



From just transition to competitive decarbonisation

What the EU's new policy architecture means for regional cohesion

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Introduction

The EU is entering a new policy cycle, reframing the European Green Deal in terms of competitiveness and innovation.¹ The European Commission's proposals for the Clean Industrial Deal,² European Competitiveness Fund,³ and national and regional partnership plans collectively signal a major departure from just transition policies and a comprehensive reorganisation of the EU's decarbonisation, industry, and cohesion strategies. This report investigates the main objectives and instruments of this new policy shift and how it affects the EU's just transition regions.

The main focus of this report is the Clean Industrial Deal and the European Competitiveness Fund. The Clean Industrial Deal is a green growth strategy that aims to build a competitive green industry in Europe, primarily through tax incentives, State aid, and regulatory support. The European Competitiveness Fund restructures the EU funding landscape by merging 14 existing programmes into a single instrument with 4 targeted policy windows:

- Clean transition and industrial decarbonisation;
- Digital leadership;
- Health, biotech, agriculture. and bioeconomy;
- Resilience and security, defence industry, and space.⁴

The proposed national and regional partnership plans will bundle funding for common agricultural policy income support and fisheries interventions, economic, territorial, and social cohesion, less developed regions, migration and border management, and internal security into one comprehensive plan designed by national and regional authorities.⁵ Together, these changes are intended to address structural challenges related to high energy prices, technology gaps, supply-chain dependencies, skills shortages, and investment fragmentation.

¹ Directorate-General for Communication, [EU budget 2028-2034 for a stronger Europe](#), 16 July 2025.

² European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#), 26 February 2025.

³ European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \('ECF'\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#), 16 July 2025.

⁴ Ibid., 16.

⁵ European Parliament, [BRIEFING | EU Legislation in Progress | 2028-2034 multiannual financial framework | National and regional partnership plans, European territorial cooperation and EU facility 2028-2034](#), 2, 4, January 2026.

While the Just Transition Mechanism adopted a specific territorial focus with the goal of ‘leaving no one behind’,⁶ the new policy cycle focuses on competitiveness and innovation. The regions undergoing transition are facing multiple challenges: the coal phase-out, growing competition in the automotive, steel and metals, and chemicals industries, deficits in research, and job losses. The European Green Deal⁷ and the Just Transition Mechanism focused to some extent on environmental goals – though with an undeniably strong emphasis on economic issues as well – steering the climate transition through regulation and financing.

Yet the emerging new policy architecture is built on lowering the cost of decarbonisation and supporting the climate transition through technology. Recital 8 of the preamble to the proposed European Competitiveness Fund Regulation notes:

In the EU, persistent disparities in competitiveness and innovation performance across regions continue to exist. After sustained efforts at both the EU and national level to close the innovation gap, it is time to unlock the full potential of every region. By ensuring that less-developed regions are effectively connected to EU value chains, the Union as a whole will be better positioned to compete globally.⁸

However, the proposed Fund lacks a specific territorial focus, while the Clean Industrial Deal relies on tax incentives and State aid. Therefore, given that wealthier countries and regions often possess larger tax bases and tighter regulatory and governance structures capable of utilising the Fund more effectively, this new policy architecture has the potential to reproduce significant regional disparities.

Method

The analysis underpinning this report draws on the key European Commission policy documents related to the Clean Industrial Deal and the European Competitiveness Fund. These documents are categorised to clarify and distinguish between the broad structural architecture of the new policy framework (including the Clean Industrial Deal’s sectoral action plans), allowing for an assessment of how these new rules impact just transition regions. The table below gives an overview of the main documents analysed.

⁶ European Commission, [The Just Transition Mechanism: making sure no one is left behind](#), accessed 9 February 2026.

⁷ European Commission, [The European Green Deal](#), accessed 9 February 2026.

⁸ European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \('ECF'\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#), 14.

Table 1. Key European Commission documents analysed for this report.

