



Brussels, 21.11.2023
COM(2023) 713 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on the implementation of the public sector loan facility under the Just Transition
Mechanism in 2023, as referred in Article 16 of Regulation (EU) 2021/1229**

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1. INTRODUCTION AND PURPOSE OF THIS REPORT

In December 2019, the European Commission adopted a European Green Deal for the European Union and its citizens⁽¹⁾, recalling the Commission's commitment to tackle climate and environmental-related challenges and outlining the need for a transition conducted in a fair and inclusive way.

The Commission detailed in January 2020 a Just Transition Mechanism (JTM) as part of the European Green Deal Investment Plan⁽²⁾, to make sure that no one and no region is left behind in the transition to a climate-neutral economy. The primary goal of the mechanism is to provide support to the most affected regions and people and to help them alleviating the socio-economic costs of the transition. The Just Transition Mechanism consists of three pillars: the first pillar is the Just Transition Fund, the second pillar is a dedicated Just Transition scheme under the InvestEU Programme, and the third pillar is the public sector loan facility (the Facility).

This annual report focuses on the third pillar and aims at providing information on the progress made so far in the implementation of the Facility. The present report is cumulative from the start of the implementation of the Facility until 31 August 2023.

1.1. Legal and budgetary framework of the public sector loan facility under the Just Transition Mechanism

The Facility was established by Regulation (EU) 2021/1229 on 14 July 2021 (the PSLF Regulation)⁽³⁾.

The general objective of the Facility is to address serious social, economic, and environmental challenges deriving from the transition towards the Union's 2030 climate and energy targets and the objective of climate neutrality in the Union by 2050 at the latest, set out in Regulation (EU) 2021/1119⁽⁴⁾, for the benefit of the Union territories identified in the territorial just transition plans (TJTP)⁽⁵⁾.

The specific objective of the Facility is to leverage public sector investments which address the development needs of the territories identified in the territorial just transition plans. It does so by facilitating the financing of projects that do not generate sufficient streams of revenues to cover

⁽¹⁾ Communication from the Commission – The European Green Deal – COM(2019) 640 final, 11.12.2019.

⁽²⁾ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Sustainable Europe Investment Plan-European Green Deal Investment Plan – COM(2020) 21 final, 14.1.2020.

⁽³⁾ Regulation (EU) 2021/1229 of the European Parliament and of the Council of 14 July 2021 on the public sector loan facility under the Just Transition Mechanism (OJ L 274, 30.7.2021).

⁽⁴⁾ Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law') (OJ L 243, 9.7.2021).

⁽⁵⁾ As defined in Article 11 of Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 establishing the Just Transition Fund (OJ L 231, 30.6.2021).

their investment costs, thereby avoiding the crowding out of potential support and investment from alternative resources.

Support is provided to a wide range of investments in renewable energy and green and sustainable mobility, including the promotion of green hydrogen, efficient district heating networks, public research, digitalisation, environmental infrastructure for smart waste and water management. The Facility can also support sustainable energy, energy efficiency and integration measures, including renovations and conversions of buildings, urban renewal and regeneration, the transition to a circular economy, land and ecosystem restoration and decontamination, taking into account the ‘polluter pays’ principle, biodiversity, as well as up-skilling and re-skilling, training and social infrastructure, including care facilities and social housing ⁽⁶⁾.

The PSLF Regulation provides a total maximum budget of €1.525 billion of Union support for the grant component of the Facility (including technical assistance and advisory support).

Under the Facility, loans (provided by the European Investment Bank as finance partner) are combined with grants (provided by the Union) to support projects submitted by public sector entities following the call for proposals with resources to meet the development needs in the transition towards a climate neutral economy. The European Investment Bank (EIB) will provide €10 billion for the loan component of the Facility. The EIB offers three types of loans under the Facility: investment loans for mature projects, framework loans (also called Loan Schemes) and intermediated loans.

The grant component takes the form of financing not linked to costs and its amount is determined as a percentage of the loan. This percentage amounts to 15 %, or 25 % if the project is located in a less developed region ⁽⁷⁾. Consequently, the awarding of a grant depends on the approved financing by the EIB or its financial intermediaries ⁽⁸⁾.

