

Smart strategies for the transition in coal intensive regions

Project No: 836819



Best practice on financing the transition from coal in European coal regions

WP 2 – Task 2.3 / D 2.3

January 2020

Authors: Greg Arrowsmith

Contact: Greg Arrowsmith
EUREC
2 Pl du Champ de Mars
1050 Ixelles
Brussels, Belgium
arrowsmith@eurec.be // +32 2 318 4049
www.eurec.be



This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 836819. The sole responsibility for the content of this report lies with the authors. It does not necessarily reflect the opinion of the European Union. Neither the INEA nor the European Commission are responsible for any use that may be made of the information contained therein.

TRACER website: www.tracer-h2020.eu

Contents

<i>Footnotes policy</i>	4
1 Introduction	5
2 Set a phase-out date?	5
3 Is there a point at which the collapse of the coal industry is inevitable?	5
4 Take a gradual approach early on	6
5 Get ideas from locals for the economic life of the area post-coal	6
5.1 Follow a specialisation strategy	6
5.2 Assure adequate resources in public administrations	7
5.3 Set aside money for facilitation	7
5.4 Provide money for Technical Assistance	8
6 Help the coal workforce	9
6.1 Retirement	9
6.2 (Re-)training	10
6.2.1 Resources sometimes poor	11
6.3 Invest in infrastructure	12
6.4 Invest in land reclamation	12
7 Get money flowing...	13
7.1 National grants	13
7.1.1 Set aside some money for small, community-led projects	14
7.2 Equity funds	14
7.3 Attract private capital	15
8 ...and remove obstacles to using funding	16
8.1 State Aid rules and competition	16
8.2 Smoothing access to ESIF	16
8.2.1 N+2 rule	17
8.2.2 Broad calls	17
9 Conclusions	17

Footnotes policy

Footnotes mostly refer to information sources. The sources are often statements made on camera at a certain time during a conference. The footnote indicates the time the statement was made as a hyperlink to the to the videostream, which, at the time of writing was still available.

1 Introduction

To get to the point where one can create a strategy to finance the break from coal, one first needs the strategy to break from coal. There is no shortage of advice on how to design coal-abandonment strategies, often from NGOs or international organisations. That advice is often relevant to the question of financing coal transition, too.

2 Set a phase-out date?

Many actors consider setting a date for the end of coal an important requirement of any government for a coal-abandonment strategy. Government intentions move labour and capital markets. The stronger the terms in which a government commits to breaking from coal, the harder it will be for that sector to recruit or to raise capital¹. Coal companies will instead get the message that they must prepare for change. E3G notes, “To support a Just Transition in regions domestic and European finance flows need to be aligned with climate goals.”² And yet some on the front line of coal transition think that while a coal abandonment deadline tends to capture the media’s attention, it should be the last step in a process that begins with working how and where new jobs will be created³. A study of the Netherlands found that “The end of domestic mining was bought about by policy which went ahead of facts. [...] The transition out of coal came so early because one [...] had an idea of an alternative.”⁴

According to many NGOs, publishing a deadline to get out of coal should be one of the first steps of a country’s coal exit strategy.

Furthermore, clarity is needed on whether a country intends to get out of coal mining or coal use entirely: what use in stopping mining in Czechia, asks the coal region of Moravia-Silesia, if this merely leads to imports of coal from Australia because Czechia still burns coal – or needs it for steel production?⁵

3 Is there a point at which the collapse of the coal industry is inevitable?

The magic number seems to be in the range 2,000-4,000. When fewer people than this are directly employed in coal in a region, the economic and social rationale for maintaining mining activity seems to vanish. Slovakia will fully phase out coal by 2023, with 4,000 people directly dependent on coal for their income needing to leave their jobs (and another 4,000 indirect coal jobs at risk)⁶. Greece announced its phase out of coal by 2028, implying the loss of 4,000 jobs in Western Macedonia⁷. Hungary is abandoning coal by 2030⁸ with the loss of up to 2,000 mining jobs (2018 data⁹). And in Germany, lignite mining hangs on with 2,400 miners, albeit with a complete phase-out date of 2038 at the latest. Given that by the 2030, electricity from wind and PV in Germany is set to become cheaper than electricity from existing fossil fuel plants, those jobs might become economically indefensible¹⁰. Hungary’s decision was

¹ Experience of HBP: [Slide 10](#) and [11:31:40](#)

² [Presentation to session Analytical Approaches to regional transition](#), 16 oct 2019 Coal Regions in transition Working Group meeting by E3G

³ Hendrik Fischer, State Secretary for the Ministry of Economy, Land Brandenburg, [10:25](#)

⁴ [Coal transition in the Netherlands](#), 2017

⁵ [17:37:45](#)

⁶ [12:41](#) Another estimate is that between five and 11 thousand people work in coal [18:19:05](#)

⁷ [Slide 22](#)

⁸ <https://financialobserver.eu/ce/hungary-to-phase-out-coal-fired-electricity-generation-by-2030/> – also the source for Vaszkó’s quote top of page 6.

⁹ [Slide 4](#)

¹⁰ [Slide 17](#)

“motivated by rising costs of EU carbon prices and the fact that Mátra [HU’s coal power plant] already has concepts for low-carbon projects,” according to consultant Csaba Vaszkó, who presented at 3rd Coal Regions in Transition workshop, November 2018. Czechia, with over 8,000 are employed in coal in its Moravia-Silesia region¹¹, has not announced a coal phase-out date.

