



# **Just transition in 7 central and eastern European countries**

**What works and what does not**

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## Executive summary

Territorial Just Transition Plans (TJTTPs) are a precondition for European Union Member States to access the Just Transition Fund (JTF), which is one of the structures the EU has put in place to support the socio-economic transformation of EU regions relying on fossil fuels and carbon-intensive industries. Several central and eastern European (CEE) countries have developed – or are still in the process of developing – these plans. Given the multitude of actors involved, the complexity of choices, and the difficulty of the task ahead, the different just transition processes are not homogenous across Member States nor across regions within the same country.

The objective of this research is to assess what works and what does not in TJTP development, and why, to distil this information into lessons learned and key recommendations to further improve the quality of just transition processes in other European countries, and to promote best practices regarding the just transition process. Indeed, this assessment develops an in depth-analysis of the quality of just transition processes in seven CEE countries, namely Bulgaria, the Czech Republic, Estonia, Hungary, Poland, Romania and Slovakia. ‘Quality’ has been defined based on a series of **frameworks**, **criteria** and **indicators** developed for the purpose of this assessment.

To do this, a mixed qualitative-quantitative methodological approach was applied. This includes the review of a vast amount of literature, key informant interviews and a survey translated into seven languages. The **challenges** identified were as follows: lack of transparency; lack of access to good, up-to-date information; lack of capacity on the local/regional and possibly national levels; lack of political will; lack of political power; and divisions among civil society. The **success factors** identified were: starting early; persistence; using the media to build pressure; insisting on compliance with EU rules and regulations; picking your battles; networking; and amplifying/supporting local efforts.

This assessment is structured as follows: Section 1 consists of an overall introduction and the presentation of the methodology developed for this assessment; Section 2 presents the key findings (challenges and success factors for a just transition); and finally, Section 3 presents individual country case analyses for each of the seven CEE countries considered.

## 1. Introduction

In order to stand a chance at limiting global warming to 1.5°C above pre-industrial levels as the 2015 Paris Climate Agreement prescribes, it is necessary to comprehensively decarbonise existing productive systems. This goes beyond installing solar panels. Instead, a fundamental overhaul of the modus operandi of industrialised nations is required. While this harbours a multitude of opportunities for new industries to emerge, it threatens several others which currently depend either directly or indirectly on carbon-based processes. These include not just coal mining or drilling for oil and gas, but also all downstream industries as well as energy-intensive production processes.

In order to deliver on its promise to ‘not leave anyone behind’, the European Commission has set up the Just Transition Mechanism with the objective to support those regions which will be most affected by the structural impacts of a comprehensive and ambitious decarbonisation strategy. Phasing out coal means a reduction and eventual cessation of coal use. And this will, in Hillary Clinton’s words, ‘put a lot of coal miners... out of business’. Less well known is the rest of the quote:

But we’re going to make it clear that we don’t want to forget these people. Those people labored in those mines for generations, losing their health, often losing their lives to turn on our lights and power our factories. Now we’ve got to move away from coal and all the other fossil fuels, but I don’t want to move away from the people who did the best they could to produce energy that we relied on. (Roberts, 2017).

This, at its core, is what the Just Transition Mechanism sets out to do: ensure that those who depend on carbon-based jobs for their livelihoods are not abandoned. Just transition is a macro goal of the European Green Deal. Regulation (EU) 2021/1056 establishes the Just Transition Fund (JTF), and in paragraph 2 of its preamble recognises that not all regions and Member States ‘start their transition from the same point or have the same capacity to respond.’ Paragraph 5 of the preamble outlines the aims of the JTF as the mitigation of the adverse effects of the climate transition by supporting the most affected territories and workers concerned and promoting a balanced socio-economic transition. Article 2 of this regulation specifies that the JTF seeks to enable regions and people to address the social, employment, economic and environmental impacts of the transition towards the Union’s 2030 targets for energy and climate and the Union’s climate-neutral economy by 2050, based on the Paris Agreement.

Instead of awarding every Member State support for its transition, the Just Transition Fund sets out to provide targeted aid to those regions who are deemed the most affected. However, Article 7 establishes a 50 per cent penalty for Member States who fail to make a commitment to the implementation of the objective of achieving a climate-neutral Union by 2050. Article 8 outlines the types of activities that can be funded through JTF monies. The clear focus lies on small and medium-sized enterprises (SMEs), education in the form of reskilling and upskilling, research, technology deployment that enables the energy transition (including clean energy infrastructure and energy storage technologies), as well as digitalisation. Article 9, on the other hand, explicitly excludes certain activities from eligibility: nuclear power, tobacco,

undertakings in difficulty, and anything related to production, processing, transport, distribution, storage or combustion of fossil fuels.

At the heart of the process of distributing JTF investments are the so-called Territorial Just Transition Plans (TJTTPs), which are discussed in Article 11 and Annex II. Member States are required ‘to prepare **together with the relevant local and regional authorities** of the territories concerned, one or more TJTTPs covering one or more affected territories...’ The territories must be those most negatively affected based on economic and social impacts resulting from the transition, especially regarding job losses in fossil fuel production and use and the transformation needs of the production processes of industrial facilities with the highest greenhouse gas intensity.

TJTTPs are thus a precondition for European Union Member States to access the Just Transition Fund (JTF), worth EUR 17.5 billion. The documents must outline the expected transition process; the most affected territories and all types of impacts; what operations are envisaged; and how the process will ensure participation, monitoring and evaluation. TJTTPs are developed at the sub-regional level (NUTS-3); therefore, countries must produce documents for each territory where they plan to use the Just Transition Fund.

According to Article 11 (3), the preparation and implementation of the TJTTP must involve the *relevant partners* in accordance with Article 8 of Regulation (EU) 2021/1060. This prescribes that such a partnership must include *at least* the following partners:

- regional, local, urban and other public authorities;
- economic and social partners;
- relevant bodies representing civil society, such as environmental partners, non-governmental organisations, and bodies responsible for promoting social inclusion, fundamental rights, rights of persons with disabilities, gender equality and non-discrimination;
- research organisations and universities, where appropriate.

It is thus clear that the TJTTPs are meant to be prepared in close cooperation with those entrusted with local and regional decision-making authority, as well as actors representing civil society who can provide invaluable insights into the complex social, economic, and cultural aspects of just transition impacts. **How well this is being achieved is a key area of interest for this report.**



There are significant structural, institutional and political differences across the Member States subject to this analysis (Figure 1).

*Figure 1 Details of the just transition process in the seven central and eastern European countries considered*

<b>Member State</b>	<b>Population in millions</b>	<b>Entity in charge of developing the TJTP</b>	<b>Assistance provided by the EU to administer the just transition process</b>
<b>Bulgaria</b>	7	Ministry of Energy	PwC
<b>Czech Republic</b>	10.7	Ministry of Regional Development	Frankfurt School of Finance & Management; Czech Technical University; Cambridge econometrics
<b>Estonia</b>	1.3	Ministry of Finance	None
<b>Hungary</b>	9.8	Ministry of Innovation and Technology	KPMG
<b>Poland</b>	38	Ministry of Climate and Environment	PwC
<b>Romania</b>	19.4	Ministry of Investments and European Projects	Frankfurt School of Finance & Management
<b>Slovakia</b>	5.5	Ministry of Investment, Regional Development and Informatization	PwC

While the idea of a just transition is easy to grasp, it is difficult to implement. Even the process of developing a TJTP can be challenging. Member States can request support from the Technical Support Instrument (European Commission, 2020). Six out of the seven Member States who are the subject of this research took advantage of this possibility and used the services of private consulting companies (e.g. PwC, KPMG) in the administering of the participatory process to develop a TJTP (Figure 1).

In its September 2020 resolution, the European Parliament called for an increased budget of at least EUR 25 billion for the Just Transition Fund under the Multiannual Financial Framework. A political agreement was reached in December 2020. It includes the amounts as set out in the Council mandate. In line with the Parliament’s position, the agreed text makes transfers from the European Regional Development Fund (ERDF) and the European Social Fund+ (ESF+) voluntary rather than mandatory, includes a green rewarding mechanism (allowing a higher JTF allocation share for those Member States that reduce their greenhouse gas emissions more quickly) and makes access to half of the JTF allocation conditional on committing to the EU objective of achieving climate neutrality by 2050. A more detailed analysis of EU legislation regarding the JTF was prepared by the European Parliament and is available in pdf format [here](#) (European Parliament, 2020).

Figure 2 Just Transition Mechanism allocation for the seven countries considered (EUR million)

	Proposed JTF allocation (2018 prices), %	EUR/ person	Total estimated funding under Pillar 1* (2018 prices)	Estimated expected investments to be mobilised under Pillar 1, 2 and 3** (current prices)	Rank (by amount)
<b>PL</b>	2000 (48.2%)	52.7	7,692	27,344	<b>1</b>
<b>RO</b>	757 (18.2%)	38.8	2,704	10,116	<b>2</b>
<b>CZ</b>	581 (14%)	54.7	2,074	7,761	<b>3</b>
<b>BG</b>	458 (11%)	65	1,710	6,205	<b>4</b>
<b>SK</b>	162 (3.9%)	29.8	580	2,170	<b>5</b>
<b>EE</b>	125 (3%)	94.9	569	1,811	<b>6</b>
<b>HR</b>	66 (1.6%)	16	235	879	<b>7</b>
<b>Total</b>	<b>4,149</b>		<b>15,564</b>	<b>56,286</b>	<b>-</b>

\* including the national contribution required under the cohesion policy as well as a minimum transfer of 1.5 EUR from the European Regional Development Fund and/or the Social Fund+ for every 1 EUR drawn from the JTF.

\*\* reflects total minimum JTF funding and expected investment to be mobilised in Pillar 1, 2 and 3 in nominal prices. The split by Member State is an indicative estimate.

Source: European Commission, available [here](#)

## 1.1. Methodology

This report is based on a threefold and mixed qualitative-quantitative methodological approach, including a considerable amount of literature review material, interviews with key informants and a survey translated into seven languages:

- **Literature review:** CEE Bankwatch Network publications, EU publications, nationally available sources, consultant deliveries, etc.
- **Qualitative (interviews):** campaigners (Bankwatch and other non-governmental organisations); just transition national consultants; international experts (UN agencies)
- **Quantitative (survey):** based on a series of criteria/indicators developed; translated into seven languages; targeting all types of actors involved in TJTPs

As the assessment of the quality of the just transition processes is an unexplored field, as a first step, a series of frameworks, indicators and criteria was developed by the authors for this research to comprehensively cover all the key aspects of the national just transition processes. Four main Just Transition **frameworks**, then divided into **criteria**, and subsequently made operative through a list of ‘easy to assess’ **indicators**, were elaborated; for convenience, the complete table including the indicators is included in the annex to this document. The four just transition frameworks, and their respective criteria, are reported in the following table:

Figure 3 Framework and criteria developed for this research

Framework	Criteria
OUTCOME	<p>Although in most countries, the final outcomes of the just transition processes are yet to become visible, outcomes in the form of deliverables have been generated in several countries:</p> <ul style="list-style-type: none"> <li>• Outcome and proposal for TJTPs</li> <li>• Environmental considerations</li> <li>• Targeting real local issues</li> </ul>
INSTITUTIONAL FRAMEWORK	<p>The governance of the process is considered and assessed:</p> <ul style="list-style-type: none"> <li>• Ad-hoc bodies constituted/active</li> <li>• Co-design and power balance of public institutions</li> <li>• EU involvement</li> <li>• Financial accountability</li> <li>• The decision-making process</li> </ul>
SOCIAL DIALOGUE & PARTICIPATION	<p>The quality of the process in terms of social participation and inclusiveness is assessed:</p> <ul style="list-style-type: none"> <li>• Bottom-up approach</li> <li>• Access to sustained expertise for informed/strategic decision-making</li> <li>• Social justice is considered</li> <li>• Communication campaigns to engage the local public</li> <li>• (Local) private sector buy-in</li> </ul>
TRANSPARENCY AND INFORMATION	<p>The quality of the process in terms of keeping both the key stakeholders and the public informed is assessed:</p> <ul style="list-style-type: none"> <li>• Access to quality and reliable information</li> <li>• Information maintained and updated</li> <li>• Information is easy to understand and translated</li> <li>• Realistic time management</li> </ul>

For the **literature review**, a substantial number of documents from different sources have been reviewed, including Bankwatch publications, EU publications, nationally available sources and consultant deliverables.

In order to avoid interpretation bias, in-depth **interviews** were conducted with different stakeholders, including Bankwatch campaigners based in the Member States of interest, as well as the consultants who provide the technical assistance to beneficiary Ministries, and experts from UN agencies.

Lastly, a **survey** covering the aforementioned frameworks, criteria and indicators was developed and translated into national languages in order to maximise participation. The survey

targeted all types of actors involved in the TJTP development process, from national campaigners to governmental representatives and workers affected by the transition. Already existing communication channels (i.e. mailing lists, twitter, WhatsApp groups, etc.) for stakeholders involved in national and local just transition processes were used to distribute surveys. Nevertheless, except for Slovakia and a small sample of general campaigners, the use of quantitative methods in the form of a survey proved ineffective due to a low response rate. The number of responses remained in the low single digits for most countries surveyed. This might have been caused either by the structural weakness of some of the communication channels used in terms of outreach, or by overestimating the willingness of possible respondents familiar with the just transition process to reply to the survey. For this reason, the current document will not dedicate a specific section to the analysis of the survey results to avoid drawing conclusions that the survey cannot support.