The Commission works closely with the EIB and the Climate Infrastructure and Environment Executive Agency (CINEA) on the implementation of the Facility.

As announced in the previous annual report on the implementation of the public sector loan facility ⁽⁹⁾, the Administrative Agreement between the Commission and the EIB entered into force on 1 September 2022 ⁽¹⁰⁾. The EIB carries out its own appraisal of projects proposals, in accordance with its own rules, policies and procedures, and prepares, negotiates, signs, and monitors the relevant financing agreements.

The division of tasks between the Commission and CINEA was established in the Memorandum of Understanding (MoU) signed on 5 September 2022. CINEA is responsible for the budgetary, legal, financial and operational aspects of the implementation of the grants under supervision of the Commission (being responsible for the implementation of the PSLF), while the Commission remains fully responsible for all policy-related aspects.

The very good cooperation between the Commission, CINEA and the EIB has allowed the smooth management of the applications received and has been key for raising awareness of the Facility, its goals, and its functioning.

⁽⁶⁾ See Recital (6) of the PSLF Regulation.

⁽⁷⁾ See Article 11 of the PSLF Regulation.

⁽⁸⁾ Article 18 of the JTM Model Grant Agreement, available on portal [Funding & tenders \(europa.eu\)](https://eif.europa.eu/funding-tenders).

⁽⁹⁾ Report from the Commission to the European Parliament and the Council on the implementation of the public sector loan facility under the Just Transition Mechanism in 2022, as referred to in Article 16 of Regulation (EU) 2021/1229 - COM(2023) 60 final, 7.2.2023.

⁽¹⁰⁾ [European Commission and EIB Group sign InvestEU agreements unlocking billions for investment across the European Union](https://eif.europa.eu/funding-tenders)

1.2. Scope of the 2023 Implementation Report

According to Article 16(3) of the PSLF Regulation, “*by 31 October of each calendar year, starting with 2022, the Commission shall issue a report on the implementation of the Facility. That report shall provide information on the level of implementation of the Facility with respect to its objectives, conditions and performance indicators.*”

The first implementation report was submitted to the European Parliament and the Council on 7 February 2023, and mainly detailed the preparatory steps taken before the publication of the first PSLF call for proposals.

The present report is the second implementation report. It provides information on (i) the results of the PSLF call for proposals for the first three submission deadlines, (ii) communication, awareness raising and list of potential projects proposals, (iii) challenges encountered, and (iv) the next steps for the Facility.

2. IMPLEMENTATION OF THE FACILITY

2.1. Results of the PSLF call for the first three submission deadlines

A multi-annual call for proposals was launched on 19 July 2022. The call for proposals includes regular submission deadlines (3 per year) with the last submission deadline falling in the last semester of 2025.

By 31 August 2023, eight proposals have been submitted and three have been recommended for funding by the evaluation committee (see Table 1) representing a maximum amount of €39,394,217 in grants by the Commission and an estimated amount of €185,886,184 of loans by the EIB. Four proposals that did not pass the eligibility/admissibility check were out of the scope of the call, and one proposal, which was eligible/admissible, did not pass the evaluation criteria.

Figure 1: National shares (reserved until 31 December 2025) and their consumption by grants awarded or under assessment ⁽¹⁾