4 Take a gradual approach early on

The World Bank offers nine lessons for managing coal mine closure¹², one of which emphasises that the cost of transition may be minimised by “orderly” and “less stressful” processes to mitigate social and labour impacts. They must be in place before redundancies are made. Germanwatch urges “early cooperation with the affected regions”¹³. Regarding the use of the EU’s structural funds, the Institut Jacques Delors approves of the EU’s strategy to “develop a proactive approach to prevent future social and economic disruptions, rather than merely respond to their unfolding consequences.”¹⁴

5 Get ideas from locals for the economic life of the area post-coal

Commentators on coal transition speak as one to say¹⁵ that a major component of this proactive approach is to get ideas from the community living in the coal region through a transparent process that encourages participation. “A good strategy is one you build up step by step, starting with a good inventory of what you have: material, knowledge, heritage,” says Paul Boutsen of Transit Lab¹⁶.

Once ideas have been collected, then a way to finance them can be found. The suggestions might relate to specific amenities for inhabitants to companies, to particular projects that might be large or small, to welfare or stimulation of SME activity.

5.1 Follow a specialisation strategy

It is important to target financial resources on some well-chosen industries, i.e. to “smart-specialise”, and indeed the EU has encouraged regions to play to their strengths with its Cohesion Policy since at least 2007. The JASPERS technical assistance facility¹⁷, used by the European Commission’s Coal Regions in Transition Platform, screens projects for their contribution to a region’s Smart Specialisation strategy.

The Flemish region of Limburg quickly executed a strategy (“SALK”), based around nurturing companies in a few specific sectors when the Ford automotive plant closed in 2014 with the loss of 14 000 jobs. The Full Region Innovation System¹⁸ is its model for educating researchers and engineers and helping them to take their ideas through to start-up companies.

Wielkopolska (Greater Poland) has a smart specialisation strategy based on renewables, electromobility and hydrogen technologies¹⁹. The Netherlands has ‘Brainport’. The latter, based around Eindhoven, is so-called because it seeks to become as well known as The

¹¹ [Slide 60](#) and [Slide 41](#)

¹² [Managing Coal Mine Closure](#), Nov 2018 by World Bank,

¹³ [Slide 51](#). Also OECD [15:41:40](#)

¹⁴ Policy paper: [Just Energy Transition: a reality test in Europe’s coal regions](#), Section 3, May 2019

¹⁵ [Seven Golden Rules](#) of Beyond Coal, Philip Asquith on Lucas Plan [14:43:00](#), Chris McDonald (OECD) [12:23](#), [10:33:30](#) Jakub Chelstowski (Marshal of Silesia)

¹⁶ [12:34:55](#)

¹⁷ [Slide 19](#)

¹⁸ Described in [slide 96](#). The cycle begins at the ‘Education’ element, then goes clockwise. Described by Zwerts in his speech (beginning [11:10](#))

¹⁹ [12:29](#)

Netherlands's other two ports: its airport at Amsterdam and seaport at Rotterdam. A campus is being built to serve as a coworking space for Brainport's companies. They will share "state-of-the-art resources, such as cleanrooms, flexible production areas, warehouses and advanced facilities. They collaborate when presenting themselves to their national and international customers."²⁰

5.2 Assure adequate resources in public administrations

Coal regions need coordination money. Several regional administrations feel they need more staff to help them create financing plans from available public resources. There's also an appetite to learn from the experiences of their peers, and to use bodies like the Coal Regions in Transition Platform to organise study tours between regions.²¹ Independently of the Platform, WWF has created two forums of Mayors on Just Transition (Kozani in 2018 and Weisswasser in 2019) to allow them to network²², including for the purpose of "forging a stronger voice at EU level, including on funding opportunities."

Regions "doing it for themselves" – four examples:

- 'Chance of Change'
- WWF's Mayors on Just Transition
- Euracom
- Vanguard Initiative

There seems to be a limit to the amount of handholding that's desirable. Some experts²³ preach a gospel of self-reliance: regions should define their destiny for themselves, then seek help to realise their plan, rather rely on plans to be made for them. This was the case of 17 cities in Nordrhein-Westfalia, which formed themselves into a pressure group called Chance of Change and lobbied the German government²⁴. Other groups of regions have used their own initiative to link up: the "Euracom" network of local authorities in coal mining spanning many countries meets to share information 1-3 times a year, and creates a space for them to set up Interreg projects²⁵. The [Vanguard Initiative](#), which takes in 30 regions in 14 Member States spanning more than just coal regions exists for a similar purpose²⁶.

Companies, too, want to show they are on the front foot²⁷.

5.3 Set aside money for facilitation

One of the first things that a coal region will need to pay for is its strategy, which should be produced as a collaborative exercise with the local population. PWC is credited with having produced a high quality study for the Upper Nitra region of Slovakia (cost: 300 k €), but one of the officials involved in the study criticised the lack of money for facilitators in the participative meetings with the region's inhabitants²⁸. The feeling is echoed by a representative of the Ruhr region²⁹ and by Lusatia: "I find it's hard to get process money / facilitation money. Cohesion Policy Funds should also be for facilitation. National and state governments don't offer much money for civic engagement processes."³⁰

²⁰ <https://www.brainportindustriescampus.com/en/about-bic/participant-profiles>

²¹ Request of Paul Boutsem [09:40:50](#)

²² [Slide 15](#)

²³ Hans-Rüdiger Lange of Innovation Region Lusatia, [12:37](#); Phil Asquith of LUCAS Plan, [14:39: 00](#)

²⁴ [Speech 17:46](#)

²⁵ [17:34:20](#)

²⁶ [15:16:10](#)