Policy	Document	Document type	Publication date
European Competitiveness Fund	European Competitiveness Fund⁹	Regulation Proposal	16 July 2025
Clean Industrial Deal	Clean Industrial Deal¹⁰	Communication	26 February 2025
Clean Industrial Deal	Action Plan for Affordable Energy¹¹	Communication	26 February 2025
Clean Industrial Deal	Union of Skills¹²	Communication	5 March 2025
Clean Industrial Deal	Automotive Sector Action Plan¹³	Communication	5 March 2025
Clean Industrial Deal	European Steel and Metals Action Plan¹⁴	Communication	19 March 2025
Clean Industrial Deal	Delivering on the Clean Industrial Deal¹⁵	Communication	2 July 2025
Clean Industrial Deal	Clean Industrial Deal State Aid Framework¹⁶	Communication	4 July 2025
Clean Industrial Deal	European Chemicals Industry Action Plan¹⁷	Communication	8 July 2025

⁹ European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \('ECF'\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#).

¹⁰ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#).

¹¹ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Action Plan for Affordable Energy | Unlocking the true value of our Energy Union to secure affordable, efficient and clean energy for all Europeans](#), 26 February 2025.

¹² European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Union of Skills](#), 5 March 2025.

¹³ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Industrial Action Plan for the European automotive sector](#), 5 March 2025.

¹⁴ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | A European Steel and Metals Action Plan](#), 19 March 2025.

¹⁵ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Delivering on the Clean Industrial Deal I](#), 2 July 2025.

¹⁶ European Commission, [Communication from the Commission | Framework for State Aid measures to support the Clean Industrial Deal \(Clean Industrial Deal State Aid Framework\)](#), 4 July 2025.

¹⁷ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | A European Chemicals Industry Action Plan](#), 8 July 2025.

Clean Industrial Deal	Sustainable Transport Investment Plan¹⁸	Communication	11 November 2025
Clean Industrial Deal	Tax incentives tied to the Clean Industrial Deal State Aid Framework¹⁹	Recommendation	2 July 2025
Clean Industrial Deal	Renewable technologies, grid areas, and network charges²⁰	Recommendation	2 July 2025
Clean Industrial Deal	Guidance on grid and storage areas to support renewable energy integration²¹	Notice	9 January 2026
Clean Industrial Deal	Guidelines on future-proof network charges for reducing energy system costs²²	Notice	9 January 2026
Clean Industrial Deal	Guidance on innovative technologies and forms of renewable energy deployment²³	Notice	9 January 2026

¹⁸ European Commission, [Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions | Sustainable Transport Investment Plan](#), 5 November 2025.

¹⁹ European Commission, [Commission Recommendation of 2.7.2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State aid Framework](#), 2 July 2025.

²⁰ European Commission, [Commission Recommendation of 2.7.2025 on innovative technologies and forms of renewable energy deployment, on the establishment of areas for grid and storage infrastructure necessary to integrate renewable energy into the electricity system in accordance with Article 15\(e\) of revised Directive \(EU\) 2018/2001 of the European Parliament and of the Council, and on future proof network charges to reduce energy system costs](#), 2 July 2025.

²¹ European Commission, [Commission notice on a guidance on the establishment of areas for grid and storage infrastructure necessary to integrate renewable energy into the electricity system in line with Article 15\(e\) of the Renewable Energy Directive](#), 9 January 2026.

²² European Commission, [Commission notice on guidelines on future proof network charges for reduced energy system costs](#), 9 January 2026.

²³ European Commission, [Commission notice on a guidance on innovative technologies and forms of renewable energy deployment](#), 9 January 2026.