## 2. Challenges and success factors for a just transition in central and eastern Europe

After analysing the processes in seven Member States, there are a few general findings that emerge despite the complexities and specificities that differentiate the different processes. These can be divided into ‘success factors’ and ‘challenges’, depending on whether they indicate a productive, satisfactory process or whether they prove to be a hindrance to what is perceived as the desirable outcome. The following table presents the six challenges and the seven success factors identified.

*Figure 4 Challenges and success factors*

CHALLENGES	SUCCESS FACTORS
Lack of transparency	Starting early
Lack of access to good, up-to-date information	Persistence
Lack of capacity on the local/regional and possibly national levels	Using the media to build pressure
Lack of political will	Insisting on compliance with EU rules and regulations
Lack of political power	Picking your battles
Divisions among civil society	Networking
	Amplifying/supporting local efforts

What is deemed as a productive, desirable outcome is judged by the criteria set out by the relevant EU regulations themselves: the process is to be **participatory** and **inclusive** and the TJTPs are to be focused on the most affected regions and to aim at mitigating the socio-economic impacts of a transition away from fossil-based industry and power sectors.

The following two sections will analyse in detail both the challenges and the success factors identified. Each paragraph will first provide a definition of the concepts and secondly describe in which national just transition process the challenge / success factor was observed.

## 2.1. Challenges

### *Lack of transparency*

This refers to the observation that the decision-making processes, i.e. who makes decisions, when and based on what criteria, are often opaque. This can concern stakeholder selection, information collection and processing, as well as interim results. This can make it difficult to react to, respond to, impact, influence, and/or monitor the process.

*This was prevalent at the start of the just transition process in the Czech Republic and in Hungary where there was a lack of clarity on how stakeholders were chosen or how decisions were to be made.*

### *Lack of responsiveness*

This concerns the often admonished one-directional flow of information. While stakeholders can provide input, comments, and suggestions to the respective working groups, it is often unclear how this information is received, processed, and used. This can hinder real dialogue and genuine public participation from taking place.

*In many countries, it was observed that a ‘one-directional stream of information’ is in place as an ongoing practice. This is particularly true for the Bulgarian case, where authorities in charge do not provide information to the actors involved in the process, and where – according to key informants – the authority forbids the consultant to disclose information regarding the process. Another variant of this phenomenon are cases in which even when stakeholders are able to provide input on the development of the TJTP, they do not receive feedback on whether this input was included. This diminishes the effectiveness of the stakeholder engagement process and the ability of civil society to adapt to changes in the process.*

### *Lack of access to good, up-to-date information*

In order to partake in the process in a meaningful manner, access to high quality and in particular, relevant, information and data is essential.

*In the Czech Republic, initially, meeting minutes and other information were not available. Thus, this made it difficult if not impossible for anyone who had not been part of the process from the beginning to become informed about the undertaking and join later or to reconstruct the debate, considerations, decisions, etc. This reduces the ability of representatives from civil society to engage meaningfully with the process and it creates a sense of opaqueness and secrecy.*

### *Lack of capacity at the local/regional level*

Capacity is a broad term – here it refers to the reported lack of expertise and competence at the local level to administer a just transition with all the complexity this entails: starting from the difficulty of navigating the ‘jungle of EU regulation and funding’ to the actual work of the just transition, which requires vision, expertise, skill, and commensurate political will. It goes beyond the regular set of tasks that can ordinarily be expected from local/regional government officials.

*The limited capacity of local authorities has been observed to be an issue in most of the countries analysed, as in many cases it is the local authorities that are in charge of supporting the development of the TJTPs. Many of the regions under TJTP development are areas with an ongoing trend of the outflow of young people from the region and an ageing population, which reduces the ‘human capital’ available in these areas. According to some key informants, the design of the just transition plans favours larger stakeholders (large municipalities, companies, etc.) who have the technical, financial, and human-capital capacity for proposal drafting and project management to the detriment of smaller entities.*

#### *Lack of political will for decarbonisation*

The lack of political will to ensure the success of the just transition is difficult to pin down – it appears that not all Member States that are the subject of this research are politically ‘on board’ with a fast and comprehensive decarbonisation and the subsequent need for a just transition.

*It was observed that setting up clear TJTPs largely depends on the concreteness of decarbonisation policies within the respective countries. Having stakeholders referring to clear and strong **national** energy/decarbonisation strategies represents a catalyst for just transition plan development, as it sets up common deadlines and helps to overcome divergent visions. In some of the CEE countries analysed, the process has been clearly slowed down or jeopardised because of the lack of clear strategies. This is particularly evident in the cases of Bulgaria, Slovakia and Poland (see sections in Chapter 3).*

#### *Lack of political power*

The constitutional competence to make relevant and required (regulatory) changes can have an impact on the ability to implement a successful transition. This is a particularly potent challenge when coupled with a ‘reluctant’ political will.

*Given the significant difference in constitutional details, this concept can vary across Member States. Generally, however, political power to effect legally binding regulations (legal competence) is divided between different levels of government. A dilemma detracting from the effectiveness of just transition efforts can occur when a highly motivated political actor, i.e. a regional government or agency, lacks the legal competence to effect changes that it seeks to make (like regulating a certain private actor or devising new rules on certain practises).*

#### *Divisions among stakeholders*

Different societal groups (trade unions, environmental groups, private actors, etc.) can have different interests that need to be reconciled.

*In many cases, divisions among stakeholders regarding the purposes of the just transition process depend on the ‘age’ of the process itself. In the Upper Nitra region in Slovakia, and in areas where a debate on the post-coal future had already started before the urgent requirement to develop TJTP was issued, stakeholders were more oriented towards mutual understanding and finding common solutions. In contrast, in the areas where the debate on the post-coal future is weak, such as in Bulgaria, stakeholders maintain radical positions and overcoming divisions seems to be extremely challenging. Clearly, divisions among stakeholders have been*

*observed to be harder to address in those regions where economic interests are particularly entrenched due to a continued high presence of fossil fuels, such as in Poland, where trade unions in some parts of the country and environmental non-governmental organisations do not necessarily align well in terms of their goals, or in those countries with the highest need to exploit natural resources to sustain national economic development, such as in Bulgaria.*

## 2.2. Success factors

### *Starting early*

Regions that began a deliberative process on just transition even before EU intervention show that this is particularly promising in terms of building local expertise, popular support, the strength of civil society, and the ability to participate effectively in the just transition process.

*Starting early was identified as a determining success factor and it appears to be one of the main reasons why some regions have pursued more solid TJTP development processes than other especially affected regions in the same country. This is particularly the case for the Upper Nitra region in Slovakia, especially the Prievidza County, where just transition efforts relied decisively on regional or local leadership for effective support. Other examples are the Eastern Wielkopolska region in Poland, and Romania's Jiu Valley compared to the country's other coal region of Gorj.*

### *Persistence*

The notion of persistence is technically self-explanatory, but in this particular context it refers to the refusal to accept substandard conduct that contravenes the official regulations and expectations.

*An excellent example of the power of persistence is the successful inclusion of a campaigner from the Centre for Transport and Energy in the Transformation Platform in the Czech Republic – which required repeated and persistent requests.*

### *Using media to build pressure*

Utilising public pressure and media attention to point out deficiencies and non-compliance has proved successful in some instances.

*In the Czech process, the availability of information was initially subpar. After utilising the media to draw attention to this deficiency, the campaigner managed to effect a change – meeting minutes, presentation materials and other relevant information is now available online for anyone who is interested in following the work of the Transformation Platform.*

### *Insisting on Compliance*

The EU has made explicit and detailed rules on how this process should be conducted. The Partnership Principle is front and centre and should be adhered to. The same goes for the material rules on the types of projects that can be included (regarding the next phase).

*Given that the partnership principle is not always taken as seriously as demanded by the Just Transition Mechanism regulation, an effective monitoring and compliance mechanism requires vigilance and official channels with the authority to reprimand those who are charged with*



*ensuring that the formal rules for the process are adhered to. A negative example for this is the lack of genuine stakeholder engagement in the Lubelskie region in Poland.*

#### *Picking your battles*

When resources are limited, it pays to carefully assess where there is low hanging fruit, i.e. where the ground is fertile to mobilise local and civil movements. In the face of widespread lack of capacity and in some places, staunch opposition/reluctance, it might be prudent to select areas of ‘battle’ very carefully.

*Poland can serve as an example to demonstrate this concept – while some regions like Eastern Wielkopolska benefit from an active, competent, and effective civil society and regional governmental entities who are supportive of administering a just transition, there are other regions where local resistance is more accepting of the notion that the phase-out of fossil fuels ought to be as drawn out as possible. It could be prudent to focus first on those regions where successes can be secured and then use these positive case studies as compelling arguments to win over those who are reticent or suspicious of the concept of just transition.*

*As stated in the ‘lack of capacity on the local/regional level’ point, in some just transition regions civil society lacks the technical understanding required to thoroughly participate in the just transition process. In some cases, such as in the Gorj region in Romania, according to key informants, Bankwatch is actively involved in ‘covering the lack of expertise and understanding’ of civil society by training relevant stakeholders.*

#### *Formal networking*

A lot of people are engaged in this process. Many have valuable expertise to contribute, and a multitude of organisations are focused on just transition and ancillary efforts. Networks allow the exchange of valuable information, the coordination of efforts and the amplification of voices. This can ensure that each entity focuses on its expertise. This can and should be leveraged.

*Involvement of a plethora of stakeholders has been observed to be a success factor in some regions, such as the Forum of Mayors, which brings together mayors from towns in specially affected regions for in-depth discussions on just transition. However, sometimes formal participation does not translate into a real possibility for stakeholders to be thoroughly involved and influence the process. This was particularly observed in the Gorj and Jiu Valley regions in Romania.*

#### *Amplifying/supporting local efforts*

Providing expertise, support and campaigning ‘prowess’ to local officials, activists, citizens, and others who want to use their political decision-making power to contribute to a just transition has been successful.

*The several dozens of mayors who lead towns that will be affected by decarbonisation and want to be proactive in managing the challenges this will bring illustrate this. Notable examples are Vladimír Buřt from Horní Jiřetín (Czech Republic), who has long been active in bringing about a post-coal era, and Katarína Macháčková, mayor of Prievidza (Slovakia), who launched*



*public debates and workshops for 'life after coal' (CEE Bankwatch Network, 2018, p. 26). Local officials often face resistance and hostility for daring to question the viability of coal as a sensible or even reliable source of economic growth – providing support, highlighting these examples, and strengthening networks can help to bolster these local efforts and ensure public engagement.*

### 3. Just transition in seven central and eastern European countries: country analysis

#### Bulgaria

##### Introduction

Bulgaria is the EU's poorest Member State, the fifth largest beneficiary of the JTF and the second largest beneficiary per capita (EUR 65 per person). It has a heavily coal-dependent economy: 40 per cent of the electricity generated comes from the coal industry, which directly employs over 13,000 people (CEE Bankwatch Network, 2021).

The national population – around 7 million inhabitants – is one of the fastest shrinking in Europe. Since 1989, the country has lost over 22 per cent of its then 8.9 million people and is projected to lose another 23 per cent by 2050 (United Nations, 2019). Bulgaria's GDP reached EUR 60.7 billion in 2019.

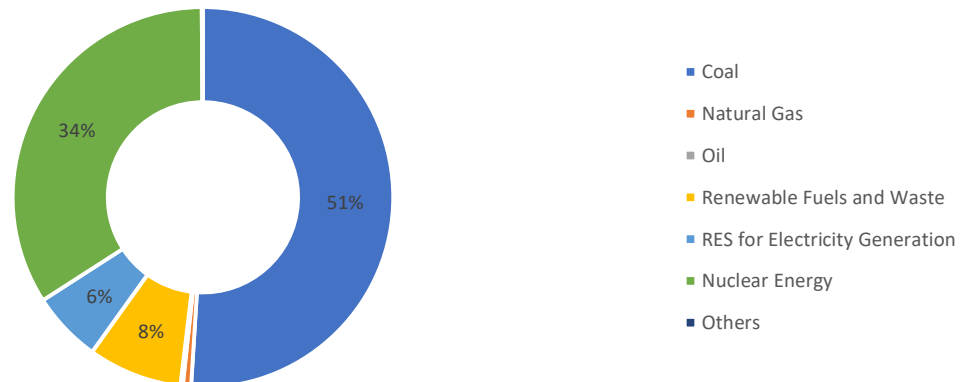
The effects of climate change in Bulgaria are multiple and serious. These include reduced water reserves, effects on health, disruption of agricultural production, stress on biodiversity and forests, damage to infrastructure and private property, changes in tourism patterns, and many others. Macroeconomic calculations on the monetary impact of climate change show that, if no action is taken, Bulgaria's entire economic growth might be potentially wiped out by 2050 (World Bank, 2018).

