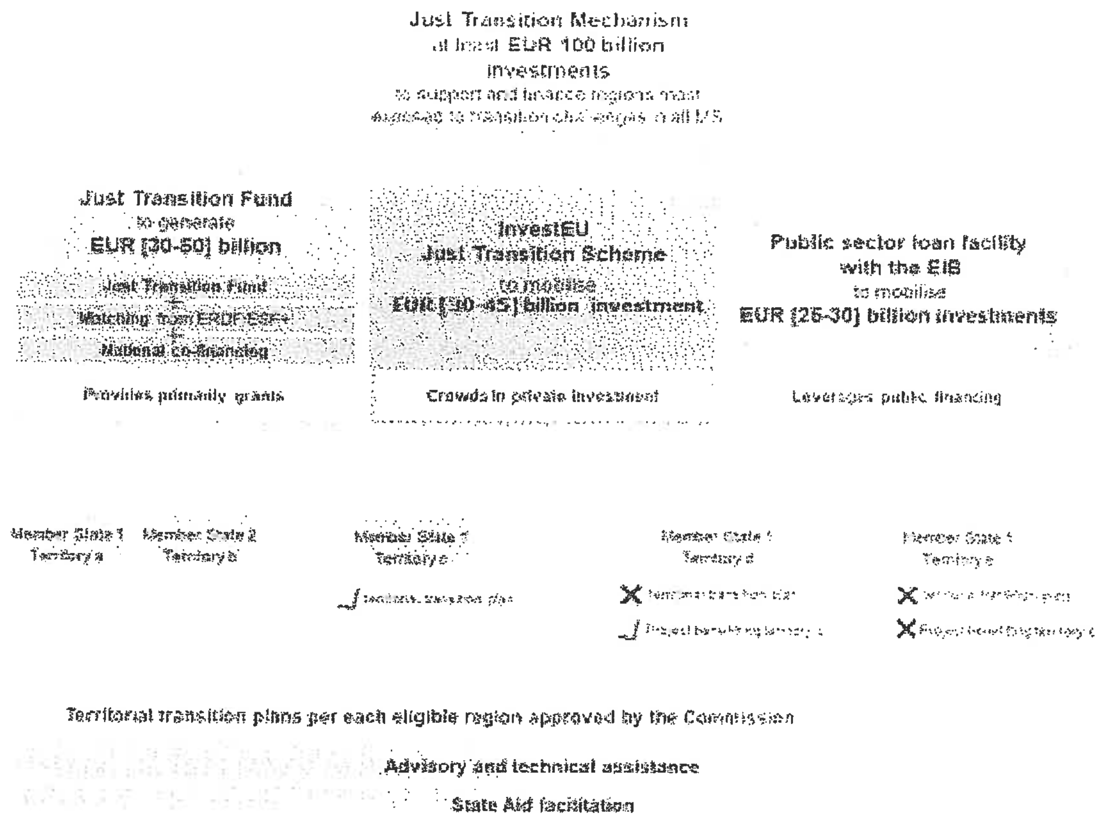

Figure 5. Financing the Just Transition Mechanism

6.1. Pillar 1: The Just Transition Fund

The Just Transition Fund will be implemented under cohesion policy and equipped with its own envelope [of EUR 7.5 billion] within the EU budget. The Fund will aim to alleviate the social and economic costs of the climate transition. The Commission is adopting today a proposal for a regulation establishing the Just Transition Fund, as well as a proposal for targeted amendments to the Common Provisions Regulation.

The JTF is covered by a new proposal presented alongside this Communication which complements the programmes brought forward by the Commission in June 2018 for the 2021-2027 MFF. Member States will be required to match each euro from the Just Transition Fund with [a minimum of 1.5 and a maximum of 3] euros from the European Regional Development Fund and the European Social Fund Plus. This spending from the EU budget will be supplemented by national co-financing according to cohesion policy rules. This could bring the total amount of public funds mobilised through the Just Transition Fund to between EUR [30 and 50] billion.

The Just Transition Fund will benefit territories with high employment in coal, lignite, oil shale and peat production, as well as territories with carbon-intensive industries which will be either discontinued or severely impacted by the transition. The level of support will reflect the magnitude of the challenges in these territories, in terms of the need for both economic diversification and modernisation towards low-carbon activities with growth potential, and the reskilling of workers in view of equipping them with the necessary skills to take on new jobs.