Analysis of the Clean Industrial Deal

The Clean Industrial Deal positions industrial decarbonisation as a competitiveness strategy rather than a purely environmental objective. The aim is to reduce the relative disadvantages faced by EU industry – due to global competition and overproduction – while accelerating the transition to carbon neutrality through clean-energy technology.²⁴ The Deal advances its objectives through six interlinked priority areas:

1. Increasing access to affordable energy – a cornerstone of industrial competitiveness – through measures developed in the Action Plan for Affordable Energy.²⁵
2. Boosting demand for clean-technology products.²⁶
3. Financing the clean transition through a mix of EU funding instruments (such as the Innovation Fund and the European Competitiveness Fund) and raising the ceiling for State aid, conditional on it being directed towards decarbonisation goals like clean technology.²⁷
4. Strengthening circularity and access to critical raw materials.²⁸
5. Establishing partnerships across global markets through new trade agreements, strengthened enforcement tools, and extending the Carbon Border Adjustment Mechanism.²⁹
6. Supporting skills and quality jobs through the ‘Union of Skills’ – a strategy focused on education, training, skills retention and recognition, and labour mobility.³⁰

Finally, the Deal is further operationalised through a number of sectoral action plans, including for affordable energy, the Union of Skills, the steel and metals industry, the automotive sector, the transport sector, and the chemicals industry (all discussed below).

²⁴ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#), 17.

²⁵ *Ibid.*, 2,3.

²⁶ *Ibid.*, 21.

²⁷ European Commission, [Commission Recommendation of 2.7.2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State aid Framework](#), 5, 7.

²⁸ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#), 14–16.

²⁹ *Ibid.*, 18, 19.

³⁰ *Ibid.*, 20–22.

Affordable energy

The Clean Industrial Deal identifies high and volatile energy costs as a pressing bottleneck in the EU economy. To address this, the Action Plan for Affordable Energy outlines measures to expand renewable energy generation, accelerate permitting, strengthen system flexibility, and reinforce cross-border interconnection. It also introduces financial guarantees – through a EUR 500 million pilot programme for power purchase agreements – to reduce the cost of long-term energy contracts.³¹ These measures may help just transition regions improve grid capacity and lower energy costs. However, the Action Plan’s main mechanism for improving access to affordable energy is through tax incentives and increasing the ceiling for State aid. This approach is likely to benefit wealthier Member States and regions, leaving transitioning regions at a disadvantage.

Union of Skills

The Clean Industrial Deal identifies skills shortages, skills mismatches, and uneven access to high-quality training as structural barriers to the EU’s industrial transition.³² To address these gaps, the Union of Skills strategy seeks to create a more integrated skills framework by standardising qualifications and improving mutual recognition across Member States. Central to this is the establishment of the European Skills Intelligence Observatory, designed to provide forward-looking data on labour-market needs.³³ Implementation is further supported by targeted training programmes through Erasmus+,³⁴ with EUR 90 million earmarked for addressing skills shortages in key industrial sectors.³⁵

These measures have the potential to help just transition regions by improving access to reskilling opportunities and supporting workers affected by industrial restructuring. This is particularly applicable to the automotive, steel and metals, and chemicals sectors, where job profiles are rapidly evolving. However, as with other transition instruments, the Union of Skills strategy relies heavily on the administrative capacities of Member States and national co-financing. Regions with weaker educational infrastructures, lower investment in training systems, or persistent outmigration may benefit less from these measures, risking a widening of the EU’s existing territorial skills divide.

³¹ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Action Plan for Affordable Energy | Unlocking the true value of our Energy Union to secure affordable, efficient and clean energy for all Europeans](#), 10.

³² European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Union of Skills](#), 8.

³³ *Ibid.*, 18.

³⁴ *Ibid.*, 17.

³⁵ European Commission, [Clean Industrial Deal: A plan for EU competitiveness and decarbonisation](#), accessed 26 February 2026.