²⁷ ZE PAK in Poland ([slide 71](#)) and HBP in Slovakia ([slide 3](#))

²⁸ [18:28:00](#) not how Denisa Žiláková – General Director for Central Coordination Body, Deputy Prime Minister's Office for Investments and Informatisation saw it. She said "PWC had a lively discussion with regional stakeholders" [10:01:45](#)

²⁹ [18:30:03](#)

³⁰ [18:02:00](#) Dagmar Schmitt

5.4 Provide money for Technical Assistance

Several sources of funding for technical assistance (JASPERS of the European Investment Bank³¹, the World Bank's Energy Sector Management Assistance Program (ESMAP) and the EC's Structural Reform Support Service³²). Regions are using this money but still find that they lack manpower. The European Commission has identified this as part of the 'European Semester' process. Annex D of the 2019 Country Reports on European Structural and Investment Funds say that technical assistance is needed in some countries³³. While the central management office of RE-START (Czechia's coal-abandonment strategy) is pleased with the new management structure it has managed to give the programme³⁴, including the funding it has found from Operational Programme Technical Assistance in its Cohesion Policy Funding, the mayor of Litvínov Kamila Bláhová has said more personnel are needed, which would in turn enable RE START to consult local people more deeply³⁵. Similar feedback comes from Poland, where Janusz Galkowski of SRK has called for more advisors on regional funding in regional offices and for more coordination between different areas³⁶ and from Germany, where Hendrik Fischer (State Secretary of the Ministry of Economic Affairs and Energy, Brandenburg) has said care must be taken not to "overload municipalities and communities with money. Turning up with a pile of money is of no use unless it can be turned into concrete projects."³⁷ Romania sought and was granted Technical Assistance, too, under the "EC's Structural Reform Support Programme 2017-2020", which was requested and approved for the elaboration of an economic and social development strategy for Jiu Valley. The money is paying for consultants to write an action plan to deliver 10 projects³⁸. Similarly, Slovakia has used EU funding to boost the administrative capacity of coal regions seeking to get out of coal³⁹.

Many regions want more Technical Assistance, and international financial institutions are willing to provide it.

The European Investment Bank is increasing the resources it offers coal regions. As part of its new Energy Lending Policy (adopted November 2019), it will "establish an Energy Transition Package to provide extra support to those Member States or regions with a more challenging transition path." The support will allow "as an exception to its general rule, [...] financing up to 75% of the eligible cost of all energy projects eligible [...] within those [ten] Member States benefitting under the Modernisation Fund."⁴⁰ The higher co-financing shares may help to address a concern raised by a representative of the European Economic and Social Committee. Thinking particularly of European Structural and Investment Funds, he said that the proportion of national co-funding in projects that receive ESIF is too high - a problem that the EC recognised⁴¹.

The World Bank suggests addressing the demand for Technical Assistance by creating a 'Coal Regions in Transition Academy for decision makers', which "could provide knowledge and training to key decision-makers and transition planners." Applicants would be supported by a "preparation facility' with necessary resources (managerial, technical, social and environmental safeguard, communications, etc.) to finance the necessary pre-feasibility and

³¹ [Slide 156](#)

³² SRSS funded the study by PWC for Slovakia's [Upper Nitra](#) region and work in Romania. See footnote 38.

³³ For example, for [Bulgaria](#), where the EC has said "additional efforts are needed to increase the administrative capacity necessary for the effective administration and implementation of the Funds"

³⁴ [Slide 17](#)

³⁵ [17:29:00](#)

³⁶ [09:46:30](#) (interpretation)

³⁷ [10:26:40](#)

³⁸ [11:41:30](#)

³⁹ [10:15:20](#)

⁴⁰ [EIB Energy Lending Policy](#), 14 Nov 2019

⁴¹ [11:28:36](#)

feasibility studies required to get programmes off the ground, and at the same time provide a one-stop-shop for financing for a select number of projects or transition programs [across a range of international partners].”⁴² For EU financing possibilities, a one-stop-shop already exists: the European Investment Advisory Hub.

At least one country provides a direct financial contribution to the World Bank’s existing technical assistance offer, ESMAP: the UK with £20 M. “This funding will provide financial, technical and advisory support for developing countries that have decided to transition away from coal and accelerate the uptake of cleaner sources of energy,” writes Powering Past Coal Alliance⁴³.

Regions are using European Structural and Investment Funds, too, to “exchange experiences and transfer knowledge on how to transition from the carbon-intensive era” with the Interreg project [Decarb](#).

6 Help the coal workforce

Experience from Australia⁴⁴ suggests that when a crisis hits a heavy industry, a third of workers go into similar jobs in terms of security and income, a third to go to worse jobs and a third go on welfare.

A financial strategy must foresee budget for workforce retraining and early retirement.

6.1 Retirement

German watch’s list of recommendations for a coal-abandonment strategy includes “Overhaul of the existing pension system, finance early retirement of coal miners”⁴⁵. Spain, for example, offers “a solution” for all workers: early retirement or a redundancy payment for young miners⁴⁶. SRK does something similar in Poland⁴⁷ and SNIMVJ in Romania⁴⁸. Romania offered “special pensions” to retired miners for two years “until the money ran out”, and an “unemployment benefit” to miners who accepted to leave the industry, also for two years. The latter were offered state support to find another job or open a small business, but few took up the offer⁴⁹. There’s pessimism and optimism around the effectiveness of using money to try to make entrepreneurs out of coal miners. “It is difficult to create an entrepreneur overnight,” cautions Jakub Jackowski, Deputy Director of the Economic Department, Marshal Office of Wielkopolska⁵⁰. But Alicja Messerszmidt, Chairwoman, Trade Union of the Brown Coal Mine Konin (a part of Wielkopolska), has called for “preferential loans to help coal miners start their own business activity” and for companies who employ them along with other social forms of hand-out as the sector winds down⁵¹. A representative of Greece’s West Macedonia RDA thinks that his country “must raise an entrepreneurial” mindset, which is lacking in the West Macedonia region

Mixed feelings on whether ex coal-workers can be turned into entrepreneurs.