All the previous information makes the just transition in Bulgaria a great opportunity to pursue radical social, environmental, and economic change. However, energy transition in Bulgaria is a delicate topic, and coal phase-out has thus far not been a priority for the institutions at the decision-making level. Due to the political crisis in Bulgaria, which lasted more than one year (2020 to 2021), the country experienced three rounds of parliamentary elections within only eight months; the last round took place on 14 November 2021. A new government has been established and we expect the just transition plans to be developed over the coming months. According to our interviewees, due to a long-lasting election campaign, political parties avoided promoting climate policies and energy transition-related topics in order not to lose votes from coal regions. A political climate rooted in uncertainty and the lack of a stable government were limiting factors when it came to the development of a sound and inclusive Just Transition process.

##### Coal phase-out in Bulgaria

Energy generation is heavily dependent on coal in Bulgaria and is state-owned. As shown in Figure 5, coal – especially lignite coal – contributes to over 50 per cent of the primary energy supply guaranteeing Bulgaria's energy independence; this is followed by nuclear energy at 34 per cent. Coal is used as a compensative energy source: the closure of units 1-4 of the Kozloduy nuclear power plant resulted in increased coal production.

Figure 5 Bulgarian energy mix



Source: [National Climate Change and Adaptation Strategy and Action Plan](#)

Bulgaria recently announced a tentative coal phase-out date. In its recovery and resilience plan, submitted on 14 October 2021, it stated that coal would be phased out by 2038 or 2040 (Europe Beyond Coal, 2021). Coal-based electricity generation is projected to start decreasing after 2025; by 2030, a 23 per cent reduction is projected, followed by another 50 per cent reduction by 2035. While having agreed to the EU’s carbon neutrality 2050 goal and being the fifth largest beneficiary of the Just Transition Fund, the government of Bulgaria has not yet developed its plans for a post-coal future (CEE Bankwatch Network, 2021). The private sector is promoting a switch from coal to gas, but Bulgaria does not have any gas resources and would be 100 per cent reliant on Russia.

Prior to 11 July 2021,<sup>1</sup> the government focused efforts on keeping the industry afloat advocating for the long-term future of coal. This is also explicitly reflected in Bulgaria’s National Energy and Climate Plan (NECP): ‘Bulgaria makes maximum use of the existing potential of indigenous coal in compliance with applicable environmental regulation. The coal has the potential to provide resources for electricity generation in the next 60 years’ (REPUBLIC OF BULGARIA, 2020). A recent statement from the previous Ministry of Energy, A. Zhivkov, further uncovers this political decarbonisation impasse. Referring to the coal phase-out process in Bulgaria, he stated that ‘the problem with the future of the coal regions is social. In case of a possible closure of the plants and mines, we must give a positive signal for the future of the people employed in these sectors. So far, no work has been done on this issue, and no strategy has been developed’ (EURACTIV, 2021).

To approve the recovery and sustainability plan that is expected to transfer EUR 6.3 billion to the country, the European Commission is requiring Bulgaria to officially set a clear deadline for the final decommissioning of coal-fired power plants; this deadline is likely to be 2035, 2038 or 2040 (EURACTIV, 2021). Furthermore, in addition to the JTF, Bulgaria could access other EU funding streams such as the Modernisation Fund and the Recovery and Sustainability

<sup>1</sup> The date of the second round of parliamentary elections after no party was able or willing to form a government following the April 2021 elections

Plan. However, in 2021, the country submitted its recovery plan late and no longer has the opportunity to receive an advance payment from the Commission. There is general concern as to whether Bulgaria will meet the deadlines, submit quality TJTPs and eventually access the JTF.

### Analysis of the just transition process in Bulgaria

TJTPs are being developed in two areas: the south-west area, which includes the Pernik and Kyustendil coal regions, and the south-east area, including Stara Zagora and the Sliven Province. The Ministry of Energy is the beneficiary of the technical assistance for helping the Bulgarian governmental entities administer the process for the development of TJTPs and the submission of the national just transition plan; the consultant in charge is PricewaterhouseCoopers (PwC). The team that leads the development of the plan consists of 15 people and includes international experts from PwC, representatives of ministries, and various energy experts. The latter include scientists, business representatives, and former leaders in the energy sector, including two former managers at coal-fired power plants who are in favour of preserving the coal industry. Since the beginning of the process, the participation of other public institutions, namely the Ministry of Regional Development, the Ministry of Labour and Social Policy, and the Ministry of Economy and the municipalities, was publicly encouraged.

In terms of the schedule, officially, the TJTP development started in December 2020 with an introductory meeting organised by PwC Bulgaria with the participation of the Deputy Minister of Energy. PwC's deliverable was submitted in November 2021; however, due to last year's uncertain political climate, Bulgaria's Territorial Just Transition Plan has not yet been written.

### Success and challenges

The just transition process in Bulgaria presents several difficulties as well as some useful lessons. It shows how guaranteeing **social dialogue** and **participation** does not necessarily imply ensuring the **transparency** of the information generated. For instance, a **one-directional stream of information** has been detected as an ongoing practice within the Bulgarian process. This means that the authorities in charge have involved stakeholders and have gathered inputs from them in the just transition process, but no information has been provided to these actors on what from their comments has been incorporated in the plans. This reveals that the process in Bulgaria is not **transparent** and that **access to relevant information has not been ensured**.

Nevertheless, a just transition process is in place and running, though at a slower speed than in other countries. So far, the consultant, PwC Bulgaria, has involved relevant stakeholders through both meetings and surveys. The consultant has organised one-by-one meetings involving all the key stakeholders (municipalities, business, non-governmental organisations, etc.), avoiding multiple-stakeholder discussions and inclusive debate. For instance, three online meetings have been held so far with a coalition of non-governmental organisations (which includes WWF, Bankwatch, Green Movement, a series of experts, and others). It is possible to assume that a similar number of online consultations were organised to include municipalities, business associations, and academic organisations. Similarly, the consultant sent surveys to

public institutions at both the national and local levels. However, as pointed out by some key informants, this is not enough to generate meaningful engagement in the process – people living in the regions where the plans are being developed are poorly informed.

According to our interviewees , one critical issue in Bulgaria is that the **consultant is not allowed to disclose the outcome** of the process because of contractual limitations with the Ministry of Energy, which obliges PwC not to share information with stakeholders apart from the ministry itself. In other terms, although included in the consultation process, non-public stakeholders are not aware of whether their inputs were considered and what the outcome of the consultative process looks like. In fact, local NGOs have not yet seen any parts of the plan and rely on personal contacts and on informal communication with the municipalities to gather information.

Lack of accessible and official information about the work of the consultants, particularly regarding the contribution provided by the industrial sector, is a major concern. In a context characterised by the presence of industrial coal oligarchs, there is a widespread fear that the lack of a real discussion about the objectives of the Just Transition and the lack of genuine involvement of local authorities and communities, will lead to only a few benefitting from the JTF, maintaining the *status quo* in the coal regions.

**Communication and coordination between various levels of public authorities** has also represented a challenge in Bulgaria. The national Nomenclature of Territorial Units for Statistics (NUTS) divides the territories as follows: two regions (NUTS-1), six planning regions (NUTS-2), and 28 oblasts (NUTS-3). However, there is no political and administrative institution at the NUTS-2 level, making local institutions and municipalities fully responsible for TJTP development. Public authorities in smaller towns such as Galabovo and Radnevo were not aware of their direct role as developer of the territorial plans for their region and expected the consultant to write them (CEE Bankwatch Network, 2021).

#### *South-east, Stara Zagora and Sliven Province*

The south-east coal regions in Bulgaria include the Stara Zagora and Sliven Provinces,<sup>2</sup> with the Maritsa area in the Stara Zagora province hosting the largest coal mining and coal-fired power plant area in Bulgaria.

The two provinces are heavily reliant on coal-related activities. Indeed, more than 60 per cent of the region's gross value added comes from lignite extraction and firing. The Maritsa Iztok energy complex (MIEC) includes three lignite pit mines (Maritsa Iztok Mines), where, in 2018, 98 per cent of the country's lignite was extracted (CEE Bankwatch Network, 2020), as well as four thermal power plants representing over 80 per cent of the coal-fired energy capacity in the country (TRACER, 2019). This coal represents about 30 per cent of the total electricity generation in Bulgaria (Friends of the Earth Bulgaria, 2018). Three opencast mines, also part of the Complex, supply low-quality lignite coal through an internal railway network, while dozens of businesses carry out maintenance and other servicing work. The mines and the

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<sup>2</sup> The population and GDP in Stara Zagora is 328 thousand and 600 million, respectively; in the Sliven Provinces - 194 thousand and 2000 million, respectively.

biggest power plant are fully state-owned, while the other three plants are in majority privately owned.

In terms of jobs, the MIEC directly employs more than 13,000 people in activities such as mining and power generation, service provision, goods supply and other businesses related to the key coal industries (Friends of the Earth Bulgaria, 2018), amounting to around 85 per cent of the jobs in Bulgaria's coal sector (European Commission, 2020). The prospects of phasing out coal are met with strong resistance from workers: the mining sector offers salaries 30% above the national average when considering all national economic activities (National Statistical Institute of Bulgaria, 2021). In fact, roughly a fifth of the region's labour force works in the Complex (Capital.bg, 2020) and receives above-national-average salaries according to the National Statistics Institute. However, there is a strong contradiction: the existence of the mines and power plants is now dependent on government subsidies, which according to an assessment developed by the European Union amount to over EUR 450 million every year (European Commission, 2020); furthermore, subsidies are being used to compensate the rising price of emissions allowances.

Anticipating the looming coal phase-out, stakeholders from the Stara Zagora province have taken some steps towards a just transition. The Stara Zagora Regional Economic Development Agency, [a non-profit association](#) of local municipalities, industry, and academia, organised a [public dialogue](#) on the low-carbon future of the region and has recently initiated the creation of a regional council on the European Green Deal. The council should help facilitate the preparation of the region's TJTP, which would unlock vital funding from the EU's Just Transition Mechanism. However, resistance against a shifting paradigm is strong. Realistically, Stara Zagora is facing an extreme job loss challenge, which will need comprehensive and concerted actions which have not yet been clearly disclosed to the public.

#### *South-west (Kyustendil-Pernik coal regions)*

The south-west area of Bulgaria includes the Pernik and Kyustendil coal regions. In 2018, the population amounted to 121,000 and 119,000 in Pernik and Kyustendil, respectively (240,000 in total) (AdminStat-Bulgaria, 2018), while the GDP (2017) of the two areas combined reached almost EUR 1 billion (Knoema, 2018).

Brown coal extraction is one of the key activities in the municipality of Bobov Dol (Kyustendil province), the second most important area in Bulgaria for coal mining and coal-fired energy production. Extraction employs more than 3,000 workers, while the two power plants of Pernik and Bobov Dol employ 506 and 873 respectively (CEE Bankwatch Network, 2020). However, coal extraction in these regions has been in extreme decline in the last decades and among local stakeholders it is widely known that coal in the area is rapidly exhausting. In recent years, the area has experienced the closure of some extraction sites and consequent negative socio-economic effects, such as increasing unemployment and loss of the working population, due to a lack of employment alternatives to the coal industry.

## Conclusion and key findings in Bulgaria

Despite being one of the major potential beneficiaries of the EU's transition funds, Bulgaria is facing structural issues in developing solid local and national just transition processes.

Negative population growth, migration, age structure, the low employment level, poor infrastructure, low energy efficiency and high dependence on coal and lignite extraction exacerbated by social unrest (in the summer of 2020 anti-government protests lasted for over 100 days) make the EU funding streams a key tool for national social, environmental and economic development.

However, in the first place, the absence of a solid coal phase-out policy strongly limits its development, and key informants expressed concerns regarding Bulgaria's capacity to meet the European Commission's submissions deadlines and access EU funding. The just transition process in Bulgaria has indeed been demonstrated to offer limited access to information, existing but constrained social dialogue, unclear targets in terms of alternative proposals to coal in the mining areas, and a lack of transparency as to how the process itself is managed. Governance of the process among different NUTS administrative levels was also identified as a challenge.

## The Czech Republic

### Introduction

The Czech Republic is a land-locked country that has been a member of the EU since 2004. Its GDP is around EUR 220 billion with a population of 10.7 million (The World Bank, 2021). The Czech Republic is allocated a sum of almost EUR 1.5 billion from the Just Transition Fund.

Three regions have been identified as ‘most affected’: the Moravian-Silesian Region (MSR); Ústecký (UR) and Karlovarský (KVR). The available funding has already been allocated between the regions: 46 per cent is allocated for MSR, 39 per cent is allocated for UR and 15 per cent is allocated for KVR (CEE Bankwatch Network, 2021a, p. 8). This allocation caused dismay among the respective regional authorities.

The three regions differ in a variety of ways, as demonstrated in figure 6.