The Just Transition Fund will be implemented as part of cohesion policy, which is the main EU policy instrument to reduce regional disparities and to address structural changes in Europe's regions. It will be implemented through shared management in close cooperation with national, regional and local authorities and stakeholders. This will ensure ownership and provide the tools and structures for an efficient management framework.

The Just Transition Fund will provide support to all Member States, with focus on those that will shoulder the biggest transition challenges. Resources will be allocated among Member States based on the scale of the decarbonisation challenge of the highest carbon-intensive regions (through the corresponding industrial emissions), the social challenges in light of potential job losses in industry, coal and lignite mining and production of peat, and the need for subsequent reskilling of workers. Shale oil activities are captured through the carbon intensity elements. To ensure that the transition is fair and acceptable to all, the allocation will reflect the ability of Member States to address this challenge according to their level of economic development.

Member States will need to identify the eligible territories, through dedicated territorial transition plans, in dialogue with the Commission and consistently with the national transition pattern and process stemming from their National Energy and Climate Plans. This dialogue will be steered by and integrated in the European Semester, in which the Commission will provide its assessment on the territories most affected by the transition to climate neutrality and the social and economic challenges they will face. The Member States will take into account the Commission's assessment for the elaboration of the territorial transition plans, outlining the transition process and the types of operations envisaged. **The JTF is covered by a new proposal presented alongside this Communication which complements the programmes brought forward by the Commission in June 2018 for the 2021-2027 MFF**

In these eligible territories, the fund will contribute to economic diversification and providing access to reskilling programmes and employment opportunities in new economic sectors in order to protect the citizens and workers most vulnerable to the transition. The transition plans will take into account the distinctive local challenges, enhancing ownership for the transition process.

To ensure the most effective use of the resources, the Just Transition Fund will be able to support investments in enterprises other than SMEs and in the modernization of existing installations, also in ETS sectors, only when these investments lead to substantial emission reduction, and also bring a positive long-term contribution to the job situation in the territories concerned, in line with the territorial transition plans.

Territorial transition plans – the centrepiece of the Just Transition Mechanism

Territorial transition plans will be at the centre of the Just Transition Mechanism, and a reference for all of its pillars together. These plans will set out the social, economic, and environmental challenges stemming from the phasing out of fossil fuel-related activities, or decarbonising carbon-intensive processes or products. They will also give an outline of the transition process until 2030, including development, reskilling and environmental rehabilitation needs and the approach to tackle them in an integrated manner, the transition timeline, the types of operations envisaged and governance mechanisms. This means that the measures to be supported by the Just Transition Fund might differ among Member States and territories with regard to the priorities and challenges identified. The programming process will be steered by the European Semester process. Taking into account the Commission's assessment, the Member States will prepare territorial transition plans, which will be part of the programmes under the Just Transition Fund. The approval of the plans by the Commission will open the doors to dedicated financing not only from the Just Transition Fund (pillar 1 of the Just Transition Mechanism), but also from the dedicated just transition scheme under InvestEU (pillar 2) and the public sector loan facility by the EIB (pillar 3).

6.2. Pillar 2: A dedicated scheme for just transition regions under the InvestEU Fund

The Just Transition Mechanism will also comprise a dedicated just transition scheme under InvestEU, to generate additional investment to benefit the most affected regions. This will allow new economic activities to replace those that need to be phased out because of their effect on the climate and environment. It will also allow the affected sectors to adapt more quickly to climate-friendly production modes. Financing under InvestEU can support economically viable investments in these areas, providing complementarity and synergies with the Just Transition Fund.

The InvestEU Fund as it stands is expected to trigger EUR 650 billion of additional private and public investment on the ground to support EU policy objectives in the next MFF through an EU guarantee of EUR 38 billion. This guarantee is supported by a combination of an EU budget of EUR 15.2 billion (i.e. 40% provisioning rate) and contingent liabilities for the remaining amount.