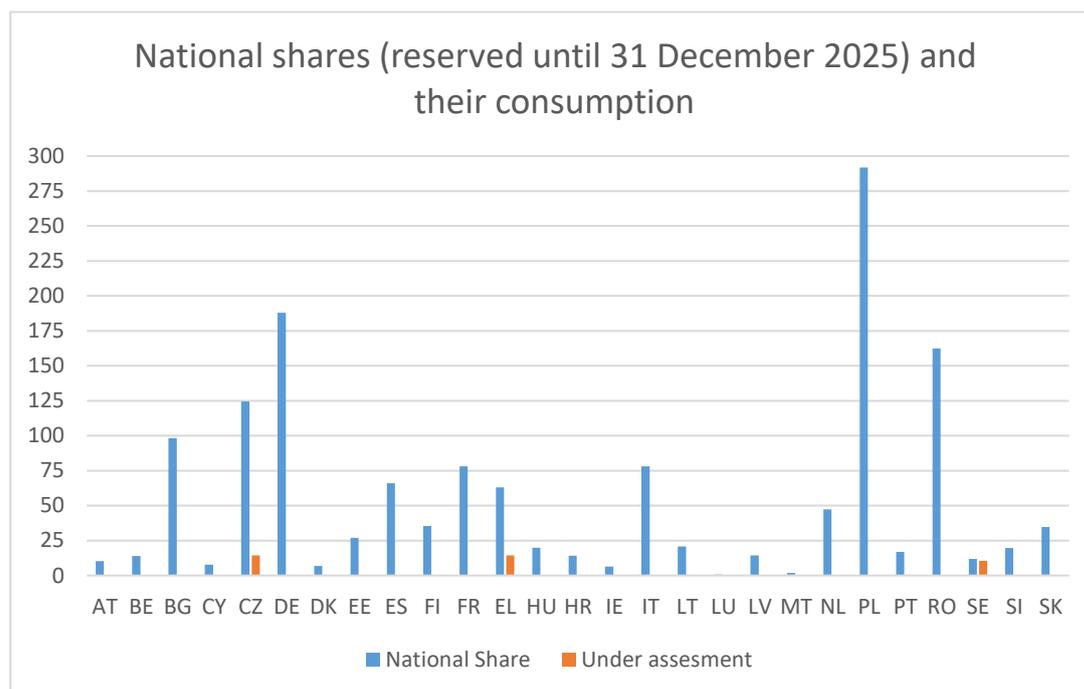


Table 1. Summary of the evaluation of proposals received under the PSLF call for proposals.

	Number of proposals submitted	Number of eligible and admissible proposals	Number of proposals recommended for funding by the Commission	Number of proposals which have secured a loan with the EIB or its intermediaries	Comments
19 October 2022 submission deadline	3	1 (CZ)	1 (CZ)	0	One proposal recommended for funding by the Commission. The EIB is currently carrying out its due diligence.
19 January 2023 submission deadline	1	0	0	0	-
19 April 2023 submission deadline	4	3 (EL, NL, SE)	2 (EL, SE)	1 (EL)	EL proposal recommended for funding by the Commission, and EIB completed its due diligence. CINEA is preparing

⁽¹⁾ See also: [Budget \(europa.eu\)](https://budget.europa.eu)

					<p>the Grant Agreement of the EL proposal recommended for funding.</p> <p>SE proposal recommended for funding by the Commission. The EIB is carrying out its due diligence.</p> <p>NL proposal did not pass evaluation criteria assessment.</p>
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Table 2. Project proposals recommended for funding

	Region/Territory	Title of the project proposal	Sector	Amount of grant requested (€)	Amount of loan requested (€)	Type of support
CZ	Moravian-Silesian Region	Ostrava Concert Hall	Cultural facilities	14,250,000	57,000,000	Standalone project
EL	Western Macedonia	Socioeconomic Transition of Western Macedonia	Energy efficiency and integration measures, including renovations of buildings, street lighting facilities, urban renewal and regeneration, social infrastructure	14,528,224	58,112,897	Framework Loan
SE	Upper Norrland	Sustainable and affordable Housing for the new green Industry and Society	Social housing	10,615,993	70,773,287	Framework Loan
Total				39,394,217	185,886,184	

According to the available list of project proposals from public sector promoters, applications for projects located in five different Member States are under preparation to be submitted for PSLF support at the next submission deadlines in the sectors of renewable energy, green and sustainable mobility, efficient district heating networks, environmental infrastructure for smart waste management, energy efficiency, and other sectors which are consistent with approved territorial just transition plans. If all these project proposals were submitted to the PSLF call for proposals and selected for funding, the Commission estimates that they would represent a volume of approximately €140 million in grants.