Figure 6 Data drawn from D1 Report by Frankfurt School, et al.<sup>3</sup>

Region	Population	Number of active coal mines	Number of jobs in coal sector	Total number of jobs	Unemployment rate	GDP per capita in EUR
Ústecký (UR)	820,000	4	5,000	385,000	5.4%	13 744
Karlovarský (KVR)	295,000	1	4,000	150,000	5.3%	12 396
Moravian-Silesian (MRS)	1,200,000	4 active coal mines (another 4 inactive )	10,000	580,000	5.6%	16 000

### Coal phase-out in the Czech Republic

In May 2021, the state-owned utility ČEZ announced that it will reduce the percentage of energy from coal to 12.5 per cent by 2030 – a 26.5 per cent decrease (Europe Beyond Coal, 2021). The previous Czech government under Andrej Babiš had been reluctant to move away from coal ‘without proper considerations’ for fear of damaging the economy and employment (Reuters, 2021). In December 2020, a state commission on the future of coal recommended a 2038 phase-out. However, some voices have called for an earlier exit – targeting 2033 or even sooner in order to maintain a chance of avoiding catastrophic climate change. Although the new prime minister Petr Fiala has previously questioned anthropogenic climate change (Vodrážka, 2021), he appears to accept the necessity of transforming the energy system with appropriate investments (Tichy, 2021). It remains to be seen what legal and political decisions the new Czech government will take on coal phase-out.

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<sup>3</sup> (Frankfurt School of Finance & Management, 2020)



## Analysis of the just transition process in the Czech Republic

The Czech Republic developed its TJTP within what is referred to as the ‘Transformation Platform’, which has 39 members (Dotace, 2021). It is administered by the RE:START department of the Ministry of Regional Development. According to the central website on the work of the Transformation Platform, the process was supposed to follow the timeline shown in figure 7.

Figure 7 Process timeline for the Transformation Platform in the Czech Republic



Source: Dotace, 2021

Seven Transformation Platform meetings took place between October 2020 and November 2021. There is a Statute and Rules of Procedure on the proceedings of the Transformation Platform, which formalises the way in which it conducts its activities (Transformation Platform, 2021). The members of the Transformation Platform range from trade unions, trade associations, local and regional governmental bodies, ministries (Transportation, Finance, Culture, Labour and Social Affairs, Regional Development, Industry and Trade, Education, Youth and Sports, and the Environment), renewable energy associations and industry/employers’ groups.

The process in the **Czech Republic** is becoming more transparent: the most recent version of the TJTP was published and will be presented to the public. Further, there is a low risk that the country will support just transition projects that are inconsistent with climate goals, due to the JTF regulation’s conditions prohibiting support for gas and fossil fuels (CEE Bankwatch Network, 2021a, S. 14). On the other hand, the biggest threat is that significant support may be provided for large projects and large companies but little support for activities and small companies. In addition, the lack of public engagement and low support for the requalification of coal workers is also a threat to the plan’s success (CEE Bankwatch Network, 2021a, S. 14).

Regarding **access to information**, there have been several challenges linked to the way the just transition process has been conducted in the Czech Republic. The most blatant has been the lack of transparency and the lack of representation of civil society in the Transformation Platform. The just transition process in the Czech Republic suffered from several deficits early on, some of which were later improved – in part due to effective pressure from a campaigner

from the Centre for Transport and Energy. Interestingly, while a range of reports prepared by the Technical Assistance providers are publicly available (in English), the two final reports are not.

Figure 8 Availability of reports by the technical assistance providers

Report title	Available?
Inception report on the of the project methodology and approach for each task	✓
Report on governance mechanism and stakeholder engagement	✓
Report on the transition process towards climate neutrality	✓
Report on the challenges, needs and action plans of the most affected territories	☐
Final report with a summary of all project activities, recommendations and lessons learnt	☐

It is noteworthy that contact details for the individuals in charge of information dissemination in the Czech Republic have been published on the website (Dotace, 2021). Additionally, the three regions each maintain dedicated websites containing information on just transition efforts in the local language, thus ensuring some degree of accessibility for local citizens.

**Stakeholder engagement** has garnered some criticism. A key criticised aspect of the process in the Czech Republic concerns the lack of breadth in the representation of civil society in the Transformation Platform. In fact, the representative from the Centre for Transport and Energy is the only member from civil society. She is expected to act on behalf of all the non-governmental organisations in the Czech Republic and to coordinate input from relevant people in her professional network. This undercuts the idea of a truly participatory process that provides different civil society groups with the opportunity to provide their specific insights and have a tangible impact on the process outcome. Moreover, the representative had to petition repeatedly for her inclusion in the Transformation Platform in the first place, diminishing greatly the effectiveness of the stakeholder engagement strategy.

### Conclusion and key findings in the Czech Republic

The process in the Czech Republic is marked by some deficits in the area of transparency and civil society representation. The former, however, was improved, albeit only after sustained pressure by the national campaigner who used the media to draw attention to the fact that relevant information was not publicly available. The meeting minutes, presentations and other material are now available online in Czech.

A key deficiency can also be noted in the limited ability of the Transformation Platform to markedly influence the content of the TJTP itself. The draft had already been written when the

Transformation Platform was formed and commenced their meetings – its members were called upon to comment, but the content had largely already been decided. This casts doubt on the participatory dimension of the process, particularly because there is no formal voting procedure. Instead, members of the Transformation Platform can comment – and see what comments other members have provided – and discuss the content of the plan, but that is the extent of the opportunities for involvement.

One example of a counterproductive practice includes the fact that the TJTP appeared to have already been crafted before the Transformation Platform commenced its work. Additionally, members of non-governmental organisations are almost entirely absent from the stakeholder selection – there is a heavy emphasis on members of the business community and governmental bodies. Finally, the role of the Transformation Platform is relatively weak – its members can comment on and discuss the plans, but there is no formal voting procedure on individual aspects. It is positive that detailed and specific resources are now available online in the local language. In contrast to some other Member States, several work products from the providers of the technical assistance are accessible online as well, thus providing detailed insights into the process. Overall, there appears to be a willingness to improve and modify practices – albeit only after significant, persistent pressure by activists.

## Estonia

### Introduction

Estonia's GDP is the lowest in this set of Member States, with EUR 28 billion. Its population is also the smallest, with 1.3 million people. Estonia has long had the second-highest per capita CO<sub>2</sub> emissions in the EU, due to its reliance on oil shale for electricity (Vasser, 2021).

The Just Transition process in Estonia is led by the Ministry of Finance, which oversees the preparation of one TJTP regarding the Ida-Virumaa region. Ida-Viru County relies significantly on the oil shale sector, which accounts for 75 per cent of total energy production in Estonia (European Commission, 2020, p. 15). A National Steering Committee has been specially created to coordinate the work on the TJTP.

### Shale oil phase-out in Estonia

In 2019, the Estonian government chose to support the EU-wide goal of climate neutrality by 2050 'if there are sufficient transition measures and the differences... between Member States and sectors are taken into account' (Estonia, 2019, S. 1). One of the strategic targets of the National Development Plan for the use of Oil Shale, 2016-2030 is to increase the efficiency of oil shale use and reduce negative environmental effects (Estonia, 2019, S. 49). While direct combustion is to be phased out, there is no immediate plan to cease the use of shale oil. Instead, the plan appears to be to 'produce a certain amount of liquid fuel from oil shale and thereby in turn use the by-products of production and waste heat to generate electricity' (Estonia, 2019, S. 91). In fact, oil shale use trends were designated as 'a nationally strategic domestic energy source' (Estonia, 2019, S. 91).

### Analysis of the just transition process in Estonia

The process in Estonia has been praised for being relatively well designed. The choice of forgoing the available technical assistance appears to not have detracted tangibly from the overall quality of the stakeholder engagement process. Feedback from campaigners in Estonia has been largely positive. The working group meets regularly, and an independent study has been commissioned on the region's prospects with regard to the continued decline of the oil shale industry. Some input from stakeholders has been taken into consideration (CEE Bankwatch Network, 2021, pp. 6–7).

A particularly promising good practice is the idea of 'policy co-design' that involves 'a designed process, involving creative and participatory principles and tools to engage different kinds of people and knowledge in public problem solving' (Sillak, 2021). Such an experiment was employed by the Association of Ida-Virumaa Municipalities, the Ida-Virumaa Enterprise Centre, the Estonian Fund for Nature, the Estonian Green Movement and the Estonian Environmental Law Centre, to co-design proposals for renewable energy and energy efficiency policy in the context of a just transition (Sillak, 2021). This process brought together over 30 organisations from national and local governments, the renewable energy industry and non-governmental groups.

However, policy co-design also comes with challenges regarding stakeholder selection, engagement, and knowledge management. In practice, the participants were divided into four thematic groups (wind energy, solar energy, energy efficiency and energy storage) with four to seven participants in each. Existing barriers to increased energy production, efficiency and storage were identified and possible solutions brainstormed, from among which ‘core solutions’ were chosen (Sillak, 2021). These included:

- 1) introducing a support scheme for citizens’ energy co-operatives; 2) removing ‘phantom’ grid connections; 3) making new areas available for wind energy production; 4) making climate objectives binding for policymakers on all levels; 5) introducing local benefit schemes; and 6) promoting wind energy as the new narrative for Ida-Virumaa. In between the workshops, the participants worked independently on elaborating the proposals and describing their estimated impacts in more detail (Sillak, 2021).

Participants found this process to be a ‘very positive experience’ and ‘a chance to enter into a constructive dialogue’ (Sillak, 2021). ‘As of January 2021, most of the policy proposals developed in Ida-Virumaa were included in the draft of the regional just transition plan which is set to be finalised and approved by the EU by September 2021’ (Sillak, 2021).

There are concerns that not all stakeholders are being treated equally in the Estonian just transition. There is an impression that large industrial companies have succeeded in capturing more attention and correspondingly more EU funds than smaller actors. There is pressure to allocate approximately 73 percent of the Just Transition Mechanism to industry measures and only 27 per cent to the living environment (Heinmaa, 2020). One challenge in the policy co-design process is the lack of familiarity among policy makers with the co-design method, which can foster suspicion or the belief that it will not prove fruitful. It has been suggested that establishing policy co-design would require ‘shifts in role perception and institutions’ (Sillak, 2021).

Generally, a challenge to the process in Estonia is the entrenched oil shale industry and its particular role in the regional economy of Ida-Virumaa (CEE Bankwatch Network, 2021a, S. 10). ‘The oil shale related sectors amounted to about 5% of Estonian (according to the TJTP) and about 45% of the **county’s** GDP and generates 69% of the Estonian greenhouse gas (GHG) emissions’ (European Commission, 2020, S. 15). The shale sector still employs around 4,737 people directly, and between 6,000 and 18,000 indirectly, which accounts for 20 to 42 per cent of people in the region. These jobs are also generally better paid than the regional average and the profession holds generational significance that transcends the role of a mere paycheque (Vasser, The first steps towards Just Transition in Estonia, 2020).

The Estonian ministries have been criticised for focusing on carbon capture technology as a potential way to ‘postpone any transition for as long as possible’ (Vasser, The first steps towards Just Transition in Estonia, 2020). It has also been called into question whether the Estonian National Energy and Climate Plan is actually based on accurate data or rather outdated oil shale use forecasts (Vasser, The first steps towards Just Transition in Estonia, 2020).

## Conclusion and key findings in Estonia

While held up as a generally positive example of a well-managed stakeholder engagement process, there appears to be some political reluctance to phase out oil shale as an energy source. The calculus behind this is no different than in other Member States like Poland, who consider this resource vital for national interests. A noteworthy exercise is the use of policy co-design as a method for detailed stakeholder engagement to generate ideas and concrete proposals that uses an iterative process to identify obstacles and possible solutions. On the other hand, the plan has been criticised on substance for favouring large industrial actors over smaller players and allocating funding accordingly.

## Hungary

### Introduction

Hungary's GDP is EUR 140 billion and it has a population of approximately 10 million (The World Bank, 2021). Its membership in the EU began in 2004. Three NUTS-3 regions are eligible for funding under the Just Transition Mechanism, these 'specially affected' regions in Hungary: Baranya County, Borsod-Abaúj-Zemplén (BAZ), and Heves County. Heves County is the location of the Mátra power plant with its two adjacent coal mines, where a total of 2,500 individuals are employed. It produces 15 per cent of the total electric power in Hungary but almost 50 per cent of all the energy sector's greenhouse gas emissions (The World Bank, 2021).

### Coal phase-out in Hungary

Hungarian President János Áder announced the country's original plan to exit coal by 2030 at the United Nations Climate Action Summit in New York in 2019 (Europe Beyond Coal, 2021). Hungary is now the sixth European country to bring forward its coal phase-out date, announcing that it will shut its last remaining coal plant in 2025 – five years earlier than previously planned (Europe Beyond Coal, 2021). Andras Perger, Climate and Energy Campaigner at Greenpeace CEE, notes:

The government's announcement fulfils the minimum criteria of our demands: we got a clear commitment to phase out coal with the shutting down of the last remaining coal power station in Hungary by 2025, and no further lifetime extension. However, this move is linked to the commissioning of a new fossil gas power station, which is unacceptable. You cannot fight climate change with new fossil power stations. Furthermore, it is also worrying that the announcement said nothing about the already licensed plans for extending the lignite mine in the vicinity of the power station (Europe Beyond Coal, 2021).