⁴² [Slide 67](#)

⁴³ [Slide 13](#)

⁴⁴ Related by Chris McDonald of OECD to CRIT, [15:47](#)

⁴⁵ [Transformation Experiences of Coal Regions: Recommendations for Ukraine and other European Countries](#), Germanwatch

⁴⁶ https://ec.europa.eu/energy/sites/ener/files/documents/3-2_strategies_and_plans_for_coal_regions_in_spain_laura_martin_murillo.pdf#page=5

⁴⁷

https://ec.europa.eu/energy/sites/ener/files/documents/4.2_coal_mine_closure_companies.pdf#page=53

⁴⁸ [09:50](#)

⁴⁹ [Slides 60-67](#)

⁵⁰ [12:23](#)

⁵¹ [10:44](#)

because of the dominance of Public Power Corporation as the region's employer⁵². Similar resistance is found in the Moravia-Silesia region⁵³.

6.2 (Re-)training

Retraining should be centrepiece of any strategy, argues Undersecretary of State at Poland's Ministry of Energy Tomasz Dąbrowski. Work by the University of Economics in Katowice has shown that retraining a coal worker costs five times less on average than simply sacking the worker: 270 k PLN vs 1 200 k PLN. Poland's strategy is to "counteract the reduction of GDP in mining regions through the implementation of projects in which workplaces match the value of those in the mining and supply industries."⁵⁴ It intends to "support the process of employee retraining and creating new jobs" as one of four types of project it will submit to the Coal Regions in Transition Platform for support⁵⁵.

The biggest mining company in the EU, Poland's PGG, foresees a need for 44 bn EUR to transform its current business into one focused on "mature and technologically specialised branches - e.g. automotive, comprehensive construction", including by retraining its staff⁵⁶. It has taken steps towards diversification by getting into welding, which is a skill for which demand is growing in the wind industry⁵⁷.

Many try to retrain coal-workers for jobs that can use their skills. Maintaining jobs in coal phase-out regions is very important.

A retraining programme proposed for Romania specifically targets the wind industry. The Romanian Wind Energy Association and the network operator CEZ Oltenia Distribution want to create a professional academy in the Jiu Valley that will retrain up to 800 miners annually for ten years creating a workforce of 8000 by the end. They would work as technicians in the installation, operation and maintenance of RES projects and energy distribution grids⁵⁸.

In the US coal region Appalachia, the focus is on agriculture, construction, sustainability, energy. West Virginia's 'Coalfield Training Model' is based around 33 hours per week on on-the-job training; 6 hours 'in the classroom' pursuing an Associate's Degree and 3 on personal development, with the result that 150 new jobs have been created and \$13 M of new investment attracted⁵⁹.

Other mining-related skills that have wider applicability include drillers and explosives specialists, who could find jobs in construction.⁶⁰ Paul Boutsen of Transit Lab says his Belgian cooperative has "been looking quite closely to the technological capabilities of miners and mining engineers, a lot of which is being thrown away. New things could be done with this knowledge"⁶¹, but the OECD is more sceptical about the transferability of technical skills⁶². The EBRD would like coal miners to work on their ICT skills⁶³.

The economic vacuum left if mining leaves a region without new jobs being offered in its place can be significant. PGG's employees in Silesia earn 50% more than the average wage for the region⁶⁴. In central Germany, where mining has stopped or significantly declined,

⁵² [17:54](#)

⁵³ [Slide 61](#)

⁵⁴ [Slides 7 and 11](#)

⁵⁵ [Slide 6](#)

⁵⁶ [Slide 17](#)

⁵⁷ [15:54](#)

⁵⁸ [Slide 38](#)

⁵⁹ [Slides 8-12](#)

⁶⁰ [12:51](#)

⁶¹ [09:37:27](#)

⁶² Chris McDonald OECD [15:40:30](#)

⁶³ [Slide 28](#)

⁶⁴ [Slide 2](#)

GDP/inhabitant is lower than the national average⁶⁵ by about 25% (Figure 1). In Spain, GDP / inhabitant in the ex-coal region of Aragón is about 10% less than the national average⁶⁶. Spain says “Creating jobs is the main objective”⁶⁷, echoed by the World Bank⁶⁸.