2.2. Technical Assistance

As referred to already in the first report, advisory support services under the InvestEU Advisory Hub are available for the preparation, development, and implementation of eligible projects⁽¹²⁾. Up to August 2023, advisory assistance has been provided to several potential Facility's beneficiaries by the EIB. The type of assistance ranged from the initial screening of project ideas, advice on potential eligibility of projects for the loan and grant components, to the development of comprehensive advisory assignments in support of intermediated and lending operations. Examples of the ongoing and envisaged advisory assignments include studies of demand for municipal borrowing, support to end borrowers to prepare projects for financing and develop grant applications.

Complementary to the services offered through the InvestEU Advisory Hub, consultancy services were deployed by technical assistance provided by the Commission at the request of a few Member States (Greece, Slovakia, Czechia) with the aim to raise awareness about the Facility and to develop lists of potential projects proposals. The technical assistance providers in Czechia and Slovakia are contracted by the Commission and provide a wide range of services, among others, awareness raising, and mobilisation of potential beneficiaries in the TJTP regions, as well as publishing handbooks in national languages. The provider in Greece is contracted by the Commission for the implementation of all three JTM pillars. The assistance provides support to promote interventions under the Facility and to develop a tool for monitoring interventions under it. The Commission and the EIB participate in monitoring of some of these consultancy assignments to ensure complementarity with its advisory activities in beneficiary Member States.

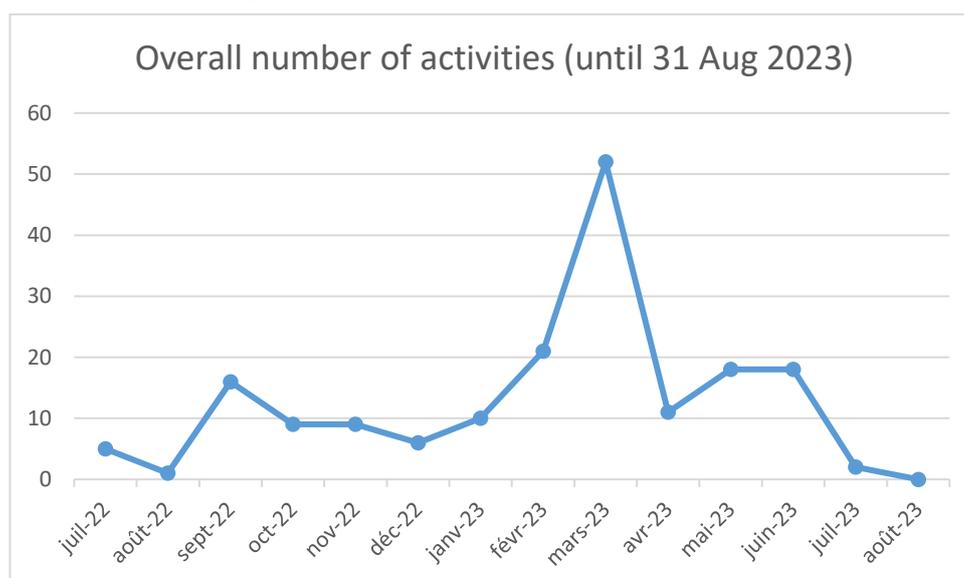
3. COMMUNICATION ACTIVITIES

The PSLF is a new instrument, hence raising awareness has been of central importance. The Commission with the support of CINEA and the EIB is focusing on three objectives:

- Ensure that the PSLF's **potential beneficiaries**: (i) are aware of the existence of the Facility, (ii) understand what it offers, including advisory support services and (iii) know how to apply for funding and advisory support under the Facility.
- Ensure that **internal stakeholders inside the European Institutions** with outreach capacities towards PSLF's potential beneficiaries: (i) are aware of the existence of the Facility, (ii) understand what it offers, including advisory support services and (iii) know how to support beneficiaries in applying for funding and advisory support under the Facility.
- Contribute to the **visibility of the results** of the implementation of the Facility.

⁽¹²⁾ See more details in section 2.1.4 of the first PSLF implementation report.

