

# From just transition to competitive decarbonisation: What the EU's new policy architecture means for regional cohesion

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 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.<sup>57</sup>

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.

## 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.

See our full report here: [From just transition to competitive decarbonisation: What the EU's new policy architecture means for regional cohesion](#)



*Funded by the European Union. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union or CINEA. Neither the European Union nor the granting authority can be held responsible for them.*

Supported by:



on the basis of a decision  
by the German Bundestag

*This publication is part of the [European Climate Initiative \(EUKI\)](#) of the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).*

*The opinions put forward in this [paper, study, article, video, publication...] are the sole responsibility of the author(s) and do not necessarily reflect the views of the German Federal Ministry for the Environment, Climate Action, Nature Conservation and Nuclear Safety (BMUKN).*