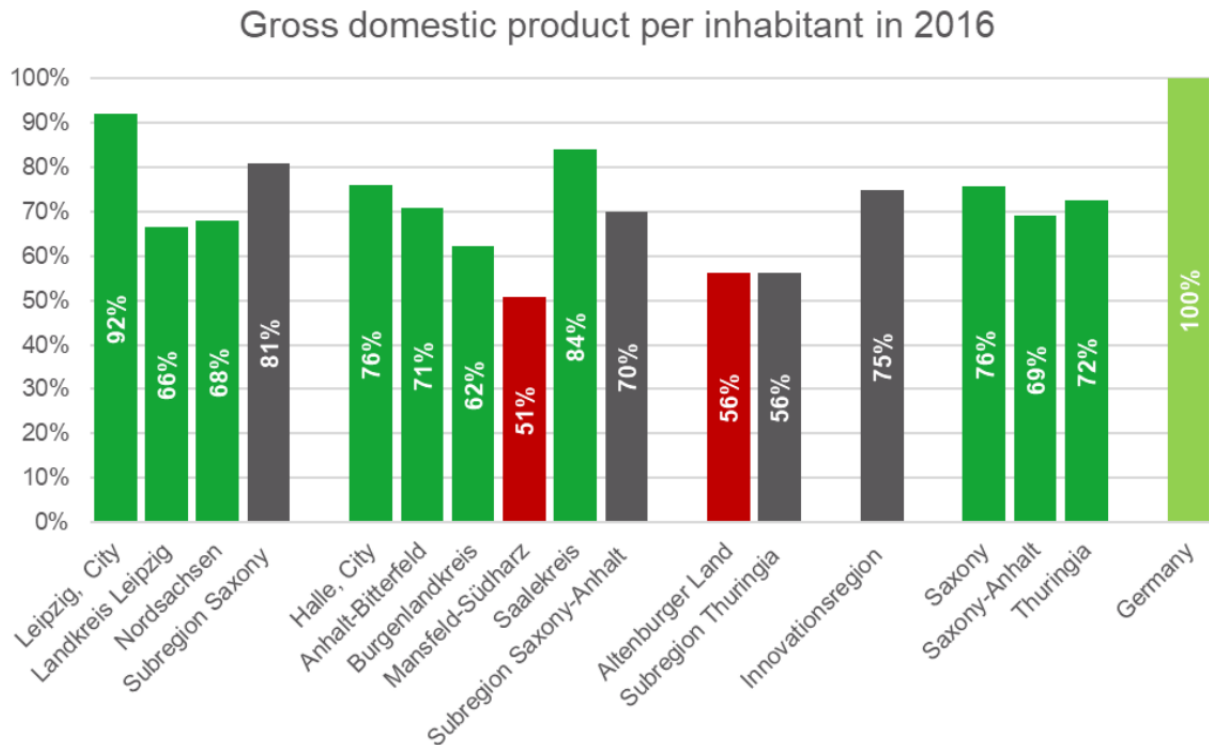


Figure 1 GDP per inhabitant in central Germany, including coal regions. All subregions are below the national average. Source: ‘Statistische Ämter der Länder, Bruttoinlandsprodukt, Bruttowertschöpfung in kreisfreien Städten und Landkreisen der Bundesrepublik Deutschland 1992 und 1994 bis 2016, August 2017’ – displayed [here](#)

6.2.1 Resources sometimes poor

Some regions are under pressure to improve their education facilities. Education is considered by the OECD to be an “enabling factor” that’s an important part of any long-term strategy⁶⁹.

SMEs in Slovakia reported to a survey funded by the European Commission that they saw the “professional school system” was of poor quality⁷⁰. In response, an indicative project for Slovakia’s coal region is to create the Upper Nitra Education Centre at a cost of €8,2 M, to be built 2019-2022⁷¹. The Limburg region is also focusing on education as the first part of its FRIS (“Full Regional Innovation System”)⁷² strategy, noting that slightly fewer 15-24 year-olds in Limburg participate in higher education⁷³.

Primary education is a focus of attention, too. Czechia is channelling €12 M of RESTART money there⁷⁴.

⁶⁵ [Slide 4](#)

⁶⁶ Compare data on [slide 3](#) with data from [World Bank figures](#)

⁶⁷ [Slide 6](#)

⁶⁸ [Slide 65](#)

⁶⁹ [16:06](#)

⁷⁰ Slide displayed at [12:50:30](#)

⁷¹ [Slide 28](#)

⁷² [Slide 96](#)

⁷³ [Slide 82](#)

⁷⁴ [Slide 17](#)

6.3 Invest in infrastructure

Some experts consider infrastructure of general use to be priority for spending. “Concerning quick wins, we gave utmost importance to infrastructure. Without roads or highways to connect to regions, R&D, innovation and soft actions are difficult to work on,” said Slovakia⁷⁵. In Romania, regions lobbied European Commission Corina Crețu (European Commissioner for Regional Policy 2014-2019) to upgrade two roads that cross in a coal region. “Spain developed its road network in Mieres do Camino (Asturias) very well, giving them rapid connections – which we can only dream of in Romania,” said a speaker from EESC⁷⁶. General-purpose infrastructure spending gets the OECD’s vote, too: “Public authorities should not let themselves be seduced by the latest shiny thing but rather invest in enabling factors: good skills training, good transport and communications infrastructure, good land use regulations, good business environment supporting innovation”⁷⁷. The view of the State Secretary of Brandenburg Hendrik Fischer is that tourism is not enough to compensate the job losses in the energy business. “We need investments in infrastructure of direct relevance to the economy and in research, science and digital infrastructure.”⁷⁸ Big projects were the strategy of Limburg (‘SALK’) after Ford’s plant closure: a N-S highway, a tram link between towns and raised bridges on a canal⁷⁹.

Slovakia’s wish for roads is disputed by SMEs surveyed in the Upper Nitra coal region. “The construction of speed road R7 was not seen either a top priority or for boosting employment.” SMEs feared the road would turn their region into a commuter zone for larger distant cities⁸⁰.

6.4 Invest in land reclamation

The World Bank considers the “repurposing of former mining lands and their assets [to be] one of the most strategic economic opportunities for immediate transition as it unlocks development potential and can create significant jobs”⁸¹. But while “good land-use regulation” may be highly desirable to propel regions beyond coal⁸², the reality is that coal mine closure companies face regulatory obstacles to in the best economic return to the local population.

