CEE Bankwatch Network

BRIEFING | 3 MARCH, 2021

For more information

Alexandru Mustață
Just Transition Coordinator
CEE Bankwatch Network
alexandru.mustata@bankwatch.org

Status of the Territorial Just Transition Plans in central and eastern Europe

3 March Update

Photo credit: Andrei Dudea for Greenpeace Romania

Introduction

Territorial Just Transition Plans (TJTPs) are 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. TJTPs 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.

CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

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CEE Bankwatch Network has been actively involved in the TJTP development process since these plans were announced in the JTF regulation proposal in January 2020. The European Commission announced that it will offer technical assistance for the development of TJTPs[1] to all 18 countries which requested it, so that the plans are finished by the end of the year. In July 2020, Bankwatch launched a checklist with recommendations for each section of the plans[2]. However, the selection of consultants to assist with the drafting of the plans was not finished until November, and our October 2020 publication showed that the process remained a mystery for most national actors[3] at that time.

Since it was proposed by the European Commission, the JTF, including its financial allocation, has been amended by the European Parliament and the Council. A political agreement was reached in the December trilogues which included the exclusion of fossil fuels from financing[4]. Since then, countries have taken rapid steps to design their plans, and most of them are also preparing a just transition operational programme.

In this paper, we analyse the state of the TJTPs' design in six central and eastern European countries: Bulgaria, the Czech Republic, Estonia, Hungary, Romania and Slovakia. We first describe the formal design of the processes in each country, which, although similar, involve different actors and timelines. We also take a look at how the working groups, set up to inform and design the plans, are currently functioning, and what they need to effectively influence the plans. In the next section, we analyse the instruments used in each region to ensure participation, highlighting what works well and what works less well. Finally, the paper concludes with recommendations for national authorities and the European Commission, based on the three biggest threats to the quality of the TJTPs: poor participation, a disproportionate influence of industry and a narrow focus on job creation.

Design of the process

With the exception of Estonia (who did not apply), all of the other countries examined in this briefing are among the 18 benefitting from EU technical assistance to design their plans. It is important to note that the consultants are not tasked with actually writing the plans – instead, their role is to support the relevant state authorities to design their TJTPs.

In the Czech Republic and Romania, the consortium providing technical assistance is led by the Frankfurt School of Management and Finance: in the former country, they are joined by the Czech Technical University of Prague, Cambridge Econometrics and Trinomics; in the latter, by Eurom, MKBT: Make Better, and Cambridge Econometrics. In Bulgaria and Slovakia, the consultant is PwC, and in Hungary the name of the consultant has not been publicly announced.

The central government authorities coordinating the process vary from country to country:

- **Bulgaria**: the Ministry of Energy.
- **Czech Republic**: the Ministry of Regional Development. However, at the end of last year, the Ministry also established a 'Transformation Platform' which is responsible for the preparation and implementation of the Just Transition Operational Programme and for setting up a participative process for the development of TJTPs. At the moment, it is not clear whether the members of the Transformation Platform will be able to work together

[1] European Commission, Commission supports Member States in their transition to a climate-neutral economy, 7 May 2020.
[2] Bankwatch, Territorial Just transition Plan Checklist, 23 July 2020.
[3] Bankwatch, Status of the Territorial Just Transition Plans in central and eastern Europe, 14 October 2020.
[4] European Commission, Commission welcomes the political agreement on the Just Transition Fund, 11 December 2020.

with the consultant. This is not currently happening, and members of the Platform do not have access to the work of the consultant. Thus far, the Ministry for Regional Development has not arranged any closer functional cooperation between the Platform and the consultant, nor harmonised their work.

