PKEE
Polski Komitet Energii Elektrycznej
Polish Electricity Association

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Position paper of the Polish Electricity Association on the Just Transition Fund

To achieve the very ambitious climate goals which are being discussed, the EU Member States require not only proper instruments but also significant funding. The European Commission estimates that reaching the EU climate and energy targets by 2030 will require annual investments of approximately EUR 180 billion throughout the Union. Therefore, we need to provide adequate financial support for the transition to a climate-neutral economy to be achieved. It is especially evident for the Member States with an energy mix heavily reliant on coal and GDP per capita below the EU's average. The investment needs in the energy sector are quite significant for these Member States e.g. for the Polish power sector alone required spendings, according to Eurelectric's study "*Decarbonisation pathways*", amount **to EUR 147 billion till 2045 in a scenario with 100% decarbonisation of power generation** (excluding costs related to investments in distribution and transmission grid). Additionally, the sector is obliged to cover CO_2 allowances costs of up to EUR 68-85 billion in the period of 2020-2045.

In this context the Just Transition Mechanism, including the Just Transition Fund established within the Multiannual Financial Framework (MFF) 2021-2027 is a step in the right direction. At the same time, it should be a comprehensive measure, providing support for social initiatives and investments in the energy sector. However, the following issues related to the mechanism need to be taken into account:

1. The Just Transition Fund (JTF) must be significantly increased to have a real impact on a successful and solidary transformation

Funding available for the JTF needs to be **considerably higher than the EUR 5 billion for the whole EU as proposed by the European Parliament**. The proposed amount is insignificant pertaining to the financial needs of the energy transition in Member States heavily dependent on coal and GDP per capita below the EU's average.

Moreover, funding for the Just Transition Fund should not be reallocated from other EU Funds within the MFF 2021-2027 e.g. the European Regional Development Fund, the Cohesion Fund or the European Social Fund

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Plus as this means a decrease of these funds available for the Member States. **Funds for the JTF should be "fresh money" in the amount of at least EUR 20 billion**. Additional funds should be sought through EU's Own Resources, for instance, obtaining funding from the auctioning of aviation allowances. However, if there is a need to reallocate moneys from the other EU Funds within the MFF 2021-2027, the European Social Fund Plus should be incorporated in the first place.

2. The Member States must be in the driver's seat and be able to select projects

We are of the opinion that the Just Transition Fund needs to be introduced in a dedicated regulation to define its scope, policy and dedicated specific objectives, i.e. diverse regional conditions since challenges are not the same throughout Europe. Additionally, this regulation should define the eligibility and allocation criteria. Furthermore, **guaranteed quotas for eligible Member States need to be introduced**, covering those heavily reliant on coal and significant emission-intensive economies. As in the management of the Structural Funds, Member States should be able to select the most relevant projects to be financed.

Introducing the Just Transition Fund will also require appropriate and parallel modifications to the Common Provisions Regulation.

3. Much consideration must be given to coal regions in transition

The JTF funding needs to be **primarily allocated to regions heavily reliant on coal and with GDP per capita below the EU's average**. A minimum of 80% of the JTF funds should be made available to coal regions facing the biggest transition difficulties. Such regions need to be specified based on the following criteria:

- number of jobs in the coal and coal-dependent sectors;
- GDP per capita of a beneficiary Member State.

The abovementioned criteria will allow identifying regions with the biggest financial needs due to winding down coal-based activities.

4. Funds should be made available for renewable energy (RES) investments

The Fund should not only address societal, economic and environmental impacts on workers and communities adversely affected by the transition but also **help finance the large investment needs of the power sector in those Member States**. In this case, the JTF should provide **new funding associated with RES projects** to allow for the change of the energy mix of these Member States in line with EU climate goals.

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The Polish energy sector is already actively contributing to the energy transition by **implementing environment-friendly projects in coal regions**. The JTF would be a perfect tailor-made tool to contribute to the **development of onshore wind farms and PVs in coal-dependent regions** to achieve effectively the energy transition in Poland. For that purpose, our Members plan to build more than **270 MW of installed capacity in PV plants** (i.a. 60 MW next the coal mine of Bełchatów, 75-150 MW i.a. in the Silesia region, 30 MW close to the Bogdanka mining site and 20 MW in the area of Adamów lignite mine) and more than **100 MW of installed capacity in onshore wind farms** (i.a. 60 MW near the Bełchatów lignite mine) to ensure a just transition in these regions.

<u>We, therefore, call on European Institutions to adopt the Just Transition Fund tailored to the necessary investment needs to support the energy transition in coal regions.</u>

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About PKEE

The Polish Electricity Association is an association of the power sector, whose activities focus on issues related to the functioning of the industry in a modern market economy. We engage in actions and projects thanks to which the Polish power industry can better meet the challenges related to the European integration, ensuring security of energy supply, competitive market, environmental protection and development of state-of-the-art technologies.

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