PKEE
Polski Komitet Energii Elektrycznej
Polish Electricity Association

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

The Polish Electricity Association (PKEE) welcomes the proposal of the European Commission on the Regulation establishing the Just Transition Fund (JTF), which is essential for the Polish energy transition. The investments in the Polish energy sector needed to achieve this transition amount to EUR 179-206 billion[1]. This would, therefore, require more adequate measures tailored to the actual transition needs. A burden-sharing mechanism, proper linkage with existing funds and the proposed JTF will be crucial to support heavily coal-reliant Member States in their transition pathway.

The budget should be considerably higher and must be set up with fresh money

Although the allocated budget of EUR 7.5 billion for the JTF is a step in the right direction, the funding available for the JTF under the first pillar needs to be substantially increased. The proposed amount is insignificant compared to the financial needs of the energy transition in Member States heavily reliant on coal and with a GDP per capita below the EU's average. PKEE calls on the co-legislators to considerably increase the budget under the first pillar with fresh money.

The Association also underlines the need to modify the art. 6 (2) of the JTF proposal, as the fund should not be established at the expense of the ERDF or ESF+. Given that the main beneficiaries of the ERDF are the Member States that require the biggest funding, redirecting these resources to reinforce the JTF is likely to have counterproductive effects. It may discourage the Member States from using the JTF's support and limit the scope of projects implemented under the JTF framework.

The JTF should primarily provide support to regions heavily reliant on coal and with GDP per capita below the EU's average

PKEE welcomes the ambitions of the European Commission to set up a fair, balanced and efficient distribution of JTF resources. Any cap will, therefore, undermine the methodology, which main goal is to indicate regions that will face the most difficult journey towards climate neutrality. We thus call on the co-legislators to remove the cap in Annex I, point (b). PKEE believes that the value stated in Annex I, point (a) (ii) concerning the employment in coal and lignite sector, should be considerably increased to serve the Fund's intended purpose, which is supporting the energy transition in coal-reliant regions. The above-mentioned criteria will allow identifying the regions with the biggest financial needs resulting from phasing out coal-based activities. Moreover, the indicator for employment in the mining of coal and lignite should be increased from the current

[1] CAKE, *Scenarios of low-emission energy sector for Poland and the EU until 2050 2019*, available at: http://climatecake.pl/wp-content/uploads/2019/11/CAKE_energy-model_EU_low_emission_scenarios_paper__final.pdf

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value of 25% to 50%. The list of eligible regions should be narrowed down so that 80% of the JTF resources are made available to coal regions facing the biggest transition challenges.

Aid intensity – a key factor for coal regions

It is beyond any doubt that the implementation of the policy pursuing the EU's goal of climate neutrality will necessarily require major changes in activities conducted by undertakings, motivated solely by the requirements of climate policy. This should result in the adoption of an entirely new set of State aid rules for the JTF.

Following the principle of aid intensity rules adopted by the European Investment Bank in the Energy Transition Package, the PKEE underlines the need to adopt similar measures within the JTF.

The maximum aid level from the JTF should be aligned with the maximum financing level of 75% from EIB's Energy Transition Package to make the Fund more effective and consistent.

The scope of support should focus on renewable energy sources

The possibility to support investments in renewable energy is welcomed by the Polish energy sector. However, those technologies are still capital intensive and require considerable capital outlays. Therefore, we underline the need to keep on board a broad spectrum of activities as proposed in art. 4 and art. 7(2)(h) of the JTF proposal.

A JTF tailored to the transition needs should also support enterprises that are non-SMEs to enable the biggest and most crucial investments to be made. Small-scale investments may not give as significant social and economic benefits resulting from creating new job opportunities as the large RES projects may.

Just Transition Plans and National Energy Climate Plans: which timeline applies?

According to the art. 7(1) of the JTF proposal, territorial Just Transition Plans should cover "one or more affected territories corresponding to level 3 of the common classification of territorial units for statistics ('NUTS level 3 regions')".

Although we support the idea of pursuing a coherent policy, the proposed measures might not be feasible. Development of Just Transition Plans on NUTS 2 level appears to make more economic and administrative sense. Taking into account that the central government, which is in charge of National Energy Climate Plans (NECP), is better placed to globally assess regional transitional difficulties and needs, the just transition plans should be developed at the central government level. Moreover, it remains unclear how the art. 7(2) (a) of the JTF proposal would apply while taking into account that the new territorial Just Transition Plan may slightly modify the ambitions enshrined in the NECP. Given that the NECP will be reviewed every two years, a lack of coordination may occur. We ask the European Commission to clarify the technical process and the interrelations between the different plans.

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