

**Pathways for just
transition in South
East Europe**



AUTHOR

Alexandru Mustață



CONTACT

BANKWATCH ROMANIA

98, Regina Maria Blvd.
040125, Bucharest, Romania
031 438 24 89
alexandru.mustata@bankwatch.org
www.bankwatch.org



DECEMBER 2020

Contents

1 EXECUTIVE SUMMARY

2 INTRODUCTION

Platform for coal regions in transition

3 COAL REGION PROFILES

Romania
Bulgaria
Greece
Data sources

4 AVAILABLE AND POTENTIAL FUNDING

Funding for the new EU Budget
EU Emission Trading System
EIB and EBRD
EEA and Norway Grants

5 RECOMMENDATIONS



Executive summary

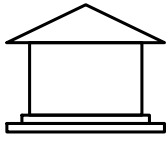
This policy paper is a companion piece to *“Accelerated Lignite Exit in Bulgaria, Romania and Greece”*, a report published in May 2020 modelling the impact of the early retirement of some coal and all lignite power plants in the electricity sector in the three countries. The various modelled phase-out scenarios showed that economic losses of lignite plants are higher if shut downs take place later, but if they happen earlier, compensations for power plants are not necessary, and that around 84 000 direct and indirect jobs might be lost in the region. As a result, there is an urgent need to find economic alternatives in coal regions. This policy paper outlines what a just transition needs, explains the context in Bulgaria, Romania and Greece, highlights available funding opportunities and lists a series of recommendations to make the most of them.

After taking measures to reduce the spread of COVID-19, the European Union member states agreed to dedicate significant resources in order to support economic recovery. Among them, a reinforcement to the Just Transition Fund, bringing it to EUR 40 billion after the initial allocation of EUR 7.5 billion. After the Platform for Coal Regions in Transition became active in 2018, there was a concentrated effort in the EU in order to identify redevelopment solutions as coal loses its importance. It therefore makes sense that as countries address the need to reinforce their economies and to recover from COVID, they bear in mind the particular needs of carbon intensive regions.

The section analysing the characteristics of coal regions in the three countries is looking at statistical data at NUTS-3 level, which

corresponds to provinces (or oblasts) in Bulgaria, prefectures in Greece and counties in Romania. While the standard approach to just transition at European level has been so far to look at NUTS-2 level data (planning regions in Bulgaria, administrative regions in Greece or development regions in Romania), we believe that this localized approach is more relevant because coal-dependent areas more often overlap with NUTS-3 regions, the NUTS-2 level being too big. Furthermore, this approach is particularly relevant because the NUTS-2 regions in Romania and Bulgaria regions have no political power, the two countries being centralized.

These chapters are followed by the section on possible funding for the just transition. While a chapter is allocated to the newest and most attractive instrument, the Just Transition Fund, this section also looks at other sources which are not designed with transition in mind, but can be used in order to support the redevelopment of coal regions in the three countries. The paper ends with four big recommendations to make the most of present opportunities: design transition strategies, focus on integration of all necessary measures, create or empower the responsible institutions, and make sustainable choices which won't create the need for another transition in a decade or less.



Introduction

Just transition is a redevelopment model based on locally designed public policies to create the context for a fair income and a decent life for all workers and communities affected by pollution reduction measures.

Each aspect of this definition is important:

- **Economic development model:** Many public authorities who are aware of the decline of coal heavily argue for 'attracting investors'. But to ensure a sustainable redevelopment of these regions, that will not suffice. Infrastructure modernization, public and social policies, taxation and education are other essential topics which need to be addressed by any medium and long term strategy.
- **Locally designed:** Although expertise from the centre is needed, just transition needs to be developed and implemented from the grassroots - as local needs are best understood by people in the regions.
- **Fair income that ensures a decent life:** simply creating jobs is not sufficient, if those jobs do not ensure similar income levels for the families affected by the transition. They will instead create social problems or migration in the long term - so employment is both a qualitative and a quantitative matter.
- **Reduction of pollution:** The coal industry does not have to be replaced by renewables, as some regions simply do not have the potential for competitive production in the sector. However, existing skills and infrastructure create an advantage for these regions to support green energy development, directly or indirectly. Depending on the local context, any

job-creating business should be embraced as long as it is in line with 2050 carbon neutrality targets.

CHALLENGES AND OPPORTUNITIES

Just transition is a challenging process that can have long lasting effects on the regions. The major factors that make transition beyond coal difficult are related to: geographical concentration, identity, labour mobility and human capital.

- **Geographical concentration:** as coal is highly concentrated in areas dependent on coal mining and coal-based energy production, closures have a significant impact on the economics of the region.
- **Identity:** as coal is concentrated in relatively small regions, their cultural identity becomes linked to coal related activities. Therefore, coal closure is not only economically challenging, but can also be a complicated process regarding individual collective identities created around coal.
- **Labour mobility:** the capacity of labour markets to absorb people made redundant by coal sector closures varies in different regions. Even highly flexible labour markets, like US or UK, can struggle with the absorption of the shock that the closing of coal related facilities can produce.
- **Human capital:** the lack of educational opportunities in the regions can make coal personnel lack skills that are required in a marketplace structured beyond coal. This can create additional obstacles in the way of transition¹.

However, good practices of just transition have a

¹ Ben Caldecott, Oliver Sartor, Thomas Spencer, *Lessons from previous 'Coal transitions'*, 2017, pp. 7
https://coaltransitions.files.wordpress.com/2016/09/coal_synthesisreport_v04.pdf

common element which makes it possible to overcome all these challenges to a certain extent: **anticipation**. The earlier most actors accepted, anticipated and implemented the first steps to prepare for the shock of the transition, the better the results². The replacement of the economic structure of a region cannot take place overnight. More so, in order for new investments to be made, there is a need for predictability that can make business risks more comprehensible.

Consensus building among stakeholders is also an important factor in order for the just transition to be as inclusive as possible. Finding a way to motivate workers, companies, trade unions, local and central authorities can be a difficult task, as sometimes their interests can seem divergent. It's important to understand that the risk the process imposes on different stakeholders is in fact interdependent and the just transition of a mining region can benefit everyone.

Another important lessons learned from past transitions is that the cost of not supporting the just transition process can be higher than the cost of just transition. Historically, costs were often higher in previous periods to the just transition process. Supporting unprofitable coal mines and coal-fired power plants can have significant costs. Now, big polluters like coal power plants need to deal with the rising prices of EU-ETS allowances, so there are even more arguments to support this claim. When looking from this perspective, giving a nudge to relevant actors in order to make sure they are prepared for the transition becomes a prudent economic and fiscal policy³.

COAL PHASE-OUT COMMITMENTS

No coal burning	Before 2025	Before 2030	By 2038/2035	No phase-out plan
Cyprus	France	Greece	Germany	Czech Republic
Estonia	Slovakia	Netherlands		Spain
Latvia	Portugal	Finland		Bulgaria
Lithuania	Ireland	Denmark		Croatia
Luxemburg	Italy	Hungary		Poland
Malta				Romania
Belgium				Slovenia
Austria				
Sweden				

Most EU governments announced their intention to phase out coal before 2030, resulting in at least 72.8 GW of coal capacity closing until 2030. With the exception of Spain, coal phase out

² Ben Caldecott, Oliver Sartor, Thomas Spencer, *Lessons from previous 'Coal transitions'*, 2017, pp. 9
https://coaltransitions.files.wordpress.com/2016/09/coal_synthesisreport_v04.pdf

³ Ben Caldecott, Oliver Sartor, Thomas Spencer, *Lessons from previous 'Coal transitions'*, 2017, pp. 11
https://coaltransitions.files.wordpress.com/2016/09/coal_synthesisreport_v04.pdf

remains a challenge in countries from central and eastern Europe.

PLATFORM FOR COAL REGIONS IN TRANSITION

As the path towards decarbonisation differs between regions, the Platform for Coal Regions in Transition was set up in 2017. Its main goal is to ensure that no regions are left behind in the transition process. The platform works as a forum, gathering all relevant stakeholders: local, regional and central governments, businesses, trade unions, NGOs and academia. The Platform promotes knowledge exchange between different actors from the same region, as well as between actors from different regions. At the same time, it promotes the transition being made through a bottom-up approach by focusing on the participation of diverse stakeholders from several countries. At the moment, 18 regions are part of the Platform⁴.

The Coal Platform's objectives are (1) to enable stakeholder dialogue on policy and financing for a successful transformation of the coal regions and (2) to facilitate the development of strategies and projects in coal regions through exchange of best practices, offering assistance for refining project ideas and implementation strategies, and offering support in accessing financial instruments that can be used in the transition process⁵.

The Platform's two working groups meet three times per year to discuss priority projects and best practices in coal regions and they focus on:

- the **'Post Coal Economy and Structural Transformation'** group covers projects on the economic diversification of coal regions
- the **'Energy System Transformation and Clean Air'** group covers projects on the improvement of air quality and technologies which are compatible with the long-term vision of the decarbonisation of the European economy.