Figure 2: Promotion activities undertaken



The joint actions by the Commission, the EIB and CINEA have resulted in :

- the organisation of 47 meetings with representatives of 21 Member States at national, regional and/or local level. Meetings with the remaining Member States are under preparation. The Commission, in coordination with CINEA and the EIB, will continue its efforts to disseminate information on the PSLF in all Member States, particularly those where the uptake of the Facility appears to be slow;
- the organisation of 29 meetings internally in the EU institutions (Commission, Committee of Regions) and with external stakeholders (think-tanks, civil society organisations, associations, national promotional banks and institutions);
- the presentation of the PSLF during 21 topic-related events (presentations, Q&A sessions, dedicated stands). Among others: Cities Forum (16-17 March 2023), CEE Bankwatch webinar on just transition (27 March 2023)¹³, Covenant of Mayors – Europe Forum (30 March 2023), Dialogues with Regional Offices (30 March 2023), Just Transition Platform Conference (25 April 2023), C4E Forum (26 May 2023), Just Transition media trip to Poland (4-6 June 2023), CEMR training on Cohesion Policy (30 June 2023), EU Green Week (11 June 2023), European Sustainable Energy Week (20 June 2023);
- 5 publications. Among others, “*Interplay between the grant and loan components of the public sector loan facility under the Just Transition Mechanism*”⁽¹⁴⁾, and a publication by CINEA of guidelines on how to prepare a project proposal⁽¹⁵⁾;
- 79 posts published in various topic-related newsletters and websites, and on social media;
- the publication of 60 FAQs on Funding&Tenders portal⁽¹⁶⁾;
- the publication of 2 video messages recorded by the Commissioner in charge of Regional and Urban Policy promoting the Facility⁽¹⁷⁾⁽¹⁸⁾;

⁽¹³⁾ [Navigating the just transition: moving forward with pillars two and three - YouTube](#)

⁽¹⁴⁾ [Interplay between the grant and loan components of the public sector loan facility under the Just Transition Mechanism \(europa.eu\)](#)

⁽¹⁵⁾ [20230823 PSLF application tips for the website.pdf \(europa.eu\)](#)

⁽¹⁶⁾ [Funding & tenders \(europa.eu\)](#)

- 2 Info Days organised by CINEA in coordination with the Commission and the EIB ⁽¹⁹⁾.