- **Estonia**: the Ministry of Finance organises regular working group meetings, ordered an independent study on the prospects of the region in the face of oil shale decline, and gathers and organises inputs for the government's approval.
- **Hungary**: the Ministry of Innovation and Technology.
- **Romania**: the Ministry of Investments and European Projects. The consultant produces deliverables which are sent only to the ministry, based on their own research, bilateral calls with relevant stakeholders, and the input received from working groups – not directly, but through the ministry. The deliverables produced by the consultant are not public – the working groups do not receive anything from the consultant directly, and the ministry has not made any deliverable public.
- **Slovakia**: the Ministry of Investments, Regional Development and Informatization. Inputs from working group members and other stakeholders are collected during interviews organised by the consultants. The interviews are not conducted by the consultant alone – a Ministry representative is present as well. Working groups do not receive anything from consultants directly, but only receive information from the Ministry.

The regions designing a territorial just transition plan in each country are:

- South West (including the Pernik-Kyustendil coal region) and Stara Zagora in Bulgaria;
- Ústecký (which includes the North Bohemia coal basin), Moravskoslezský and Karlovarský in the Czech Republic;
- Ida-Virumaa in Estonia;
- BAZ, Heves (the county where the Matra power plant is located) and Baranya in Hungary;
- Hunedoara (Jiu Valley, hard coal region), Gorj (the lignite region), Dolj, Galați, Prahova and Mureș in Romania;
- Upper Nitra, Banskobystrický, Košický and Bratislavský kraj in Slovakia.

The **timeline** for the design of the plans also varies from country to country. As it did not request technical assistance from the European Commission, Estonia started work before all other countries, on 26 June 2020. Since then, five working group meetings were organised in August, September, November, January and February in order to identify solutions for industry, businesses, social issues and the environment. The government plans to approve its TJTP by April 2021 and to have it finalised by August or September 2021, after integrating the Commission's feedback.

Czechia, Romania and Slovakia plan to submit their plans to the Commission for approval in May or June, as most other European countries. Bulgaria, however, announced that the plans must be ready and approved by November 2021; therefore, it is possible that the country's TJTPs will be finished after the summer. Work on the plan began in Bulgaria on 4 December 2020 with an introductory meeting, organised by PwC Bulgaria with the participation of the Deputy Minister of Energy.

While information on what the Commission's technical assistance would consist of concretely was not released by the Commission or made public in all countries, several consultants from different countries

provided the same information in their proposals for consulting work. We can therefore assume that the following products will be delivered in all countries:

Product	Deadline
Deliverable 1: Inception report	Reference date + 1 month
Deliverable 2: Report on stakeholder engagement	Reference date + 2 months
Deliverable 3: Report on the transition process towards climate neutrality	Reference date + 3 months
Deliverable 4: Report on the challenges, needs and action plans of the most affected territories	Reference date + 6 months
Deliverable 5: Final report	Reference date + 7 months

The deliverables are produced by the consultants, submitted to the beneficiaries of the assistance (i.e. the respective ministry in each country) and the European Commission for comments and suggestions, and then approved. In **Slovakia**, the first three deliverables should have been finished in November 2020, December 2020 and the end of January 2021, while the remaining two are scheduled for April and May 2021. Similar deadlines for the deliverables were produced for Romania.

Although a detailed timeline is not publicly available yet for **Bulgaria**, the next planned activities are quite clear. Regional seminars will be organised by the consultant, the Ministry of Energy, the Ministry of Regional Development, the Ministry of Labour and Social Policy, the Ministry of Economy and the municipalities. The seminars will be organised in order to produce the last four of the five deliverables from the table above, as the first one is being produced independently by the consultant.

In **Czechia**, the consultant is supposed to organise three regional and three national workshops in March 2021. In **Romania**, apart from the regional workshops organised at the end of March and the national workshop in May 2021, the consultant is also holding bilateral meetings with a series of stakeholders. Apart from producing the deliverables, the consultant in **Slovakia** will also produce databases of potential relevant stakeholders and help with the preparation of communication materials.

In **Slovakia,** the Ministry of Investment coordinates the working groups. The regional self-governments (NUTS 3 level) in all four regions have also been given a role in the coordination of the working groups, in order to use the synergies and the outcomes to produce the regional development documents necessary for the programming of the European Structural and Investment Funds.