Each of the meetings allows selected coal regions to present their transition strategies and priority projects for which feedback is provided by Commission experts and stakeholders of the platform. Since 2017, 6 meetings of the working groups took place⁶.

At present, 18 coal regions are actively participating

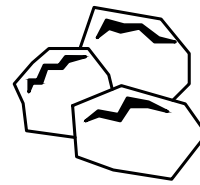
⁴ https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/coal-regions-transition_en#the-platform-for-coal-regions-in-transition

⁵ Platform on Coal and Carbon-Intensive Regions Terms of Reference, pp. 8
https://ec.europa.eu/energy/sites/ener/files/crit_tor_fin.pdf

⁶ https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/working-groups-meetings_en?redir=1

in the initiative:

- **Moravia-Silesia, Usti, Karlovy Vary (Czechia)**
- **Brandenburg, Saxony, Saxony Anhalt, North Rhine-Westphalia (Germany)**
- **Silesia, Lower Silesia, Greater Poland (Poland)**
- **Western Macedonia (Greece)**
- **Jiu Valley (Romania)**
- **Trencin (Slovakia)**
- **Zasavska, Savinjska (Slovenia)**
- **Asturias, Aragón, Castilla-y-León (Spain)**⁷



Coal Regions

DECLARATION OF MAYORS ON JUST TRANSITION

Following the initiative of former Kozani, Greece mayor Lefteris Ioannidis, the first Forum of Mayors on Just Transition was organized in 2018 in order to discuss their experiences on transition and the common challenges they face. One year later, 41 mayors from 10 coal regions in 9 European countries launched a statement in support of just transition. They affirmed their commitment to the Forum of Mayors on Just Transition and they stated their demand toward governments for dialogue, transparency and consultation. Financial support for just transition should also be made available at national and European level - especially through a Just Transition Fund that is adequately funded and used for support of local communities⁸.



Romania has two main coal regions: Jiu Valley, which is part of Hunedoara county and has four hard coal mines and one power plant, and Gorj county, where there are 10 lignite mines and two power plants. The coal industry in Romania is state-owned. Hunedoara Energy Complex operates the aforementioned hard coal facilities and another power plant near Deva, 100km away from Jiu Valley, but also part of Hunedoara county (NUTS-3 region). Apart from the facilities in Gorj, Oltenia Energy Complex also operates two power plants in neighbouring Dolj county, using the lignite mined in Gorj.

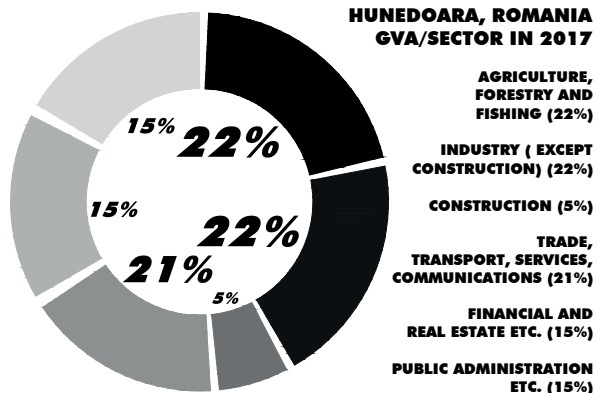
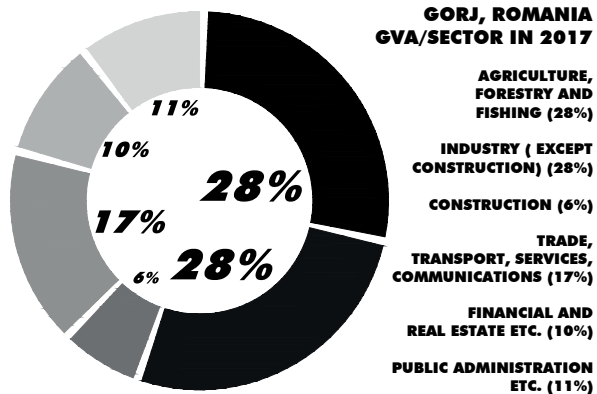
NUTS-2	South West		North West
NUTS-3	Gorj		Hunedoara
type	lignite		hard coal
mining employees	8143		3385
power plants	Rovinari	Turceni	Paroseni
MW	990	1320	150
power plant employees	1454	1489	353

The local economy is similar in the two coal regions in Romania – approximately a quarter of gross value added (GVA) is generated through agriculture, a quarter through industry and approximately 15% each through trade, services and administration. Unlike the coal regions in Bulgaria and Greece, the local economy is

⁷https://ec.europa.eu/energy/topics/oil-gas-and-coal/EU-coal-regions/coal-regions-transition_en?redir=1#the-platform-for-coal-regions-in-transition

⁸ <http://www.just-transition.info/declaration-of-mayors-on-just-transition>

diversified and there is no one sector which is clearly more important than the rest. Another particularity is that agriculture plays a big role in the two counties. That is because there are thousands of hectares of agricultural land in Gorj, while forestry is relevant for the economy of Hunedoara.



The median age in Romania’s two coal regions is bigger than the national average and this gap has increased in recent years, especially in Hunedoara, where it was 4 years bigger in 2019. The percentage of the population at risk of poverty in 2018 varies significantly from the national average – much higher in the South West NUTS 2 region, and lower in the North West region. This is primarily because Gorj belongs to a heavily agricultural and rural region, while Hunedoara is part of a more urbanized region, together with Bihor and Cluj counties, which are on the border with Romania and where trade and industry reduced the risk of poverty. This, however, is not the case for Jiu Valley. This fact is better reflected by the unemployment rate, which is above the national average but still low in comparison with other EU countries. The reason for this is primarily migration, many working people (e)migrating in order to find work.

Median age 2015	U.M	Romania	South West	Gorj	North West	Hunedoara
Median age 2015	years	41.1	42.9	41.8	40.0	44.3
Median age 2019		42.5	44.8	44.2	41.3	46.2
People at risk of poverty 2015		37.4	41.9	no data	28	no data
People at risk of poverty 2018	%	32.5	42.9		22.3	
Unemployment 2014		5.4	8.2	7.5	3.8	6.6
Unemployment 2018		3.3	5.9	4.4	2.3	3.4

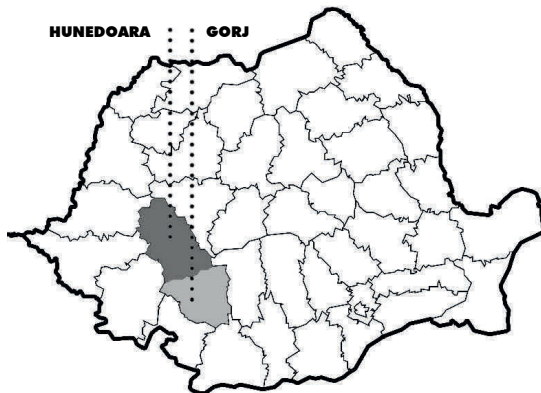
STAKEHOLDER ANALYSIS

Similar to Bulgaria, there are no political administrative bodies at NUTS-2 level in Romania, the country being instead divided into 41 counties (județe). The NUTS-2 division of Romania was established in 1998, when 8 development regions were set up in order to divide pre-accession European funding (and later to implement the Cohesion Policy).

The result is that a variety of actors which are important for the implementation of a just transition have no institution under which to cooperate. In order to overcome this obstacle, the 6 mayors of the hard coal towns from Jiu Valley, Hunedoara signed in July 2019 in Brussels the Partnership for Just Transition, a memorandum of understanding established to formalize collaboration between municipalities. The first concrete action taken together by the local authorities under this framework was to apply for technical assistance from the European Commission’s Platform for Coal Regions in Transition, under its new START program. As their application was successful, they are receiving support to take practical steps in economic diversification and decarbonisation. As a consequence, the six municipalities are becoming the main voices demanding a transition of their region, despite their limited power.

A very active and experienced civil society, although made up of only a few non-governmental organizations, is prepared to support the efforts of the authorities as long as they have a meaningful participation in the process. The private sector in the region, which grew to a certain extent as coal declined, is also in favour of the transition, and many SME owners believe in

the touristic potential of the region, which is an unspoiled mountainous area with some skiing facilities. Trade unions are interested to be a part of the conversation and are willing to make small concessions as long as the closure of the remaining mines is not sudden. Overall, if a structure under which all these actors could cooperate existed, the context for the energy transition in Jiu Valley would be very positive.



In Romania's lignite region Gorj there are currently no actors strongly demanding the creation of alternatives to coal, although local authorities certainly advocate for economic diversification. However, unlike Jiu Valley, which went from 50 000 direct employees in hard coal mines and power plants in 1990 to under 4500 today, Oltenia Energy Complex (OEC) still provides over 10 000 jobs and until recently its economic prospects were undoubted. This changed as the price of ETS allowances quadrupled within a year and burning coal to produce electricity became too expensive. Even

OEC admits the poor prospects of coal indirectly, announcing plans to build a new gas unit on the site of each power plant it operates. This is significant, as over 80% of coal-fired electricity in Romania is produced by OEC.