Czech coal mine closure company OKD appeals for a methodology “for cooperation of the state owned OKD and the Region / local municipalities to support the future site development and local economy”⁸³. It is not alone. The same appeal is made by Poland’s SRK⁸⁴ and Romania’s SNIMVJ. SRK complains of a gap in legislation concerning the housing stock it owns, which “has created problems in maintaining the properties and possibly selling them in the future,” while SNIMVJ⁸⁵ and the pressure group that works with it, Planeta Petrila, think that SNIMVJ is forced to undervalue its buildings and land and not to develop their potential⁸⁶. SRK adds, “It would be good to be able to be released from taxes that need to be paid on inactive mines and real estate because this money could then be used for recultivating the land and for economic projects and helping to regulate the legal status of these assets.”⁸⁷

⁷⁵ [Slide 29](#) and [10:13:20](#)

⁷⁶ [15:35:40](#)

⁷⁷ [16:06](#)

⁷⁸ [10:22](#)

⁷⁹ [Slide 64](#) and [11:17:10](#)

⁸⁰ Slide displayed at [12:50](#)

⁸¹ [Slide 65](#)

⁸² [Slide 30](#) and OECD’s Chris McDonald at [15:43:30](#) and [16:06](#)

⁸³ [Slide 45](#)

⁸⁴ Janusz Gałkowski, CEO, [09:43](#)

⁸⁵ Petre Dragoescu, [09:55:30](#)

⁸⁶ [Slide 77](#)

⁸⁷ [09:46](#)

In Czechia, the Moravia-Silesia region recognises a “need for revitalisation of unused buildings and areas”⁸⁸. In another part of the country, the Ústí region, that revitalisation is underway⁸⁹ (Figure 2).

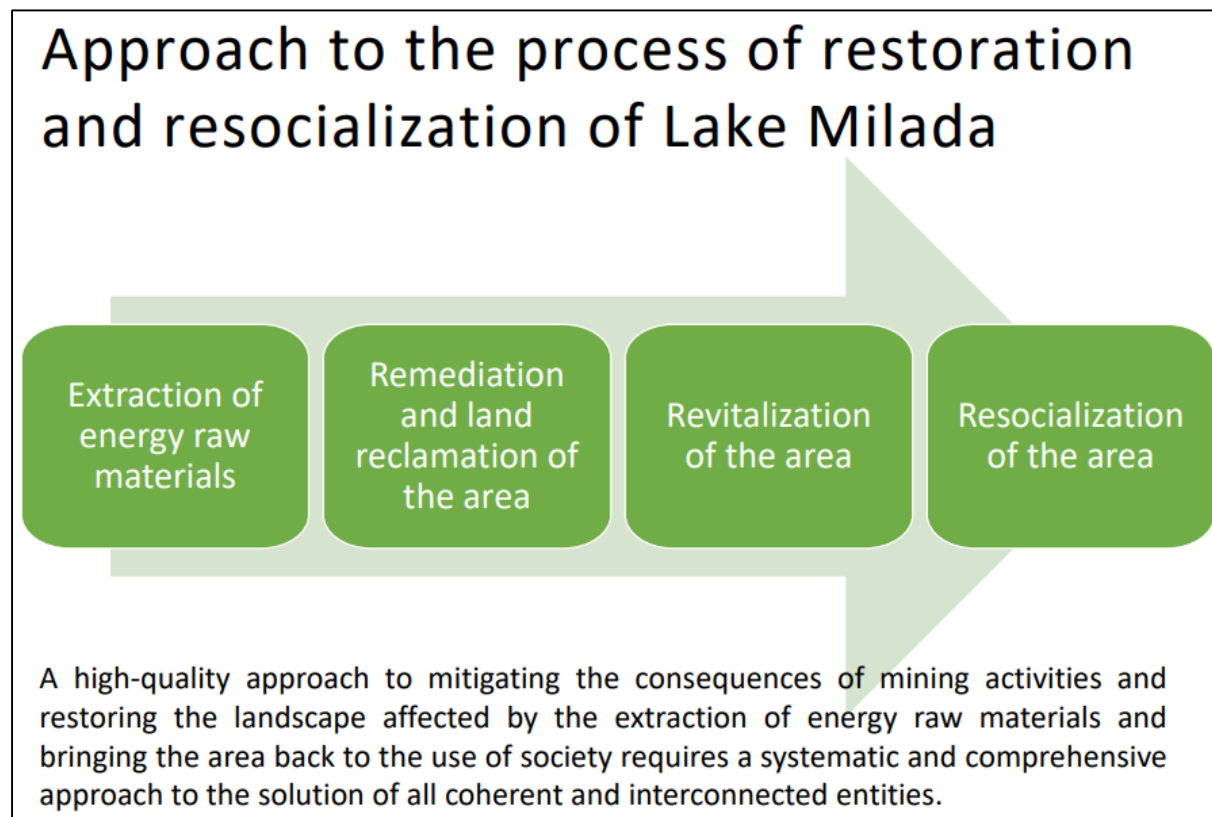


Figure 2 [Approach to land reclamation used by Czech company Palivový kombinát Ústí](#)

7 Get money flowing...

7.1 National grants

At one end of the scale is Germany, which will make available €40 bn⁹⁰ for transition measures in coal regions up till the latest date that coal-mining will be allowed (2038), offer compensation for energy users in case of rising energy prices (€2 billion per year) and possibly to coal utilities (subject to negotiation). The money has already started to flow, with €240 M of Federal money released in April 2019. Brandenburg will receive €80 M of this, to be spent on 25 quick-start projects, many concerning infrastructure⁹¹.

