European and Italian Just Transition Policies amid Industrial Decarbonisation and External Policies

by Pier Paolo Raimondi

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Executive summary

The social dimension is a key component of climate policies that will need careful and considered public policy balancing. This paper analyses how the just transition has been addressed at the European and Italian policy level, with a focus on the energy-intensive industries (EIIs) given their exposure to decarbonisation and industrial competitiveness. The Clean Industrial Deal envisages the creation of the Clean Trade and Investment Partnerships (CTIPs) and Trans-Mediterranean Energy and Clean Tech Cooperation Initiative in order to reach its goals. Against this backdrop, the paper outlines the opportunities of integrating the just transition into the new European climate diplomacy, with a focus on the MENA region and sub-Saharan Africa. Furthermore, the paper investigates how Italy can contribute to design and operationalise these new partnerships with key countries building on its Mattei Plan.

• While the energy transition could contribute to a net positive outcome in terms of job creation at the macro level (alongside co-benefits at the local level), decarbonisation will cause also negative and regressive outcomes at the micro level given high concentration of emission-intensive industries and occupations. Since the balance sheet of the transition is not a black and white one, it will require careful public policy balancing.

• Given the numerous challenges, policymakers may be tempted to slow decarbonisation down with the goal to prevent regressive outcomes of the green transition. However, it is noteworthy to highlight that climate policy adds a layer of complexity to an already fragile model, which is characterised by high in and rising inequalities caused by significant transformations driven by digitalisation, globalisation and international competition. Governments have an interest in designing *a more comprehensive just transition strategy that addresses the existing fragilities of the current status as an integral component of designing the industrial decarbonisation*.

• *Such just transition strategy cannot be limited at the domestic level of developed countries, since the economic burden is expected to be concentrated also in the developing countries*. The 'just transition' term should be a cornerstone of the foreign policy also in light of the 'common but differentiated responsibilities' principle. Alongside this, integrating the just transition into its external actions ensures new opportunities for engaging with key countries at a time of rising geoeconomic and industrial competition. These considerations are particularly relevant for both the European Union and Italy.

Policy recommendations for the EU

• As the EU has increasingly focused on industrial dimension of its climate journey, it should design *a new social industrial deal, which elevates the just transition dimension of the transition*. The existing framework and resources are important, but they are not enough.

- The EU needs to overcome key limits of its current framework, notably the lack of a coherent and holistic approach. For example, the Just Transition Mechanism is too narrow and territorial approach. Thus, it is essential to include *a broader approach that covers key industrial sectors that will be deeply affected by the transition*, such as energy-intensive industries and the automotive sector.
- Given the scale and scope of the decarbonisation challenge, new resources are essential. The *social dimension should be a key pillar of the upcoming MFF, in the attempt of addressing also fiscal space disparities among member states*.
- The EU should *allocate financial resources to training and skills development programmes to facilitate labour mobility* along other complementary policies (educational curricula). Lastly, the EU should *improve labour data and methodology* in the green field in order to have informed policy- and decision-makers.

Policy recommendations for Italy

• Italy should *promote a holistic approach towards the just transition by reducing mismatch and conflicting objectives among key policy documents and strategies*.

• The country needs to improve its regulatory and governance framework *in order to exploit fully of the existing financial resources for projects, which have experienced delays in the case of the Just Transition Fund*.

• Italy should *enhance skills development programmes and funds to support workers and revise its educational curricula to increase science, technology, engineering and mathematics (STEM), which are still poorly developed*.

• Lastly, the country will need to *address labour market uncertainties* especially in Southern regions where workers are more exposed to the energy transition.

Policy recommendations for a new climate, energy and economic diplomacy

• The current European climate and energy diplomacy, conducted through multiple partnerships and initiatives, has recorded some shortfalls that have undermined the effort, causing mixed results and frustrations in third countries. The EU will need to *clarify governance and coordination* among different DGs, initiatives and member states.

• A clear governance and coordination will be needed also in the case of the upcoming CTIPs and the Trans-Mediterranean Energy and Clean Tech Cooperation initiative, envisaged in the Clean Industrial Deal as tools to reach decarbonisation and competitiveness in a cooperative matter. These new initiatives provide a crucial test for integrating a just transition approach into the EU climate diplomacy. The just transition does not appear to be fully and explicitly integrated in these measures. To build win-win and just partnerships with key regions, *starting from MENA and African countries*, the EU will need to *consider building into the cooperation technology transfer, capacity building and training programmes for local communities in order to create mutually beneficial* *partnerships*.

• The EU has the opportunity to collaborate with renewable-rich MENA and African countries on green industrialisation through hydrogen within the upcoming CTIPs and Trans-Med Initiative. These regions hold strategic relevance in the renewed EU climate and industrial diplomacy. The EU should ensure investments along the value chain, but also collaborate with its partners on stimulating demand, sharing common standards aimed at creating a market and limit negative impacts on producing countries. At the same time, these regions would highly benefit from collaborative frameworks as they would create high value-added export products, which would also provide jobs and higher economic returns for their young, growing populations.

• These developments provide a *window of opportunity for Italy* to enhance its role in shaping future EU-African partnerships building to its Mattei Plan. The definition of the upcoming CTIPs and Trans-Med initiative is an opportunity for Italy to be a proactive and influential player coordinated projects in countries part of the Mattei Plan. This will improve *coordination with the EU is essential also for overcoming Italy's financial constraints*. Rome should aim at *creating platforms and point of contact* under the Mattei Plan in order to bring together EU institutions and member states and African countries. Italy could *promote also partnerships on key issues, such as hydrogen and methane emissions through training programmes, shared standards and best practices from its public and private sector*.

Introduction

Steering the energy sector away from fossil fuels would cause not only positive environmental benefits, but also macroeconomic consequences, including major industrial and socioeconomic transformations.[1] Indeed, decarbonisation will yield the advent of new sectors and the demise (or at least a fundamental transformation) of others. This trend raises socioeconomic dilemmas for governments and communities in their efforts to achieve climate targets. Dilemmas regard how to handle the negative regressive economic consequences of decarbonisation, while supporting the thrive of new jobs and industries.

Governments must integrate a social dimension into their decarbonisation strategy to address these issues. Policymakers and civil society have increasingly referred to the 'just transition' term, which aims to contrast job losses and other regressive consequences and favour an equal distribution of benefits regarding job creation and quality. In 2015, the International Labour Organization (ILO) referred to the just transition framework as one that "promote[s] the creation of more decent jobs" throughout the transition.[2] Nonetheless, the just transition framework covers a wider set of interpretations, issues and approaches (box 1). The broader set of interpretation suggests that decarbonisation can be seen as a societal vision.

Box 1: Definition of just transition according to the Glossary of the IPCC Sixth assessment report

A set of principles, processes and practices that aim to ensure that no people, workers, places, sectors, countries or regions are left behind in the transition from a high-carbon to a low-carbon economy. It stresses the need for targeted and proactive measures from governments, agencies, and authorities to ensure that any negative social, environmental or economic impacts of economy-wide

1 Jean Pisani-Ferry, "Climate Policy Is Macroeconomic Policy, and the Implications Will Be Significant", in *PIIE Policy Briefs*, No. 21-20 (August 2021), https://www.piie.com/node/15247.

2 ILO, *Guidelines for a Just Transition towards Environmentally Sustainable Economies and Societies for All*, Geneva, ILO, 2015, point 13(e), https://www.ilo.org/node/202461.

transitions are minimized, whilst benefits are maximized for those disproportionately affected. Key principles of just transitions include: respect and dignity for vulnerable groups; fairness in energy access and use, social dialogue and democratic consultation with relevant stakeholders; the creation of decent jobs; social protection; and rights at work. Just transitions could include fairness in energy, land use and climate planning and decision-making processes; economic diversification based on low-carbon investments; realistic training/retraining programs that lead to decent work; gender specific policies that promote equitable outcomes; the fostering of international cooperation and coordinated multilateral actions; and the eradication of poverty. Lastly, just transitions may embody the redressing of past harms and perceived injustices.

Source: Andy Reisinger et al., "Annex I: Glossary", in *Climate Change 2023: Synthesis Report. Contribution of Working Groups I, II and III to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change*, Geneva, IPCC, 2023, p. 129-130, https://doi.org/10.59327/IPCC/AR6-9789291691647.002.

These aspects are crucial to developing a successful transition; otherwise, policymakers and governments may lose political support from citizens and companies, ultimately derailing decarbonisation efforts. Thus, designing industrial and social transition strategies becomes of paramount importance, especially at a time when climate policies are increasingly affecting citizens' behaviour and livelihood. This struggle was highlighted by rising opposition to climate policies ahead of the 2024 European elections[3] and earlier by the French Yellow Vests movement in 2018. However, the European Commission has reiterated its commitment to remain on the net-zero journey by working on the 2040 climate targets (90 per cent of GHG emission reduction by 2040). This commitment reinforces the urgency to promote an inclusive and people-oriented transition.