In **Hungary**, the three TJTP processes (with the consultant) have been ongoing intensively since February 2021 and are expected to conclude in April, following interviews and stakeholder workshops in each county. The TJTPs are planned to be included as an annex to the new Environment and Energy Operational Program (KEHOP+) priority 5 - Just Transition. A new Life+ project may generate further inputs.[5]

Working groups

In order to ensure a participatory process in the design of TJTPs, working groups have been set up or are being formed in all countries. The role of the working groups is to inform the design of the plans, as

[5] Hungarian Insider, Nine-year transformation of Mátra Power Plant begins, 9 February 2020.

well as to review the documents produced by the responsible authorities in each country with the aid of the consultants.

In **Romania**, a detailed calendar was produced for the working groups. According to the government, the consultant must be involved in all stages, yet it is not clear how. Until now, the working group coordinators (county councils) requested input from the members (without including the consultant) a few days before the deadline – usually with insufficient time to provide a meaningful contribution – and then presumably sent the information to the ministry. An in-person meeting of the Gorj working group was organised in February 2021, and the consultant did not participate. Thus far, working group members have not been informed when the required information was submitted to the ministry or about whether their contribution was taken into account. It is also not clear what the ministry is doing with the collected inputs, and when a first draft of the TJTPs will be made available for consultation.

In the table on page six, the last column represents the deadline by which working groups must deliver the respective information to the Ministry of Investments and European Projects. The only article for which no consultation is currently scheduled is 7 (2) f, *the governance mechanisms consisting of the partnership arrangements, the monitoring and evaluation measures planned and the responsible bodies*. It is not clear how the governance structure will be set up.

JTF article	Sub-section	Deadline
7 (2) b	Justification for identifying the territories as most negatively affected by the transition process	15.01
7 (2) c	Assessment of the transition challenges, including the social, economic and environmental impact of the transition to a climate- neutral economy, identifying the potential number of affected jobs and job losses, the development needs and objectives	01.02
7 (2) d	2030 development needs and objectives to reach climate neutrality	15.02
7 (2) e	Consistency with other national, regional or territorial strategies and plans	26.02
7 (2) g	Type of operations envisaged and their expected contribution to alleviate the impact of the transition	15.03
7 (2) h	List and justification of productive investments to enterprises other than SMEs	29.03
7 (2) i	List and justification of investments to achieve the reduction of greenhouse gas emissions	09.04

The kick-off meeting organised online by the Ministry of Investments and European Projects in November 2020 involved all six regions and created widespread confusion, as most actors did not understand what the next step after the meeting would be. The working groups are quite extensive in the coal regions: 45 members in Hunedoara and 24 in Gorj, with a heavy emphasis on businesses. Although normally this heavier focus on the private sector represents a threat to public interest, in this case it is positive to see local companies involved, because normally strategies are designed by state actors and consultants who do not always understand particular local needs and potential.

The working groups are coordinated by the county councils. The country is divided into 40 counties, and the councils are made up of elected representatives, hire civil servants and are normally responsible for matters affecting multiple municipalities in the county. So far, the councils responsible for the two working groups Bankwatch monitors (Gorj and Hunedoara) have sent the working group members relevant forms to be filled out, but with few other instructions, and sometimes with a complete disregard to the deadlines for these forms – in some cases even requesting input by the following day. The Gorj County council also organised an efficient face-to-face meeting, where there was a heavy emphasis on asking the private sector to come with project ideas.

In **Bulgaria**, working groups are being set up at the time of writing this paper. While the groups are not finalised yet, municipalities, academic organisations, non-governmental organisations (NGOs) and businesses received invitations from the consultant to participate in meetings. The team which will lead this process consists of 15 people: PwC international experts, representatives of ministries and energy experts. Among them are 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.

In **Slovakia**, there is one national working group made up of representatives of eight ministries and four regional groups, one in each respective region. All four working groups attended the kick-off meeting in November 2020. There are 12 members in the Upper Nitra working group, 23 in Banska Bystrica, 10 in Bratislava and 18 in Košice, but the ministry and the consultants are 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.