Figure 3: Level of events

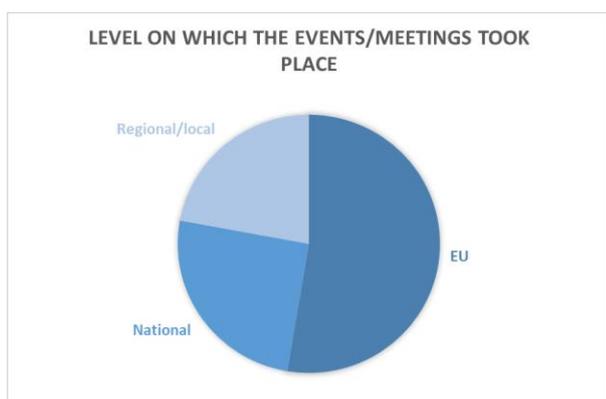
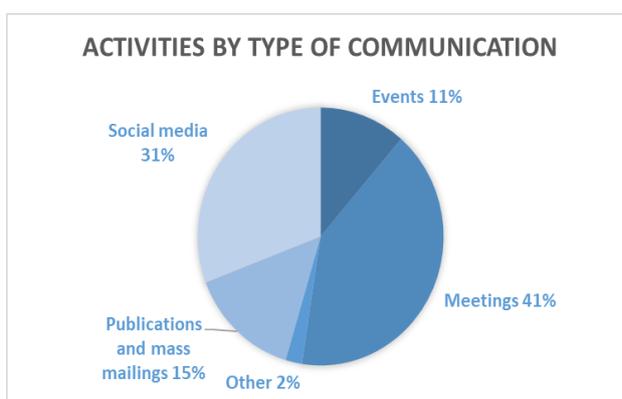
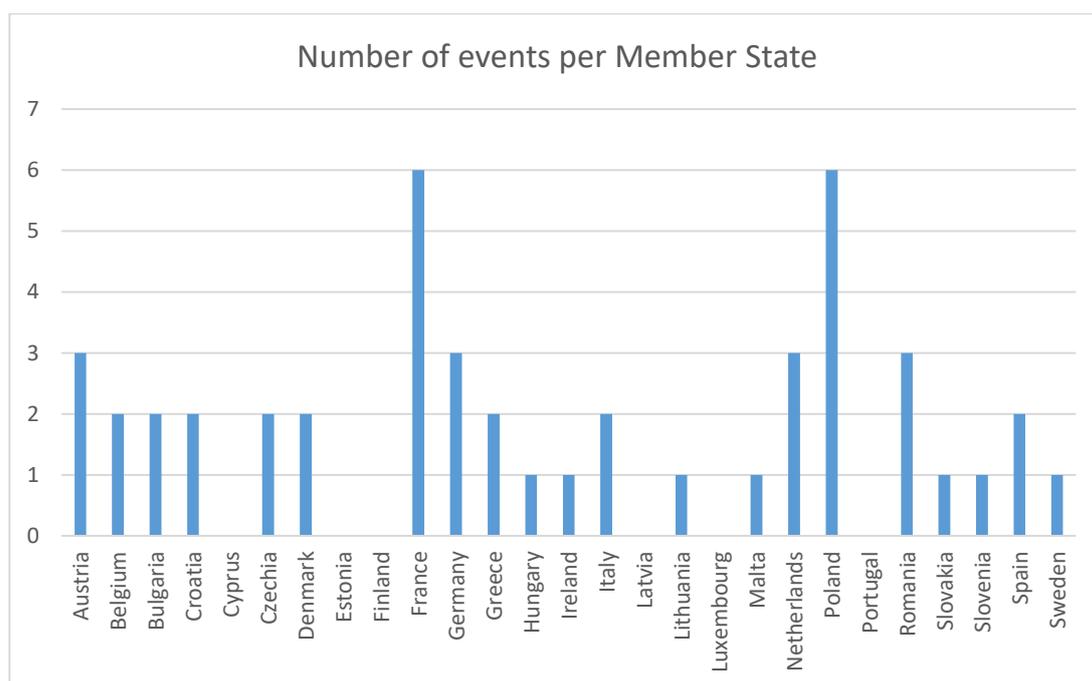


Figure 4: Type of activity



The Commission, together with the EIB and CINEA, will continue working on raising awareness about the Facility in order to ensure that potential applicants know the Facility, are aware how to apply for funds, and also how to benefit from advisory support available under the Facility.

Figure 5: Events per Member State



⁽¹⁷⁾ https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_22_4621/

⁽¹⁸⁾ https://audiovisual.ec.europa.eu/en/preview/https%2F%2Fec-vod.fl.freecaster.net%2F15%2F241315%2FLR_I241315EN1W.mp4

⁽¹⁹⁾ [JTM PSLF Info Days \(europa.eu\)](https://www.europa.eu/jtm-pslf/info-days)

4. CHALLENGES AND THE WAY FORWARD

4.1. Challenges the Facility is facing

By the time of preparation of this report, certain constraints to the effective implementation of the Facility, including the advisory support, became visible.

As mentioned already in the first report⁽²⁰⁾, the publication of the first call for proposals was subject to the adoption of a sufficient number of (TJTPs). The majority of these plans was approved only in the second half of 2022, as part of the associated Cohesion policy programmes. As a consequence, proposals could only be submitted towards the end of 2022.

Moreover, considering the implementation timeline of the JTF⁽²¹⁾, the first pillar of the JTM, most of the authorities have focused their efforts on finalising the TJTPs and launching the implementation of the JTF. In addition, other instruments (i.e., the JTF, the European Regional Development Fund⁽²²⁾, the Cohesion Fund⁽²³⁾ or the Recovery and Resilience Facility⁽²⁴⁾) offering higher grant rates than the Facility are seen by potential applicants as more attractive. Furthermore, PSLF funding cannot be combined with other EU funding. Therefore, for the time being, the PSLF may not be the first choice when it comes to mature projects in Member States which can potentially benefit from other funding sources.