Moreover, developed countries cannot limit their focus on a 'just transition' only at the domestic level since the economic burden is expected to be concentrated also in the developing countries.[4] Indeed, the 'just transition' term

3 Patrick Schröder and Tim Benton, "European Farmers' Protests Show the Need for a Just Transition to Net Zero", in *Chatham House Expert Comments*, 2 February 2024, https://www.chathamhouse.org/node/33719.
4 Andrés Rodríguez-Pose and Federico Bartalucci, "The Green Transition and Its Potential Territorial Discontents", in *Cambridge Journal of Regions, Economy and Society*, Vol. 17, No. 2 (July 2024), p. 339-358,

holds intrinsically also an international dimension as acknowledged also in the preamble of the 2015 Paris Agreement.[5] Furthermore, the UNFCCC 'common but differentiated responsibilities' principle further suggests the international dimension of the just transition approach.[6] International cooperation is required to support decarbonisation, the creation of decent work and quality jobs and sustainable industrialisation at the global level. Following the declining costs of clean technologies and the rising industrial competition, governments are considering investments and policies not only to increase manufacturing capacity in clean technologies but also potentially to exploit their comparative advantages (e.g., availability of cheap energy) to attract other industries.

After setting the stage for the just transition debate and European policy developments (section 1), the paper examines Italy's approach and measures on these matters in light of its industrial decarbonisation strategy and transformation (section 2). Particularly, the paper seeks to investigate how the EU and Italy can integrate a just transition perspective both at the domestic level and in its external climate ambitions – with a particular focus on the Wider Mediterranean area and Africa also in light of the Mattei Plan (section 3).

1. Industrial just transition in the EU: Features, objectives and challenges

1.1 Climate policies, labour markets and just transition

The energy transition is a powerful driver for socioeconomic transformations, including the labour market. Climate policies will create new jobs ("green jobs")[7] that may increase their economic relevance or that even don't yet

https://doi.org/10.1093/cjres/rsad039.

5 UN Framework Convention on Climate Change (UNFCCC), *Paris Agreement*, 12 December 2015, https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

6 Setenay Hizliok and Antonina Scheer, "What Is the Just Transition and What Does It Mean for Climate Action?", in *Grantham Research Institute Explainers*, 20 February 2024, https://www.lse.ac.uk/granthaminstitute/?p=69926.

7 There is no consensus on a definition of "green jobs". See: OECD, *Job Creation and Local Economic Development 2023. Bridging the Great Green Divide*, Paris, OECD Publishing, 2023, https://doi.org/10.1787/21db61c1-en.

exist. For example, it is estimated that 2.5 million additional jobs in the EU by 2030 will be created because of climate policies.[8] In 2023, the EU had 1.8 million renewable energy jobs.[9] Additionally, the green transition will change the skills required for many other jobs, requiring a revision and adjustment of education curricula and training programmes. At the same time, policymakers and different stakeholders are increasingly worried about the regressive consequences of climate policies, such as potential loss of jobs in traditional sectors like carbon-intensive industries. As result, workers may need to be retrained or improve skills in order to adapt to the new context, while other may be forced out of the labour market. Adaption to structural change depends on the existing set of skills, age, or place of residence.[10] Furthermore, the current status quo is characterised by high and rising inequalities caused by significant transformations over the past decades due to globalisation and digitalisation. The argument and fear of job destruction has often been used to undermine or slow down climate policies.[11]

While the energy transition could contribute to a net positive outcome in terms of job creation at the macro level (alongside co-benefits at the local level), decarbonisation will cause also negative and regressive outcomes at the micro level given high concentration of emission-intensive industries and occupations. The uneven territorial impact of the green transition may lead to further regional polarisation across EU regions and within countries.[12] The fact that new jobs may not necessarily appear in the areas dependent on carbon-intensive jobs is undoubtedly a key challenge for policymakers and other stakeholders in managing such distributional effects and social opposition toward climate policies. *Opposition to climate policies is not exclusively related to job creation/*

8 Cedefop, *The Green Employment and Skills Transformation. Insight from a European Green Deal Skills Forecast Scenario*, Luxembourg, Publications Office of the EU, 2021, https://data.europa.eu/doi/10.2801/112540.

9 International Renewable Energy Agency (IRENA) and ILO, *Renewable Energy and Jobs. Annual Review 2024*, October 2024, https://www.ilo.org/node/671656.

10 Junghyun Lim, Michaël Aklin and Morgan R. Frank, "Location Is a Major Barrier for Transferring US Fossil Fuel Employment to Green Jobs", in *Nature Communications*, Vol. 14 (2023), Article 5711, https://doi.org/10.1038/s41467-023-41133-9.

11 Francesco Vona, "Job Losses and Political Acceptability of Climate Policies: Why the 'Job-Killing' Argument Is So Persistent and How to Overturn It", in *Climate Policy*, Vol. 19, No. 4 (2019), p. 524-532, DOI 10.1080/14693062.2018.1532871.

12 Andrés Rodríguez-Pose and Federico Bartalucci, "The Green Transition and Its Potential Territorial Discontents", cit.

destruction but also to regressive distributional effects. The green transition could also face some social backslash given its regressive consequences on lower income groups. Indeed, clean technologies are more capital-intensive investments hence lower income households may lack of enough capital to buy clean technologies and shield and adapt to the new climate and regulatory scenario, compared to high income groups. To reduce distributional effects, research outlined some solutions such as green deal plans, progressive green subsidies and targeted place-based policies.[13] Furthermore, social fairness and political economic solutions to regressive outcomes of decarbonisation measures (e.g., phase out of fossil fuel subsidies, investments in grids) on final consumers lead to considerations for the public finances at time of high public deficits and adjustments.

The need to manage social implications caused by significant structural changes is not something new. The case of the 'Fund for the Retraining and Resettlement of Workers' in sectors under modernisation, including coal mining, established by the European Coal and Steel Community is a valid example.[14] The just transition term was later developed in North America as a labour-oriented concept since 1970s. Since then, it has been increasingly embraced in the policy and political debate both at the national and international level.[15]

1.2 EU programmes and initiatives

The social dimension plays a significant role in the EU policymaking process and commitment. Furthermore, it is deeply interlinked with the cohesion policy, which is enshrined in the Treaty on the Functioning of the European Union

13 Francesco Vona, "Managing the Distributional Effects of Climate Policies: A Narrow Path to a Just Transition", in *Ecological Economics*, Vol. 205 (March 2023), Article 107689, DOI 10.1016/j.ecolecon.2022.107689.

14 Aliénor Cameron et al., "A Just Transition Fund. How the EU Budget Can Best Assist in the Necessary Transition from Fossil Fuels to Sustainable Energy", in *European Parliament Studies*, April 2020, https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU(2020)651444.

15 Antonio Ferrer Márquez, Begoña María-Tomé Gil and Olga López Maeztu, "The Contribution of Social Dialogue to the 2030 Agenda. Promoting a Just Transition towards Sustainable Economies and Societies for All", in *ITUC Research Papers*, 2019, https://www.ituc-csi.org/social-dialogue-for-sdgs-promoting-just-transition; Sebastiano Sabato and Boris Fronteddu, "A Socially Just Transition through the European Green Deal?", in *ETUI Working Papers*, No. 2020.08 (September 2020), https://www.etui.org/node/32708.

(Article 174) and plays a crucial role in setting political priorities at the EU level.[16] Before the launch of the European Green Deal (EGD) in 2019, the just transition approach has been addressed through different programmes and measures financed by the EU long-term budget, Multiannual Financial Framework (MFF) despite no programme was tailored to address exclusively the just transition.[17] Previous EU programmes relevant to a European just transition under the MFF 2014-20 were mainly based on five functional categories.[18] Concerning the support to regions transitioning away from polluting sources, the European efforts is relatively recent and limited. An initial step was the Initiative for Coal Regions in Transition, established in 2017 to support diversification and technology development in regions phasing out coal, peat and oil shale.

As the EU embarked in the net-zero journey in 2019 through the EGD, the just transition has inevitably become even more relevant – also for the success of the EGD. At the launch of the Green Deal in 2019, Commission President Ursula von der Leyen affirmed that "this transition will either be working for all and be just, or it will not work at all".[19] In its efforts, the Commission has proposed new measures leading to the gradual emergence of an EU framework for a just transition.[20] Furthermore, the Commission had the opportunity to link its flagship project, the European Green Deal, to financial measures in order to create a comprehensive strategy. The economic opportunities were the definition and approval of the new MFF 2021-2027 and the recovery plans, the Recovery and Resilience Facility (RRF), following the Covid-19 pandemic. The EU decided to link climate-related spending with these two financial instruments. Indeed, at least 30 per cent of the MFF 2021-2027 (1 trillion euros in 2018 prices) is dedicated to climate-related spending, while at least 37 per

16 Elena Verdolini et al., "The European Union Policy Toolbox to Support Just Transition", in *Resources for the Future Reports*, No. 24-02 (February 2024), https://www.rff.org/publications/reports/the-european-union-policy-toolbox-to-support-just-transition.

17 Ibid.

18 1) programmes supporting sectors and regions transitioning away from coal and other fossil fuel production; 2) support for workforce development; 3) support for business; 4) funding for infrastructure; and 5) funding for research and development.

19 European Commission, *Press Remarks by President von der Leyen on the Occasion of the Adoption of the European Green Deal Communication*, 11 December 2019, https://ec.europa.eu/commission/presscorner/detail/en/speech_19_6749.