The InvestEU Fund can be an efficient tool for generating significant additional investments in just transition projects in the regions concerned. To this effect, a portion of the financing under the InvestEU Fund will be focused on the just transition objectives. This could generate between EUR [30 to 45] billion of investments over the period 2021-2027, to support the transition in the regions concerned.

In order to achieve this, it is essential to ensure an adequate level of InvestEU guarantee in the on-going MFF negotiations which should take due consideration the more complex and risky nature of projects than the average InvestEU transactions. Moreover, tailored advisory support to develop the pipeline of projects would be needed.

Projects in the regions having an approved transition plan under the Just Transition Fund Regulation, or projects that benefit those regions (even if they are not located in the regions themselves), can benefit from the scheme. Investments pursuing the just transition objectives can count toward climate objectives and contribute to the achievement of the [30]% climate objectives set out for the InvestEU Programme under the InvestEU Regulation, and can also contribute to the just transition target.

Such targeting of the InvestEU guarantee to the just transition objectives will unlock eligible investment under all four policy windows and will be reflected in the underlying financial products. In order to further facilitate the just transition, dedicated incentives for Implementing Partners may be offered via fees or more advantageous risk coverage for projects to be implemented in those regions. The just transition objective target will be included in the InvestEU Investment Guidelines and guarantee agreements with the Implementing Partners. Moreover, the call(s) for proposals addressed to Implementing Partners under the InvestEU Fund will prioritise those Implementing Partners offering financial products that contribute to the just transition objectives. However, the final use of InvestEU will remain demand-driven and will depend on the project pipeline. The absorption capacity of the regions concerned will be key in achieving the objectives.

Moreover, Member States will be able to contribute part of their Just Transition Fund allocation to support investment through guaranteed loans or equity via their Member State compartment.

In order to ensure sufficient supply of projects, InvestEU will not only support investment in projects in just transition territories, but also in projects benefiting those regions, having a wider geographical scope compared to the Just Transition Fund itself, but only when funding outside the just transition territories is absolutely necessary to support the transition. This is relevant in particular for transport or energy infrastructure projects that improve the connectivity of the just transition territories. Compared to the Just Transition Fund, it will also enable investments in a wider range of projects, in line with the broader eligibility of investments under InvestEU. InvestEU will support financing, among others, to projects for energy and transport infrastructure, including gas infrastructure and district heating, but also decarbonisation projects, economic diversification of the regions and social infrastructure.

Furthermore, dedicated technical assistance will be provided to make projects investable through the InvestEU Advisory Hub. An additional envelope will be made available to the InvestEU Advisory Hub.