A one-off pot of cash was made available to Limburg in 2013, a region that has been through waves of big employers coming and going (coal mining in the mid-20th century, then Philips, then Ford)⁹². €217.5 M was committed to the ‘Strategic Action plan for Limburg’ (SALK) fund with the aim to “make Limburg less dependent on a limited number of industries”⁹³.

⁸⁸ [Slide 61](#)

⁸⁹ [Slide 27](#)

⁹⁰ Details of breakdown: [Slide 24](#)

⁹¹ [Sofortprogramm](#) press release 4 April 2019

⁹² [Slide 64](#)

⁹³ p69 [To Be or Not To Be an Autotown](#)

Greece has a “national fund for just transition” of around €30 M p.a. exists, coming 60% from annual income from CO2 emissions. In 2021-2027 period, the regional OP could become the main financing tool due to the fact that the rules for Cohesion Policy Funds in that period say 65% should go to entrepreneurship, innovation and climate change⁹⁴: We’ll be category 3 region in next prog period (down [from the middle category currently](#)).

7.1.1 Set aside some money for small, community-led projects

An amount of €25 M p.a. for 10 years should be set aside for Lusatia as a Civil Society Fund. It would exist to “create organisational capacities, facilitate funding access and empower civil society”⁹⁵. A kind of trial run has already been completed: the Saxon Civil Activating Fund, which distributed €6.4 M to 613 projects⁹⁶ (Figure3). The founder of Transit Lab, Paul Boutsen, also believes in capturing the creative spirit of a region. In the late 1990s, mayors in Flemish ex-coal regions “created an organisation to get ideas going. Central government preferred big infrastructure projects and providing seed money for investors. It wasn’t interested in the ideas that lived around the region and amongst the people.” Boutsen emphasises the importance of building on the cultural heritage of mining and using the technical knowledge of ex-miners⁹⁷.

A public consultation in Jiu valley Romania revealed that 80% of responses concerned “development directed at naturalisation, ecotourism, rafting, climbing, mountain biking”. “Urban regeneration, infrastructure, new technologies, economic and social development and education” were in the remaining share⁹⁸.

Saxon Civil Activating Fund

General information

- Prizes in total amount of 6.4 million EUR
- Financed by Free State of Saxony
- 2 regions (Lusatia and Central Germany)
- 1.520 submitted ideas, 613 awarded winners, 359 from Lusatia
- 4 categories with 4 pricing grades










Figure 3 The region of Saxony has given money to small projects suggested by inhabitants of the Lusatia coal region.

7.2 Equity funds

International Financial Institutions (EIB, EBRD) can offer finance in various forms to coal regions. Less common are local equity funds specifically focused on a region that has undergone or is undergoing transition. But one such fund exists in Limburg (Flanders), LRM⁹⁹.

⁹⁴ Representative of RDA of Western Macedonia (Greece): [1749](#)

⁹⁵ [Slide 9](#)

⁹⁶ [Slide 43](#)

⁹⁷ [09:34](#)

⁹⁸ [11:38](#)

⁹⁹ https://www.ewi-vlaanderen.be/sites/default/files/evalutie_2018_lrm_managementsamenvatting.pdf

Capitalised initially with €100 M, the fund is now €450 M, yielding 6-8%. These returns are appropriate. A fund that attempted to return 15-25% would not be able to make the kind of long-term investments Limburg needs.

The seed capital arrived by accident: the manager of the operation to close down Limburg's mines had been more efficient than expected, and won the government's consent to use the €100 M of resources he had not needed to set up the fund. It started life as means to guarantee 50% of the capital put at risk by investors in the region, in a time when State Aid rules were laxer than today.

The fund is eyed enviously by the regional and federal governments at every election, with Limburg province resisting pressure to give it up. Companies that do not receive LRM investments sometimes complain that it provides an unfair advantage to those that do¹⁰⁰.

7.3 Attract private capital

A strategy for public financial support to a region doesn't necessarily have to take the form of a cash hand-out by the public to the private sector. It can also take the form of foregone tax receipts. Poland has set up "special economic zones", two of which are mentioned in the context of coal regions: [Walbrzych](#) and [Katowice](#). Walbrzych offers entrepreneurs the use

Poland bets on "special economic zones" to attract investment. Seem to be less used by other countries.

of "different sources of public aid, not only income tax exemption but also European donations, government grants, real estate tax exemptions." The advantageous conditions are intended to be time-limited¹⁰¹. Germany does something similar with GRW (*Gemeinschaftsaufgabe "Verbesserung der regionalen Wirtschaftsstruktur"*). The Lusatia coal-region is one of the regions where funding rates are most generous¹⁰². Calau offers incentives to private citizens to start families there or to set up home¹⁰³. The approach is different to Brainport's, which does not offer corporate welfare, but which is executing its strategy thanks to a €120 M grant from the government in 2018 "matched with some private cofunding"¹⁰⁴. Brainport's companies, federated in Brainport Foundation, set the strategy for the region, which is executed via private company that the foundation controls.¹⁰⁵ A study for Slovakia found that "the role of administrative and tax burdens" in affecting the capacity of SMEs to create jobs "seems to be rather exaggerated"¹⁰⁶.

The favourable terms offered by one place can undercut another region that may need the money more. Greece has a specific development law to attract private investments. This, explained a witness from Greece¹⁰⁷, means that an investor can "get much more funding from Thessaloniki, a metropolitan city" than from the coal region of Western Macedonia.