By 2030, coal will be phased out from energy production by government decree and by 2050 climate neutrality should be achieved. However, closing down all coal/lignite mines and/or a full coal phase-out from household heating is not a clear obligatory part of this commitment. In Hungary, CO<sub>2</sub> emission reductions have not been a key argument for coal phase-out; rather, economic interest is the main driving force. The annual losses of the Mátra power plant in 2020 were one-third of the total TJTP budget, so a faster coal phase-out would save money.

### Analysis of the just transition process in Hungary

In Hungary, the Ministry of Innovation and Technology is responsible for the TJTP process. EU-funded technical assistance is provided by KPMG, who conducted background and field research and administered the stakeholder engagement process. This entailed the production of three studies for the relevant counties – Baranya, BAZ, and Heves – as well as the organisation of workshops and consultations with relevant partners. There are the following institutional focal points: the State Secretary for the Development of Circular Economy, Energy and Climate Policy of the Ministry for Innovation and Technology Attila Steiner, and the Deputy Secretary of State for Climate Policy at the Ministry of Innovation and Technology, Hungary

Dr Barbara Botos, who previously served as the Head of the Department of Climate Policy at the Ministry of National Development. Overall, the relevant departments of the Ministry of Innovation and Technology appear to be open to the process and reliable. However, there is a general suspicion about the potential for misusing EU funds, with the Just Transition Fund being ‘just another fund’. From civil society’s perspective, there is an active collection of actors eager to participate in the just transition process and contribute meaningfully at the local, regional and national levels (CEE Bankwatch Network, 2021b, S. 8).

In terms of **stakeholder engagement**, KPMG utilised a ‘snowball’ approach. Instead of sticking to a predetermined list of stakeholders, they continuously added new stakeholders based on recommendations and new insights. The overall process consisted of several one-on-one interviews with local opinion leaders (e.g., the Chamber of Commerce, universities, county councils), as well as four rounds of online public participation events that were organised per county – 12 in total between March and July. According to the campaigners in Hungary, KPMG made an effort to be inclusive in their stakeholder selection. The ‘snowball’ approach permitted the addition of new stakeholders and thus a broadening of the voices heard during the process. No especially vulnerable groups were highlighted or given heightened attention.

The issue of **access to information** also plays a role in the Hungarian just transition process. Online channels are being utilised,<sup>4</sup> but communication follows official statements made by relevant ministries with some delays. The studies compiled by KPMG have not been made public, and the officially submitted TJTP text is also not formally available. Overall, the availability of information, draft proposals, background studies, etc. leaves room for improvement. Efforts are underway to gather relevant documents in a central place that is accessible via the internet, but this has not been accomplished yet.

Regarding the substance, the just transition strategies in Hungary demonstrate the fundamental challenge this process poses. Baranya county hosts a significant carbon-intensive industry, which means that a high portion of the employment is directly dependent on the energy-intensive value chain. In fact, 98 per cent of Hungary’s coal resources are located here. Baranya county relies heavily on energy-intensive industries (the treatment and disposal of non-hazardous waste and manufacture of cement), in which process-related greenhouse gas emissions intensity significantly exceed the EU average (European Commission, 2020, S. 34). Focusing on re-skilling those currently employed in the relevant sectors and providing them with targeted job-search support is needed but proving to be challenging. In Heves County, the location of the Mátra power plant, the LIFE programme is supposed to help decarbonise the region. Projects like the Green Bus Programme focus on sustainability, mobility and recultivating the region – especially important after the closure of the Mátra power plant.<sup>5</sup> Another pillar besides re-skilling and electric mobility is the refurbishment of houses and buildings. However, according to the local campaigners, it is not clear how exactly this is to be achieved: It is unclear whether there are to be deep renovations, which would be the most

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<sup>4</sup> See: <https://igazsagosatmenet.eu/>

<sup>5</sup> See: <https://zoldbusz.hu/>



desirable but also prohibitively expensive on a large scale or whether there will be merely a switch from coal to gas as the less polluting, but still not decarbonised, option.

A notable actor throughout the process was the Chamber of Commerce, who will likely oversee the ‘retraining’ pillar of the just transition undertaking. A concern was raised that universities are eager to ‘research the topic’, but it is unclear how much practical use there will be for such research.

### Conclusions and key findings in Hungary

Overall, the process has improved, especially with regard to access to information and participatory opportunities. Through the stakeholder engagement process, input from non-governmental organisations was collected and found consideration in the TJTPs. However, challenges remain with the threat of large actors, ‘the usual suspects’, navigating the project proposal stage more effectively than smaller, more local ones due to a lack of expertise, personnel and connections. This could have the effect of cutting off actors who could contribute valuable insights and ideas. A key learning here is the observation that a lack of local expertise cannot be simply overcome by formally opening a dialogue. This risks that only those organisations – private or non-governmental – with the expertise and capacity to meaningfully engage can benefit and contribute from the process as it is currently designed.

## Poland

### Introduction

With a GDP of nearly EUR 525 billion, Poland's GDP is the highest of this group of Member States. Its population is nearly 40 million (The World Bank, 2021) and it has been a member of the EU since 2004. Poland is set to receive nearly EUR 8 billion from the JTF (European Commission, 2020), around EUR 53 per inhabitant. The just transition process in Poland is overseen by the Ministry of Climate and Environment and the Ministry of Development Funds and Regional Policy. Technical Assistance is provided by PwC (Slimko et al., 2021, p. 5). There are eight plans under development – a national Plan for Just Transition, as well as seven plans for each of the provinces considered a 'coal region'. The national plan is coordinated by the Institute for Ecology of Industrial Areas (IETU) (Slimko et al., 2021). The Marshal Offices coordinate the regional plans through 'special working groups' which consist of representatives from the European Commission's Directorates-General, national government administration (Ministry of Economy and Labour, Ministry of Funds and Regional Policy, parliamentary commissions and subcommittees), voivodship offices, regional development agencies, local governments, chambers of commerce, business environment organisations, non-governmental organisations, scientific organisations, research institutions, trade unions and the media (CEE Bankwatch Network, 2021, p. 3). Although there is growing public interest in the topic of just transition throughout Poland (CEE Bankwatch Network, 2021, p. 8), public engagement is highest in Eastern Wielkopolska.

### Coal phase-out in Poland

Poland aims to phase out coal by 2049 (Taylor, 2021). This date has been criticised for being 'unserious' and rather 'late' (Europe Beyond Coal, 2021). However, the importance of coal and coal-adjacent industries for Poland in general, and specific regions in particular, is used as justification for this date. Poland relies on coal for 80 per cent of its power needs and currently 80,000 coal miners draw their livelihood from this industry (EURACTIV, 2020). The phasing out of coal is not merely an economic decision but one with immense cultural and social significance. In 2020, the Polish government reached an agreement with the coal miners' Solidarity Union that commits Poland to the 2049 phase-out date. The agreement 'guarantees miners employment until retirement, or severance packages in case of earlier layoffs' (EURACTIV, 2020). This approach has been heavily criticised by environmental non-governmental organisations.

However, there are varying coal phase-out dates for different regions in Poland. Eastern Wielkopolska and the Walbrzych sub-region have set 2030 regarding the power and heating sector, and the Łódzkie region plans to shut down power units in the Bełchatów power plant between 2030 and 2036. The lignite resources in Bełchatów and Szczerców will run out in 2026 and 2038 respectively. Mining activities in Upper Silesia and Western Małopolska will cease in 2049, while the Turów mine in Zgorzelec County will be closed in 2044 (Slimko et al., 2021, p. 8).

## Analysis of the just transition process in Poland

The practical reality of the Just Transition process in Poland can be considered heterogenous across the different regions. There are seven especially affected regions in Poland. This includes: **Eastern Wielkopolska** (in NUTS-3 terms located in the Koniński sub-region) with the main mining/energy sector-related town of Konin; the **Wałbrzyski sub-region** (part of **Lower Silesia**) with its main town of Wałbrzych; and **Upper Silesia** (seven NUTS-3 sub-regions, i.e. Katowicki, Bielski, Tyski, Rybnicki, Gliwicki, Bytomski, and Sosnowiecki) with its main city of Katowice (Slimko et al., 2021, p. 7). The following regions are not yet officially confirmed as recipients of JTF funding: **Łódzkie** (two NUTS-3 subregions: Piotrkowski and Sieradzki) with the main mining and energy-sector related town of Bełchatów; **Lubelskie** (three NUTS-3 sub-regions, i.e., Lubelski, Chełmsko-Zamojski, and Bialski) with just transition activities mainly focusing around the Bogdanka mine; **Zgorzelec county** (in NUTS-3 terms, located inside the Jeleniogórski sub-region of the Lower Silesia voivodeship), focusing mainly around the Turów mine; and **Western Małopolska** (one NUTS-3 sub-region: Oświęcimski) (Slimko et al., 2021, p. 7). This assessment focuses on the Eastern Wielkopolska and the Silesia regions as, due to a lack of robust data, no detailed analysis of other regions is available.

In addition to this heterogeneity across regions and their specific local and regional factors, a challenge has been identified in the lack of political will at the national level. Insincere or much delayed decarbonisation goals from the national government fail to streamline all regional efforts in a single direction. Rather, ‘just transition’ efforts rely decisively on regional or local leadership to be supported effectively. One key informant commented on the dispute between the national government and regional entities regarding the governance framework that needs to be employed for the implementation of the operational programme with each side favouring a model that puts itself in charge of overseeing the process. While the precise impacts of this conflict are unknown, it creates additional friction in an already complicated process involving a large number of stakeholders.

### Eastern Wielkopolska

The just transition process in Eastern Wielkopolska is distinguished from the other regions regarding its participatory strength and breadth of mobilisation. ‘Eastern Wielkopolska comprises the following counties: the Konin county and the city of Konin, the Koło county, the Słupca county and the Turek county’ (Slimko, 2019a, p. 6). ‘Lignite is the most exploited natural resource in Eastern Wielkopolska. It is mined in the Konin Coal Basin which comprises the Konin and Adamów mines and the Zespół Elektrowni Pątnów-Adamów-Konin SA (ZE PAK) power station complex’ (Slimko, 2019a, p. 4).

The Eastern Wielkopolska region faces a variety of challenges:

- low profitability of continued lignite mining and of retrofitting the coal-fired power stations
- large unemployment rate compared with the rest of the voivodeship (even though unemployment has been falling, Eastern Wielkopolska remains an area with a large group of unemployed individuals (Slimko, 2019a, p. 7)

- excessive dependence of the local job market on the mines and power stations controlled by ZE PAK
- outflow of young people from the region and an ageing population
- environmental degradation and losses suffered by local communities as a result of increased drainage caused by the mines' expanding depression cones
- social and legal conflicts over the plans to expand the existing opencast mines and to open new ones, resulting from the absence of dialogue between the mines' management bodies and local communities, among other factors (Slimko, 2019a, p. 4)

The process in Eastern Wielkopolska is exemplary regarding a variety of factors; these include starting early, effective stakeholder engagement, and leveraging formal networks.

**Starting early:** The benefit of starting the just transition process early is nowhere more tangible than in Eastern Wielkopolska. Already in 2017, a group of city activists, mostly from the non-governmental organisation sector of civil society, began raising the issue of a just transition in Eastern Wielkopolska (Slimko, 2019a, p. 4). 'This led to the appointment of the Regional Government's Plenipotentiary for Eastern Wielkopolska's Restructuring at the Regional Development Agency (ARR) in Konin' (Slimko, 2019a, p. 4). One of the Agency's main achievements so far involved the signing, on 3 April 2019, of the Agreement on Eastern Wielkopolska's just energy transition (Slimko, 2019a, p. 4). In this agreement, the objective of achieving a 'just energy transformation' for the Eastern Wielkopolska region is closely linked with the promise to cooperate in various areas (The Board of Wielkopolska Region, 2019). According to § 2 of the Agreement, these include:

- the preparation of initiatives regarding energy transformation
- mutual support and respect for each party's interests
- participation in the Platform for Coal Regions in Transition
- fundraising
- job creation

This agreement, concluded between a variety of representatives from local and regional governments, local non-governmental organisations, the Regional Development Agency S.A. and a representative of ZEPAK, is a remarkably formalised document that resembles a contract. It is a promise to cooperate toward achieving the common goal of a just energy transformation in a region that needs it. Given that the agreement was concluded in early 2019 – well before the Just Transition Mechanism had become operational – is a strong sign that just transition efforts were underway well before external support became available.

**Civil society:** This was driven by the non-governmental sector:

It is very significant that the first people to raise the issue of Eastern Wielkopolska's just transition in 2017 were a group of city activists from Konin, most of whom hailed from non-governmental organisations such as the Akeja Konin and Zmieniamy Konin associations and the Miasto Prowincjonalne foundation (Slimko, 2019a, p. 12).

This was before the Marshal's Office officially applied for Eastern Wielkopolska's accession to the Platform for Coal Regions in Transition (Slimko, 2019a, p. 13). In June 2019, the group called on Poland's prime minister to begin work on a strategy for Eastern Wielkopolska's energy transition. It presented a plan for a just transition round table to engage with local residents and thus generate buy-in from those who are ultimately affected by the decline in coal-mining activity.