20 Sebastiano Sabato and Matteo Mandelli, "Towards an EU Framework for a Just Transition: Welfare Policies and Politics for the Socio-Ecological Transition", in *European Political Science*, Vol. 23, No. 1 (March 2024), p. 14-26, DOI 10.1057/s41304-023-00458-1.

cent of the RFF (750 billion euros) are allocated to climate-focused investments until the end of 2026. Conversely, the RRF envisages a softer conditionality for social objectives, meaning that a minimum share for social policy measures is not set.[21] However, member states are demanded to show that measures in their National Recovery and Resilience Plans (NRRP) contribute to the implementation of the European Pillar of Social Rights (EPSR).[22]

The EU aims to connect the social dimension of the EGD with existing social policy instruments, especially the EPSR, which provides guidance on national social and employment policies.[23] The EU has pursued its effort also via its cohesion policy, whose scope was expanded to address the social implications of the green transition as social policy is not an EU competence. For example, the European Regional Development Fund (ERDF), whose goal is to reduce economic disparities between EU regions, allocates at least 30 per cent of its 226 billion euros budget to climate-related initiatives. Moreover, the Cohesion Fund consists of 48 billion euros aimed at supporting certain countries in financing capital-intensive environmental and transport infrastructure by ensuring around 37 per cent of its budget to climate actions.[24]

Given the enhanced ambition, in 2020 the Commission took an additional step with the Just Transition Mechanism (JTM), which was established in 2021 as part of the Sustainable Europe Investment Plan – a finance component of the Green Deal to support communities and sectors most affected by the transition. The new Mechanism was built on the experience of the Initiative for Coal Regions in Transition (ICRT), which was established in 2017 and provides technical assistance to coal intensive regions offering resources like toolkits and guidelines.[25] The JTM aims to provide targeted support to the areas most affected by the transition and prevent exacerbating regional disparities. The goal is to mobilise at least 150 billion euros of investments over the period

21 Sotiria Theodoropoulou, Sebastiano Sabato and Mehtap Akgüc, "National Eco-Social Policies in the Framework of EU Just Transition: The Case of Greece, Italy, Portugal and Spain", in *Global Social Policy*, Vol. 25, No. 1 (April 2025), p. 86-111, https://doi.org/10.1177/14680181241291122.

22 Ibid.

23 Sebastiano Sabato and Matteo Mandelli, "Towards an EU Framework for a Just Transition", cit.

24 European Commission, *The EU's 2021-2027 Long-term Budget and NextGenerationEU. Facts and Figures*, Luxembourg, Publications Office of the EU, 2021, https://data.europa.eu/doi/10.2761/808559.

25 World Resources Institute, *European Union's Just Transition Mechanism: Transnational Funding and Support for a Just Transition*, 1 April 2021, https://www.wri.org/node/101575.

2021-2027. The JTM consists of three pillars: the Just Transition Fund (JTF), the Just Transition Scheme (JTS) and Public Sector Loan Facility (PSLF).

Through the JTF, the Commission established a financial instrument aimed at promoting economic diversification and workforce development in the most affected regions by the EGD. To reach this goal, the Fund is endowed by 17.5 billion euros for the 2021-2027 period.[26] Such figure accounts for 5.3 per cent of the total cohesion policy budget.[27] Member states must provide national cofinancing the project to match the amount received.[28] Given its sectoral-territorial dimensions, the JTF is conceived as a cohesion policy. The JTS and PSLF support various projects and regions through different approaches. The JTS consists of an investment scheme under InvestEU, whose goal is to attract an estimated 45 billion euros by crowding in additional private investments. By contrast, the PSLF is a blending instrument as it combines 1.5 billion euros of grant (from the EU budget) with loans from the European Investment Bank (up to 10 billion euros). Additionally, the EU launched in June 2020 the Just Transition Platform (JTP) to provide a single access point and helpdesk to assist EU countries and regions in the transition.

To receive and deploy JTM resources, member states need to prepare strategic Territorial Just Transition Plans (TJTPs) in line with their national energy and climate plans (NECPs) and EU climate neutrality goals. However, *there are some factors that can hinder the benefits of JTF funds. Firstly, member states' discretion on how to use them contributes to divergence in outcomes*. Furthermore, *disparity in national financial availability for cofinancing the projects remain a potential barrier for a balanced outcome across Europe*. However, financial resources do not necessarily mean that the social dimension is adequately addressed. For example, most of JTF funding has prioritised economic objectives rather than social ones aimed at addressing existing inequalities.[29] Indeed, *different political commitment, governance and technical expertise among member states influence*

26 7.5 billion euros under the MFF and 10 billion euros coming from the NextGeneration EU in 2018 prices.

27 European Environment Agency, *Just Sustainability Transitions — From Concept to Practice*, Luxembourg, Publications Office of the EU, 2024, https://data.europa.eu/doi/10.2800/6238023.

28 Cofinancing consists of: 85 per cent for less developed regions, 70 per cent for transition regions and 50 per cent for more developed regions.

29 WWF, *Territorial Just Transition Plan Scorecard Assessment. Summary Report*, February 2023, https://www.wwf.eu/?9036866.

the final results. It is therefore crucial for governments to have stable and efficient political, regulatory and administrative capacities and frameworks to actually promote and achieve a just transition. Lastly, the engagement of relevant stakeholders in the definition of TJTPs is essential; unfortunately, analyses highlighted unclarity over the participation of affected social stakeholders in the process of TJTPs.[30]

The way ahead with ETS-2 and 2040 targets: The new Commission's green ambitions

The social dimension of the European energy transition is expected to gain even more relevance for policymakers in the following years as climate policies are expected to affect households' livelihood even more. The new von der Leyen Commission reaffirmed its climate ambition and decided to link the green transition with a strategy on competitiveness and economic growth, as outlined also in the Draghi report. Nonetheless, the new Commission is working on its new 2040 climate targets, which would set a 90 per cent reduction of EU emissions by 2040, and the upcoming second phase of its Emission Trading System (ETS-2), which will put a carbon price on road transport and buildings by January 2027. Unfortunately, the general economic, international and political conditions generate headwinds to these ambitious climate measures. Indeed, the EU has already experienced rising social opposition towards climate policies over the recent years. Such grievance was increasingly and strategically instrumentalised by right-wing political parties.[31] Therefore, *the social dimension is not a trivial issue and should become a top priority for the new Commission as it still aims to reach net-zero*.[32]

To face some of these issues, the EU has already created a Social Climate Fund (SCF) alongside the new ETS-2, which is endowed with a maximum of 65 billion euros from ETS-2 revenues. This amount will rise to 87 billion euros to be mobilised over the period 2026-2032 thanks to national contributions (at

30 Ibid.
31 Patrick Schröder and Tim Benton, "European Farmers' Protests Show the Need for a Just Transition to Net Zero", cit.
32 Giovanni Sgaravatti and Simone Tagliapietra, "Clean and Fair: Maximising the Impact of the European Union's Social Climate Fund", in *Bruegel First Glance*, 30 October 2024, https://www.bruegel.org/node/10425.

least of 25 per cent). To access SCF resources, member states will need to draft detailed Social Climate Plans following public consultations with numerous stakeholders. SCF resources will be directed to vulnerable citizens affected by the ETS-2 through investments in more efficient buildings, lower-emission mobility as well as a direct temporary income support to the most vulnerable households. Although managing the distributional effects of climate policies may remain challenging,[33] providing social compensation measures will be a key component in order not to replicate the social unrest erupted in France in 2018 – although the Yellow Vests protests were driven also by other reforms that widened economic inequalities.[34]

The previous just transition framework suffered of some headwinds dictated by major struggles and necessary compromises.[35] Negotiations resulted in a lower JTF budget compared to that asked by the EU Parliament. Secondly, *the current framework pursues a territorial approach of the funding, which results in a narrow scope excluding key regions and sectors that face socioeconomic challenges due to the transition*.[36] Furthermore, the JTF dedicates a small portion of its budget (only 12.2 per cent) to skills development compared to 45.7 per cent under the ESF+.[37] The SCF innovates such approach by the combination of its compensatory and redistributive nature emphasising vulnerable groups.[38] Unfortunately the priority of a just transition has been largely dismissed in the recent months as illustrated by the limited reference in the political guidelines

33 Francesco Vona, "Managing the Distributional Effects of Climate Policies", cit.

34 Murielle Gagnebin, Patric Graichen and Thorsten Lenck, *The French CO_2 Pricing Policy: Learning from the Yellow Vests Protests*, Agora Energiewende, 27 March 2019, https://www.agora-energiewende.org/news-events/learning-from-the-yellow-vest-protests-on-the-relationship-between-climate-protection-co2-prices-and-social-justice.

35 Amandine Crespy and Mario Munta, "Lost in Transition? Social Justice and the Politics of the EU Green Transition", in *Transfer: European Review of Labour and Research*, Vol. 29, No. 2 (May 2023), p. 163-271, DOI 10.1177/10242589231173072.

36 Rudy De Leeuw and Arnold Puech d'Alissac, "Advancing the EU's Just Transition Policy Framework: What Measures Are Necessary", in *EESC Opinions*, 13 December 2023, https://www.eesc.europa.eu/en/node/110557.