Additionally, the Facility is a demand driven instrument. Its intrinsic attractiveness and relevance vary per Member State and is affected by many factors. More specific challenges have been reported by potential beneficiaries:

- Limited time to absorb the NextGenerationEU⁽²⁵⁾ funding and more favourable funding conditions e.g., higher grant coverage, as explained above; hence the priority in Member States is given to use these sources of financing first (Poland, Romania).
- Availability of more attractive and accessible funding from national resources in the Member States (Germany, Denmark, Luxemburg), including grants or debt-based instruments.
- National shares do not necessarily correspond to Member States' demand⁽²⁶⁾.
- Despite the availability of coordinated framework loans and intermediated loans, aiming specifically to serve smaller projects, it appears still complex to reach smaller promoters. The minimum amount of intermediated loans to final beneficiaries (€3 million⁽²⁷⁾) seemed still too high for small municipalities that need to self-promote projects with limited

⁽²⁰⁾ See point 1.2 of the first PSLF implementation report.

⁽²¹⁾ The budget of the JTF consists of resources coming from the Multi-Annual Financial Framework (MFF) and from the European Recovery Instrument or 'NextGenerationEU' (NGEU). Within the adopted JTF programmes, the NGEU resources are concentrated in the budget commitments for 2022 and 2023, while the MFF resources are spread between 2021 and 2027. As a result, 70 % of the JTF budget is concentrated in the first two annual tranches. The Commission will decommit the amounts that have not been used for pre-financing or for which a payment application has not been submitted by 31 December of the third calendar year following the year of the budget commitments, the so-called 'N+3' rule; more information about the JTF: [Inforgio - Just Transition Fund \(europa.eu\)](https://europa.eu/inforgio-just-transition-fund)

⁽²²⁾ [European Regional Development Fund \(ERDF\) \(europa.eu\)](https://europa.eu/european-regional-development-fund-erdf)

⁽²³⁾ [Cohesion Fund \(CF\) \(europa.eu\)](https://europa.eu/cohesion-fund-cf)

⁽²⁴⁾ [Recovery and Resilience Facility \(europa.eu\)](https://europa.eu/recovery-and-resilience-facility)

⁽²⁵⁾ [NextGenerationEU \(europa.eu\)](https://europa.eu/next-generation-eu)

⁽²⁶⁾ After 31 December 2025, a new call for proposals will be open without pre-allocated national shares.

⁽²⁷⁾ See call for proposals Public Sector Loan Facility JTM-2022-20250PSLF, p. 14, [call-fiche_jtm-2022-2025-pslf_en.pdf \(europa.eu\)](https://europa.eu/call-fiche-jtm-2022-2025-pslf-en.pdf)

geographical impact. The above puts a category of potential beneficiaries, those outside of major urban areas or in less developed regions, into disadvantage.

- Blending, debt-based financial instruments are relatively complex for smaller beneficiaries compared to other forms of funding.
- The prohibition to combine support from the PSLF with other sources of Union funding.

Furthermore, external factors impeding implementation of the Facility were noted. According to the survey on just transition communication and awareness-raising performed by the Just Transition Platform⁽²⁸⁾, only half of the respondents are aware of the JTM in their region. In addition, most of the respondents (64%) seem to have little knowledge about the existence of technical assistance and capacity support to develop projects. It must be noted that this survey was launched before the communication campaign on PSLF became visible.

Finally, the analysis of the submitted and evaluated proposals revealed that some proposals are of insufficient quality, indicating a potential lack of understanding of the requirements of the Facility and the corresponding call for proposals.

4.2. Next steps

To overcome some of the challenges, the Commission has launched an awareness-raising communication campaign, and dedicated advisory support available under the InvestEU Advisory Hub (see points 2.2 and 3). More will be done in the form of actions that will help to implement the Facility. The PSLF being a new instrument, still requires raising awareness of its existence and potential.

To ease the Facility's implementation, the first planned action is to further facilitate the use of intermediated lending in some Member States. Intermediated loans are a product offered by the EIB through its partner financial institutions in the Member States. It is already available under the Facility in some Member States but can be substantially expanded. Intermediated lending is often implemented through National Promotional Banks and Institutions (NPBIs) but it is possible to use also commercial banks. These financial intermediaries have established client networks and can reach smaller municipalities and other local level actors more easily. Moreover, the minimum intermediated loan amount will be decreased to €1 million and is much lower compared to the minimum amount of direct loans for individual projects (€ 12.5 million)⁽²⁹⁾.