**Political and institutional will:** 'Inspired by local non-governmental organisations, the Wielkopolska Marshal's Office became interested in the issue of Eastern Wielkopolska's just transition in 2017' (Slimko, 2019a, p. 18). 'Worried about the uncertain situation of the mining and energy industry and the related threats to the future of Eastern Wielkopolska, in March 2018 members of the region's executive body headed by Maciej Sytek passed a resolution to establish a task force for restructuring the economic potential of the Konin subregion at the Economy Department of the Marshal's Office' (Slimko, 2019a, p. 18). 'Having established the task force, the Marshal's Office submitted a request to the European Commission to allow Eastern Wielkopolska to join the Platform for Coal Regions in Transition (the so-called Coal Platform)' (Slimko, 2019a, p. 18). 'The establishment, in January 2019, of the office of the Regional Government's Plenipotentiary for Eastern Wielkopolska's Restructuring at the Regional Development Agency in Konin was a major step that confirmed the regional government's commitment to the process of the region's just transition' (Slimko, 2019a, p. 19). There is a nuanced landscape of institutional actors in Poland, who can choose to leverage their role in service of the just transition process and utilise their constitutional and administrative role to move the undertaking along.

**Engagement with formal networks:** 'Eastern Wielkopolska has joined the Platform for Coal Regions in Transition and submitted a selection of projects to the European Commission for approval and implementation' (Slimko, 2019a, p. 18). There are a variety of formal or semi-formal networks that can serve to strengthen mobilisation efforts, distribute knowledge and insights and streamline processes through formal interaction and feedback loops. 'Currently Eastern Wielkopolska, like Silesia, has its own task force under the Platform. This has paved the way for direct meetings with the European Commission and for submitting and negotiating concrete projects' (Slimko, 10/24/2021).

**Financial instruments:** Although Poland is due to receive the largest share of funding from the JTF, these financial instruments need to be used efficiently. Projects that rely exclusively on outside funding with no hope of becoming self-sustaining stand little hope to affect long-term economic perspectives. Across the regions in Poland, it has been remarked that '...many plans rely too heavily on public funding sources, and particularly the JTF. Walbrzych and Eastern Wielkopolska stand out as counterexamples however, with measures to leverage private financing or investment in the plans' (Asin, 2021, p. 5).

**Private actor involvement:** A major private actor in Eastern Wielkopolska is ZE PAK, who plays a major role in the economic life of the region. Its participation in the Just Transition Agreement is crucial (Slimko, 2019a, p. 20). The fact that this is not an altruistic act but motivated by an informed analysis of energy market trends does not necessarily detract from

the sincerity of the willingness to contribute to a successful energy transition (ZE PAK, 10/24/2021). Concerns remain, however, that private actors are not held to account for historic environmental damage through the application of the ‘polluter pays’ principle (Slimko, 10/24/2021). This regards the severe environmental impacts of coal mining and using coal for power generation.

## Silesia

The Silesian Voivodeship is the largest mining area in Europe (Marshal’s Office of the Silesian Voivodeship, 2021). ‘Hard coal reserves total 21.1 billion tonnes, located mostly in the Upper Silesian and Lublin coal basins, while lignite reserves amount to 1.4 billion tonnes with a further 22.1 billion tonnes of economic resources’ (European Association for Coal and Lignite, 2014). ‘Over the last two decades, the Silesian economy has become much more diversified. There has been a permanent decline in the volume of mined coal and a decrease in the number of individuals employed in the mining sector, as a result of which other sectors of the economy had to develop’ (Slimko, 2019b, p. 6). ‘The region’s assets include a stable and big share of industry in the structure of its economy, advanced information and communication technology businesses, ongoing development of the energy sector, medical services, the automotive sector, environmental protection and innovative technology sectors. The local innovative business service sector is dynamically developing as well. With its numerous research and development institutions, Silesia is also a major science and research centre, which confirms its great potential for innovation’ (Slimko, 2019b, p. 6).

**Challenges:** Silesia also faces similar challenges as Eastern Wielkopolska. These include the ‘outflow of people from the region, heavy air pollution, vast areas of degraded and unused post-industrial sites, and slower pace of economic development compared with other regions’ (Slimko, 2019b, p. 7). ‘According to the Social Progress Index compiled by the European Commission in 2016, Silesia was ranked 250th (Poland’s lowest) out of the 272 regions surveyed’ (Slimko, 2019b, p. 7).

**Civil society participation:** ‘Silesian regional civil society organisations were the first to introduce the topic of just transition to the public debate’ (Slimko, 2019b, p. 9). ‘An early manifestation of this was a conference titled “Katowice 2050. Sprawiedliwa transformacja”, organised in March 2018 by the BoMiasto association and Polish Green Network, one of the first initiatives launched by civil society to promote the notion of just transition in Silesia’ (Slimko, 2019b, p. 9). This is seen as the initial spark for a public debate on the feasibility of a just transition in Silesia and engaged experts from ‘Polish Green Network, the Institute for Structural Research, the Energy Forum, the Regional Analysis and Strategic Planning Centre at Silesia’s Marshal’s Office and the mayor of Wodzisław Śląski’ (Slimko, 2019b, p. 9). The draft TJTP for Silesia contains a plan for closing mines and coal-fired power plants, with dates ranging from 2021 to 2049 (Marshal’s Office of the Silesian Voivodeship, 2021, p. 7).

**Access to information:** The TJTP draft for the Silesia region is publicly available through an [online platform](#) (Self-government of the Silesian Voivodeship, 2020). Overall, the public can obtain relevant information and there is a strong degree of transparency on what the challenges, plans, and approaches will be for the Silesian region.

**Best practices:** ‘Rybnik, a city at the heart of Silesia, is a part of the Just Transformation Deep Demonstration programme, where EIT Climate-KIC, together with partners from many European countries, initiates a system innovation approach aimed at tackling the biggest climate challenges Europe is facing’ (Climate-KIC, 2021). ‘It serves as a long-term process working towards the just transformation. The vehicle is a new development strategy for Rybnik based on systemic innovation’ (Climate-KIC, 2021). It involved 180 interviews with residents, 21 workshops, 2,800 arguments and 93 ideas for innovation (Climate KIC, 2021). It sets out to improve living conditions and future prospects from a holistic perspective and pursues a broad portfolio approach. This process sits somewhat outside the formal TJTP process and the Just Transition Mechanism framework but serves as an interesting case study for a city-specific initiative. In Silesia, too, there is tangible public involvement and civil society participation in the undertaking of the just transition.

The dedicated website provides access to a variety of resources ranging from meeting presentations, the TJTP draft, best practices and completed projects to projects currently being undertaken. Material is also available in Polish, which means it is accessible to the local population.

### Conclusions and key findings in Poland

Poland is an immensely interesting case study for just transition dynamics. The recipient of the largest share from the JTF, it presents the conundrum of strong trade unions, political reluctance at the national and regional level as well as a clear need for action given the importance of fossil fuel industries for economic and labour development. There are pockets of well-organised, effective and visionary just transition activity at the regional and local level. Eleven mayors of Polish cities are signatories to the *Declaration of Mayors on Just Transition* and active in the Forum of Mayors (WWF, 2020).

For the Lubelskie region, there was a tangible lack of engagement with environmental non-governmental organisations or other representatives from civil society – clearly contravening the partnership principle enshrined in Article 11 (3) Reg (EU) 2021/1056, which calls for the involvement of civil society in the development of the TJTP. Campaigners have shared anecdotal evidence that reveals markedly different approaches across the different regions in Poland – with Eastern Wielkopolska as the most effective and Lubelskie among the least participatory. Overall, the process in Eastern Wielkopolska highlights the importance of starting early, involving a variety of stakeholders, procuring genuine buy-in from relevant institutional actors as well as the support from strong private sector entities. The Just Transition process in Poland also demonstrates the significant social and political hurdles that this endeavour has to overcome: According to one key informant, some people think a ‘just transition is a slow transition’. This attitude may foster a sense of security and stability among those employed in the coal sector, but it does not contribute to decarbonisation and continues to lock in economic activities that are increasingly struggling to compete.



## Romania

### Introduction

Romania is eligible for EUR 757 million of the JTF, equal to 18.2 per cent of the total amount, making the country the third largest potential beneficiary of European support. With a population of 19 million, resources from the JTF per person are estimated to amount to EUR 39. Its GDP was EUR 223 billion in 2019.<sup>6</sup>

The JTF, complementing the Cohesion Fund, will support the transition in the coal areas of the Jiu Valley (Hunedoara County) and Rovinari/Turceni (Gorj), and in the areas with energy intensive manufacturing and heavy industry activities (chemicals, metal processing cement, fertilisers, etc.) of Dolj, Galați, Prahova and Mureș.

### Coal phase-out in Romania

Air and water pollution caused by industrial activities are serious environmental problems in Romania. Poor farming practices, especially infrequent crop rotation, have led to severe soil degradation and erosion in many rural areas of Romania. The country is already suffering intense consequences from climate change in the form of increased tornadoes, floods, and desertification.

The Romanian mining sector is facing significant economic pressures. In June 2021, Romania announced that it will exit coal by 2032 and pass a law to that effect by mid-2022 (European Council for Energy Efficient Economy, 2021). According to Europe Beyond Coal (2021), the estimated installed coal capacity in 2030 will be already ‘unprofitable, and it is unclear how coal-based energy companies will survive until then. Lignite energy production will have a share of 15% in 2030 according to the NECP. Moreover, in the National Energy Strategy, coal energy production is envisaged until 2050’ (Europe Beyond Coal, 2021).

Indeed, in Romania, coal covers 25 per cent of the total energy production mix of Romania and decarbonisation objectives included in the 2021-2030 Integrated National Energy and Climate Plan<sup>7</sup> were defined as ‘not ambitious’ by the EU. Coal mining is concentrated within the two sub-regions of Jiu Valley and Rovinari/Turceni, which are situated in the counties of Hunedoara and Gorj (European Commission, 2020) These coal mining regions emit 90 per cent of the coal fired-related greenhouse gas emissions, or 30 per cent of all of Romania’s emissions stemming from mining and manufacturing. Approximately 90 per cent of the country’s coal mining workforce lives and works in these two regions and a significant number of the workforce is employed in fossil fuel power and heat generation. The coal industry in Romania is state-owned.

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<sup>6</sup> <https://ec.europa.eu/eurostat/databrowser/view/tec00001/default/table?lang=en>.

<sup>7</sup> The objectives of -44 per cent emissions (compared to 2005) and a 30.7 per cent overall share of renewable energies in gross final energy consumption is expected by 2030.



## Analysis of the just transition process in Romania

In Romania, the Ministry of Investments and European Projects (MIEP) is the beneficiary institution in charge of providing technical assistance for TJTP development in the Hunedoara, Gorj, Dolj, Galați, Mureș and Prahova (NUTS-3) regions. The Frankfurt School of Management and Finance<sup>8</sup> is the consultant hired to technically support the development of the TJTPs.

This assessment focuses on the hard coal and lignite regions, namely the Jiu Valley (Hunedoara), with four hard coal mines and one power plant, and the Gorj region, where 10 lignite mines and two power plants are located. The two regions have fairly diversified economies between agriculture, industry, services and administration and considerable differences were identified in the quality of their TJTP processes.

The current stakeholder engagement structure for the TJTP development is multi-level, with the MIEP as the central coordinator, Regional Development Agencies (RDAs) at the level of the eight development regions and the County Council at the county and local levels. A **stakeholder registry** with around 290 identified organisations and/or persons has been set up by the consultant. It will be kept up to date throughout the project's duration and handed over to the MIEP at the project's end. The stakeholders are analysed and classified according to different criteria, including the level of influence and control they can exercise through their input and involvement in the Just Transition Agenda, during and after the application and planning phase. The consultant has produced two deliverables, an inception report<sup>9</sup> and a stakeholder engagement strategy<sup>10</sup>: D1) *Inception report, 29 December 2020*; D2) *REPORT ON PROPOSAL FOR A STAKEHOLDER ENGAGEMENT STRATEGY, 6 April 2021*.

The stakeholder engagement strategy led by the MIEP started with early consultations on the Operational Programme for Just Transition (OPJT), which involved 29 consultative partners at the national level and six working groups at the regional level. Six workshops with the working groups were organised in the selected regions, as well as a final workshop with all the regions. However, it was noted during interviews that working group members **have not always been informed** over the course of the process, for instance on whether their contributions were taken into account in the drafting of the TJTPs.

The two main non-governmental organisations active on just transition in Romania, Bankwatch Romania and Greenpeace, are actively participating in the process, whereas local (smaller) organisations are involved in Jiu Valley (Hunedoara) but not in the Gorj process. Nevertheless, this does not mean that the process in the latter is less inclusive in comparison to the former. Indeed, according to key informants, the process in Gorj has been considerably more inclusive and transparent than in Jiu Valley, with a high involvement of civil society which has demonstrated to be strongly involved in the just transition planning process. This is also due to the early start of discussions regarding the future of the region before the Just Transition

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<sup>8</sup> Joined by Eurom, MKBT: Make Better, and Cambridge Econometrics

<sup>9</sup> Available here: <https://mfe.gov.ro/wp-content/uploads/2021/02/709f19e4b27e43623792fef255280ab2.pdf>

<sup>10</sup> Available here: <https://mfe.gov.ro/wp-content/uploads/2021/04/b1bb465b26d93ea35cdf52fa0295331b.pdf>

Mechanism-related process began. This is a notable fact, as it shows that **ensuring the formal participation** of relevant stakeholders is not necessarily synonymous with a more transparent and inclusive process, and that **starting early** pays off in terms of improving the quality of processes.