At the national level, the Romanian Government explicitly supports coal and did not announce a phase out date, the National and Energy Climate Plan foreseeing only a slight decrease of installed capacity until 2030, but an almost identical yearly production⁹. This is unlikely to change after the next rounds of elections, as none of the mainstream political parties are in favour of closing down the coal units. The Ministry for Economy strongly opposes the energy transition – many directors and decision makers come from the power plants. The institution is fundamental not only because of its role in designing energy policy, but also because it owns approximately 90% of coal-fired capacity in Romania. The Ministry for European Funds is the national partner of the Platform for Coal Regions in Transition – yet it is not a pro-active actor, allocating limited resources to this initiative. The Ministry for Environment has been ambivalent on the topic: on the one hand it finances various programs supporting the energy transition (e.g. growing energy efficiency or the number of prosumers), however environment legislation is poorly enforced in Romania and several infringement procedures were opened by the European Commission on the topic.

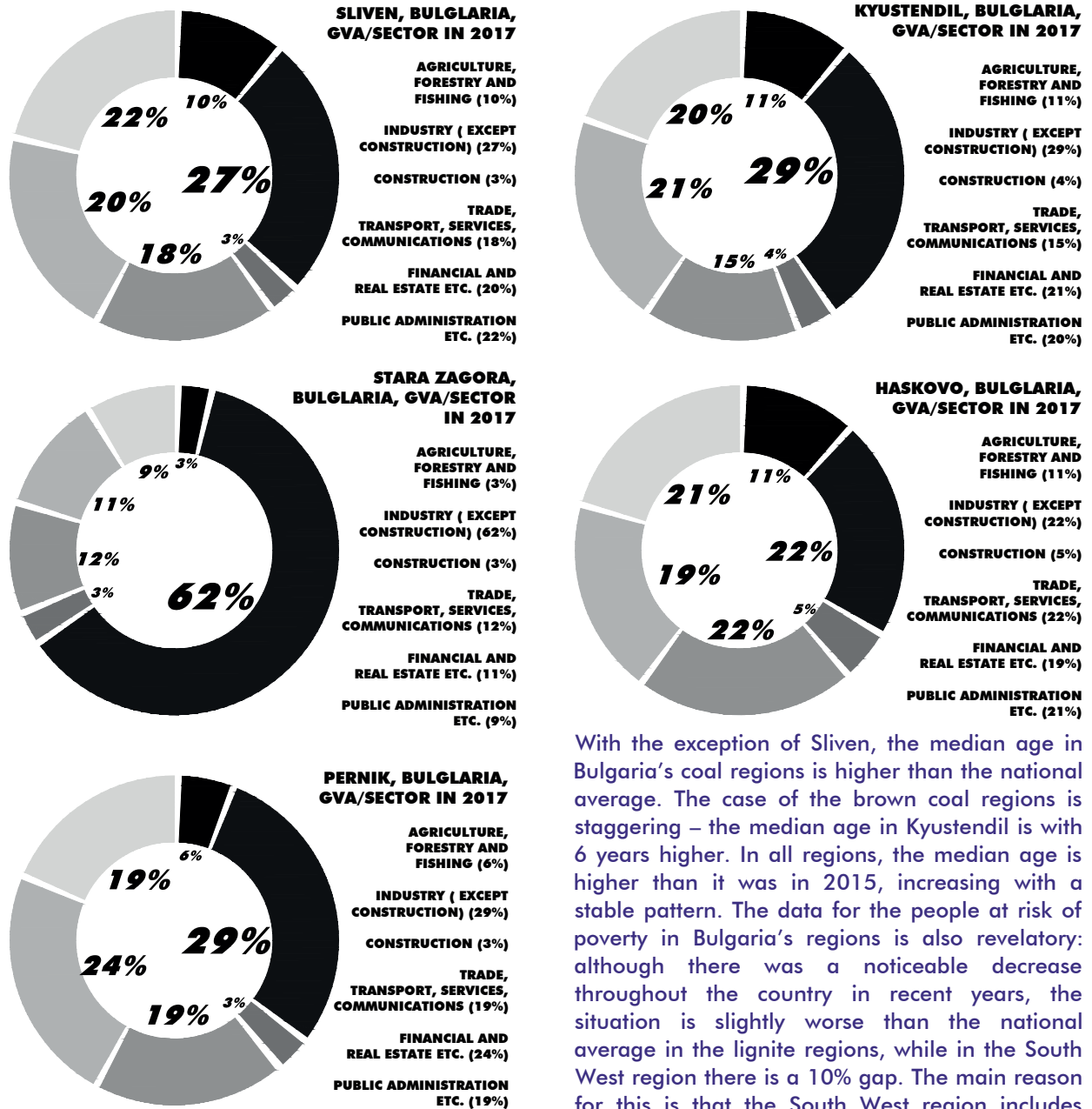
BULGARIA

Bulgaria relies heavily on the lignite mined in the Maritsa basin, which is feeding the majority of its coal power plants. 98% of the country's lignite, or 28 million tonnes, was extracted there in 2018. There are also two power plants which are using brown coal, as well as a hard coal power plant which is not included in this paper, as the local economy does not depend on it.

NUTS-2	South Central	South East					South West	
NUTS-3	Haskovo	Sliven Province			Stara Zagora		Pernik	Kyustendil
type	lignite						brown coal	
mining employees	7276						3110	
power plants	Maritsa 3	Paroseni	Sliven	AES Galabovo	Contour Global Maritsa East 3	Brikel	Pernik	Bobov Dol
MW	100	150	45	686	908	360	110	570
power plant employees	133	353	230	n/a	45	1290	506	873

⁹ <https://bankwatch.org/publication/romania-s-coal-phase-out-by-2030-an-unreachable-goal>

Predictably, the economy of Stara Zagora, where the Maritsa coal basin functions, is heavily reliant on the industrial sector. It accounted for an impressive 62% of the region's gross value added in 2017, as the mining operations were among the biggest in Europe. The challenge for Stara Zagora is significantly different than the other coal regions in Bulgaria, which exhibit a more balanced economy – in all cases, less than 30% of the economy relies on industry.

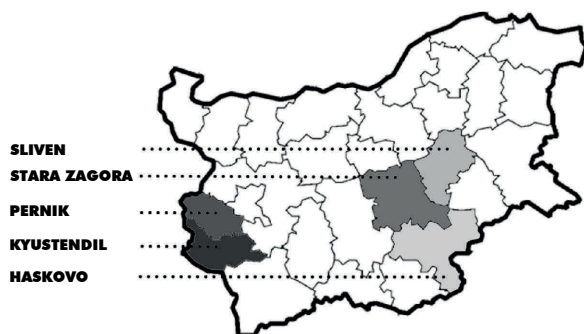


With the exception of Sliven, the median age in Bulgaria's coal regions is higher than the national average. The case of the brown coal regions is staggering – the median age in Kyustendil is with 6 years higher. In all regions, the median age is higher than it was in 2015, increasing with a stable pattern. The data for the people at risk of poverty in Bulgaria's regions is also revelatory: although there was a noticeable decrease throughout the country in recent years, the situation is slightly worse than the national average in the lignite regions, while in the South West region there is a 10% gap. The main reason for this is that the South West region includes Sofia, which is overall more developed than the rest of the country.

Median age 2015	U.M	Bulgaria	South Center	Haskovo	South East	Sliven	Stara Zagora	South West	Pernik	Kyustendil
Median age 2015	years	43.5	44.0	45.2	43.1	41.4	44.3	41.5	47.8	49
Median age 2015		44.4	44.9	46	44.1	42.3	45.1	42.5	48.6	50.2
Median age 2015		41.3	48.6		42.5			30		
Median age 2015	%	32.8	37.9		34.2			23		
Unemployment 2015		11.4	12	10.4	11.9	13.6	11	8.9	13.1	14.2
Unemployment 2015		5.2	4.2	3	5.4	9.7	2.3	8.9	7.5	3.6

STAKEHOLDER ANALYSIS

There are no political administrative institutions at NUTS-2 level in Bulgaria. Instead, the country is divided into 28 provinces (oblast), and as a result decision making power is more diffused among locally elected officials. Of course, given the centralized structure of the state, they don't have much influence on decisions regarding the energy transition. The impact on the municipalities will vary: Burgas, for example, has a largely diversified economic structure allowing it to more easily shield itself from the closing of the coal-related businesses. But other towns like Bobov Dol, Pernik or Ruse can expect a direct negative impact on the local economy as a result of the loss of tax revenue due and increased unemployment resulting from the closing of the operating mines/TPPs on their territory. Unlike Greece and Romania, a large part of the national coal-fired fleet is privately owned. This has significant implications for the transition – the private sector has a bigger role than in the other countries. This means that unlike the other countries, where the decision to phase out coal will be based primarily on the perceived public interest, in Bulgaria this outcome will also be heavily based on negotiation between two sets of actors with interests which are often at odds. Private entities have been outspoken about their priorities for years, insisting that the role of coal be maintained, and the national and local press has documented their occasionally unorthodox interaction with public actors.