37 Karolina Jakubowska et al., *An In-Depth Overview of the EU Cohesion Funds' Investments in Skills in the Context of the European Year of Skills*, Luxembourg, Publications Office of the EU, 2024, https://data.europa.eu/doi/10.2767/522457.

38 Compensatory regards to policy/tools linked to environmental objectives/tools only to the extent to which the latter produce negative externalities. Based on definition provided by Cinzia Alcidi et al., "Towards a Socially Just Green Transition: The Role of Welfare States and Public Finances", in Floriana Saraceno and Francesco Cerniglia (eds), *Greening Europe. 2022 European Public Investment Outlook*, Cambridge, Open Book Publishers, 2022, p. 187-199, https://doi.org/10.11647/OBP.0328.13. See a Amandine Crespy and Mario Munta, "Lost in Transition?", cit.

for the 2024-2029 Commission.[39] *Under the new political environment, the risk is that policymakers may confuse just transition with a slower transition promoting a variety of alternatives*. Although it is clear that some revision is required, it is equally valid that a clear set of policies and stable environment for investments is a prerequisite for an authentic industrial transformation and growth. Furthermore, the fate of the new European clean economic model, presented in the Clean Industrial Deal proposed by the new Commission, highly depends on its ability to make it work for and be accepted by the citizens.

1.3 Just transition and EIIs

Energy-intensive industries (EIIs)[40] *are becoming a battlefield for climate policy, investments, social opposition and international politics*. Indeed, their climate footprint is quite relevant as they are responsible for around 18 per cent of the EU's total GHG emissions and 85 per cent of the EU manufacturing-related emissions.[41] They are also relevant for the EU economy (5.9 per cent of EU gross value added) and EU's employment (4.3 per cent of EU total workforce). However, they face multiple challenges related to competitiveness and innovation, while operating in a fierce competition in international markets.[42] These challenges show that *their current problematic status quo is not exclusively associated with European climate policies and regulations as often described*. Nonetheless, climate policies still affect EIIs and potentially have a negative impact on workforce. According to several analyses,[43] EII workers are characterised generally by:

1. prevalence of male workers with a limited role of women: the share of women is lower in EIIs (22.2 per cent) compared to other sectors (47.2 per cent);
2. lower educational levels: the share of workers holding a tertiary education

39 Ursula von der Leyen, *Europe's Choice. Political Guidelines for the Next European Commission 2024-2029*, 18 July 2024, https://commission.europa.eu/media/58570_en.

40 In this report, the term EIIs refers to iron and steel, chemicals, paper, glass.

41 Anke Hassel et al., "Navigating Emission-Intensive Sectors through the Green Transition", in *Hertie School Policy Papers*, 3 December 2024, https://www.delorscentre.eu/en/publications/detail/publication/navigating-emission-intensive-sectors.

42 Pier Paolo Raimondi, *Italy's Energy-Intensive Industries amid Competitiveness and Decarbonisation*, Rome, IAI, April 2025, forthcoming.

43 Anke Hassel et al., "Navigating Emission-Intensive Sectors through the Green Transition", cit.; OECD, "Regional Industrial Transitions to Climate Neutrality", in *OECD Regional Development Studies*, February 2023, https://doi.org/10.1787/35247cc7-en.

degree is notably lower than in other sectors (27.9 per cent vs 37.6 per cent);

3. geographical concentration in rural areas: workers are more likely to live in rural areas (29.5 per cent versus 24.7 per cent for the rest of the workforce);
4. wage bargaining and union influence: high-emitting sectors tend to offer higher wages, resulting in lower levels of wage inequality because of higher levels of profitability and the strong influence of trade unions.

Based on these characteristics, workers in EIIs' transformation and adaptation encounter different barriers. Lower educational background may make reskilling harder as higher educational qualifications are often associated with more transferable skills. For example, green jobs are indeed associated with higher skills and education.[44] Despite studies show that the skills set of 'green' jobs is more similar to that of 'brown jobs', theoretically facilitating the reemployment of emission-intensive workers,[45] green jobs require more on-the-job training hence public spending on technical formation.[46] The concentration of spatial distribution (rural vs. urban) raises issues about the potential reallocation to other (cleaner) jobs as this depends on the availability of alternative employment (labour market absorption capacity) in the same location with comparable remunerations. Furthermore, the concentration of employment in EIIs in limited regions makes them vulnerable and exposed to the transition. Furthermore, a high relevance of EIIs in the regional economy influences the perception and fear of people regardless the actual exposure to job loss risks.[47] This dynamic is relevant for policymakers because it may be similar for other sectors, which are exposed to green transition, notably the automotive industry. Lastly, the wage premium enjoyed by EIIs workers is caused by interrelated factors (e.g., compensation for hazardous working conditions, strong presence of unions), but it constitutes a barrier to the green

44 Orsetta Causa et al., "Labour Markets Transitions in the Greening Economy: Structural Drivers and the Role of Policies", in *OECD Economics Department Working Papers*, No. 1803 (2024), https://doi.org/10.1787/d8007e8f-en.

45 Francesco Vona et al., "Environmental Regulation and Green Skills: An Empirical Exploration", in *Journal of the Association of Environmental and Resource Economists*, Vol. 5, No 4 (October 2018), p. 713-753, DOI 10.1086/698859.

46 Aurélien Saussay et al., "Who's Fit for the Low-Carbon Transition? Emerging Skills and Wage Gaps in Job and Data", in *FEEM Working Papers*, No. 031.2022 (October 2022), https://www.feem.it/publications/whos-fit-for-the-low-carbon-transition-emerging-skills-and-wage-gaps-in-job-and-data.

47 Anke Hassel et al., "Navigating Emission-Intensive Sectors through the Green Transition", cit.

transition, making job mobility costly. Related to this is the broader regional wage structure and its labour market that define vulnerability of regions. Merging these elements, recent research identifies the most exposed countries (table 1).

Table 1 | Vulnerable countries to the green transition in EIIs based on selected criteria

Criteria	Countries
Highest shares of EII employment	Visegrad countries; Germany; Romania; and Sweden
Highest wage premiums in EIIs	Greece; Italy; Spain; and Germany
Lowest labour market absorption capacity	Greece; Italy; Spain; Slovakia; and Ireland

Note: Visegrad countries are the Czech Republic, Hungary, Poland and Slovakia.
Source: Author's elaboration on Anke Hassel et al., "Navigating Emission-Intensive Sectors", cit.

While the EU remains committed to its net-zero pathway, it has increasingly looked to the industrial pillar of decarbonisation. Equally, the EU needs to focus on social policy as key industries are expected to face growing pressure from climate regulations and international competition. *The just transition framework, thus, requires to be reinforced and adjusted to the forthcoming challenges – especially in EIIs*. While green jobs may emerge, specific characteristics of the workforce in EIIs may hinder their adaption to the new context. Governments should expand programmes that facilitate labour mobility, also through training and skills development programmes. In this effort, the Commission proposed the Union of Skills.[48] To do so, *financial resources should be provided and the social dimensions should be at the centre of the negotiations on the forthcoming MFF. Lastly, the EU needs to move further towards a more integrated logic rather than a merely a compensatory approach*.

48 European Commission, *The Union of Skills* (COM/2025/90), 5 March 2025, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52025DC0090.

2. The Italian dimension of the energy and industrial transformation

Italy's labour market and industrial productivity faced severe challenges over the past decade. Lower industrial productivity, high unemployment rates and dependence on exports have characterised the country's economy. The fall of investments – especially after the 2008 financial crisis – have further exacerbated the ability to adapt to a new economic scenario also due to a weakening welfare state.[49] The energy transition will enhance the structural shift from a manufacturing-based economy to one based on services, potentially becoming another reason for social discontent and inequality. Several policies and programmes, such as the NECP, NRRP and JTF, aim at taking into consideration and addressing these problems, although with mixed results.

From a strategic and political point of view, there are several barriers for a coherent strategy in support of a just transition. For example, *official documents lack of clarity and coordination regarding the definition of the issue*.[50] Furthermore, these documents often express conflicting targets, also in relation to other policies. Regarding the just transition dimension, Italy's NECP does not explicitly outline how it intends to reach its targets by presenting which measures will be used. For example, the NECP fails to provide a holistic and comprehensive vision on socioeconomic costs caused by the green transition by largely overlooking those sectors vulnerable to climate polices, notably the automotive sector.

The country submitted its TJTP, which was approved by the Commission in December 2022 ensuring 1 billion euros under the JTF.[51] The plan addresses challenges in three key areas: energy and the environment; economic diversification; and social and employment impacts. Two specific areas – Taranto and Sulcis Iglesiente – are identified to be the only targets of the JTF given their high vulnerability to the energy transition. Indeed, the two areas

49 Sotiria Theodoropoulou, Sebastiano Sabato and Mehtap Akgüc, "National Eco-Social Policies", cit.

50 Pietro Manzella and Sara Prosdocimi, "Le parole della sostenibilità/2: la transizione giusta", in *Bollettino ADAPT*, No. 33 (2 October 2023), https://www.bollettinoadapt.it/?p=214204.