In the **Czech Republic,** although the Ministry of Regional Development is responsible for the production of TJTPs, the Ministry for Environment also plays an important role as it coordinates the Just Transition Operational Programme. The Transformation Platform has 39 members, and only one of them is a representative of the NGO sector – the Centre for Transport and Energy. However, not all groups are poorly represented – it is positive that there are two renewables business associations (Svaz moderní energetiky and the Chamber of Renewable Energy Sources), as well as the civic association National Network of Local Action Groups in the Czech Republic. Interestingly, regional authorities from the three coal regions occupy only four seats and the interests of mayors are represented by only two seats appointed through the Union of Towns and Municipalities of the Czech Republic and the association of local governments Sdružení místních samospráv.

In comparison, the process in **Estonia** seems to be running more smoothly. The process is led by the Ministry of Finance and a national steering committee has been created to coordinate work on the Territorial Plan. It is tasked with gathering inputs from relevant stakeholders, ordering further analyses where needed and submitting all opinions to the government for a final decision. The process aligns with an ongoing local level activity to update the regional development plan to include some additional scenarios – e.g. 'business approach', ‘carbon capture and use’, 'green' and 'education'. Information regarding the content of both the national and local level meetings is available on dedicated websites.

There are 21 members in the national steering committee: members of Parliament, various ministries, a local municipality association, a green NGO, a local entrepreneurial association, a local industrial area development association, a vocational institution, a commerce association, a trade unions representative, a science association representative, and a chemistry industry

association. The national steering committee meets about once a month and the relevant materials are sent directly to working group members approximately a week in advance of the meeting. Afterwards, another week is left for feedback. There is also a mailing list where discussions can be held. Although there was no discussion on an oil shale phase-out date at the beginning of the process, in 2021 the new government has proposed the phase-out of various oil shale forms in 2035 and 2040 respectively.

Ministry officials have been organising national events and local municipality officials have held regional events to the best of their abilities. An independent think tank was commissioned to compile a report on the region that is freely available online. Regional officials have also commissioned two reports, one on ways to diversify the business sector and another on the potential of carbon capture, despite the high costs and unproven benefits of the technology. Environmental organisations have commissioned a report on the green alternatives for the region. All three reports will be used by the local entrepreneurship centre to produce a single product for the regional development plan update.

Participation

Proper participation is not ensured yet in **Bulgaria**. There are online consultations held by the consultant, who sends official letters of invitation to municipalities, business associations, NGOs and academic organisations. However, 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. For example, public authorities in smaller towns such as Galabovo and Radnevo were expecting the consultants to write the plans for their region. Local NGOs which are not involved in the working groups have not yet seen any parts of the plan. Instead, they rely on personal contacts from the coordination team, as well as communication with the municipalities they have been working for years.

It has been hard to understand the work of the consultant in **Czechia**, as the process is not open to the public. Although the Transformation Platform was designed as the body responsible for ensuring participation, the measures they are able to take to facilitate participation are not known. The most important unclear elements are about who should be included, how to enforce the partnership principle, what to publish, when and how diverse stakeholders can enter the process, and what criteria the Platform must consider for selecting the members of such a participation group.

As a result, locals, who are often interested in what is going on in their region, are not really familiar with the TJTPs' preparation and the ways they can be involved in the process. They can submit projects and speak with officials responsible for TJTPs at the regional offices, but the whole process remains too abstract for many of them. The members of the Transformation Platform have the possibility to see and comment on a draft version of the Czech TJTPs; however, the ministry hasn't yet publicly published a version of the Plan.

As the previous sections have shown, the process in **Estonia** is the best designed amongst the six countries – yet even here there is no systemic process to get everyone's input. The draft plans are sent and presented to working group members, and feedback is collected from meetings and by mail, formatted and sent further to the government for a decision. The working group members therefore have to make sure they are active. In effect, this approach has resulted in a lack of a shared, overall vision for the transition – each stakeholder is trying to promote their own vision for the use of the funds.