Furthermore, the Commission in coordination with CINEA and the EIB will keep raising awareness about the Facility to ensure that potential applicants understand its offer and are able to apply for support. This will be done, among other measures, through meetings and workshops with national, regional and local authorities in regions with TJTPs, preparing dedicated presentations for relevant monitoring committees set up by Member States to monitor the implementation of cohesion policy programmes⁽³⁰⁾, and participating in relevant events. Overall, the Commission will seize opportunities to promote the Facility.

⁽²⁸⁾ [REGIO - Share your views on just transition communication and awareness-raising \(europa.eu\)](#)

⁽²⁹⁾ See call for proposals Public Sector Loan Facility JTM-2022-20250PSLF, p. 14, [call-fiche_jtm-2022-2025-pslf_en.pdf \(europa.eu\)](#)

⁽³⁰⁾ In accordance with Article 38 of Regulation (EU) 2021/1060 of the European Parliament and of the Council of 24 June 2021 laying down common provisions on the European Regional Development Fund, the European Social Fund Plus, the Cohesion Fund, the Just Transition Fund and the European Maritime, Fisheries and Aquaculture Fund and financial rules for those and for the Asylum, Migration and Integration Fund, the Internal Security Fund and the Instrument for Financial Support for Border Management and Visa Policy (OJ L 231, 30.6.2021).

Moreover, the Commission will aim to identify in which Member States and for which types of beneficiaries there have been gaps in terms of awareness concerning the Facility. To address these gaps the Commission will explore all available tools. Furthermore, the Commission will pay specific attention to how the combination of the challenges detailed in point 4.1 have affected different Member States and how these challenges can be addressed. This is of particular relevance in the Member States benefitting from the largest national shares of the PSLF. Additionally, a series of informative videos will be released to explain the application process in a clear and accessible manner.

The Commission has also started the preparatory works for the PSLF interim evaluation, required under Article 17 of the PSLF Regulation, and due by 30 June 2025. That interim evaluation will cover the implementation of the Facility and its capacity to achieve its objectives in a sufficiently timely manner. The evaluation will constitute an additional step allowing to identify challenges to the implementation of the Facility and potential solutions. A report on that interim evaluation will be submitted to the European Parliament and to the Council.

Under its InvestEU Advisory Hub mandate, the EIB will continue the implementation of the PSLF through identification and screening of potential projects, provision of advisory support to project promoters and relevant authorities, as well as through dedicated meetings and events at EU, national and regional levels.

5. CONCLUSIONS

The public sector loan facility is an instrument that seeks to ensure that the transition to a climate-neutral economy happens in a just and socially sustainable way, given the key role of the public sector in addressing market failures.

Due to, among other, delay in the approval of territorial just transition plans and overlap with other EU and national funding sources, a slow uptake of the Facility can be observed, including the advisory support. This was expected in the current context. However, there is demand for the support offered by the Facility as confirmed by potential beneficiaries during the communication activities and by the growing number of applications.

By 31 August 2023, eight proposals have been submitted and three have been recommended for funding by the PSLF Evaluation Committee, representing a maximum amount of €39,394,217 in grants by the Commission and an estimated amount of €185,886,184 of loans by the EIB. In addition, the list of potential projects to be submitted for financial support under the Facility is being developed, as explained under point 2.1, and more applications are expected to be received by the next submission's deadlines. The currently identified potential projects represent a volume of approximately €140 million in grants.

The communication efforts to raise the awareness about the Facility, as well as technical assistance available under the InvestEU Advisory Hub have proven successful given the increased interest witnessed by the Commission concerning the Facility.

Finally, efforts to address the challenges, such as continuing PSLF awareness raising efforts, expanding the possibility of intermediate lending by smaller beneficiaries, and further identifying existing gaps to improve the effective implementation of the Facility, are in preparation and the Commission in cooperation with CINEA and the EIB will continue working towards reaching the full potential of the Facility.