51 European Commission, *EU Cohesion Policy: € 1 billion for a Just Climate Transition in Italy*, 20 December 2022, https://ec.europa.eu/commission/presscorner/detail/en/ip_22_7800.

are largely exposed to carbon-intensive and extractive industries as Taranto hosts the largest steel mill of Europe, the former Ilva, and Sulcis Iglesiente hosts Italy's last coal mine. Another important initiative is the RRF, which ensures 191.5 billion euros in grants and loans until 2026 making the country EU's largest beneficiary. The Italian NRRP is structured around six areas, called Missions. Although the NRRP never mentions the notion of a just transition, few initiatives that could enable both social and ecological objectives are included. For example, the social dimension is under the Mission 5 "Inclusion and Cohesion" that accounts for 8.7 per cent of the total NRRP, corresponding to 16.9 billion euros.[52] This Mission includes labour policies aimed at facilitating the employment. However, these funds do not properly address the social implications in the vulnerable industries caused by the green transition, which in turn is a key beneficiary of the NRRP funds.

From an occupational point of view, the country will need to address the radical transformation of jobs coming with decarbonisation. According to the OECD analysis,[53] 19.5 per cent of the workforce is employed in green-driven occupations, of which only 13.7 per cent truly 'green new or emerging occupations', while emission-intensive occupations account for about 5.1 per cent of national employment. To put that into perspective, across the OECD, green-driven occupations employ 20 per cent of the workforce, while about 7 per cent is in greenhouse gas-intensive occupations.[54]

According to an OECD study, the manufacturing industry in Italy is expected to lose around 838,000 jobs as result of climate-neutrality.[55] Furthermore, 340,000 (of about 700,000) jobs in the hard to abate sectors are under threat in a 'do nothing scenario' according to a study conducted by Boston Consulting Group in 2023.[56] Characteristics of EIIs' workforce in Italy resemble those highlighted

52 ItaliaDomani Portal: *Inclusion and Cohesion*, https://www.italiadomani.gov.it/content/sogei-ng/it/en/il-piano/missioni-pnrr/inclusione-coesione.html.

53 OECD, *OECD Employment Outlook 2024 – Country Note: Italy*, 9 July 2024, https://www.oecd.org/en/publications/oecd-employment-outlook-2024-country-notes_d6c84475-en/italy_f8469085-en.html.

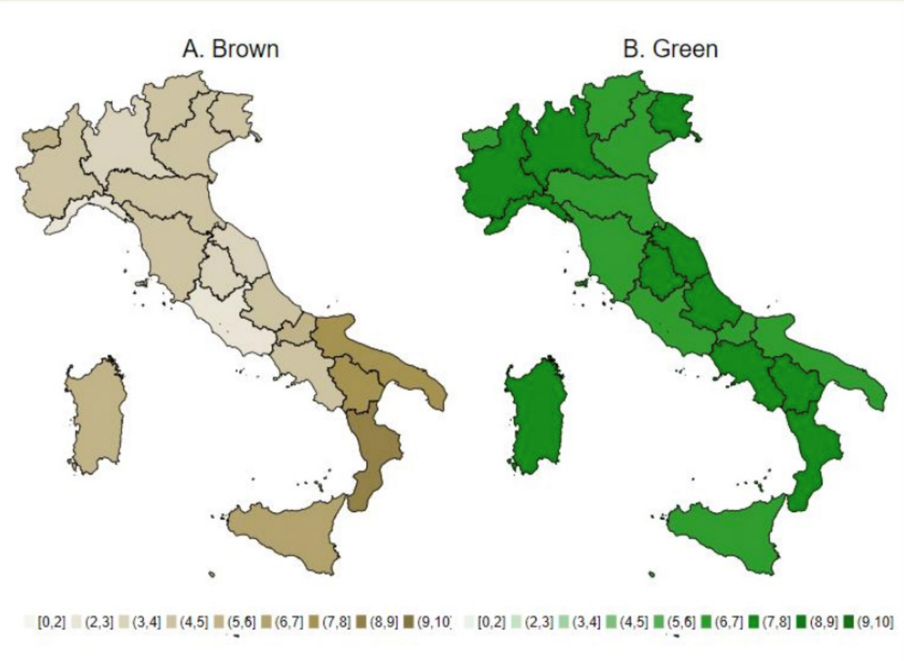
54 Ibid.

55 OECD, *OECD Economic Surveys: Italy 2024*, Paris, OECD Publishing, January 2024, https://doi.org/10.1787/78add673-en.

56 Industrial Decarbonization Pact and BCG, *Industrial Decarbonization Pact: Un'alleanza per la piena decarbonizzazione dei settori hard to abate*, February 2022, https://www.bcg.com/publications/2022/industrial-decarbonization-pact.

in the previous section. In Italy, most of emission-intensive jobs are in Southern regions (figure 1) and rural areas, characterised by lower educational levels.

Figure 1 | Share of workers in brown and green occupations, by region, 2019



Source: OECD, *OECD Economic Surveys: Italy 2024*, cit., p. 105.

Generally, this workforce consists of men with an average age of 45 years.[57] *Although new opportunities may arise in Southern regions given the high renewable potential, reallocations and labour mobility may be quite challenging given the limited alternative options in those regions*. Furthermore, *Italy should enhance skills development programmes and funds to support workers and revise its educational curricula to increase STEM* (science, technology, engineering and mathematics) skills, which will be essential in the green and digital transitions. However, *only 27 per cent of students are enrolled in tertiary education pathways in STEM fields in Italy*.[58]

57 OECD, *OECD Economic Surveys: Italy 2024*, cit.

58 Ilaria Donà, Marco Tirelli and Maria Vittoria Ricci, "R-Evolution STEM. Le competenze tecnico-scientifiche per il futuro del lavoro", in *Prospettive Deloitte*, 15 March 2024, https://www.deloitte.com/it/

The just transition debate in the country's steel industry regards in particular the future of the industrial complex in Taranto, the remaining primary steel production facility in Italy. The site is one of the largest employers in the area (almost 8,300 workers). Managing its decarbonisation is not only an industrial and environmental need, but also a social objective. However, the technological shift, through the conversion to electric arc furnaces (EAF) or direct reduced iron (DRI), will inevitably result in a reduction of the workforce. Based on recent literature, 1 million tons of steel output through DRI and EAF requires 227-400 workers. Therefore, producing 8 Mt requires around 2,000 and 3,200 workers.[59] This why under the TJTP, Taranto receives over 795 million euros, more than twice the amount allocated to Sulcis Iglesiente, dedicated for several actions in and around the area, among others: re-skilling of 4,300 workers for re-employment in green jobs; environmental restoration; support for R&D in the green hydrogen supply chain.

Given the expected phase out of coal by end 2025, Italy included in its TJTP Sulcis, home of a coal-fired power plant. Its closure is expected to affect potentially around 400-1,200 workers.[60] The project aims at fostering economic diversification and retraining of 2,250 workers. Furthermore, renewables are expected to reduce energy poverty in the region. However, several factors have undermined the process towards just transition – despite the funds provided by the EU. In 2024, the regional authorities have halted renewable project approvals causing a major disruption to future developments. Furthermore, the government postponed the phase out of coal in Sardinia,[61] causing some concerns about the impacts on its JTF resources for Sulcis. Conflicting targets and policies are key barriers to a just transition as highlighted by the assessment of the Commission.[62] Such uncertainty has also affected the ability to spend

it/issues/work/deloitte-r-evolution-stem-le-competenze-tecnico-scientifiche-per-il-futuro-del-lavoro.html.

59 Lidia Greco, "La decarbonizzazione dell'industria siderurgica italiana", in *Fondazione Giuseppe Di Vittorio Working Papers*, No. 4/2022, https://www.fondazionedivittorio.it/node/94791.

60 Matteo Scannavini, "La transizione verde sarà anche giusta?", in *Slow News*, updated February 2024, https://www.slow-news.com/ambiente/just-transition-fund-transizione-giusta-ue-italia-ostrava.

61 "Pichetto, uscita dal carbone nel 2025 tranne in Sardegna", in *Ansa*, 6 March 2024, https://www.ansa.it/ansa2030/notizie/energia_energie/2024/03/06/pichetto-uscita-dal-carbone-nel-2025-tranne-in-sardegna_a581b8e1-343a-4d61-afb8-d4242578c4bd.html.

62 European Commission, *Assessment of the Draft Updated National Energy and Climate Plan of Italy*, (SWD/2023/917), 18 December 2023, https://commission.europa.eu/node/30758_en.

the existing funds. Indeed, there have been news that the two cases financed under the JTF, Taranto and Sulcis, are experiencing major delays which could eventually cause the loss of funds for the two projects.[63]

As Hassen et al point out, concerns about job losses are not exclusively of EIIs workers, but also of those workers that live in regions where exposed sectors are relevant in the regional economy – regardless the actual exposure to job loss risks.[64] This could be the case of the automotive sector (the so-called 'motor valleys') and the cement production. In this latter case, Abruzzo, Emilia Romagna and Umbria are particularly exposed due to their high employment shares and high emissions per capita.[65] For example, Perugia employs almost all cement workers of Umbria and emits 87 per cent of Umbrian emissions.