Steel and metals, automotive, transport, and chemicals industries

The steel and metals, automotive, transport, and chemicals industries contribute significantly to the EU economy. However, these industries are currently being impacted by high energy prices and global overcapacity, resulting in factory closures and job losses. To alleviate these pressures, the Clean Industrial Deal proposes a combination of State aid, protective trade policies, and tax incentives to boost demand.³⁶

Under the Clean Industrial Deal State Aid Framework, EU Member States may reduce electricity costs for carbon-intensive industries when the industry faces a risk of relocating to locations outside the EU due to high electricity costs.³⁷ Under this Framework, electricity costs can be reduced by up to 50% of the company's annual wholesale market price, for a maximum of 50% of its annual consumption.³⁸

However, when industries receive such support, they must invest at least 50% of the aid they receive in 'new or modernised assets'. Eligible activities include 'the development of renewable energy generation capacities, energy storage solutions, measures to increase demand-side flexibility, energy efficiency improvements that impact electricity demand, and the development of electrolyzers for the production of renewable or low-carbon hydrogen'.³⁹

Furthermore, industries can receive aid – capped at EUR 200 million and determined according to a maximum aid intensity – for investments in hydrogen or hydrogen-derived fuels, renewable energy, energy storage, flexible electrification, compliant carbon-capture equipment, certain low-carbon fuels, and other technologies.⁴⁰

Between 2022 and 2025 alone, nearly EUR 9 billion in State aid was approved for steel decarbonisation projects.⁴¹ Additionally, the Commission plans to launch the Industrial Decarbonisation Bank, preceded by a EUR 1 billion pilot auction, funded through Emissions Trading System revenues.⁴²

For the steel and metals industry, the focus will also be on circularity and the availability of scrap materials.⁴³ In the automotive sector, however, the scheduled meeting of CO₂ targets will be relaxed, a move

³⁶ European Commission, [Commission Recommendation of 2.7.2025 on tax incentives to support the Clean Industrial Deal and in light of the Clean Industrial Deal State aid Framework](#), 1, 2.

³⁷ European Commission, [Communication from the Commission | Framework for State Aid measures to support the Clean Industrial Deal \(Clean Industrial Deal State Aid Framework\)](#), 19.

³⁸ *Ibid.*, 20.

³⁹ *Ibid.*, 20.

⁴⁰ *Ibid.*, 27.

⁴¹ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | A European Steel and Metals Action Plan](#), 16.

⁴² *Ibid.*, 18.

⁴³ *Ibid.*, 11.

that risks slowing down the pace of decarbonisation and delaying air quality improvements in cities. To compensate, the EU aims to boost demand for electric vehicles by improving charging infrastructure.⁴⁴

Policy in the transport sector will focus on reducing carbon emissions within the maritime and aviation sectors, both of which present significant challenges for electrification. Therefore, strategic investment will be directed towards the development and deployment of sustainable alternative fuels. However, liquefied natural gas is still considered a transitional fuel in the waterborne transport sector.⁴⁵ Under the proposed Sustainable Transport Investment Plan, funding will be mobilised through the Innovation Fund, InvestEU, the European Investment Bank Group, Horizon Europe, and the European Innovation Council.

Under the Battery Booster package, the Commission has mobilised EUR 3 billion through the Innovation Fund to increase the EU's capacity to manufacture electric-vehicle batteries. This includes a EUR 200 million InvestEU guarantee top-up for venture debt, and an additional EUR 1.8 billion in direct support to be made available over the next two years.⁴⁶ For the chemicals industry, the Commission will provide additional support and funding to help Member States designate critical chemical sites.⁴⁷

Analysis of the European Competitiveness Fund

The European Competitiveness Fund aims to serve as the central financial backbone for strengthening Europe's industrial capacity by reducing fragmentation across EU funding streams. Instead of operating through a patchwork of thematic programmes, the Fund consolidates 14 separate instruments into a single framework to provide a more coherent and accessible financing system. It directs resources towards areas of strategic importance for the EU economy, including clean technologies, digital transformation, critical raw materials, and industrial innovation, specifically to address existing innovation gaps.

To support the overarching goal of European competitiveness, the Fund is structured into four policy windows: clean transition and industrial decarbonisation; health, biotechnology, agriculture, and bioeconomy; digital leadership; and resilience and security, defence industry, and space. Each of these four windows has dedicated specific objectives and financial allocations:

- 1. Clean transition and industrial decarbonisation (EUR 26.21 billion):** Supporting the acceleration of Europe's clean transition by decarbonising industry, expanding clean technologies, and strengthening sustainable infrastructure.