While one of the pilot regions in the Platform for Coal Regions in Transition was Greece's Western Macedonia and Romania was quick to join in 2018, Bulgaria remained until recently the only EU member state with an important reliance on coal which did not join the initiative. This changed in early 2020, when the Parliament agreed to

assign the government to take "all necessary steps" for Bulgaria to join the Platform, with a specific instruction to negotiate that Bulgaria will not be closing any coal capacity. However, with the creation of the Just Transition Fund in the context of the new EU Multiannual Financial Framework, the attitude of many stakeholders is expected to change, and the position of several actors will be influenced, as they will try to take advantage of this new opportunity.

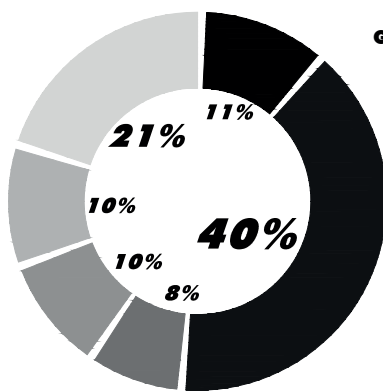
On 4 November 2020, the Bulgarian Government adopted a decision approving an updated framework position on the "European Green Deal". The document states that as Bulgaria is the poorest country in the EU, it needs 20 billion EUR to finance the energy transition from coal. However, this amount is not backed by specific reforms and activities detailing how the funds would be spent.

GREECE

Unlike the previous two countries, lignite mining is concentrated in Greece in not one, but two regions. The bigger one is Western Macedonia, where the state-owned Public Power Corporation extracted 27.2 million tonnes in 2018, while private operators extracted a further 2 million tonnes. At the Megalopolis Mining Centre, PPC extracted 7.5 million tonnes in 2018, which were then burned in the two nearby power plants. Despite its relatively small size, Greece has been historically one of the biggest lignite mining countries in the EU, and its corresponding workforce has been steadily declining during the last 6 years. Lignite mining is much more efficient than in the other countries – 4283 workers in Western Macedonia extract as much coal as 7308 in Bulgaria and 25% more than 8143 in Romania.

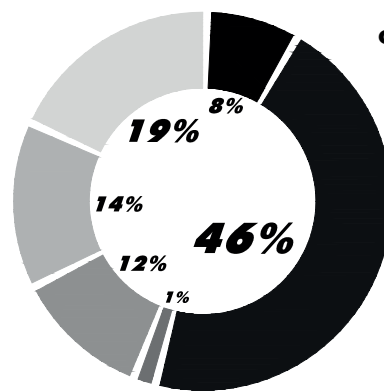
The local economy in Greece's coal regions has a relatively high reliance on industry – with the exception of Arcadia, where the sectoral contribution to the GVA is more evenly divided. However, almost half of the GVA created in Kozani comes from industry. Similarly to Bulgaria, there is a low reliance on agriculture, while the public administration sector is important.

NUTS-2	Peloponnese		Western Macedonia			
NUTS-3	Arcadia		Florina		Kozani	
type	lignite					
mining employees	636		4283			
power plants	Megalopoli A	Megalopoli B	Melitis	Amintaio	Agios Dimitrios	Kardia
MW	300	300	330	600	1595	650
power plant employees	250		200	255	552	388



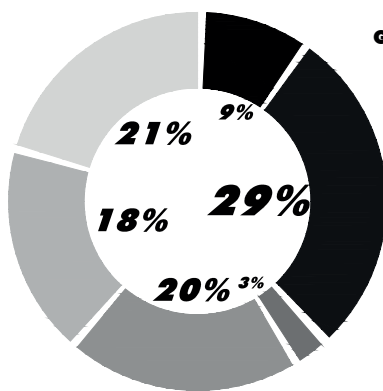
**FLORINA, GREECE
GVA/SECTOR IN 2017**

AGRICULTURE, FORESTRY AND FISHING (11%)
INDUSTRY (EXCEPT CONSTRUCTION) (40%)
CONSTRUCTION (8%)
TRADE, TRANSPORT, SERVICES, COMMUNICATIONS (10%)
FINANCIAL AND REAL ESTATE ETC. (10%)
PUBLIC ADMINISTRATION ETC. (21%)



**KOZANI, GREECE
GVA/SECTOR IN 2017**

AGRICULTURE, FORESTRY AND FISHING (8%)
INDUSTRY (EXCEPT CONSTRUCTION) (46%)
CONSTRUCTION (1%)
TRADE, TRANSPORT, SERVICES, COMMUNICATIONS (12%)
FINANCIAL AND REAL ESTATE ETC. (14%)
PUBLIC ADMINISTRATION ETC. (19%)



**ARCADIA, GREECE
GVA/SECTOR IN 2017**

AGRICULTURE, FORESTRY AND FISHING (9%)
INDUSTRY (EXCEPT CONSTRUCTION) (29%)
CONSTRUCTION (3%)
TRADE, TRANSPORT, SERVICES, COMMUNICATIONS (20%)
FINANCIAL AND REAL ESTATE ETC. (18%)
PUBLIC ADMINISTRATION ETC. (21%)

The median age in Greece's coal regions is higher than the national average, as is the case in Bulgaria and Romania, but there is no significant gap between regions. The number of people at risk of poverty however was much higher in Western Macedonia than the national average in 2019, amounting to a staggering 26.7%. Greece also has the highest levels of unemployment in the EU, which has decreased in recent years but stayed the same or even increased in coal regions. The numbers from both Florina and Kozani are staggering – almost one in three people is unemployed.

	U.M	Greece	Peloponnese	Arcadia	Western Macedonia	Florina	Kozani
Median age 2015	years	43.4	45.7	46	45.4	43.5	45.5
Median age 2019		44.9	47.2	47.6	47.4	45.3	47.6
People at risk of poverty 2015	%	35.7					
People at risk of poverty 2018		31.8	31.4		36.7		
Unemployment 2014		26.4	23.3	19.9	27.6	24.2	29.9
Unemployment 2018		17.3	12	19.8	24.5	29.6	28.2

According to a WWF study¹⁰, 2.200 workers are at risk of becoming unemployed as a result of the coal phase-out. The main challenge is the period 2020-2023, as the investments won't - most likely - be initiated until 2023 and the closure of lignite power plants will continue regardless of this. Without an adequate safety net, another 6,000 jobs are in danger (cascade effect) only in W. Macedonia. The role of PPC is critical as the main land-owner, with good growth potential for the regions if engaged. Kozani and Ptolemaida (Eordea) will be more affected (in terms of local jobs and income) due to the coal phase out. A targeted reskilling of the workforce is needed, in sectors with specific characteristics and local added value such as: decommissioning of lignite power plants, circular economy, renewables, energy efficiency, rehabilitation of polluted soil. Different characteristics means different strategies that need to be applied in the 2 regions.

¹⁰ https://www.wwf.gr/ta_nea_mas/?uNewsID=1086316

STAKEHOLDER ANALYSIS

All coal power plants in Greece are owned by the Public Power Corporation (PPC), whose majority stakeholder (51%) is the Greek state. The public sector therefore has a crucial role in deciding a coal phase out. PPC also presented its new business plan, which contains a detailed retirement timetable, consistent with the government's decision to phase out lignite.

In September 2019 at the UN Climate Action Summit in New York, prime minister Kyriakos Mitsotakis announced that Greece will shut down all its existing lignite power plants by 2023, except from one, that is currently under construction (Ptolemaida V) and will operate as a lignite plant until 2028. There is a question about its future, since there is no decision publicly known yet, but fossil gas and waste incineration have been announced as potential solutions. The statement, which would make Greece the first lignite producing country in the EU to phase out lignite and replicating similar messages from Hungary and Slovakia in the same period, signified a turning point for coal in Central and Eastern Europe, but it also made waves on the grassroots. Not all actors welcomed the news – particularly the two main lignite trade unions expressed clear opposition to this idea.



When it comes to planning the just transition, Greece has been a pioneer. The country already proposed a national Just Transition Fund which is financed from ETS revenue. So far almost 60 million euros have been dedicated to the 3 lignite mining regional units in Greece using ETS

revenue from 2018 and 2019. However, a decision to continue this line of funding for 2020 and, more importantly, for the 4th ETS period 2021-2030, has not been made so far. Considering that a significant part of ETS revenue throughout the EU was not spent on climate measures, the Greek approach shows that relevant actors with decision-making power for public revenue understand the urgency to act and support the transition.

Western Macedonia has been one of the first pilot regions selected to be part of the Platform for Coal Regions in Transition, when the initiative was launched in December 2017. At the local level, stakeholders from the public, private and non-governmental sector collaborated so well that they convinced actors in Brussels to include Western Macedonia in this process from the very beginning. The Forum of Mayors, which is now a coalition of 62 municipalities from across the EU, was also designed in the region, at the initiative of the former mayor of Kozani. But awareness of the need for a transition is not unique to this region - Peloponnese successfully applied for the Platform's START technical assistance program and in the next period it is likely that a coalition of supporters will be formalized.