Italy is therefore called to pursue a more holistic and comprehensive strategy to enable the growth of new and green jobs, but also to offset the negative impacts of the green transition in the industrial sector, especially in EIIs. *A comprehensive strategy starts from the clear and common definition of just transition*. Furthermore, the governance and financial frameworks are critical in steering and managing the socioeconomic transformations. The country should *not limit its efforts in the two areas under the JTF, but focus also on other strategic and relevant sectors (e.g., EIIs and automotive value chain) in order to manage social and industrial transformations*. To facilitate such transformations, the country would *need to adopt complementary policy measures in the labour market and educational curricula to overcome barriers for new sectors and workers' mobility*.

63 Davide Madeddu, "Taranto e Sulcis: Sono fermi al palo i fondi europei per la transizione", in *Il Sole 24 Ore*, 10 May 2024, https://www.ilsole24ore.com/art/taranto-e-sulcis-sono-fermi-palo-fondi-europei-la-transizione-AFr0y8vD.

64 Anke Hassel et al., "Navigating Emission-Intensive Sectors through the Green Transition", cit.

65 OECD, "Regional Industrial Transitions to Climate Neutrality", cit.

3. The need for a 'just transition' approach in EU's and Italy's climate and industrial diplomacy

Alongside the domestic dimension of the just transition, it is equally important for the EU countries to include such approach into their foreign policy and climate diplomacy strategy. The urgency to reimagine European climate diplomacy is of outmost importance given the international competition and domestic competitiveness challenges.[66] Indeed, European countries are dealing with a loss of industrial competitiveness, mainly due to high and volatile energy prices, and the looming possibility of further loss of industry productivity – hence jobs.

With the adoption of the Net-Zero Industry Act, the EU has increasingly yearned for building clean technologies manufacturing to partially offset job losses and increase strategic autonomy.[67] At the same time, the EU is considering solutions to shield and enhance competitiveness of its existing industries, especially EIIs, through its Clean Industrial Deal.[68] Indeed, the EU is experiencing greater geopolitical and geoeconomics competition by third countries not only in the space of clean technologies manufacturing (e.g., solar panels, batteries, EVs) and decarbonised products (e.g., green steel), but also in the existing carbon-intensive products. Extra-EU countries can leverage their competitive advantages in terms of lower energy prices (e.g., the US and China[69]) and abundance of resources – be them hydrocarbons or renewables. Particularly, the expansion of cheap renewable sources may induce a reconfiguration of the global industrial map as countries with access to affordable energy could attract industrial production given the so-called renewables pull effect.[70]

66 Giovanni Sgaravatti, Simone Tagliapietra and Cecilia Trasi, "Re-energising Europe's Global Green Reach", in *Bruegel Policy Briefs*, No. 11/24 (June 2024), https://www.bruegel.org/node/10115.

67 European Commission DG Industry website: *The Net-Zero Industry Act: Making the EU the Home of Clean Technologies Manufacturing and Green Jobs*, https://single-market-economy.ec.europa.eu/node/2089_en.

68 Ursula von der Leyen, *Europe's Choice*, cit.

69 Mario Draghi, *A Competitiveness Strategy for Europe*, 9 September 2024, https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

70 Sascha Samadi, Andreas Fischer and Stefan Lechtenböhmer, "The Renewables Pull Effect: How

Among them, there are countries in the Middle East and North Africa (MENA) region and sub-Saharan Africa, which could increasingly exploit their well-known renewable potential to foster industrialisation, job creation and global decarbonisation. However, the EU has gradually taken a geoeconomics turn, through the adoption of several European laws and unilateral tools, notably the Carbon Border Adjustment Mechanism, which however affects – and potentially harms – its relations with developing countries, including MENA and African countries.[71] Again, the EU is grasping with the challenges of how to deal with trade-offs between foreign policy, trade, industrial and development goals. It is therefore critical that the EU promotes equitable and just partnerships with these countries while re-imagining its external climate and industrial diplomacy. Energy and industrial partnerships need to consider benefits for local communities. Otherwise, the EU efforts may lead to major backslashes and opposition, especially in developing countries, ultimately undermining European security, climate and competitiveness objectives.

3.1 The European climate diplomacy: Initiatives, objectives and shortfalls

Since the launch of the EGD, the EU has increasingly elevated its climate diplomacy through multiple partnerships and initiatives.[72] Since then, multiple crises have induced Brussels to reconsider and expand relationships with third countries covering multiple energy topics, such as natural gas, hydrogen and critical minerals. Meanwhile, Brussels remains committed to support developing countries in their decarbonisation as it is the world's largest provider of climate finance with 28.4 billion euros allocated to climate finance collectively with its member states in 2022. *Despite relevant partnerships, the European external policy has produced mixed results due to multiple factors*.[73] *A key shortfall is that*

Regional Differences in Renewable Energy Costs Could Influence Where Industrial Production Is Located in the Future", in *Energy Research & Social Science*, Vol. 104 (October 2023), Article 103257, https://doi.org/10.1016/j.erss.2023.103257.

71 Clara Weinhardt and Ferdi De Ville, "The Geoeconomic Turn in EU Trade and Investment Policy: Implications for Developing Countries", in *Politics and Governance*, Vol. 12 (2024), Article 8217, https://doi.org/10.17645/pag.8217.

72 European Commission DG Climate Action website: *Cooperation on Climate Action with Non-EU Countries*, https://climate.ec.europa.eu/node/119_en.

73 Sarah Jackson, Lukas Kahlen and Ines Paiva, "EU Climate Partnerships – Fit for Purpose? A Snapshot *the current framework is characterised by a high degree of fragmentation both within the Commission and among EU institutions and member states*. Within the Commission, multiple directorates-general are responsible on different dossiers:[74] DG GROW on critical raw materials, DG ENER on energy, DG CLIMA on Green Alliances and Just Energy Transition Partnerships and DG INTPA on Global Gateway projects. Particularly, these multiple initiatives have been carried out in silos with a lack of coordination. Furthermore, the Commission has also pursued different initiatives without clear criteria for identifying long-term and secure partners. Lastly, external policy is still conducted bilaterally with member states remaining in charge. However, different member states pursue their own diplomacy contributing to duplication risks, intra-EU competition and mixed signals. Thus, a more coordinated approach would be beneficial not only for Europe, but also for its partners, which sometimes struggle to understand where Europe stands and what it can actually offer – also vis-à-vis other countries. To partly address these issues, the Commission proposed the 'Team Europe' approach aimed at promoting better coordination and its Global Gateway Initiative as a geopolitical and geoeconomic response to China's Belt and Road Initiative. Through climate finance, the EU can pursue and promote a just transition policy. However, the fragmentation and duplication of existing financial instruments have often hindered the European ability to leverage its current role as the largest climate finance provider.

Yet, the just transition dimension has been largely overlooked. *The just transition should be a cornerstone of European foreign policy, starting from the revision of the EU climate and industrial diplomacy, as mentioned also in the latest EU External Energy Strategy*.[75] Otherwise, the European diplomacy may be weakened by local opposition in third countries towards extractive approach. Instead, the EU could reconcile its commitments to help enable other countries' transition and enhance its geoeconomics security by designing just and equitable partnerships.

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of EU International Engagement in Selected Climate Partnerships", in *New Climate Institute Reports*, May 2024, https://newclimate.org/node/15269.

74 Thijs Van de Graaf and Elisa Díaz Gras, *The EU's Energy and Climate Partnerships: From Agreements to Action*, Brussels Institute for Geopolitics, 7 February 2025, https://big-europe.eu/publications/2025-02-07-the-european-union-s-energy-and-climate-partnerships-from-agreements-to-action.

75 European Commission, *EU External Energy Engagement in a Changing World* (JOIN/2022/23), 18 May 2022, https://eur-lex.europa.eu/legal-content/en/TXT/?uri=celex:52022JC0023.

In her political guidelines for 2024-2029, President von der Leyen proposed the creation and use of new Clean Trade and Investment Partnerships (CTIPs) adjusting previous concepts such as 'green partnerships' or 'green alliances'.[76] Indeed, CTIPs seem to become the new external strategy that can embody both European domestic and international goals as presented in the Clean Industrial Deal. There are still some open issues that could hinder their potential. Even following the publication of the Clean Industrial Deal, there is a lack of governance coherence, which could lead to confusion and weaken its implementation. Indeed, the main responsible for CTIPs is the Commissioner for Trade and Economic Security[77] despite the domestic dimension of the Clean Industrial Deal is under the supervision of two Executive Vice-Presidents.[78] Without a clear governance and coordination political steering could result in downgrading CTIPs and undermining their efficiency.[79] The EU will need to also clarify how CTIPs can be part of additional initiatives recently proposed by von der Leyen, such as the Global Energy Transition Forum, which aims at facilitating new clean industrial projects and scale up clean energy globally.[80] Proliferation of initiatives may cause again mixed results among partners and decisionmakers. Another important aspect will be the financial resources that the EU can deploy to foster the signature of CTIPs. To support the CTIPs, the EU could elevate the Global Gateway as the main financial leverage for supporting projects in third countries.[81]

The EU remains committed to partner and cooperate with countries. However, it is essential to identify strategic regions and countries where the EU can

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76 Ursula von der Leyen, *Europe's Choice*, cit.