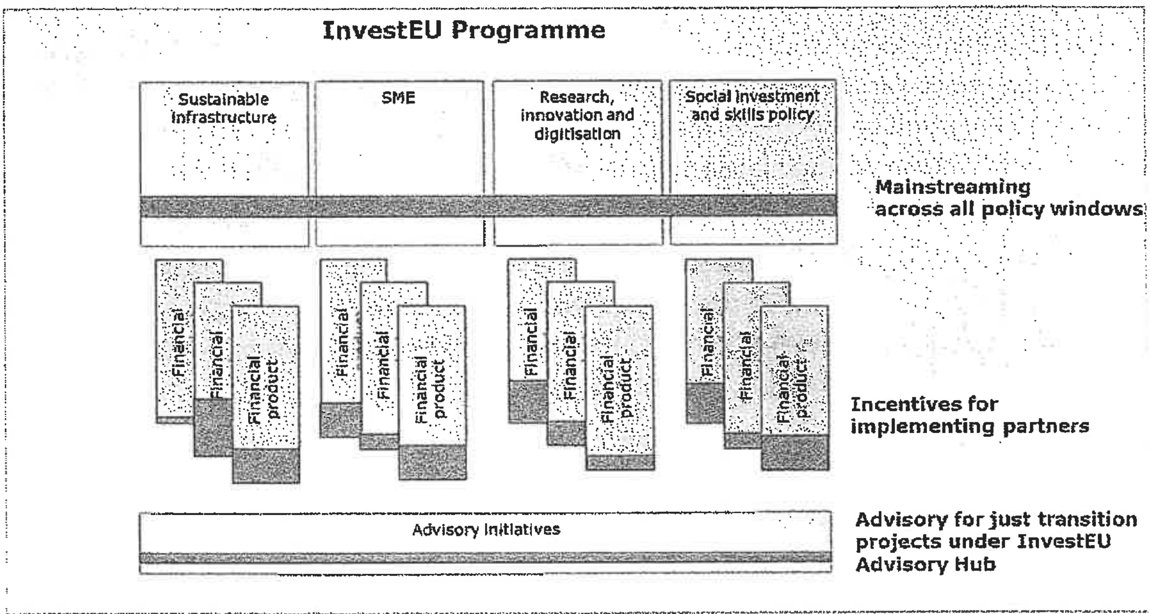

Figure 6. Just transition scheme under InvestEU. [Mainstreaming" to be replaced with "targeting in the figure as well]

6.3. Pillar 3: A public sector loan facility with the European Investment Bank Group

A public sector loan facility with the European Investment Bank will support increased public sector investment in the regions undergoing climate transition. This support will offer concessional loans to the public sector. These loans would provide municipal and regional authorities with resources to implement measures to facilitate the transition to climate neutrality. Supported investments will range from energy and transport infrastructure, district heating networks, energy efficiency measures including renovation of buildings, as well as social infrastructure. The EU support could take the form of inter alia an interest rate subsidy or an investment grant, financed from the EU budget, which will be blended together with loans extended by the EIB to municipal, regional and other public authorities.

The geographical coverage will be the same as under the InvestEU just transition scheme (pillar 2 of JTM), i.e. projects in the regions with an approved transition plans. The just transition public sector loan facility is meant to offer such preferential funding conditions in order to support public sector investment to the benefit of the most affected regions.

The support under the public loan facility will be complementary to the products offered by the InvestEU dedicated just transition scheme, given that it will target projects which do not generate market streams of revenue and that otherwise would not get financed without a subsidy element.

With the contribution from the EU budget of EUR [1.5 bn] and the EIB lending of EUR [10 bn] at its own risk, the public sector loan facility could mobilise between EUR [25 and 30 bn] public investments over the period 2021-2027 to support the transition in the regions concerned. The Commission will table a legislative proposal to set up this new public sector loan facility in [March 2020].

Over time, the Commission may explore co-operation with additional implementing partners as market needs evolve.

The three pillars of the Just Transition Mechanism will cover together the types of financing needs expected to arise in regions with approved just transition plans: for grants, and for crowding in private investors, for subsidised loans to public authorities, in order to maximise mobilisation of public and private investments for just transition.

6.4. Technical assistance and advisory support

The just transition will not only depend on the money available to support investment, but also on channeling this money to the right projects. A vast amount of knowledge and experience on green and just transition strategies already exist within the Member States, European institutions as well as international institutions.

To make use of this expertise, the Just Transition Mechanism will also provide advisory support and technical assistance.

First, assistance will be provided to Member States and regions through a Just Transition Platform, which will be managed by the Commission.. It will provide technical support for the elaboration of the territorial transition plans through an expert network facilitating the sharing of information between Member States, regions, agencies and stakeholders. The Commission will launch already in [the first quarter of 2020] a call for expression of interest under the Reform Support Programme to assist Member States with the production of their territorial transition plans where needed.

Second, the focus will be on helping the regions to identify and to support the development of a robust pipeline of investment projects and their implementations, relying on the expertise of the InvestEU Advisory Hub (and the EIB,

Finally, the Just Transition Platform will provide assistance for capitalizing and exchanging experience in the form of a knowledge platform and good practice clearing house, to guide stakeholders towards relevant knowledge, evaluations and project examples.

Additional to all above elements and in support of the Just Transition Mechanism, the Commission will propose a revision of the Research Fund for Coal and Steel legal bases in order to enable the use of the European Steel and Coal Community assets in liquidation. This will help with maintaining the annual research programme of at least EUR 40 million as well as to enable the funding of large clean steelmaking R&I breakthrough projects. Research activities in the coal sector will focus on regions in transition in line with the principles of the Just Transition Mechanism.