People in the region can access a wider 'platform' that also meets about once a month, but this is mostly attended by the same people that are in the national working group. Only a few attendees could be called local citizens. Most locals are not very hopeful about the whole process, as the oil shale industry has pushed the narrative that 'just transition brings too little money, and there is no alternative to fossils anyway'. This may change once people actually see the promised funds materialise.

In February 2021, 10 **Hungarian** NGOs working on just transition and/or related issues like energy poverty, air quality and clean heating (nationally and/or in either of the three just transition counties) sent a new joint letter expressing their intent to participate in the TJTP processes as affected stakeholders. There is a clear intent to include the locally, regionally and nationally affected stakeholders, as well as NGOs in the process, such as through workshops in the counties. NGOs such as NSC - Friends of the Earth Hungary have been raising awareness about the TJTP rules and process, targeting the relevant stakeholders and the public of the three counties.

The situation does not differ much in the two **Romanian** coal regions for which TJTPs are being written. In Hunedoara, participation is not ensured as the documents are not sent with enough time in advance of the deadline. There is no way to check if or what input is taken into consideration. In Gorj, the participation also remains formal because of the short time between deadlines. To improve this, the county council created an online tool to collect project ideas from all stakeholders and will promote this tool in the local media.

The involvement of locals is also not ideal. The Valea Jiului Implicată NGO coalition from Hunedoara understands the process well and has contributed meaningful comments to the deliverables. It is not clear which other actors understand the process – the trade unions or operators of the power plants and mines are not involved. There is no similar NGO coalition in Gorj, but there is a lot more involvement and a better understanding of the process overall at the level of private sector and public authorities.

The somewhat different approach taken in **Slovakia**, to have trilateral meetings with the consultant, a government representative and a stakeholder, allows for the collection of deeper input. For example, Friends of the Earth has already had two such meetings – the first in December and the second in January, each over 90 minutes. This allowed the organisation to present its expectations from the TJTP and also its activities in energy sector decarbonisation, fourth generation district heating, capacity building and the use of renewables.

A highlight here was that the government took additional, concrete steps in order to reach out to local stakeholders in the region who might otherwise not have understood the process. It produced an explanatory document which was distributed in February 2021 to all four regional self-governments, all towns in the respective regions, relevant NGOs and the Association of towns and municipalities of Slovakia, with a request to post it on web pages and further distribute it[6].

Recommendations

As a minimum degree of transparency has been ensured in the design of Territorial Just Transition Plans in all countries, it is possible to assess the evolution of the process so far. While each region

[6] Ministry of Investments, Regional Development and Informatization of the Slovak Republic, Podporný dokument k určeniu rozsahu podpory z Fondu na spravodlivú transformáciu, 9 February 2021.

has its particularities, we have identified a series of common problems that need to be addressed to a certain extent everywhere:

1. **Participation**. While improvements are visible in most countries since our last assessment in October 2020, the meaningful participation of all stakeholders is still not ensured everywhere. From this point of view, Estonia and Slovakia seem to be the closest to a good practice example for countries in central and eastern Europe – but even in these places it is not clear whether non-state actors will have a meaningful opportunity to influence the final version of the plans, or whether their inputs will be only partially taken into account.

   Slovakia is already taking steps to address these concerns: the first two deliverables were sent to the working groups for commenting, workshops to explain the Just Transition Fund are planned for March, an online survey to collect a variety of inputs will be distributed soon, and the Ministry is seeking new ways to involve youth based on recent material published by the European Commission[7]. All countries must share the deliverables with the interested stakeholders – otherwise, it remains unclear to what extent these fundamental documents for guiding the design of the plans will be used. As most national governments are not publishing the consultants' deliverables, the European Commission, who is funding the technical assistance, must step up and make sure that its money does not go to waste.