⁴⁴ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | Industrial Action Plan for the European automotive sector](#), 8, 9.

⁴⁵ European Commission, [Communication from the Commission to the European Parliament, the Council, The European Economic and Social Committee and the Committee of the Regions | Sustainable Transport Investment Plan](#), 6.

⁴⁶ *Ibid.*, 12.

⁴⁷ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | A European Chemicals Industry Action Plan](#), 3.

2. **Health, biotechnology, agriculture, and bioeconomy (EUR 20.393 billion):** Strengthening health security, biotechnology and the bioeconomy, while boosting sustainable agriculture and food systems.
3. **Digital leadership (EUR 51.493 billion):** Promoting Europe’s digital leadership by advancing AI and digital technologies, boosting cybersecurity and technological sovereignty, and accelerating digitalisation in the private and public sectors.
4. **Resilience and security, defence industry, and space (EUR 125.204 billion):** Supporting Europe’s resilience and security by securing critical supply chains, reinforcing the defence industry, advancing space capabilities, and boosting civil security and critical infrastructure protection.

Additionally, the Fund allocates EUR 11 billion to support measures that underpin its general objectives, specifically focusing on cross-cutting activities such as collaboration among small and medium-sized enterprises, skills development, and project advisory services.⁴⁸

In its current form, however, the Fund lacks a territorial focus, substantive regulations for just transition regions, and ‘widening’ measures to support less developed regions. As a result, Member States and regions with the existing administrative capacity to navigate the centralised bidding process will be in a privileged position to utilise the Fund.

Does the EU’s new policy shift serve just transition regions?

Together, the Clean Industrial Deal and the European Competitiveness Fund signal a stark policy shift away from the EU’s just transition policies. The concept of a just transition is only sparsely mentioned throughout the policy documents, and then mostly in relation to skills and jobs. This section analyses the extent to which the Clean Industrial Deal and the European Competitiveness Fund address the needs of just transition regions, specifically in the context of clean energy, green skills, future-proof knowledge, economic diversification, and environmental resilience.

Clean energy

Access to affordable, reliable, and renewable energy remains one of the most significant barriers to industrial transformation in just transition regions. Many coal-dependent regions face structurally high electricity prices, constrained grid capacity, and limited access to renewable energy sources. The Clean Industrial Deal’s Action Plan for Affordable Energy – along with the decarbonisation financing tools embedded in the Industrial Decarbonisation Bank and the four policy windows of the European Competitiveness Fund – provides a framework for addressing these constraints.

⁴⁸ European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \(‘ECF’\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#), 9, 36–38.

The focus on reinforcing cross-border interconnections, accelerating permitting, deploying long-term power purchase agreements, and supporting electrification could materially improve energy affordability over time. Energy prices are currently determined through marginal unit pricing. This means that the most expensive energy producer needed to meet demand in a given hour sets the wholesale price for all. This leads to a situation in which, although renewable energy is significantly cheaper than fossil fuels, energy prices are often fixed based on fossil fuel prices.⁴⁹ The Action Plan stimulates Member States to reduce exposure to marginal prices by encouraging long-term contracts with energy producers alongside the marginal market.

However, the reliance on State aid flexibility and tax reductions raises distributional challenges. Wealthier Member States – and the subnational regions within them – are better positioned to lower electricity levies, subsidise energy-intensive industries, and co-finance grid upgrades. Just transition regions with weaker fiscal capacity may therefore be slower to benefit from these instruments. Unless allocation criteria within the Industrial Decarbonisation Bank or the European Competitiveness Fund explicitly account for territorial disadvantage, the energy measures risk deepening rather than narrowing regional disparities.

Green skills

Skills shortages and mismatches are consistently framed throughout the Clean Industrial Deal⁵⁰ and European Competitiveness Fund⁵¹ as core threats to Europe's industrial competitiveness. This is particularly true for just transition regions, where labour markets are heavily dependent on industries undergoing rapid restructuring (coal, steel and metals, automotive, chemicals) and where education systems often struggle with chronic underinvestment.