There have been several formal and informal consultation processes and stakeholder engagement channels at the local level; however, the heterogeneity of the entities/people engaged is limited and key informants have suggested that this should be broadened to enhance diversity and strengthen the inclusivity of the process. Particularly in the two coal regions, according to key informants, local participation is not ensured, and the overall understanding of the process for local actors is limited. Besides the plenary regional workshops organised at the end of March 2021 and the national workshop in May 2021, the consultant has been mainly holding **bilateral meetings** with stakeholders.

Based on the information gathered and our interviews, the **overall objective of the just transition process** has yet to be clarified and the absence of a convincing and comprehensive coal phase-out strategy jeopardises the capacity of local and national authorities to set clear just transition goals. For instance, according to key informants, the TJTPs do not explain how the just transition measures proposed will contribute to CO<sub>2</sub> emissions reductions, and there seems to be little awareness at the regional and local level of climate issues and little capacity for low-carbon project development. It is known that lignite and coal extraction is to be substituted with renewable energies in both the regions. However, Gorj has a considerably stronger renewable energy, particularly solar, development capacity, whereas the Hunedoara TJTP is more focused on tourism and on energy efficiency, in line with the 2021-2030 NECP plan. TJTPs in both regions focus also on digitalisation, more sustainable district heating systems, and microfinance for SMEs.

Developing an *ad-hoc* **governance** just transition framework in Romania has been particularly challenging. The country is divided into four macro-regions (NUTS-1), eight regions (NUTS-2), and 42 counties or *judete* (NUTS-3). At the NUTS-2 level, there is no political and administrative body installed, which has generated a lack of authority in terms of space for dialogue and to develop a just transition decision-making process (CEE Bankwatch Network, 2020).

Different levels of ownership/leadership at **the local county council level** has been reported as one of the factors affecting the quality of the processes in different areas. According to the key informants, in some cases, county councils, which were formally in charge of drafting the TJTPs, refused to do it. In some cases, it was said that non-governmental organisations had to convince county council representatives to work on the TJTPs.

At the **national level**, the involvement of national ministries with oversight on the issues at the heart of the just transition process (e.g. the Ministry of Energy, Ministry of Environment, Ministry of Labour, etc.) has been weak. Indeed, one of the policy suggestions from the consultant is to better align the just transition process with the strategies and objectives developed within these ministries (Frankfurt School of Finance and Management, 2021). Based on the second deliverable produced by the Frankfurt School of Finance and Management, it

appears that an *ad-hoc* governance mechanism will be set up soon and communicated to all the stakeholders. Furthermore, it is still uncertain what institutions will own the responsibility of turning plans into practice in the forthcoming **implementation phase** of the plans; according to key informants, this will represent the biggest governance challenge in Romania, along with uncertainty regarding the ownership of the land where some of the just transition projects might take place.

Finally, **fund allocation among the regions** is also a pending issue, as the MIEP has not yet defined how funds will be distributed. According to key informants, one of the main criteria currently under consideration for fund distribution is the contribution of TJTPs to the decarbonisation of the national economy.

#### Gorj region

The Gorj region has 312,000 inhabitants (2020) and a GDP of EUR 2,000 billion (2015). The continuous decline in the number of available jobs, the degradation of socio-economic conditions, and the perceived lack of investments in new industries in Gorj County has led to a large migration to more developed areas. The number of permanent migrants increased between 2008 and 2017 (Bankwatch Romania, 2020).

The main activities are lignite extraction and agriculture, but in the last two decades, Gorj County has neither decarbonised the economy nor diversified it. Facilities linked to lignite extraction and coal-powered energy still employ 8,143 people; the Oltenia Energy Complex also operates two power plants in neighbouring Dolj County, using lignite mined in Gorj, named Rovinari and Turceni and employing 1,454 and 1,498 people respectively (CEE Bankwatch Network, 2020). Due to the declining mining industry, the number of quarry employees decreased from 12,589 in 2013 to 7,053 in 2017.

The TJTP for the Gorj region is mainly related to the restructuring of the Oltenia Energy Complex through renewable energy installation, mainly solar plants, as one of the main substitution activities. The working group for the Gorj region was active, with back-and-forth feedback on each deliverable. In-person meetings were also held with the working group, and Bankwatch Romania representatives attended one of the meetings.

In contrast to the Jiu Valley process, the discussion related to the development of a just transition plan in the Gorj region had to start from scratch. According to key informants, participation in the process was ensured. Indeed, inputs on each section of the TJTP were requested by authorities and several online and in-person meetings were held. Bankwatch Romania is currently attempting to build a coalition of civil society also in the Gorj region to strengthen the awareness and engagement of civil society. Trade unions did not support the TJTP process; according to key informants, the reasons might be related to an extreme polarisation of the trade union position against coal-related activity closure.

#### Jiu Valley (Hunedoara County)

The Jiu Valley region is home to 380,000 inhabitants and is known as a hard coal and forestry region. The Hunedoara Energy Complex operates hard coal facilities and employs about 3,400

people, whereas the Paroseni power plant near Deva, also part of Hunedoara County (NUTS-3 region), employs 353 workers (CEE Bankwatch Network, 2020).

Compared to the working groups in the Gorj Region, the one in Hunedoara has been less active. According to key informants, the consultation process in the area cannot be properly considered inclusive as the drafting of the TJTP was not rooted in a participatory process. Key stakeholders were indeed involved in only one round of feedback on the final output.

The debate regarding the future of Jiu Valley was in place before the TJTP development goal. During this early process, an assessment and economic modelling of the future of Jiu Valley was developed, which has served as a baseline for the development of the TJTP in the region. Due to this early move, according to key informants, **civil society** in the Jiu Valley demonstrated to be considerably more aware of the just transition process than in other especially affected regions. In this context, the role of non-governmental organisations, particularly Bankwatch Romania, has focused on selecting projects for Hunedoara's TJTP which best meet the just transition plan criteria set by the ministry in charge.

Nevertheless, the participatory process in the Jiu Valley appears to have been weaker than in the Gorj region. In terms of stakeholders engaged, coal operators and trade unions were excluded from the process. The whole public consultation process relied on only two formal input requests, and two formal consultations with working groups were organised (the first by the MIEP and the second by the consultant). Working groups were asked to write sections of the (draft) TJTPs and to comment on the advanced draft of the plan, although one of the requests was sent at 3.00 p.m. on a Friday, with the submission deadline on the following Monday at 10.00 a.m.

### Conclusions and key findings in Romania

The Romanian mining sector is facing significant economic pressures, and there is not yet a clear strategy for a coal phase-out in Romania, which jeopardises Romania's transitions. Considerable differences were noted in the quality of the TJTP processes among the two coal regions considered, particularly regarding participation and social dialogue.

In Hunedoara, although participation has not been fully guaranteed, given the early start of debates on the after-coal future of the region, the process has been effective. In Gorj, however, although formal participation has been ensured, the capacity of the stakeholders to really influence the decision-making process is unclear, as stakeholders are not aware of whether their inputs were taken into consideration. These are notable facts demonstrating that ensuring formal participation is not necessarily synonymous with a more transparent and inclusive process and that starting early pays off in terms of improving the quality of processes.

The participation of local public authorities was sometimes limited. In some cases, county councils seemed not to have a clear idea of what their role was (i.e. leadership in drafting the TJTPs) and were often lacking the technical capacity to effectively support the process. As suggested by the just transition consultant, working groups might need to have a minimum level of secretarial support funded by the county councils to ensure their proper functioning, and they must meet regularly in full and in more focused/specialised settings where needed.

Reinforcing the ownership role of the city councils in their operational and high-level political dialogue with the beneficiary ministry might result in great improvements to the quality of the process.

The main challenges in the near future will be linked to, in the first place, governance in the implementation phase of the project, land ownership, and fund allocation among the regions. Indeed, the clear distribution of responsibilities was a missing step in Romania from the beginning. Long-term planning seems to be a critical issue in Romania and there are doubts concerning governance during the forthcoming operational phase of the plans. The limited capacity of the authorities to clearly plan the next steps generates uncertainty and might have affected the involvement of key stakeholders such as county councils and others.

## Slovakia

### Introduction

Slovakia is eligible for EUR 162 million of the JTF, equal to 2.2 per cent of the total European dedicated fund (EUR 29.8 / person), which makes Slovakia the third smallest country in terms of the amount to be received among the seven countries considered. The funds will most likely support the development of plans in two regions, the Upper Nitra and the Košice areas.

The population of Slovakia is around 5.5 million and its GDP is equal to almost EUR 94.2 billion. Total greenhouse gas emissions amounted to 43,316.45 Gg of CO<sub>2</sub> equivalent in 2017, representing a reduction of 41 per cent as compared to the base year of 1990 (MoE, 2019).

### Coal phase-out in Slovakia

According to the environmental policy strategy of the Slovak Republic published in February 2019, coal phase-out is expected to be completed by 2030, and coal-burning for electricity generation will stop by the end of 2023. The government of the Slovak Republic is thus advancing towards the gradual closure of three of the four mining areas where lignite is extracted from underground mines. The three areas are located in the Upper Nitra region, with the private company Hornonitrianske bane Prievidza (HBP) – located in Prievidza – monopolising coal-extractive activities.

Slovakia mainly directs lignite towards combined heat and power (CHP) systems and there is no clarity yet as to the closure of all CHP activities (Europe Beyond Coal, 2021). The decommissioning of the two largest coal CHP plants (Vojany and Nováky) is expected in 2025 and 2023 respectively, and the CHP plant Teko 1 does not have a scheduled closure date. The extraction activities in the last mine, which is located outside the region of Upper Nitra and has the biggest lignite reserves, will remain open, but will be limited to exclude its use for electricity production purposes.

### Analysis of the just transition process in Slovakia

The Ministry of Investment, Regional Development and Informatization has been selected to manage the process and it coordinates the working groups for the TJTP; the consultant in charge is PricewaterhouseCoopers (PwC). So far, the Ministry has collected local transformation plans; the list includes more than 300 projects with an overall investment value of EUR 6 billion (CEE Bankwatch Network, 2021a). Each region has specific pillars which are then further subdivided into priorities, and although there is no information yet regarding the project selection process, according to the key informants, the Ministry plans to divide proposals into three criteria: strategic projects; support for SMEs; and support for innovation, science, and renewable energy. According to the key informants, decisions should be taken and the selected projects announced by mid-2022. The final draft of the TJTP for Slovakia was ready in December 2022.

The team that leads the development of the national just transition plan is heterogeneous. It consists of representatives from eight ministries from the four regional groups, as well as PwC experts and energy experts. These include scientists, business representatives, and former

leaders in the energy sector, such as former managers at coal-fired power plants. Since the beginning of the process, the participation of other public institutions, namely the Ministry of Regional Development, the Ministry of Labour and Social Policy, and the Ministry of Economy and the municipalities, was publicly encouraged.

At the regional level, working groups were constituted at the regional self-government level (NUTS-3) in the following four areas: Upper Nitra, Košice<sup>11</sup>, Banska Bystrica, and Bratislava. However, the latter two regions were excluded from the TJTP development process because – according to the interviews with key informants – no valid transition strategies were being developed for such areas, and in addition, they do not face great decarbonisation challenges.

The beneficiary Ministry has thoroughly led the **governance of the process**. It assigned a focal point for just transition, Mr Peter Balík, and launched a series of kick-off meetings for working groups in November 2020. There were 12 members in the Upper Nitra working group, 18 in Košice, 23 in Banska Bystrica and 10 in Bratislava, and – according to the key informants – the Ministry and the consultants have been actively trying to engage more stakeholders. A consultation about participation with the Plenipotentiary for the Development of Civil Society under the Ministry of Internal Affairs also took place in February 2021.