The Commission will:

- Engage with the co-legislators in order to work towards the quick adoption of the Just Transition Fund regulation and corresponding amendments of the Common Provisions Regulation;

- Engage with the co-legislators to increase the InvestEU Guarantee and with the EIB Group and other implementing partners to implement the just transition scheme under InvestEU once adopted;

- Table a new legislative proposal for a public sector loan facility with the EIB in [March 2020];

- Assist Member States and regions in preparation of territorial transition plans;

- Provide technical assistance and advisory support in order to generate robust project pipeline to the benefit of just transition regions.

6.5. State aid aspects

The Just Transition Mechanism is at the core of the Sustainable Europe Investment Plan. But the effort cannot end here. The need for a socially just transition must be reflected in all relevant policies at EU and national level. There must be coherence between all policies and initiatives to secure political and public support.

In order to unlock additional resources, the State aid regulatory framework will create opportunities to facilitate the use of national funds to finance projects consistent with the territorial transition plans in the eligible regions. A review of State aid control will ensure that also national budgets are incentivised to intervene in order to accelerate take-up and deployment of green technologies, support regional development and provide social cushion where it is most needed.

The review of State aid rules, as announced in section 3.3.2 of this communication, will facilitate investments to support the green deal throughout the internal market such as aid for renovation of buildings for energy efficiency, district heating extensions and upgrades irrespective of the heating sources, or the possibility to provide closure aid for coal-fired power plants. Additionally, in respect of the regions with approved territorial transition plans, State aid for productive investments will be allowed when such aid supports first of the kind industrial deployment of technologies supporting the green deal. Such aid will be allowed when investments take place in the regions with approved territorial transition plans, also when such regions are not assisted areas within the meaning of the current Regional Aid Guidelines.

7. CONCLUSION AND NEXT STEPS

The Sustainable Europe Investment Plan is instrumental in mobilizing the investments necessary to reach the ambitious objectives set by the European Green Deal. By committing to mobilize at least EUR 1 trillion of sustainable investments over the next decade through the EU budget, the Commission sets a very concrete objective of its own, against which progress will be monitored. The plan also includes a committement to use all relevant policy levers to provide private and public investors with a framework that enables sustainability investments to the maximum extent possible, and a renewed committment to provide the necessary project planning and execution support to authorities and project promoters.

The Just Transition Mechanism included in the plan will help to ensure that the shift towards a sustainable future leaves no one behind. Regions most heavily-dependent on fossil fuels will be assisted, both financially and administratively, in this transition.

The success of the Sustainable Europe Investment will depend on the engagement of all relevant stakeholders in its implementation. It will be vital that Member States and the European Parliament maintain the high ambition of the Commission proposal during the negotiations on the upcoming financial framework. A swift adoption of the proposal for a Just Transition Fund Regulation and associated legislative amendments will also be important. The investment community, including institutional investors, banks, promotional institutions and private equity funds, are invited to make full use of the emerging framework for sustainable investments. Member State authorities in turn will have to take up an active role in identifying, promoting and, where needed, co-financing such investments.

Every year the Commission will hold a Sustainable Investment Summit, involving all of the relevant stakeholders. The summit will be an opportunity to take stock of progress across the different work streams included in the Sustainable Europe Investment Plan, and identify new avenues for action. The Commission will continue to explore with relevant partners additional sources that could be mobilised to meet the long-term financing needs of the transition, and innovative ways to do so.

Annex I. Detailed overview of actions proposed and timeline. [timeline to be inserted be respective DGs during ISC]

Fund

- The Commission will aim at ensuring that the outcome of negotiations on the next Multi-annual Financial Framework includes a high ambition in terms of the EU budget contribution to the European Green Deal objectives.
- In the implementation phase the Commission will enhance a tracking system for monitoring progress towards the 25% target of climate-related expenditures under the EU budget.
- The Commission will enhance the climate tracking and suitability sustainability proofing guidance under InvestEU in the second half of 2020 [TBC].
- The Commission will ensure that a high proportion of financial products to be deployed under InvestEU target environmental, climate and social sustainability in line with the 30% objective of climate-related investments under the InvestEU Programme
- The Commission will ensure that EIB operations financed under EU mandates provide high additionality, both in terms of sectors covered and of the risk profile of financed projects. (notably by establishing a robust reporting and monitoring system).
- The Commission will work closely with other relevant International Financial Institutions to explore how their activities could be closer aligned with the European Gran Deal objectives.