The Union of Skills aims to address these issues by harmonising qualifications, improving recognition across borders, and generating high-quality labour-market forecasts through the European Skills Intelligence Observatory.⁵² Additionally, targeted Erasmus+ funding⁵³ and expanded provisions under the European Social Fund Plus⁵⁴ are expected to further support specialised industrial training and reskilling.

⁴⁹ Conall Heussaff, [Decarbonising for competitiveness: four ways to reduce European energy prices](#), Bruegel Institute, 24(31), 4, 5 December 2024.

⁵⁰ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#), 2, 20–22.

⁵¹ European Commission, [Proposal for a Regulation of the European Parliament and of the Council on establishing the European Competitiveness Fund \('ECF'\), including the specific programme for defence research and innovation activities, repealing Regulations \(EU\) 2021/522, \(EU\) 2021/694, \(EU\) 2021/697, \(EU\) 2021/783, repealing provisions of Regulations \(EU\) 2021/696, \(EU\) 2023/588, and amending Regulation \(EU\) \[EDIP\]](#), 10, 17, 36.

⁵² European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Union of Skills](#), 18–20.

⁵³ *Ibid.*, 12–14.

⁵⁴ *Ibid.*, 18.

Yet the effectiveness of these measures depends heavily on national and regional administrative capacity, as well as on the willingness of Member States to prioritise just transition regions in their skills strategies. Regions facing depopulation or high outward mobility may find it difficult to retain skilled workers, even when new programmes are available.

Moreover, in its effort to boost labour mobility, the Union of Skills may inadvertently exacerbate depopulation trends by attracting workers away from just transition regions. This raises the risk that skills improvements will be disproportionately concentrated in already competitive regions, leaving just transition regions with persistent human-capital deficits.

Future-proof knowledge

The Clean Industrial Deal repeatedly stresses the need to close the EU's innovation gap, while the European Competitiveness Fund creates a consolidated funding instrument to support industrial research and development. The EU intends to foster technological leadership in areas such as advanced materials, 'low-carbon' hydrogen,⁵⁵ batteries, digitalisation, and clean-technology manufacturing.

However, the geography of innovation remains a fundamental constraint. Research and development activity in Europe is highly concentrated in a limited number of regions. Unless calls under the European Competitiveness Fund or national competitiveness strategies explicitly include place-based requirements for locating demonstration facilities, research centres, or pilot manufacturing projects in just transition regions, these territories are unlikely to benefit from the Fund. This could in turn limit their ability to develop new industries and generate job opportunities in these regions.

Economic diversification

The Clean Industrial Deal and European Competitiveness Fund place limited emphasis on economic diversification. However, both offer instruments that could, in theory, support it. The Deal's action plans for the steel and metals, automotive, and chemicals sectors, in addition to the Fund's clean transition and industrial decarbonisation policy window, are designed to attract investment into these supply chains. The Fund also recognises the importance of small and medium-sized enterprises for competitiveness, creating potential avenues for broader diversification.

Nonetheless, within this new policy architecture, diversification remains strongly driven by industry and technology. The policy mix prioritises clean-technology manufacturing, critical raw materials, advanced industrial processes, and large-scale demonstration projects. A more structured supply-chain approach – one that includes regions that attract large amounts of capital as well as those with lower labour costs – would help to ensure more communities benefit from this strategy. However, for some just transition

⁵⁵ This includes hydrogen produced using renewable energy as well as hydrogen derived from gas with carbon capture and storage. As such, it does not align with Bankwatch's position that public funding should support only hydrogen generated from additional renewable energy capacity, and only for hard-to-decarbonise sectors where more economically viable and less energy-intensive alternatives are not available.

regions, where local labour markets cannot readily adapt to advanced manufacturing sectors, this approach may prove too narrow.