Moreover, in October 2020 the Greek government submitted for public consultation a Just Transition Development Plan for its two lignite regions which contains investments in large PV parks, and energy storage infrastructure (small and large scale batteries, green hydrogen storage), as well as sustainable agriculture and other sustainable activities¹¹. However, the plan was developed following a top-down approach; does not contain a governance mechanism; does not promote SMEs nor does it maximize the benefits for local communities via, for example, energy communities; lacks in details regarding the key investments and does not clarify how the investments and the funds will be distributed at the NUTS3 level of Territorial Just Transition Plans, required by the new Just Transition Fund Regulation. A more detailed analysis on the challenges of Just Transition in Greece can be found in the Green Tank's recent report¹².

¹¹ https://www.sdsm.gr/sites/default/files/consultation/Master_Plan_Public_Consultation_ENG.pdf

¹² https://thegreentank.gr/wpcontent/uploads/2020/09/202007_The_GreenTank_JustTransitionReport_EN.pdf

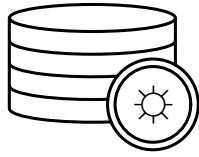
DATA SOURCES

The information on the three countries in this chapter was collected from the sources below, using the most recent available data (2017 – 2020). We also graciously acknowledge the support of CSD Bulgaria and FACETS Greece with the initial stakeholder analysis for their respective countries, as well as with specific information (particularly the number of employees in the coal industry). The final version of this chapter was checked and improved by Nikos Mantzaris from the Green Tank and Dimitris Tsekeris from WWF (Greece) and Desislava Mikova from Greenpeace and Todor Todorov from Za Zemiata (Bulgaria).

- **National Statistics Institutes:**
<https://www.statistics.gr/>, <https://www.nsi.bg/>
 and <https://insse.ro/>
- **Eurostat:** <https://appsso.eurostat.ec.europa.eu>
 (GDP, GVA, Median age, People at risk of poverty)
- **Euracoal country profiles:**
<https://euracoal.eu/info/country-profiles/greece/>
 and <https://euracoal.eu/info/country-profiles/bulgaria/>
- **Oltenia Energy Complex Redundancy Plan, 2018**
- **Hunedoara Energy Complex Administrator's Report, 2018:**
<http://www.cenhd.ro/images/File/Situatii%20financiare/2018/Raportul%20administratorilor%20-%202018.pdf>
- **Hunedoara Energy Complex Annual Environment Report, 2017:**
<http://apmhd.anpm.ro/documents/21661/40975642/RAM+CEH+-+PAROSEN+2017.pdf/3ecc7b30-411f-4ebc-9c54-e11935b96170>
- **Bankwatch, The Great Coal Jobs Fraud, 2018:**
<https://bankwatch.org/wpcontent/uploads/2018/06/Jobs-study-june-2018-update-ENG-CEE-Bankwatch.pdf>
- **WWF Bulgaria, Just Transition for the coal-mining regions in southwest Bulgaria, 2019:**
<https://regionsbeyondcoal.eu/wwf-bulgaria-just-transition-for-the-coal-mining-regions-insouthwest-bulgaria/>
- **Bulgaria Energy Holding, Presentation at the Initiative for Coal Regions in Transitions, November 2020:**

https://ec.europa.eu/energy/sites/ener/files/documents/16_november_-_current_outlook_of_the_coal_regions_in_transition_initiative.pdf

- **Europe Beyond Coal database:**
<https://beyond-coal.eu/database/>
- **European Commission's Joint Research Centre, EU coal regions: opportunities and challenges ahead, 2018:**
<http://publications.jrc.ec.europa.eu/repository/bitstream/JRC112593/kjna29292enn.pdf>



Available and potential funding

In the section below we present a summary of the funding available to support the transition in the three countries. Where the data is available, the amount available per country is also presented at the end of each section. However, we did not aim to make a total estimate per country not only because the country-level data is missing in some cases, but also because some of the funds can still change. Primarily, this is because the Multiannual Financial Framework of the European Union is still not finalized, but also because countries are still deciding on the measures they will take to tackle the health crisis. Finally, the amount indicated does not necessarily mean that the entire sum will be spent in coal regions – this depends on the political decision of national and regional governments, on the projects that are proposed and their eligibility for different funds.

FUNDING FROM THE NEW EU BUDGET

COHESION POLICY

Cohesion Policy represents EU's main investment framework which is dedicated to minimising the differences in development between regions and aims for economic growth through job creation and business competitiveness, sustainable development and an overall improvement of the quality of life across Europe's regions. Under the next Multiannual Financial Framework Cohesion Policy's priority investments will be channelled through five main policy objectives¹³:

- **PO1. a smarter Europe by promoting innovative and smart economic transformation;**

- **PO2. a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management;**
- **PO3. a more connected Europe by enhancing mobility and regional ICT connectivity;**
- **PO4. a more social Europe implementing the European Pillar of Social Rights;**
- **PO5. a Europe closer to citizens by fostering the sustainable and integrated development of urban, rural and coastal areas and local initiatives.**

The main investment funds under the Cohesion Policy are the European Regional Development Fund, the Cohesion Fund and the European Social Fund, amounting to a total envelope of EUR 373¹⁴ billion for the 2021-2027 financing period.

According to the Common Provisions Regulation, the Cohesion Policy allocations¹⁵ for Romania, Bulgaria and Greece are the following:

- **Romania – EUR 30.7 billion**
- **Bulgaria – EUR 10 billion**
- **Greece – EUR 21.6 billion**

European Regional Development Fund (ERDF)

The European Regional Development Fund supports investments which deliver on Cohesion Policy's objectives in terms of smart growth and green economy, connectivity, social issues and local development.

¹³ Article 4 <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0375&from=EN>

¹⁴ European Commission, Multiannual Financial Framework, Annex 2, May 2018 https://ec.europa.eu/commission/presscorner/detail/en/IP_18_3570
¹⁵ In current prices; ANNEX XXII
<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0375&from=EN>

The total financial envelope of the fund amounts to EUR 196 billion, of which 30 per cent will be allocated to investments under the Policy Objective 2 “a greener, low-carbon Europe by promoting clean and fair energy transition, green and blue investment, the circular economy, climate adaptation and risk prevention and management”¹⁶.

Under the new MFF proposal, 6 per cent of ERDF financial resources will go to investments in the area of sustainable urban development and community-led development as mentioned under Policy Objective 5.

Cohesion Fund (CF)

The Cohesion Fund will continue to finance investments in the fields of transport, energy and environment, having for the 2021-2027 period a total financial capacity of EUR 40 billion. This amount will be allocated to investments under Policy Objective 2 and to a lesser extent to projects under Policy Objective 3 which promotes mobility and regional ICT connectivity. A share of 37 per cent or EUR 14.2 billion of the financing will mainly be distributed to projects that contribute to the climate objectives.

Given its objective to support a clean and fair energy transition and the fact that the European Commission’s Proposal stated the exclusion of fossil fuel investments from the scope of the funds, Cohesion Policy can be used to lever the transition to a green, carbon free system. In order to effectively use the transformational potential of these European funds, the Just Transition Territorial Plans need to explicitly state how these financial opportunities will support the needs identified in the regions.

European Social Fund (ESF+)

The European Social Fund is the main financial instrument that supports job creation, tackles unemployment, poverty and exclusion and focuses on “facilitating workers adaptation to industrial changes and to changes in production systems, in particular through vocational training and retraining”¹⁷ having a total financial allocation of EUR 86 billion for the next financial period.

¹⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0372&from=EN>

¹⁷ Article 146

<https://eur-lex.europa.eu/legalcontent/EN/TXT/PDF/?uri=CELEX:12002E/TXT&from=EN#page=97>

¹⁸ https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_3974

The financial resources of this fund can be used by regions that need to transition away from high carbon industries to put in place reskilling programmes for workers affected by changes in the labour market. These reskilling programmes need to be coherent with the just transition territorial plans so that they can deliver on the specific needs of the region.

COMMON AGRICULTURAL POLICY¹⁸

European Agricultural Guarantee Fund (EAGF)

The European Agricultural Guarantee Fund is one of the two main funds that finance the Common Agricultural Policy and it provides direct payments to farmers and measures to regulate the agricultural markets¹⁹. From the overall budget of the CAP which amounts to almost EUR 365 billion, the EAGF has a total envelope of approx. EUR 286 billion, of which EUR 20 billion are allocated to finance the market support measures.