Enable

- The Commission will launch the work on the development of delegated acts necessary for the full implementation of the EU Taxonomy.
- The Commission will present a renewed sustainable finance strategy in the third quarter of 2020.
- The Commission will include environmental sustainability as an integral part of Country Reports under the European Semester as of this year.
- The Commission will propose further legislation and guidance on green public procurement.
  - The Commission will review the EU economic governance framework, which will include a reference to green public investment in the context of the quality of public finance. This will inform a debate on how to improve

EU fiscal governance. The outcome of the debate will form the basis for any possible future steps including how to treat sustainable investments within EU fiscal rules, while preserving safeguards against risks to debt sustainability.

- The Commission will revise relevant State aid rules by 2021 to reflect the policy objectives of the European Green Deal, supporting a cost-effective transition to climate neutrality by 2050.
- In the meantime, the Commission will continue effective implementation of State aid rules, which are key enablers for the transition, while applying the current State aid rules with maximum flexibility in areas crucial for a quick decarbonisation.
-

Execute

- The Commission will provide technical support to Member States to help design and implement growth-enhancing reforms, including the development of sustainable investment strategies through the Structural Reform Support Programme.
- The Commission will provide tailored advisory services to private and public promoters of sustainability projects. through the InvestEU Advisory Hub
- The Commission will propose a Sustainable Procurement Screening' instrument for infrastructure projects [to be reviewed by GROW]

Just Transition Mechanism [DG BUDG to complete]

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Annex II. Examples of successful sustainable investment projects backed by the Investment Plan for Europe

Budapest District Heating Strategic Investments

This project aims to satisfy current and future demand for district heating services in the area by modernising, extending and interconnecting the network as well as increasing the installed capacity of the heat generation facilities. This will be achieved by replacing individual smaller, fossil fuel fired heating boilers in residential and public buildings.

This project benefitted from an EFSI-backed loan from the European Investment Bank, which will help improve the reliability and operational flexibility of the district heating system, and reducing the absolute amount of local air pollutants (NOx, SO2). This project will help improve network performance, optimise the heat generation mix and reduce emissions of greenhouse gases and other air pollutants, thereby contributing to meeting the Union's climate targets.

VIPA Energy Efficiency Platform

The European Investment Bank and National Promotional Institution Viesuju Investiciju Pletros Agentura (VIPA) supported the financing needed for the creation of the first national energy efficiency investment platform in Lithuania. The financing was guaranteed by the Investment plan for Europe's European Fund for Strategic Investments.

The financing will focus on supporting the installation of solar panels on private homes, the renovation of multi-apartment buildings and energy efficiency investment in industrial companies, mainly focusing on efficient lighting, helping beneficiaries cut CO2 emissions and lower their energy bills.

El to Zagreb Clean Heat Supply

The city of Zagreb stands to benefit from a large investment in the modernisation of their electricity and heat supply under a joint effort by the EIB, the EBRD and the European Commission's Investment Plan for Europe.

The loan proceeds will be used for the installation of two low-NOx gas turbines, two heat recovery steam generators and one back pressure steam turbine producing heat and electricity at the Elektrana-toplana combined heat and power (EL TO CHP) plant close to the centre of Zagreb, which will produce lower greenhouse gas emissions.

The new units will be fuelled by low-emission gas, and generate electricity for the grid and heat for district heating in north-western Zagreb, replacing obsolete, mostly heat-only, gas and oil-fired units. This project is an example of sustainable investment supported made possible by the European Fund for Strategic Investments.

Opole Heating and Energy Efficiency Upgrade

The project will modernise and extend the district heating distribution systems in Opole, Poland, and several other municipalities served by the ECO Group, including the installation of combined heat and power (CHP) gas engines and the general upgrade and refurbishment of generation units and networks.

An investment programme financed by European Investment Bank and backed by a guarantee under the Investment plan for Europe's European Fund for Strategic Investments will result in a more efficient and extended distribution network for Opole and other municipalities. This will improve the reliability of the district heating supply in those municipalities, as such contributing to the aims of the Sustainable Europe Investment Plan and its contribution to the European Green Deal.