¹⁰⁰ [11:47](#)

¹⁰¹ The EC's [fiche](#) talks of a phase-out of Walbrzych's special conditions in 2020, while different dates are mentioned in [the press](#)

¹⁰² Details for [Brandenburg](#) and [Saxony](#)

¹⁰³ [Arte.tv report](#) and [article](#)

¹⁰⁴ [14:54:40](#)

¹⁰⁵ See [slide 117](#)

¹⁰⁶ Slide displayed at [12:50:30](#)

¹⁰⁷ [18:05:10](#)

8 ...and remove obstacles to using funding

8.1 State Aid rules and competition

It is not clear to what extent EU State Aid rules are an obstacle to financing transition away from coal. Spain has said that they are a problem: “In Dec 2018, coal mining had to close in line with EU law. As those companies were in liquidation and facing strong financial problems, we could not channel the funds for restoration and environmental rehabilitation [to them].”¹⁰⁸. Tasos Sidiropoulos of Western Macedonia RDA believes competition rules prevent him for subsidising to a high percentage developing businesses¹⁰⁹.

On the other hand, Slovakia reported that it was “preparing and submitting notification the state aid scheme to ensure cover exceptional costs arising from the gradual closure of coal production units” apparently without difficulty; Romania, too¹¹⁰.

8.2 Smoothing access to ESIF

ESIF has been a much bigger funder of energy efficiency in the current period 2014-2020 compared to the last.¹¹¹

Although the European Commission counselled against it in a recent report¹¹², Krzysztof Wojcik¹¹³ of DG REGIO advises regions to use ESIF’s “non-competitive mode” if they want to get money to promising projects quickly. DG REGIO will examine those projects with the managing authority. A different set selection criterion may be used to evaluate projects in coal regions, and funding from JASPERS may be used to draw those up¹¹⁴. If competitive project selection processes are used, bonus points may be awarded if the project solves the problems of coal regions in transition. And finally, very large Operational Programmes (like the EU’s largest, Poland’s national Infrastructure and Environment Operational Programme) could run calls open only to coal regions¹¹⁵. The advice is similar to that given by Jaroslaw Straka to Slovakia as it seeks to use ESIF to support SMEs in its coal region¹¹⁶.

As part of its engagement in the Coal Regions in Transition Platform, DG REGIO, has allowed regions to reshuffle their allocations of European Structural and Investment Funds to regions wanting to use it for their abandonment of coal: €120 M in Silesia¹¹⁷, €230 M¹¹⁸ in Czechia and in Slovakia¹¹⁹. The manager of Czechia’s RESTART programme wrote that “the continuous communication of the potential of reallocation and (re)programming with European Commission representatives is crucial – here we see the greatest benefit of the activities of CRIT Platform¹²⁰” and the EC received praise from Slovakia for its facilitation of reshuffling, too¹²¹.

¹⁰⁸ [11:34](#)

¹⁰⁹ [17:55](#)

¹¹⁰ [Slide 67](#)

¹¹¹ [Slide 5](#)

¹¹² [Single bidding and non-competitive tendering](#), May 2019

¹¹³ [12:26:30](#)

¹¹⁴ In Czechia, the JASPERS team of the EIB had the task of “Advising on eligibility of the projects for ESI Funds, i.e. whether the project could be still financed under the relevant operational programme”, while in Poland, it was to “Identify potential sources of financing and need for technical assistance.” [\(Slide 17\)](#)

¹¹⁵ [Slide 43](#)

¹¹⁶ See slide displayed at [12:52:40](#)

¹¹⁷ [12:23](#)

¹¹⁸ [09:20:30](#) – conflicts with figure of €320 M given in [Slide 12](#)

¹¹⁹ [10:14:30](#)

¹²⁰ [Slide 25](#)

¹²¹ [10:02:00](#)

8.2.1 N+2 rule

Cohesion Policy Funding will move from an “n+3” rule to an “n+2” rule in the period 2021-2027. This means that all use of Cohesion Policy Funds by Member States must be fully accounted for within two years of 2027, not three. This will encourage Member States to start distributing Cohesion Policy Funds earlier in the period, but it also shortens by one year the maximum length of projects. Czechia is nervous about this. The manager of RESTART has talked of a need to undertake “large scale energy transformation projects, which will span programming periods”, for which he would like an exemption from N+2 rule.”¹²²

8.2.2 Broad calls

Finally, care must be taken when drafting to allow networks of towns to apply for funding: “Don’t draft calls referring only to single ‘cities’ but allow groups of cities or regions to apply,” said a representative of the Ruhr region¹²³.

9 Conclusions

The testimony collected from the experts gathered at Coal Regions in Transition Platform Working Group meetings Nov 2018-Oct 2019 agrees in some areas, and in others not. The need for early involvement in the definition of phase-out strategy by the local populations whose income is at risk coal phase-out is essential. Their ideas for the form that the transition should take must be taken seriously. The maintaining of jobs is paramount, which should happen primarily through retraining the workforce.

Regarding financial flows to coal regions, the money can come from any source. In regions just beginning their transition, it is often public. But private financing can take over within a decade or two if the public money has been well spent: on general purpose infrastructure, effective land reclamation or education facilities for example. Coal mine closure companies often find themselves unable to work with local communities to make best of their old buildings and land. Legal obstacles to collaboration must be removed.

Funds for the all-important work of adequately consulting and winning over populations in coal regions seem short. On other hand, the high demand for technical assistance by public authorities to chart effective coal-exit strategies is being catered for. International financial institutions are increasing their support. Regions are self-organising to learn from each other (including outside the CRIT Platform), and applying for funding together.

¹²² [11:52](#)

¹²³ [18:29:46](#)