European Agricultural Fund for Rural Development (EAFRD)

European Union’s rural development policy is financed through the European Agricultural Fund for Rural Development, the second pillar of the Common Agricultural Policy. The EAFRD has an overall budget of EUR 78 billion for the 2021-2027 period, with 30 per cent of the budget being dedicated to deliver on environmental and climate objectives, more specifically on climate change mitigation and adaptation and sustainable energy, sustainable development and efficient management of natural resources and on protecting biodiversity, preserving habitats and landscape.²⁰

The overall budget of the CAP represents almost a third of the total EU budget for 2021-2027 and through EAGF and EAFRD it can highly contribute to the social dimension of just transition by supporting the young farmers and facilitating business development as well as by promoting employment opportunities, social inclusion and local sustainable development.²¹

The allocations for Romania, Bulgaria and Greece for EAGF and EAFRD are the following²²:

¹⁹ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0393&from=en>

²⁰ https://www.fi-compass.eu/sites/default/files/publications/EAFRD_Sofia_JosefineLorizHoffmann_0.pdf

²¹ Article 6

<https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0392&from=EN>

²² https://ec.europa.eu/commission/presscorner/detail/en/MEMO_18_3974

EUR billion	EAGF	EAFRD
Romania	13.3	6.7
Bulgaria	5.5	1.9
Greece	14.2	3.5

* in current prices

CONNECTING EUROPE FACILITY (CEF)

Connecting Europe Facility is a financing instrument dedicated to the development of infrastructure networks in specific sectors such as transport, telecommunications and energy. The proposed budget for CEF in the next MFF amounts to approximately EUR 42 billion and 60 per cent of its envelope will be dedicated to climate objectives²³. In the energy sector, CEF will focus on developing the trans-European energy networks, on achieving the long term climate and energy objectives by integrating renewable energy in a cost-effective manner through cross-border projects and on the security of supply through smart and digitalised infrastructure. In spite of an increased focus on climate objectives, CEF will continue to support to a high extent fossil fuel based infrastructure projects through its Projects of Common Interest List, which means that a considerable share of financial resources will be steered away from the decarbonisation process needed to achieve the long term objective of climate neutrality.²⁴

HORIZON EUROPE

The European Union's research and innovation sector will be financially supported through the Horizon EU dedicated programme. The proposed budgetary implications of this programme amount to EUR 100 billion for the 2021-2027 period. The programme aims at strengthening EU's science and technology sectors, boosting the industrial competitiveness and innovation and delivering on the long term climate and energy objectives.^{25,26}

As regards the just transition dimension, the funding opportunities available through this programme can be used in creating research and innovation clusters in regions affected by the transition away from a carbon intensive industry which will subsequently translate in new jobs and possible solutions for decarbonising the economy.

²⁴ <https://www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/012220-europeanparliament-energy-panel-rejects-objection-to-pci-list>
²⁵ [https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628254/EP_RS_BRI\(2018\)628254_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/628254/EP_RS_BRI(2018)628254_EN.pdf)
²⁶ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0435&from=EN>

INVEST EU

Invest EU is the new programme under the 2021-2027 long term budget which will boost private and public investments and it will consist of the Invest EU Fund, the Invest EU Advisory Hub and the Invest EU Portal.

The Invest EU Fund, designed to integrate a variety of EU financial instruments in a single structure, has a proposed financial allocation of EUR 15.2 billion which is supposed to trigger more than EUR 650 billion in additional investment. It will focus on innovation and digitisation, on sustainable infrastructure investment in sectors such as transport, energy, waste, deployment of innovative technologies that support the environmental and social sustainability objectives, supporting also the social sector through investments in skills, education and training related services, social infrastructure, inclusion and health and SMEs through a better access to finance²⁷.

JUST TRANSITION FUND

The Just Transition Fund was proposed informally shortly after the Platform for Coal Regions in Transition was launched, as an instrument which would be directly connected to the discussions taking place periodically in Brussels. It became more concrete in November 2018, in the shape of a European Parliament-backed proposal to create in the next Multiannual Financial Framework (MFF) the 4.8 billion EUR Energy Transformation Fund²⁸.

On 14 January 2020, the European Commission proposed the establishment of a Just Transition Fund as part of the European Green Deal. The purpose of this new fund is to aid the regions most affected by the energy transition in order to diversify their economies. As part of the European Commission's measures to address the coronavirus pandemic, an increase of the JTF budget to EUR 40 billion was proposed on 28 May 2020. However, the European Council reduced the total budget to EUR 17.5 billion in July²⁹, and this figure remains the working assumption as the proposal goes into trilogue negotiations in November, with the goal to finalize the file before the end of the year. The Fund is one of the three pillars of the Just Transition Mechanism, which

²⁷ Article 7, <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52018PC0439&from=EN>
²⁸ <https://www.euractiv.com/section/energy/news/eus-just-transition-fund-gesture-muddies-budget-waters/>
²⁹ <https://www.consilium.europa.eu/media/45109/210720-euco-final-conclusions-en.pdf>

also includes a public sector loan facility created by the EIB and specific support through InvestEU³⁰. The three pillars of the Mechanism combined are supposed to reach at least EUR 150 billion.

A condition to access this fund is the creation of territorial just transition plans (JTTPs). According to the Fund's proposal, the purpose of these plans will be to 'provid[e] an outline of the transition process until 2030, consistent with the National Energy and Climate Plans and the transition to a climate neutral economy and identify subsequently the most impacted territories that should be supported'.

In order to support the countries in the development of these plans, at the end of February the Commission opened a call for technical assistance through the Structural Reform Support Programme (SRSP). All 18 Member States that applied were approved in May to receive help for the development of their JTTPs³¹. While consultants were selected over the summer, in most countries it remains unclear how the plans will be developed.

Another important element of this new Fund is the Just Transition Platform. According to the proposal, its role will be 'to enable bilateral and multilateral exchanges of experience on lessons learnt and best practices across all affected sectors building on the existing platform for coal regions in transition'. This Platform was launched on 29 June 2020 and towards the end of the year it will host a projects and experts database, while also providing a forum for dialogue and a web-based single access point.

The JTF is still being amended and the legislative process is expected to continue until the end of the year. According to the most recent allocation, Bulgaria will receive EUR 1178 million, Greece EUR 755 million, and Romania EUR 1947 million³².

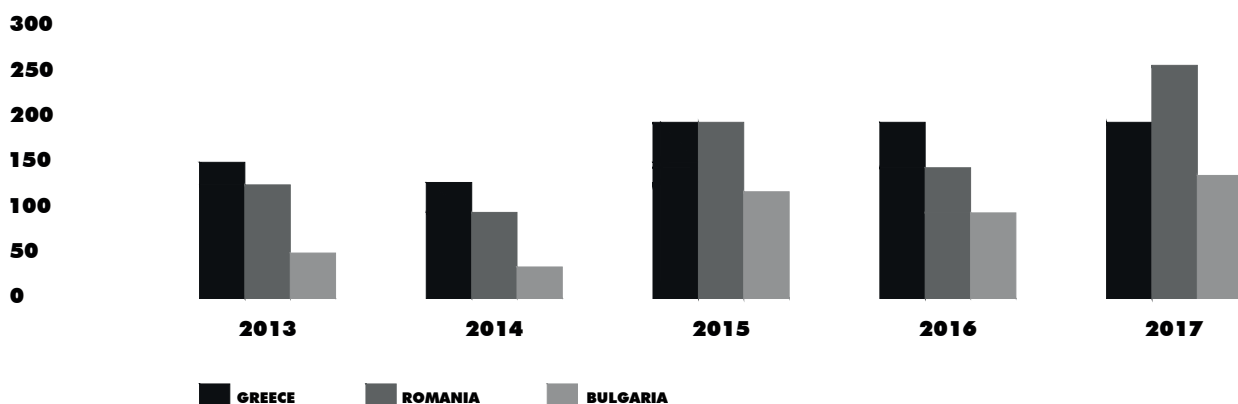
EU EMISSION TRADING SYSTEM

The European Union Emission Trading System (ETS) is the biggest carbon market in the world, functioning on the 'cap and trade' principle: there is a limit for the yearly number of emissions allowed for the installations included in the system, which is reduced over time. Companies acquire allowances on an auction platform, and every year they must surrender enough allowances to cover all their emissions.

Otherwise, significant fines (100 EUR/ un-surrendered allowance) are imposed. Allowances which were not used can either be kept for future needs or traded to other companies. There are over 11 000 installations included in the system, which covers approximately 45% of the greenhouse gas emissions of the EU.

For the fourth phase of the ETS (2021 – 2030), 90% of the revenue from the auctioning of allowances is distributed to the member states in accordance to their share of emissions, while the remaining 10% is allocated to the least wealthy countries, including the three countries analysed in this report, through the Solidarity Provision³³.

In the third phase of the ETS (2013-2020), countries had complete discretion over how they use ETS auction revenues, yet on average they used over 80% for climate-related purposes. For the next phase, at least 50% has to be used for climate and energy related purposes.