#### Upper Nitra region

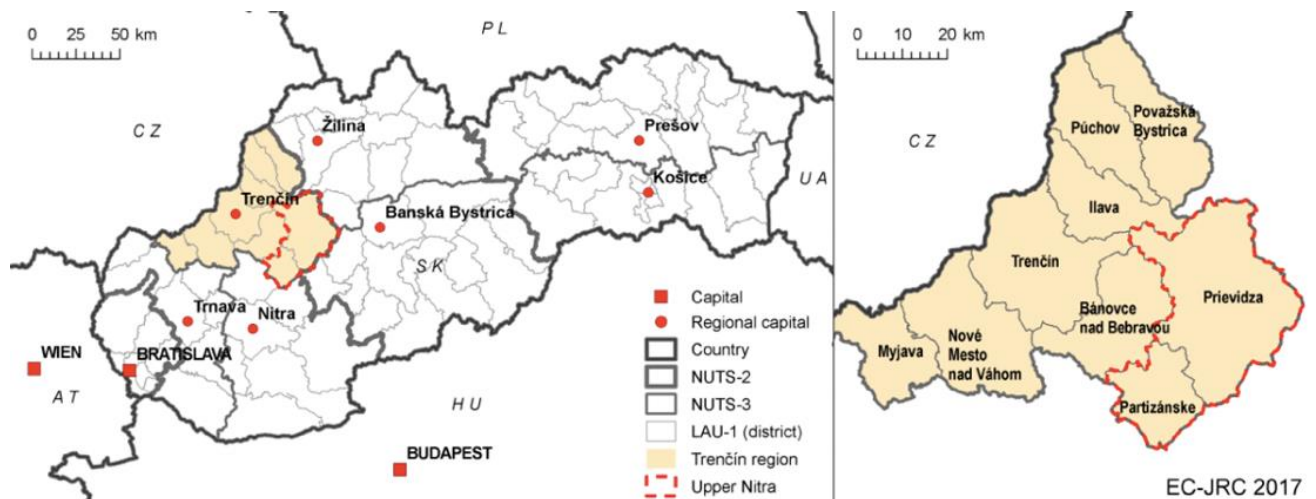
The lignite activities in the Upper Nitra region, located in the western part of Slovakia along the upper course of the Nitra River, are the focus area of this assessment. The Upper Nitra (*Horná Nitra* in Slovak) includes the districts of Partizánske and Prievidza, located in the Slovak administrative region of Trenčín (Figure 9) (European Commission, 2018), covering 1,261 km<sup>2</sup> (2.5 per cent of the entire country of Slovakia) and with 184,000 inhabitants (3.4 per cent of the country total). Since the first decade of the 20<sup>th</sup> century, this has been an industrial area, with the first attempts at coal mining dating back to the 18<sup>th</sup> century.

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<sup>11</sup> In the region of Košice, the just transition process is also focusing on steel production, which is a source of significant CO<sub>2</sub> emissions, with the company U.S. Steel Corporation being the single largest CO<sub>2</sub> emitter in Slovakia (European Commission, 2020).



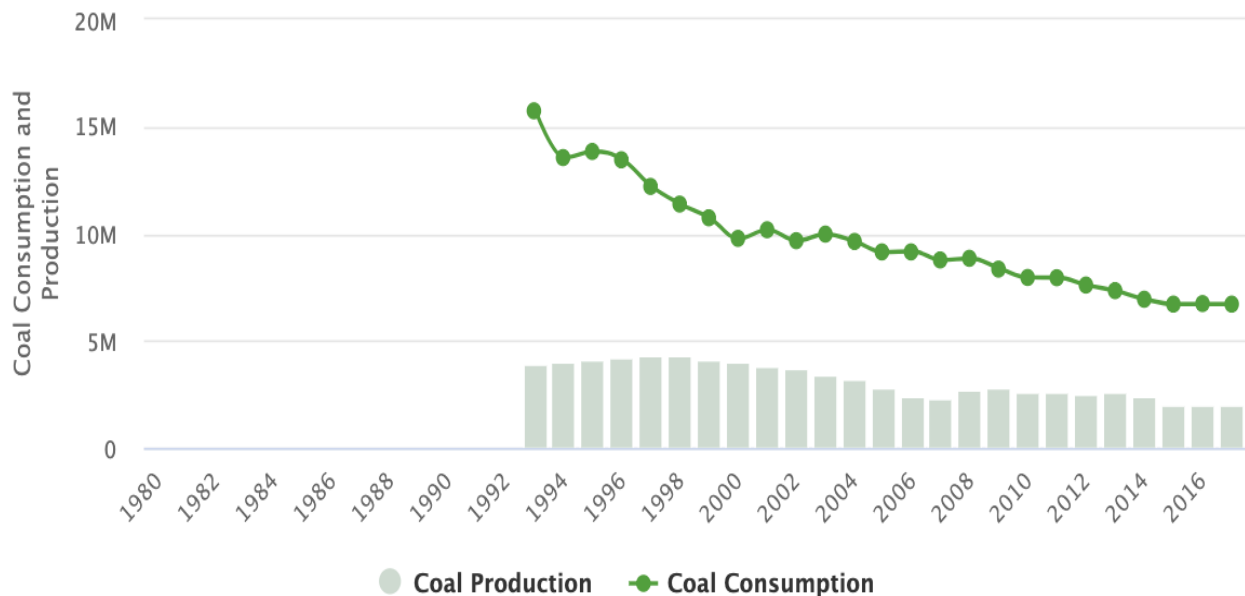
Figure 9 Map of the Upper Nitra region



Source: European Commission, 2018

Three out of the four national underground coal mines (Nováky, Čígeľ and Handlová) are located in the Upper Nitra region and the mining industry in the region plays a dominant role, with the Prievidza extractive area representing the country’s largest lignite basin (Popp, R., 2019). Coal provides heating for approximately 13,000 households within a 13 kilometre radius from the station and sustains the income of around 4,500 people (Halasz, 2020), but lignite and brown coal use has been decreasing at a moderate pace since 1990. In 2016, Slovakia imported 4.5 million tons of brown coal (mainly from the Czech Republic) and hard coal, directed mainly towards the steel industry located in the Košice region.

Figure 10 Coal production/consumption in Slovakia (1993-2016)



Source: [Wordometers \(2016 data\)](#)

Located in Prievidza, the Hornonitranske Bane Prievidza a.s. (HBP a.s.) is a large mining company extracting coal and lignite, with a monopoly on coal extraction. Slovenské elektrárne,



the national electric utility company, buys around 99 per cent of the fossils extracted for electricity production purposes, and generates approximately 5 per cent of total Slovak production. In 2019, HBP a.s. employed 3,782 people (2,002 employed in underground and 1,015 in aboveground jobs) of whom 3,017 were in the coal sector and 765 were situated in the non-coal sector in 2018 (Filčák, 2019). The re-employability of mine employees in the labour market relies on the capacity of the just transition process to offset the skills gap between those activities that are to be phased out, i.e. those that are fossil fuel dependent, and those that are to be phased-in, i.e. those that are in line with decarbonisation objectives. The level of education reached by workers is of key importance from this perspective and based on information submitted by HBP on miners' education and professional training, the age, education and skills of the miners do not fully match the market demands. Indeed, out of the staff, 6 per cent have some form of college education; 30 per cent have formal education with GCSEs and occupy high-profile professional and administrative jobs; 57 per cent have some form of professional training; and 7 per cent fall into the category of low-skilled workers (mine employees without specific qualifications, surface staff without specific qualifications, other staff) (Filčák, 2019).

The Slovak experience in the Upper Nitra region demonstrates that **starting early** is sometimes a precondition for generating an inclusive and effective just transition process. The kick-start point for debates regarding coal phase-out, just transition, and for the development of an action plan, occurred with the initiative taken by the local mayor of the city of Prievidza in 2018, who together with the Association of cities and municipalities organised several open meetings to discuss and plan the transformation (CEE Bankwatch Network, 2019). According to key informants, when the just transition process started, 'many things were already set and many of the challenges were already resolved'. Thanks to the mayor's initiative, people had the opportunity to debate critical issues and how to face them. Initiated and communicated by the local authority, the message was heard and around 60 active citizens participated in these debates. Later, the compiled action plan was again discussed with local people during several public consultations in four cities (CAN Europe).

However, at the very beginning of the debate on the just transition in 2019, specific challenges were observable, caused by diverging views on the future of the area between the mining company and unions on one side, and the municipalities and non-governmental organisations supporting the phase-out on the other side. At the time, the decarbonisation strategy was still envisioned for 2030/2035 and did not generate the condition of urgency to find solid alternatives to mining activities and energy sources. Indeed, according to key informants, dialogue was not possible until the government decided to suspend subsidies for coal-based power production by 2023, which meant that coal-related activities would not be financially viable anymore. **Stricter coal phase-out plans have been the turning point in the Upper Nitra region in Slovakia.** However, the incumbent closure of mining and coal-to-energy activities by 2023, and its subsequent impact on the Slovak energy system, is generating urgent challenges. Although some just transition plans are focusing on alternatives to provide heating and energy from different sources for Prievidza, Nováky and Zemianske Kostol'any, time to

set up viable and sustainable alternatives to coal is a great constraint.<sup>12</sup> Currently there are more than 200 project ideas to be considered for the transformation of the coal sector in Upper Nitra (MoIRDI, 2021). As this topic is outside the scope of the present assignment, we hereby propose some studies to be used as a reference to delve into this process (CEE Bankwatch Network, 2020).

**Formal participation and social dialogue ensured:** Another key challenge at the beginning of the process was related to the deficient communication between stakeholders, both internal to governmental institutions and between external stakeholders. This changed during the development of the Action Plan, when the government set up some basic governance and stakeholder engagement structures, with selected nominees from among different stakeholders that served as a basis for the development of communication. According to the key informants, in the TJTP process, none of the stakeholders were excluded and there has been a clear possibility to influence decision-making processes through commenting on the drafts of TJTP and Action Plan for transformation, among other documents. Indeed, formal participation and social dialogue between key stakeholders has so far been ensured. Inputs from all the members of working groups, including non-governmental organisations and local private actors, were received and taken into account. Working groups have been meeting on a monthly basis; these spaces were used to present, discuss and analyse the developments of the process, including the drafting of deliverables, JTF, list of flagship projects, and action plan for the transformation. Formal participation and social dialogue have also been ensured from the consultant's end. Indeed, PwC organised long trilateral meetings (over 1:30 hours) with government representatives and selected stakeholders, which made it possible to collect valuable inputs (CEE Bankwatch Network, 2021b). Meetings were organised based on clear agendas and minutes were available afterwards.

**Lack of technical capacity** at both national and local levels remains a pressing issue. At the central governmental level, when the debate around the Just Transition Mechanism started, the government assigned the topic to an *ad-hoc* department which took over the preparation of the TJTP and the coal phase-out programmes called *Innovation, Strategic Investments and Analysis* (HUB), under the Ministry of Investments, Regional Development and Informatization. However, technical capacity still represents an issue that can jeopardise the equal participation of various stakeholders, particularly for smaller municipalities and companies. As mentioned by one of the key informants, 'even though they have good potential project ideas, they have issues preparing the projects and they surely will have issues implementing them'. According to key informants, again, the government is willing to implement specific units to support SMEs in navigating the labyrinth of EU funding, but no further information is available on this plan.

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<sup>12</sup> In the Upper Nitra area, besides the declining mining industry, another main concern is represented by depopulation trends, as almost 4 per cent of its inhabitants have migrated to the cities and wealthier regions in the last 20 years. The commitment of relevant authorities within the just transition framework seems to be oriented towards investing in people, that is investing in the facilities inhabitants need to stay in the region. Underdeveloped motorway or high-speed railway infrastructure to larger cities, for instance, is seen as a priority in order to relaunch the area. In this regard, according to the key informants, the TJTPs are oriented towards tourism-related activities, capitalising on the available historical resources, such as the Bojnice Castle, and natural resources.

According to the key informants, **very strong involvement and participation** has been enforced in the Upper Nitra region. In 2021 alone, the Ministry organised/co-organised/participated in 14 events, which saw the inclusion of vulnerable groups, such as youth representatives. Despite the strong focus on social dialogue, the key informants have highlighted that the communication campaign has not been sustained or multi-channelled, and in general has not been effective. Awareness of the TJTP among the population is indeed low. Regarding the **transparency of information** on the process in the region, relevant information has been produced, updated and made accessible to the public via a designated web page, <https://www.lepsiahornanitra.sk/>.

In terms of **timeline**, the TJTP development officially started in December 2020 with an introductory meeting organised by PwC Bulgaria with the participation of the Deputy Minister of Energy and – despite COVID-19 – has tried to comply with the scheduled timeline. The finalisation of the *Report on the challenges, needs and action plans for the most affected territories* was concluded in April 2021, whereas the finalisation of the final deliverable, *Report on the challenges, needs and action plans at the most affected territories*, was sent by the Ministry to all members of the working groups on 10 May 2021, with a deadline for commenting and providing input by 23 May 2021 (CEE Bankwatch Network, 2021a). As the next step, the government stated that it will identify the flagship projects and complementary projects based on a non-binding (informal) call for project proposals. The launch of project implementation of the flagship initiatives is scheduled for 2022.

### Conclusions and key findings in Slovakia

In conclusion, Slovakia's experience, particularly in the Upper Nitra region, is a formidable example of a well-managed just transition process. The experience confirms the effectiveness of starting early and supporting the process with strong political will from local governments and setting up dedicated governance bodies at the national level (the beneficiary ministry).

The Slovak case also highlights that referring to clear and strong national energy strategies is a catalyst for just transition plan development, helping to overcome divergent visions between stakeholders and generating common deadlines and objectives.

However, in Slovakia, some challenges persist. One of the main ones refers to the design of the just transition plan itself, which favours big stakeholders (big municipalities, big companies, etc.) who hold the technical, financial, and human-capital capacity for proposal drafting and project management, to the detriment of SMEs and small municipalities.

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