Dedicated support for alternative economic models remains limited. These include community-based enterprises, cultural and creative industries, sustainable tourism, sustainable agriculture, and care economies – all of which contribute to well-being in regions unlikely to attract large-scale industrial investment. While the national and regional partnership plans may partly fill this gap, both the Clean Industrial Deal and the European Competitiveness Fund are primarily oriented towards large corporate entities.

Environmental resilience

Environmental resilience is essential for just transition regions, many of which face long-term liabilities related to mine closures, soil contamination, water pollution, and vulnerability to climate impacts. The Clean Industrial Deal includes elements related to water resilience, clean-technology production, and circularity, while the chemicals, steel and metals, and automotive sectoral action plans emphasise pollution reduction and safer production processes. Circular economy measures and strengthened product standards may also indirectly reduce environmental burdens.

However, the Clean Industrial Deal–European Competitiveness Fund package does not systematically integrate ecological restoration, despite its importance for post-coal and post-industrial landscapes. Mine rehabilitation, land reclamation, nature-based flood protection, and large-scale soil and water restoration remain primarily within the remit of the national and regional partnership plans. Without a stronger place-based environmental component in the European Competitiveness Fund, there is a risk that economic and industrial transitions will proceed without adequate attention to long-term ecological sustainability. Combined with the Commission’s shift towards deregulation through the new Environmental Omnibus and the Grids Package – both of which threaten to dismantle nature, biodiversity and environmental protections – this represents a worrying trend.⁵⁶

Summary

The emerging EU policy architecture – centred on the Clean Industrial Deal, the European Competitiveness Fund, and the national and regional partnership plans – marks a decisive shift away from the territorially focused just transition agenda towards a competitiveness-oriented model of climate policy.

While the previous policy cycle emphasised social fairness, place-based interventions, and the imperative to ‘leave no one behind’, the new approach privileges technological upgrading, industrial leadership, and integrated national planning. In the policy documents linked to the Clean Industrial Deal and European Competitiveness Fund, references to the ‘just transition’ are notably scarce. In several instances, the term

⁵⁶ World Wide Fund for Nature, [Green protection gutted: European commission jeopardises nature and health safeguards](#), 10 December 2025.

is replaced by the concept of ‘fairness’, reframing the social dimension around labour mobility and upskilling rather than the compensatory social protections inherent in the Just Transition Mechanism.⁵⁷

This shift represents an important reorientation in the political economy of the European Green Deal: climate objectives are no longer steered primarily through regulatory pressure, but increasingly through incentives, State aid, and investment facilitation aimed at lowering the cost of decarbonisation.

Both the Deal and the Fund share several consistent themes. The policy mix is heavily oriented towards large-scale industrial decarbonisation, innovation in strategic technologies, risk-sharing through financial instruments, and the development of EU-wide markets for clean industrial products. Industrial sectors – especially steel and metals, automotive, and chemicals – are positioned as cornerstones of European competitiveness and beneficiaries of regulatory flexibility, energy-cost compensation, and significant public financial support. And while the Union of Skills introduces an EU-wide framework to standardise qualifications and provide forward-looking labour-market intelligence, its implementation remains highly dependent on national administrative capacity.

Just transition regions are mentioned in the new policy architecture but no longer constitute a central organising principle. The European Competitiveness Fund does not include a territorial or widening component, and relies instead on competitive access, national planning cycles, and Member States for co-financing. As a result, the tools introduced by the Clean Industrial Deal and European Competitiveness Fund risk reproducing long-standing territorial inequalities, with wealthier regions structurally better positioned to mobilise State aid, co-finance strategic projects, and absorb complex funding instruments. For coal, carbon-intensive, and industrially dependent regions – particularly in central and eastern Europe – this strategy could further delay access to clean energy, weaken participation in strategic industrial value chains, and reduce opportunities to anchor new knowledge and skills locally.

Yet despite these risks, both the Clean Industrial Deal and the European Competitiveness Fund provide important opportunities for just transition regions: improving grid infrastructure, decarbonising key industries, strengthening innovation ecosystems, and supporting workforce transitions. The challenge is not the absence of tools but their uneven accessibility. Without deliberate territorial safeguards and strengthened administrative support, the competitiveness-focused transition may ultimately deepen rather than bridge regional divides.