   In other countries, there is no room for nuance: a big problem in Bulgaria is the lack of accessible and official information about the work of consultants, as well as about the input from the industry. Most information has not been publicly disclosed in Hungary either. In Romania, the working group coordinators are requesting information every other week from their members, often with very tight deadlines – but what input they choose to send to the Ministry and the consultant is unclear, just as it is unknown how the government is processing the received feedback.

   Organising workshops where there is a real dialogue between all interested parties, focused on identifying the best solutions, is a step in the right direction. However, we have often seen in central and eastern Europe that workshops only serve to inform interested parties about what was done or what is being done, without offering participants a real opportunity to change things. In other cases, a few speakers monopolise the discussion and the facilitator does not ensure that all voices are heard. Instead, workshop organisers must make sure that everybody has a say, and they should show how the outputs of this dialogue will be reflected in the further development of transformation plans.

   Furthermore, other low-effort steps can be taken to ensure better participation: setting up websites and making all information available online, like in Estonia, and presenting the draft plan in a way and a language which is clear for stakeholders; or designing a public engagement guidance note and strategy, and approaching local actors directly to make sure that their voices are heard, as in Slovakia.

[7] European Commission, Youth for a Just Transition, Directorate-General for Regional and Urban Policy, January 2021.

2. **Bail out for industry**. Especially compared to the rest of the EU budget, the Just Transition Fund is miniscule – between 1% and 3%. This amount is not enough to support the redevelopment of regions still dependent on polluting industries. This is why we recommend that they look beyond the Just Transition Fund, to other EU and non-EU funding instruments, to supplement this[8].

   Even this limited amount is under threat. In Estonia, there are pressures to allocate approximately 70% of the Just Transition Fund to industry measures and only 30% to the living environment. Many stakeholders in the working groups have no interest in any line in the TJTP that does not include the word 'jobs'. But a just transition must go beyond job creation – it must also ensure that the quality of infrastructure, reskilling and education, the environment and quality of life in general also go up.

   In Hungary, based on the public communications, the government aims to dedicate some funding for the transition of the Matra power plant site and related employment from the JTF and the Modernisation Fund. Potentially, these two Funds could also be used for transforming other polluting installations (e.g. cement) in the three counties designing TJTPs based on the fact that these are amongst the main employers in the counties and are heavily affected by the energy transition. Although no allocations have been made public yet, there seems to be a risk that the polluting industry could receive the lion's share of the JTF in Hungary.

3. **Only jobs, or redevelopment**?

   Both previous points – poor involvement of the general public and the disproportionate influence of the polluting industry – can result in plans which do not reflect the needs or the potential of the respective region. Although job creation is a priority for fossil fuel-dependent regions, it cannot be the only priority.

   The vested interests of industrial actors are hidden under a thin veil made up of employment promises. However, it is often the case that these projects are unable to create as many jobs as they claim[9], and the cost to create these jobs is higher than in other sectors. A reason for this last point is sometimes an attempt to circumvent the *polluter pays* principle, as companies try to receive public funds to fulfil their environmental restoration obligations. In some regions it will make sense to invest in restoring the environment, as this will also improve quality of life.

If done right, Territorial Just Transition Plans can be complex documents which correctly identify all the challenges and opportunities the transition poses for a region. As the process is rushed and some governments are pushing specific interests without taking into account all voices from the regions, there is a risk that instead of having a strategy for redevelopment, countries will only submit a list of projects which can spend public money quickly. The European Commission must not accept those plans which do not prove that a decarbonisation process is in place and the reliance on coal, oil shale and other fossil fuels continues. The role of the TJTP is to ensure that the transition trajectory, milestones and objectives are agreed before investments are approved.

[8] Alexandru Mustață, Pathways for Just Transitions in South East Europe, Bankwatch Romania, 14 December 2020.
[9] Ioana Ciută, Pippa Gallop, The great coal jobs fraud (2018 Update), Bankwatch, 28 June 2018.

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based on a decision of the German Bundestag