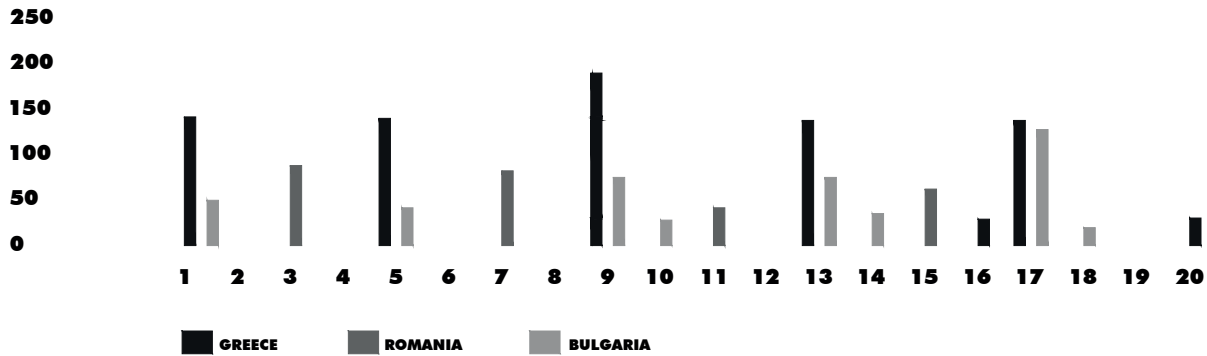


³⁰ https://ec.europa.eu/regional_policy/en/newsroom/news/2020/01/14-01-2020-financing-the-green-transition-the-european-green-deal-investment-plan-and-just-transition-mechanism

³¹ https://ec.europa.eu/regional_policy/en/newsroom/news/2020/05/05-07-2020-commission-supports-member-states-in-their-transition-to-a-climate-neutral-economy

³² https://ec.europa.eu/info/sites/info/files/about_the_european_commission/eu_budget/just_transition_fund_allocations_05.11_v2_0.pdf

³³ https://ec.europa.eu/clima/policies/ets/auctioning_en



* TOTAL ETS revenues and the use of auctioning revenues, mil. EUR
Source: <http://www.maximiser.eu/ets-tool>

Much of this revenue can be used to support a just transition, and the revision of the directive explicitly states this: “Member States should also use auction revenues to contribute to a just transition to a low-carbon economy by promoting skill formation and reallocation of labour in social dialogue with the communities and regions affected by the transition of jobs.”³⁴

Country	% increase of allowances to be auctioned	Estimated amount of additional allowances (millions)	Estimated value in millions (30 EUR/EUA)
Bulgaria	53%	69.93	2097.9
Greece	17%	40.83	1224.9
Romania	53%	124.24	3727.2

As a result of the Solidarity Provision, the three countries will receive more allowances for auctioning, as it can be seen in the table above³⁵. Allowances can be moved to Article 10C Derogation only if an equal or greater amount is also moved to the Modernisation Fund.

ARTICLE 10C DEROGATION

The Article 10C Derogation is designed for the ‘modernisation, diversification and sustainable transformation of the energy sector’. For this purpose, power plant operators from EU’s poorest

member states (Romania and Bulgaria included) can apply for a free allocation of allowances, which will be used to support the financing of projects. Projects over 12.5m EUR will be selected through a competitive bidding process, while those under 12.5m EUR can be selected directly by the Member States based on ‘objective and transparent criteria’. For the bigger financing, the Directive limits in 10c(2b) the projects which can be financed to those which ensure ‘the necessary restructuring, environmental upgrading and retrofitting of the infrastructure, clean technologies, such as renewable energy technologies’. Therefore, although it is not possible to directly support a just transition in coal regions through this instrument, some projects from Article 10C could have a beneficial effect, as long as they don’t lead to a prolongation of the status quo and are correlated to other measures addressing the topic directly³⁶.

As mentioned above, the amount of free allowances (maximum 40% of the total to be auctioned by each member state) can be increased by transferring allowances from the Solidarity Provision with two conditions: (1) to transfer an equal number to the Modernisation Fund and (2) the amount of free allowances will not be more than 60% of the total to be auctioned by each member state. The table below shows how many allowances Bulgaria and Romania could allocate for Article 10C³⁷.

Country	Amount of projected emissions in power sector 2021-2030 (mton CO ₂)	Base Scenario (40%) - millions of allowances over Phase 4	Estimated value in millions (30 EUR/EUA)	Maximum Scenario (60%) - millions of allowances over Phase 4	Estimated value in millions (30 EUR/EUA)
Bulgaria	204.67	52.89	1586.7	79.34	2380.2
Romania	201.90	93.97	2819.1	140.96	4228.8

³⁴ Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814

³⁵ Based on Funding Mechanisms in the fourth phase of the EU ETS, Andrei Marcu et al., ICTSD / ERCST / CEEP, September 2018, p. 4. <https://ercst.org/publication-funds/>

³⁶ How to optimise EU ETS transition funds?, Dave Jones et al., Sandbag, June 2019, p. 3, <https://sandbag.org.uk/wp-content/uploads/2019/06/Optimising-EUETS-transition-funds.pdf>

³⁷ Based on Funding Mechanisms in the fourth phase of the EU ETS, Andrei Marcu et al., ICTSD / ERCST / CEEP, September 2018, p. 9. <https://ercst.org/publication-funds/>

MODERNISATION FUND

The Modernisation Fund is an instrument set up through the revision of the ETS Directive, which will support investments in small-scale energy projects, energy efficiency, and the modernisation of energy systems in the member states with a GDP per capita smaller than 60% of the EU average. The fund will be financed through the auction of up to 2% of the total EU ETS allowances (EUAs), approximately 310 million, or 6.2 billion EUR in the already unlikely scenario of an EUA price of 20 EUR, or 9.3 billion EUR if the average price of EUAs for the period will be 30 EUR.

Each member state has a fixed allocation: Romania has 11.98% and Bulgaria 5.84%. However, it can be increased: eligible member states can transfer their allocated allowances from the Solidarity Provision to the Art.10c derogation and to the Modernisation Fund, provided that the transfers to the former cannot be higher than the latter.

The member states will propose projects to the European Investment Bank (EIB) and an 'investment committee' made up of member states, the EIB and the European Commission, which will then be evaluated and placed into:

- **Area 1 – projects which support just transition, energy efficiency (excluding solid fossil fuels), renewables, storage and interconnections. Up to 100% of the investment cost can be financed; or**
- **Area 2 – projects that are consistent with the European Union 2030 climate and energy policy framework. It is mentioned explicitly that support cannot be given to projects involving solid fossil fuels, with the exception of Romania and Bulgaria for district heating.**

Country	% of Modernisation Fund	Base Scenario (2%) - millions of allowances	Estimated value in millions (30 EUR/EUA)	Maximum Scenario (2,5%) - millions of allowances	Estimated value in millions (30 EUR/EUA)
Bulgaria	204.67	52.89	1586.7	79.34	2380.2
Romania	201.90	93.97	2819.1	140.96	4228.8

INNOVATION FUND

The Innovation Fund is the second instrument introduced by the revision of the ETS Directive, planned to support innovation in low-carbon technologies and industrial processes. The fund can be used to finance up to 60% of a project's costs and its resources will come through the auction of up to 450 million allowances or 13.5 billion EUR at 30 EUR/EUA. The most important difference from the previous two instruments is that the Innovation Fund can be used to support projects from all member states. Among the themes that are supported there are some which can play an important role in the just transition, such as low carbon technologies and processes in sectors covered by the ETS, products substituting carbon intensive products of sectors covered by the ETS or innovative renewable energy and energy storage technologies.

EIB AND EBRD

As part of the Just Transition Mechanism, the European Investment Bank will be implementing, in partnership with the European Commission, a new loan facility that will be part of the newly created Just Transition Mechanism. The facility will mobilise EUR 1.5 billion in grants provided by the EU budget and up to EUR 10 billion in loans representing EIB's own financial resources³⁸. The areas most affected by the transition away from high carbon economies will be supported through this financial instrument and it will focus on investment areas related to energy and transport infrastructure, district heating networks, public transport, energy efficiency measures and social infrastructure.

As part of its revised strategy which was approved in November 2019, EIB will also provide financing for

³⁸ https://ec.europa.eu/commission/presscorner/detail/en/ip_20_930

decarbonising energy supply by supporting the market integration of renewable energy projects, battery storage and small-scale decentralised energy sources. The bank will also focus on providing support for economic development and job creation, especially in regions transitioning away from fossil fuels and it will continue its investments in energy efficiency. The major change in EIB's lending policy is that starting with 2022 the bank will no longer support coal, oil and natural gas based projects³⁹.

The European Bank for Reconstruction and Development has adopted in 2015 a new strategy promoting a green economy transition by increasing the level of green investments in its portfolio. The overall objective of this green approach is to increase the financing of projects that will accelerate the transition to an environmentally sustainable and low-carbon economy⁴⁰. These green investments are targeted in the sectors of energy efficiency, renewable energy, resource efficiency, climate change adaptation, reducing pollution and protecting natural assets⁴¹.

When it comes to specific country strategies for investments, EBRD integrated in its country strategy for Romania⁴² a specific objective to support decarbonisation and transition from coal, focusing its financing on renewable and climate resilience projects or other policies or activities under the European Green Deal. In addition, it will provide financial support for improving workforce skills and access to skills development.

The EBRD's country strategy for Bulgaria⁴³ establishes as priorities investments in improving employability and skills, focusing on raising the quality of training, up-skilling and life-long learning opportunities for communities in underserved areas and the workforce affected by the decarbonisation process. The investments will also support decarbonisation, electrification and renewable energy production and integration, promoting as well resource efficiency, emissions reduction and sustainable municipal investments.