77 Ursula von der Leyen, *Mission Letter: Maroš Šefčovič, Commissioner-designate for Trade and Economic Security*, 17 September 2024, https://commission.europa.eu/document/download/4047c277-f608-48d1-8800-dcf0405d76e8_en.

78 Ursula von der Leyen, *Mission Letter: Teresa Ribera Rodríguez, Executive Vice-President-designate for a Clean, Just and Competitive Transition*, 17 September 2024, https://commission.europa.eu/document/download/5b1aaee5-681f-470b-9fd5-aee14e106196_en; and *Mission Letter: Stéphane Séjourné, Executive Vice-President-designate for Prosperity and Industrial Strategy*, 17 September 2024, https://commission.europa.eu/document/download/6ef52679-19b9-4a8d-b7b2-cb99eb384eca_en.

79 Simone Tagliapietra and Cecilia Trasi, "Making the Most of the New EU Clean Trade and Investment Partnerships", in *Bruegel First Glance*, 16 October 2024, https://www.bruegel.org/node/10387.

80 European Commission, *Speech by President von der Leyen at the Launch of the Global Energy Transition Forum Speech*, 23 January 2025, https://ec.europa.eu/commission/presscorner/detail/en/SPEECH_25_318.

81 Linda Kalcher and Sara Benedetti Michelangeli, *Financing the Energy Transition: Reforming the EU's Diplomacy and Partnerships*, Brussels, Strategic Perspectives, November 2024, https://strategicperspectives.eu/?p=2060.

allocate (limited) resources and focus its diplomatic efforts. From a geographical standpoint, beginning with neighbouring countries and key areas, such as the MENA region and sub-Saharan African, could be beneficial: first, the southern flank has gained a newfound political relevance for Europe – especially following Russia's war to Ukraine; secondly, the EU and several member states have engaged with MENA and African countries in their dash for non-Russian energy supplies.[82] The region is experiencing harsh geopolitical and geoeconomics competition with a variety of countries, including China, Russia and middle powers like Turkey and Gulf countries. Lastly, a further trade and climate integration between the EU and Africa could be instrumental in the diversification and nearshoring strategy.

3.2 The renewed focus on MENA and African countries

The wider Mediterranean space has gained a renewed relevance for the EU, highlighted by the creation of a Directorate-General[83] and a Commission portfolio exclusively focused on the Mediterranean in the new 2024-29 European Commission.[84] Based on initial statements,[85] the new portfolio and priorities underline a shift from previous approaches and initiatives towards the integration of the Euro-Mediterranean region also symbolised by the upcoming new Pact for the Mediterranean.[86] Indeed, it seems that the EU would prioritise partnerships based on initiatives with a clear country-specific effort, abandoning its previous regional aspirations. In doing so, the new approach seems to lead to a more 'pragmatic' approach with the departure from its

82 Pier Paolo Raimondi, "EU-African Energy and Climate Cooperation in Light of Reconfiguration of Energy Flows", in Giulia Daga and Pier Paolo Raimondi (eds), *Mediterranean Transitions from the Gulf to the Sahel. The Role of Italy and the EU*, Rome, Nuova Cultura, September 2024, p. 37-57, https://www.iai.it/en/node/18902.

83 European Commission, *One Sea, Three Continents: A New Directorate General to Strengthen Mediterranean and Gulf Partnerships*, 3 February 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_395.

84 European Commission website: *Dubravka Šuica, Commissioner (2024-2029) | Mediterranean*, https://commission.europa.eu/node/33098_en.

85 Ursula von der Leyen, *Mission Letter: Dubravka Šuica, Commissioner for the Mediterranean*, 1 December 2024, https://commission.europa.eu/document/download/1600f2ce-6c02-4d68-a0f2-d72e5d9f700d_en; European Parliament, *Hearing of Commissioner-designate Dubravka Šuica*, 5 November 2024, https://www.europarl.europa.eu/news/en/press-room/20241029IPR25036.

86 Emanuele Errichiello, "What the EU's New Commissioner for the Mediterranean Means for the Region", in *EUROPP Blogs*, 7 January 2025, https://blogs.lse.ac.uk/europpblog/?p=60604.

ambition of regional integration and normative commitments.

Energy is undoubtedly a key aspect for deeper Euro-Mediterranean cooperation given resources endowment, infrastructure and geographical proximity. In this sense, the new Mediterranean Commissioner is responsible to set up *Trans-Mediterranean Energy and Clean Tech Cooperation Initiative* aimed at providing abundant and competitive renewable energy supplies.[87] However, it is *still unclear how this new initiative could connect with the newly proposed CTIPs*. Furthermore, the Med Commissioner is not expected to be explicitly involved in CTIPs. Therefore, *it is essential that the EU does not duplicate initiatives and waste diplomatic and economic resources*. Furthermore, the scope, mechanisms and governance of such Trans-Med Initiative are still unclear. Thus, the EU should identify clear criteria for identifying partners based on EU interests. Regarding the scope and mechanisms, the EU should engage with partners in order to co-design the partnerships based on partners' needs and priorities.

The EU should not only limit its diplomatic effort to the closest neighbourhood, but also expand its partnerships with African countries. On the one side, there has been a growing momentum for EU-Africa cooperation. On the other, unfortunately, the two areas have encountered several and different (political, economic and energy) barriers for deeper cooperation. Gradual frustration and misunderstanding have emerged due to conflicting priorities and perspectives.[88] Several African countries have expressed their criticism and accusations to the EU about its hypocrisy during the gas dash in 2022/23 and 'green colonialism' in the context of the green transition – especially concerning hydrogen and raw minerals deals.[89]

Against this backdrop, engaging third countries through a just transition approach gains relevance. Despite some differences, green industrialisation is a shared objective – as affirmed by several African countries at the inaugural

87 European Commission, *Vice-President Suica Delivers a Keynote Speech for the EPP Group Study Days Panel 'Europe's Southern Border: The Importance of the Mediterranean Region' Speech*, 25 September 2024, https://ec.europa.eu/commission/presscorner/detail/en/speech_24_4921.

88 Bruce Byiers, "The Case for an Africa-Europe Trade-Climate-Development Triangle", in *ECDPM Commentaries*, 2 October 2023, https://ecdpm.org/work/case-africa-europe-trade-climate-development-triangle.

89 Pier Paolo Raimondi, Pier Paolo Raimondi, "EU-African Energy and Climate Cooperation", cit.

Africa Green Industrialisation Initiative.[90] African countries can also benefit from vast renewable resources to foster green industrialisation and supply intermediary or final products. For example, mineral rich countries in Africa are eager to develop local processing and refining capacity in order to ensure higher returns and more jobs. For example, Zambia is considering to exploit its mineral reserves to build battery manufacturing.[91] Another example is hydrogen cooperation. EU countries have increasingly engaged with African and Mediterranean countries for hydrogen supply. Hydrogen indeed may help European EIIs to decarbonise and preserve jobs. However, African countries could prioritise the use of hydrogen domestically in order to build (or decarbonise) industries, like EIIs. The EU could invest in the creation of green industries in Africa through investments and stimulating market creation (also through lead markets and demand for green goods). This strategy would also allow MENA and African countries to offset regressive consequences of some European trade policies (i.e., CBAM) and promote further trade integration. Favouring a just and sustainable hydrogen economy requires producing hydrogen cleanly limiting all climate warming emissions, and using it in those sectors where no better alternatives available for decarbonisation; otherwise, its development may undermine energy and social justice considerations.[92] However, this strategy may be challenged by the belief or concerns of de-industrialisation in Europe. Such concern may be weakened by the possibility that green intermediate products could become basic energy carriers in future decarbonised energy systems.[93] Nonetheless, the EU is expected to experience a reduction of certain EIIs due to the loss of competitiveness. Therefore, it should try to gain larger share of industrial value creation in production steps much further downstream from basic-material production.

Any industrial external initiative, be it CTIPs or Trans-Mediterranean Energy and Clean Tech Cooperation Initiative, needs to look at the local and social dimension. These initiatives should focus on building local capacities and

90 African Union-AfCFTA, *Inaugural Meeting of the Africa Green Industrialisation Initiative (AGII) Steering Committee*, 25 September 2024, https://au-afcfta.org/?p=29691.

91 Bruce Byiers, "The Case for an Africa-Europe Trade-Climate-Development Triangle", cit.

92 Aliaksei Patonia, "Green Hydrogen and Its Unspoken Challenges for Energy Justice", in *Applied Energy*, Vol. 377, Part C (1 January 2025), Article 124674, DOI 10.1016/j.apenergy.2024.124674.

93 Philipp C. Verpoort et al., "Impact of Global Heterogeneity of Renewable Energy Supply on Heavy Industrial Production and Green Value Chains", in *Nature Energy*, Vol. 9, No. 4 (April 2024), p. 491-503, https://doi.org/10.1038/s41560-024-01492-z.

ensure that partners can benefit from them in terms of value gains and quality jobs for rising, young populations. To do so, Europe should envisage not only technology transfer, but also allocate funds and create programmes that generate development of complete knowledge and innovation ecosystems.[94] Financial instruments will need to take into consideration these criteria to unleash benefits for each country. To ensure adequate financial support, the EU will need to streamline and align its financial resources for its global ambitions in the context of the upcoming MFF negotiations and in line with its priorities.[95] Under the current MFF, EU international partnerships are generally funded under NDICI-Global Europe, with a budget of 79.5 billion euros.