⁵⁷ European Commission, [Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions | The Clean Industrial Deal: A joint roadmap for competitiveness and decarbonisation](#).

Recommendations

1. Introduce territorial prioritisation mechanisms within the European Competitiveness Fund and Clean Industrial Deal implementation frameworks.

The European Competitiveness Fund currently lacks a territorial dimension. To prevent concentration of resources in already competitive regions, the Commission and Member States should establish criteria that prioritise just transition regions for decarbonisation funding, innovation pilots, and industrial deployment projects. This could involve territorial weighting in competitive calls, ring-fenced envelopes for structurally weaker regions, or incentives for locating demonstration facilities in transition regions.

2. Strengthen administrative capacity-building and technical assistance measures for just transition regions.

Because access to the European Competitiveness Fund depends on complex application procedures and alignment with national competitiveness strategies, Member States should be required to include capacity-building measures in their national and regional partnership plans. Technical assistance should focus on project development, State-aid navigation, innovation governance, and skills planning, areas where just transition regions traditionally face significant constraints. Additionally, the Commission's existing targeted technical assistance should continue.

3. Ensure that State aid and tax incentives do not reinforce existing disparities.

The Clean Industrial Deal relies heavily on national tax incentives and State-aid flexibility. The Commission should monitor cross-country disparities in the deployment of State aid and consider compensatory mechanisms for Member States with limited fiscal capacity. Although State aid is, to some extent, linked to decarbonisation goals, these should be monitored and made more robust to close loopholes. Without such safeguards in place, wealthy countries may monopolise industrial investment, leaving poorer regions to fall further behind and giving polluting industries even less incentive to decarbonise.

4. Embed future-proof knowledge and research and development infrastructures in just transition regions.

To address the innovation gap, European Competitiveness Fund investment strategies should include territory-based research and development requirements. This could involve mandatory geographical diversification of Horizon Europe demonstration projects, support for regional innovation clusters, or incentives for industry–university partnerships in just transition regions. Without deliberate interventions, innovation will remain concentrated in established hubs, limiting the ability of just transition regions to diversify their economies.

5. Expand the diversification agenda beyond industrial transformation.

The funding streams linked to the Clean Industrial Deal and European Competitiveness Fund mainly support industrial upgrading and high-tech manufacturing. Just transition regions, however, often require multi-sector diversification strategies that include service industries, cultural and creative sectors, environmental restoration, tourism, circular economy and social economy initiatives. In addition, national and regional partnership plans should explicitly integrate these broader diversification pathways.

6. Ensure earmarked funding for nature restoration and protection.

Mine reclamation, soil and water rehabilitation, and nature-based flood protection are essential for long-term resilience in post-coal regions. The Clean Industrial Deal and European Competitiveness Fund currently treat environmental benefits as by-products of industrial decarbonisation. The Commission should require Member States to incorporate ecological restoration into their national and regional partnership plans and ensure that such projects are eligible for European Competitiveness Fund financing and other funding streams.

7. Strengthen the social dimension of the industrial transition.

While the Union of Skills provides a framework for training and labour mobility, additional measures are needed to ensure social fairness and the creation of quality jobs. This should include support for job-to-job transitions, wage-protection mechanisms in declining sectors, and long-term community development strategies. Moreover, the focus should extend beyond simply increasing labour mobility to improving the living conditions of regions facing depopulation. The European Competitiveness Fund and the Clean Industrial Deal should explicitly include these elements in future revisions.

In summary, the Clean Industrial Deal and the European Competitiveness Fund represent a comprehensive restructuring of EU climate and industrial policy. They offer significant opportunities for technological upgrading and decarbonisation, but risk sidelining the territorial and social considerations – as well as environmental objectives – that were central to the Just Transition Mechanism. Ensuring that these new instruments contribute to balanced development will require deliberate governance choices, targeted investment strategies, and strengthened administrative capacity in Europe's most vulnerable regions.