For Greece, EBRD's investment mandate has been extended until 2025⁴⁴ as it ran temporarily until 2020 and until there is an upgraded country strategy in place, the investments will follow the objectives established in the 2016 strategy. Specifically, the priorities for investments will

focus on the revival of economic growth, energy efficiency measures, skills transfer and training, as well as on supporting the market reforms in the energy sector and simplifying the access to finance for the private sector⁴⁵.

The EBRD's total annual investments between 2015 and 2019 are EUR 2.836 billion in Greece, EUR 1.066 billion in Bulgaria, and EUR 1.822 billion in Romania⁴⁶.

EEA AND NORWAY GRANTS

The EEA and Norway Grants represent the financial contribution of Iceland, Liechtenstein and Norway to increasing social and economic equality in the European Economic Area and strengthening the relations with beneficiary countries in Central and Southern Europe. The EEA grants funding available for the period 2014-2021 amounts to EUR 1.5 billion, of which EUR 275.2 million are allocated to Romania, EUR 115 million to Bulgaria and EUR 116.7 million to Greece. From Norway Grants' total budget of EUR 1.3 billion for 2014-2021, Romania has allocated a share of available funding amounting to EUR 227.3 million and Bulgaria a share totalling EUR 95.1 million, while Greece is not between the beneficiaries⁴⁷.

As regards the energy sector, the Grants support various activities that contribute to a less carbon intensive energy use and increased security of supply by funding energy efficiency, renewable energy and energy storage projects. They also support reduction of greenhouse gas emissions in industry and measures for a circular and resource-efficient economy⁴⁸. In terms of social intervention, the Grants support projects dedicated to increasing youth employment by strengthening skilling programmes and exploring new solutions for job creation.⁴⁹

COVID RESPONSES

As a response to the current crisis generated by the COVID-19 pandemic, the European Commission has come up with a Recovery Plan⁵⁰ and a consolidated Multiannual Financial Framework for 2021- 2027 period. The main financial instrument of the Recovery Plan is Next

³⁹ https://www.eib.org/attachments/strategies/eib_energy_lending_policy_en.pdf

⁴⁰ <https://www.ebrd.com/what-we-do/get.html>

⁴¹ <https://ec.europa.eu/environment/archives/greenweek2016/uploads/additional-assets/green-economytransition-brochure.pdf>

⁴² <https://www.ebrd.com/strategy-and-policy-coordination/strategy-for-romania.pdf>

⁴³ <https://www.ebrd.com/strategy-and-policy-coordination/strategy-for-bulgaria.pdf>

⁴⁴ <https://www.ebrd.com/news/2018/ebrd-extends-its-mandate-in-greece.html>

⁴⁵ <http://www.ebrd.com/documents/strategy-and-policy-coordination/greece-country-strategy.pdf>

⁴⁶ <https://www.ebrd.com/greece-data.html>, <https://www.ebrd.com/bulgaria-data.html>, <https://www.ebrd.com/where-we-are/romania/data.html>

⁴⁷ <https://eeagrants.org/about-us>

⁴⁸ <https://eeagrants.org/topics-programmes/environment-energy-climate-change-and-low-carboneconomy/energy>

⁴⁹ <https://eeagrants.org/topics-programmes/social-inclusion-youth-employment-and-povertyreduction/youth-participation>

Generation EU mechanism which will mobilise an additional budget of EUR 750 billion for economic recovery measures. This mechanism is composed of:

- **A EUR 560 billion financing facility for economic recovery, supporting investments and reforms needed for a green and digital transition and for a more resilient economy. To access these funds, Member States will have to come up with concrete economic recovery plans setting the investment priorities at national level;**
- **REACT-EU, a new financial facility which provides an additional envelope of EUR 55 billion that will support Cohesion Policy's programs. This instrument will be available until 2022 and it supplements Cohesion Policy's budget.**
- **Additional funding of up to EUR 40 billion for the Just Transition Fund that will help Member States in the transition to climate neutrality;**
- **Additional funding of EUR 15 billion for the European Agricultural Fund for Rural Development;**

The measures developed under the Recovery Plan are based on the provisions of the European Green Deal and aim to accelerate investment in the renovation of public and private buildings, the development of the renewables sector, mobility and the circular economy. These strategic investments will be supported by a new EUR 15 billion built-in financing facility under the Invest EU program.

In Romania, concrete measures for economic recovery are delayed, although the main sectors that will concentrate most investments have been identified: transport, energy, health, communications, education and agriculture. Accelerating public investment is one of the recommendations made by the European Commission in response to the crisis caused by COVID-19⁵¹ and to support a sustainable economic recovery. According to the recommendations, Romania should prioritize public investments for the ecological and digital transition, with a focus on sustainable transport, digital infrastructure, production and use of energy from renewable sources, energy efficiency measures and environmental infrastructure.

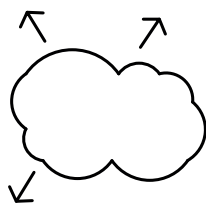
Equally important are investments in conversion projects for mono-industrial and high carbon regions. For Bulgaria⁵², the EC's recommendations follow the same line and need to concentrate more on clean and efficient production and use of energy and resources, while for Greece⁵³ the investment focus should also be on safe and sustainable transport, high capacity digital infrastructure and skills.

⁵⁰ https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response/recovery-plan-europe_en

⁵¹ <https://cdn.g4media.ro/wp-content/uploads/2020/05/Recomandari-Comisia-Europeana-Semestrul-European-20-mai-2020.pdf>

⁵² <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0502&from=EN>

⁵³ <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52020DC0508&from=EN>



Recommendations

D

DEDICATED STRATEGIES

If the transition will be done in time to avert the catastrophic effects of climate change, it will require radical changes in coal regions. These changes do not have to be painful – a just transition is one where quality jobs are created to replace the existing ones, where all actors are involved in order to make sure that none are left behind, where the environment is restored as much as possible, where the local culture continues to thrive, and where longstanding social ills are addressed. It is impossible to achieve such complex goals without a good plan behind them. Fortunately, it seems that most coal regions will be preparing strategies. A condition to access the Just Transition Fund is to prepare a Territorial Just Transition Plan, which must include an outline of the expected process, development needs and objectives by 2030 in view of reaching climate neutrality or monitoring and evaluation objectives. The minimum requirements for TJTPs are listed in annex 2 to the original Commission proposal, but that structure does not guarantee that they will produce the desired results. They should also include an yearly estimate of installed capacity in the region by type and of tonnes of coal mined, an assessment of existing social issues in the region or concrete participation provisions and a timeline for the participation procedure⁵⁴.

INTEGRATION

But not all strategies are good by definition. There are many elements needed for them to be effective, such as development in a participatory manner, allocating the necessary funds and creating the institutions needed for their implementation. But perhaps the most important element a good strategy will have is a complete understanding of all the challenges ahead, as well as the different aspects of the solutions to them. Integration is therefore key – strategies cannot only focus on infrastructure, or job creation, or solving social issues. Especially in central and eastern Europe, such plans for the redevelopment of coal regions were prepared in the past, but their effectiveness was limited in part because they did not try to cover all needed aspects.

An overused example is the reskilling of former miners in Jiu Valley, Romania, who were offered training to become hairdressers or cooks, but very few jobs existed for these skills in the region, and nobody planned to create them. As a result, many migrated and the economic decline of Jiu Valley continued. A good strategy will therefore be integrated – it will take into account the potential for creating new jobs, the reskilling and education needed to prepare the workforce, the infrastructure that needs to be modernized or created for these businesses to thrive, and the connected businesses that must exist in the region.

⁵⁴ Territorial Just Transition Plan Checklist – Bankwatch briefing, July 2020.

INSTITUTIONS

Even a perfect strategy cannot be successful if it isn't properly implemented. But given the complexity of the transition and the long term commitments it requires, there is a risk that without a dedicated body it will not be thoroughly implemented. The creation of new institutions will not be necessary in all cases – many countries already have effective regional public administration bodies in place. But they will need to dedicate staff to manage the transition, and they should be empowered in order to be able to ensure a balance of power between different actors.

In other cases, using existing institutions will not be possible because of the way they are designed. The transition affects everybody, and participation in decision making and implementation is crucial – therefore heavily centralized, opaque bodies will not be suitable.

SUSTAINABLE CHOICES

Finally, all actors should bear in mind throughout the implementation that all choices they are making must be sustainable. The exclusion of any use of public funds to support fossil fuel projects is obvious, but it should be expanded to all high carbon activities. Given the EU's objective to become carbon neutral until 2050, any such activity will be reduced until then.

Instead of keeping coal artificially alive through subsidies, many countries are already spending those millions to reduce their dependence on coal, and will continue to do so in the following years. If investments won't actually lead to climate neutrality, but instead finance red herrings, that money is not spent to address the century's biggest problem, but to postpone it for a few years. A completely clean, non-polluting economy is not achievable this decade – but public resources are limited, and they should always go towards the most green technologies.