In re-imagining its industrial ecosystem and its diplomacy, Europe needs to work closely with MENA and African countries by cooperating on multiple issues, notably technology transfer, capacity building and reskilling and upskilling programmes for local communities. By promoting holistic and sustainable partnerships, Europe could also address interrelated factors, such migration and political instability.[96]

Given the window of opportunity, Italy could play a role in shaping future EU-African green and just industrialisation partnerships. Among member states, Italy is particularly active in enhancing its partnerships with African countries thanks to its political and economic ties with many of them. Furthermore, Italy has launched and promoted its flagship foreign policy initiative, the Mattei Plan, which has the African continent at the heart by promoting win-win partnerships by acknowledging the role of Africa not only as a resource supplier but as an equal partner and actor. The Plan was launched officially in January 2024, when the government organised and hosted the first Italy-Africa summit.[97] Given its geographical location and existing political and

94 Damien Barchiche et al., "Leveraging Green Industrialisation for a Just Transition: Africa-Europe Cooperation", in *ETTG Policy Briefs*, No. 3/2024 (September 2024), https://ettg.eu/green-industrialization-eu-africa.

95 Alexei Jones, Mariella Di Ciommo and Andrew Sherriff, "The Multiannual Financial Framework after 2027: Financing the EU's Global Ambitions", in *ECDPM Discussion Papers*, December 2024, https://ecdpm.org/work/multiannual-financial-framework-after-2027-financing-eus-global-ambitions.

96 Alfonso Medinilla and Hanne Knaepen, "After the EU-AU Summit: Inching towards Just Transition in Africa", in *ECDPM Commentaries*, 21 February 2022, https://ecdpm.org/work/after-the-eu-au-summit-inching-towards-just-transition-in-africa.

97 Italian Government, *Italia-Africa. A Bridge for Common Growth*, 29 January 2024, https://www.governo.it/en/node/24853.

infrastructure ties, Italy aims at becoming a bridge between Europe and Africa. Therefore, the European renewed focus on the Mediterranean region provides an additional unique opportunity. Italy could promote also partnerships on key issues, such as hydrogen and methane emissions through training programmes, shared standards and best practices. While Italy certainly has positive relations with key regions, such as Algeria, Egypt and others, the main barrier for the Mattei Plan vision is represented by the limited financial capabilities as it is backed by 5.5 billion euros comprising grants, credits and guarantees. To put into perspective, providing universal access would require investment of 500 billion US dollars by 2030. As of today, Italy has invested a lot of political capital to promote the Plan.[98] However, the risk of unmet expectations in the African countries is high. To offset this key barrier, Italy can benefit from joining forces with the EU under the Global Gateway initiative.[99]

CTIPs and the Trans-Mediterranean Initiative may be also included in coordinated projects in targeted countries. Rome should aim at creating platforms and point of contact under the Mattei Plan in order to bring together EU institutions and member states and African countries. This would allow its partners also to co-design future partnerships and projects and improve Mattei Plan efficiency. However, Rome and Brussels need to carefully merge the initiatives – especially in the definition of countries, objectives and goals as well as the inclusion of key member states in the process – in order to avoid triggering potentially detrimental competition dynamics.[100]

Conclusions

The social dimension is a key component of climate policies. As any public policy, green policies have distributional consequences, including potential job losses. The job killing argument is one of the most powerful arguments to

98 Leo Goretti and Filippo Simonelli, "Italy's Foreign Policy in the 'Super-election Year' 2024", in *Documenti IAI*, No. 25|01 (February 2025), https://www.iai.it/en/node/19501.

99 Italian Government, *Meeting with the European Commissioner for the Mediterranean, Dubravka Šuica*, 24 January 2025, https://www.governo.it/en/node/27539.

100 Filippo Simonelli, Maria Luisa Fantappiè and Leo Goretti, "The Italy-Africa Summit 2024 and the Mattei Plan: Towards Cooperation between Equals?", in *IAI Commentaries*, No. 24|11 (March 2024), https://www.iai.it/en/node/18220.

slow climate policies down – or even derail them.

As it embarks itself in the net-zero journey, the EU has increasingly expanded its focus on the social dimension of its transition. New programmes and funds, such as the JTM and the upcoming SCF, aim at offsetting negative impacts by the most vulnerable and exposed groups to climate neutrality. Although they have been important, the EU should take important steps in the forthcoming months in order to address numerous challenges, notably economic competitiveness. To pursue it, the new Commission announced the Clean Industrial Deal. However, this vision needs to be accompanied by a new Social Industrial Deal.

A new Social Industrial Deal would demand a broader approach, since the current one has prioritised limited sectors and regions, overlooking other major industrial sectors that will be impacted by the transition, such as the automotive or several EIIs. Moreover, more financial resources are essential given the scale and scope of the decarbonisation challenge. The social dimension should be a key pillar of the upcoming MFF, which should address also disparity in fiscal space. Besides compensatory measures for those sectors that are expected to lose the most, financial resources should be allocated to enhance training and skills development programmes to allow workers to shift to new sectors or adjust to the new environment. Additionally, the EU should improve labour data and methodology in the green field in order to have informed policy- and decision-makers. These shortfalls need to be address if the EU wants to be successful in in achieving its multiple objectives (net-zero, competitiveness, and strategic autonomy).

Furthermore, the EU cannot overlook the social dimension in its foreign policy. Given the current international challenges, the EU should integrate the just transition approach into the creation of new partnerships aimed at ensuring resilience, competitiveness and sustainability. The EU will need to clarify governance and coordination regarding its recently announced CTIPs and Trans Med Inititative. Furthermore, they will need to ensure technology transfer, capacity building and training programmes for local communities in order to avoid extractivist approaches.

To do so, green industrialisation through hydrogen in renewable-rich countries could be a key area of cooperation. The EU should ensure investments through the value chain, but also collaborate with its partners on stimulating demand, sharing common standards aimed at creating a market. The MENA region and Africa should gain higher relevance in the renewed EU climate and industrial diplomacy as these regions are strategic for the EU.

In this scenario, Italy has a window of opportunity to enhance its role in shaping future EU-African partnerships building on its Mattei Plan. It should engage proactively in designing and operationalising the upcoming CTIPs and Trans Med Initiatives in the MENA and sub-Saharan African countries. Streamlining and joining forces is mutually beneficial for the EU and Italy starting from the financial side. At the same time, Italy needs to design a comprehensive national industrial and social strategy to manage the upcoming and multiple transformations at home.

List of acronyms

CBAM	Carbon Boarder Adjustment Mechanism
CTIPs	Clean Trade and Investment Partnerships
DG	Directorate-General
DG CLIMA	Directorate-General for Climate Action
DG ENER	Directorate-General for Energy
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG INTPA	Directorate-General for International Partnerships
DRI	Direct reduced iron
EAF	Electric arc furnaces
EGD	European Green Deal
EIIs	Energy-intensive industries
EPSR	European Pillar of Social Rights
ERDF	European Regional Development Fund
ESF+	European Social Fund Plus
ETS	Emission Trading System
EV	Electric vehicle
GHG	Greenhouse gas
ICRT	Initiative for Coal Regions in Transition
ILO	International Labour Organization
IPCC	Intergovernmental Panel on Climate Change
JTF	Just Transition Fund
JTM	Just Transition Mechanism
JTS	Just Transition Scheme
MENA	Middle East and North Africa
MFF	Multiannual Financial Framework
NDICI	Neighbourhood, Development and International Cooperation Instrument
NECP	National Energy and Climate Plan
NRRP	National Recovery and Resilience Plan
OECD	Organisation for Economic Co-operation and Development
PSLF	Public Sector Loan Facility
R&D	Research and development

RRF	Recovery and Resilience Facility
SCF	Social Climate Fund
STEM	Science, technology, engineering and mathematics
TJTP	Territorial Just Transition Plan
UNFCCC	UN Framework Convention on Climate Change

European and Italian Just Transition Policies amid Industrial Decarbonisation and External Policies

Climate policies entail relevant social transformations across sectors and stakeholders. Governments are called to pursue careful and considered public policy balancing. Designing a more comprehensive just transition strategy that addresses the existing fragilities of the current status as an integral component of industrial decarbonisation is of paramount importance. Given the renewed focus on industrial dimension, the EU and Italy should design a new social industrial deal, which elevates the just transition adjusting the existing framework and resources. Such just transition strategy cannot be limited at the domestic level, but should be a cornerstone of the foreign policy and initiatives, such as the Clean Trade and Investment Partnerships (CTIPs) and Trans-Mediterranean Energy and Clean Tech Cooperation Initiative. These initiatives provide a crucial test for integrating a just transition approach into the EU climate diplomacy in key regions, starting from MENA and African countries, by promoting technology transfer, capacity building and training programmes for local communities. These developments provide a window of opportunity for Italy to enhance its role in shaping future EU-African partnerships building on its Mattei Plan.

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